

# **Regulations of the Audit, Risk & Sustainability Committee**

*(It also conducts the Function of Related Party Transactions Committee)*

*Approved by the Board of Directors on 20 April 2017*

## **1. FORMATION**

1.1 The Board of Directors, in accordance with the provisions contained in the Corporate Governance Code of Borsa Italiana, has instituted an Audit, Risk and Sustainability Committee (hereinafter “Committee”) to ensure, by adequate preliminary activity, support to its assessments and decisions relating to:

- i) the Internal Control and Risk Management System;
- ii) the sustainability issues related to Brembo's activities and to the interactions with its stakeholders;
- iii) the approval of the financial statements and half-yearly reports, together with the reception of Non-Financial Information Legislative Decree 254/2016.

## **2. COMPOSITION**

2.1 The Audit, Risk and Sustainability Committee shall comprise 3 (three) Non-Executive and Independent Directors, from among whom a Chairman shall be identified. Alternatively, the Committee may comprise Non-executive Directors, the majority of which being Independent ones, in which case one of the Independent Directors shall be appointed as Chairman.

2.2 The number of Audit, Risk and Sustainability Committee members must be appropriate for the size of the company, and its term of office is 3 (three) years, generally coincident to the term of office of the Board of Directors.

2.3 It should be noted that the independence requirements are those set out in the Corporate Governance Code for listed companies. Apart from independence and additional requirements, as defined in the Regulations of the Board of Directors, nominees for the Audit Committee must have:

- Sufficient time available to serve;
- Professional skills in relation to the Committee's tasks;
- Ability to make proposals concerning audit operations and to identify critical risk areas.

2.4 At least one member of the Audit, Risk and Sustainability Committee must possess adequate experience in accounting and finance, to be evaluated by the Board of Directors upon his or her appointment.

## **3. FUNCTION**

3.1 The Audit, Risk and Sustainability Committee is responsible for playing a preliminary, advisory and propositional role in assisting the Board of Directors, and fulfils the following tasks:

- Evaluates, together with the Manager in charge of the Company's financial reports, the adequate application of accounting principles, and, in case of groups, their consistency for the purposes of the financial statement;
- Expresses opinions about specific issues emerging in the identification of critical risk areas;
- Verifies the periodical reports concerning the assessment of the Internal Control and Risk Management System, in particular those released by the Internal Audit function.
- Monitors the independency, adequacy and effective functioning of the Internal Audit function;
- May request the Internal Audit Director to verify specific functional areas, at the same time informing the Chairman of the Board of Statutory Auditors;
- Reports to the Board of Directors, on a half-yearly basis, on the occasion of yearly and half-yearly financial statements approval, about the operations and adequacy of the Internal Control and Risk Management System, and, in any case, about significant issues emerging during its internal meeting, on the occasion of the first available Board of Directors meeting;
- Examines, with the support of the Internal Audit function, received reports, with the purpose of monitoring the adequacy of the Internal Control and Risk Management System;
- Completes other tasks assigned from time to time by the Board of Directors, and, when requested by the Chairman, the Executive Deputy Chairman and the Chief Executive Officer, examines any other related issues;
- Examines and evaluates: (i) Sustainability policies aimed at ensuring value creation from medium and long-term perspective for its shareholders and its stakeholders, in respect of the principles of sustainable development; (ii) Targets, goals and following processes of sustainability, together with Sustainability Reports to be yearly submitted to the Board of Directors;
- Monitors international initiatives in the field of sustainability and the Company's participation to these, in order to consolidate the international reputation of the Company;
- Conducts the function of Related Party Transactions Committee and fulfils the related tasks, as specified in the Related Party Transactions Procedure, according to article 4 of the Consob Regulations, adopted with Resolution No. 17221 of 12 March 2010 and Resolution No. 17389 of 23 June 2010, updated version available on Brembo's website<sup>1</sup>.

3.2 The Chairman coordinates the activities of the Audit, Risk and Sustainability Committee and fulfils the following tasks:

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<sup>1</sup> [www.brembo.com](http://www.brembo.com), section: company/corporate-governance/governance-documents

- Plans the agenda of the Committee meetings, defining number and duration of meetings;
- Informs the Board of Directors about identified issues and adopted measures related to risk control and management;
- Periodically meets the Chairman of the Supervisory Committee with reference to compliance of Legislative Decree 231/2001, or meets the Chairman of the Board of Statutory Auditors with reference to issues of common interest;
- Consults the Internal Audit Director and organizes ad hoc meetings with the purpose of an in depth examination of subjects and methodologies related to the activities of the Internal Audit Director;
- Organizes and attends ad hoc meeting, even delegated by the Committee itself, with the Company's management, the Manager in charge of the Company's financial reports, the CSR Officer, the Risk Manager and/or with functions, structures, committees or company roles relating to risk management, sustainability issues and initiatives or compliance.

#### **4. CONDUCTING OF THE MEETINGS OF THE AUDIT COMMITTEE**

##### 4.1 The Audit, Risk and Sustainability Committee:

- Meets, upon Chairman convocation, at least four times a year — even by telephone and/or video conference call —, and any other time it is necessary;
- Is considered validly in session when the majority of the members of the Committee participates;
- Adopts the decisions taken by the majority of the members attending the meeting; in the event that no proposal receives the majority of votes, the Chairman's decision shall prevail.

##### 4.2 The following are invited to participate in all of the Committee meetings:

- The Chairman of the Board of Statutory Auditors or other member delegated by him/her;
- The Executive Director in charge of the Internal Control and Risk Management System;
- The Chief Executive Officer;
- The Internal Audit Director;
- The Manager in charge of the Company's financial reports or other member delegated by him/her, provided he or she has specific competence;
- The CSR Officer and/or one or more members of the CSR Steering Committee<sup>2</sup> with reference to specific competences;
- The Risk Manager;
- The Corporate & Compliance Manager, who is also in charge as standing Secretary of the Committee.

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<sup>2</sup> The CSR Steering Committee is an internal managerial committee, in charge of defining the guidelines with reference to CSR, the adoption of CSR group policies, the identification of operational priorities, approval and monitoring of projects proposed by the CSR Officer. It is composed by: CSR Officer, Executive Deputy Chairman, Chief Executive Officer, Systems Division Director, CSR Program Manager, Communication Director, Business Development and Marketing Director, Human Resources and Organization Director, Purchasing Director, Quality & Environment Director.

- 4.3 Ad hoc invitees, external to the Committee but internal to the Company management and/or to any structure related to risk management and sustainability, may also participate in relation to specific internal audit and risk management needs or other business items on the agenda.
- 4.4 The Chairman or, if not present, the eldest of the attending members of the Committee shall presides the Committee meetings.
- 4.5 The Chairman and Secretary shall draft and sign a minute of each Committee meeting. Once signed, the minutes are transmitted to the members of the Committee, to the Chief Executive Officer, to the Executive Director in charge of the Internal Control and Risk Management System, to the Chairman of the Board of Statutory Auditors, to the Internal Audit Director, to the Manager in charge of the Company's financial reports or the person delegated, to the CSR Officer and to the Risk Manager.
- 4.6 Audit Committee meetings may be held by means of teleconferencing and videoconferencing, provided that all participants may be identified and are able to follow and participate simultaneously in the discussion of the subjects raised, as well as view documents in real time.
- 4.7 As part of its activities, the Committee has the faculty to access any information and company functions necessary to fulfil its tasks, as well as employ external consultants, within the scope and the amount of the fixed budget approved by the Board of Directors.

## **5. FINAL PROVISIONS**

- 5.1 Regarding any other issue not expressly established within this Code, it is understood that laws and statutory provisions regarding Brembo's Board of Directors, as well as the present Code, are applied.
- 5.2 The Chairman of Brembo's Board of Directors may carry out merely formal amendments to the present Code, upon receiving evaluation and approval from the Committee, when these are necessary to align with laws and regulations, assessment of the Board of Directors, or organizational changes of Brembo S.p.A.