

2017 CONSOLIDATED DISCLOSURE
OF NON-FINANCIAL INFORMATION
IN ACCORDANCE WITH LEGISLATIVE
DECREE NO. 254/2016





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Letter of the Chief Corporate Social Responsibility Officer	4
Reader's Guide	7
Sustainability Highlights	8

 1 The Group	
CHOICES, STRATEGIES AND CONCRETE, SHARED VALUES	11
1.1 Group profile and main applications	12
1.2 Brembo's history	14
1.3 Global footprint	16
1.4 Target markets and brands	18
1.5 Stock performance	21
 2 Sustainability	
AWARE OF OUR ROLE FOR A SUSTAINABLE FUTURE	25
2.1 Sustainability for Brembo	26
2.2 The Group's values	29
2.3 The history of CSR	30
2.4 Dialogue with stakeholders	32
2.5 The materiality matrix	40
 3 Organisational structure	
A SOLID YET FLEXIBLE STRUCTURE THAT LOOKS TO THE FUTURE	47
3.1 Corporate Governance model	48
3.2 A responsible business management system	54
3.3 Internal control and risk management system	60
 4 Brembo People	
9,837 UNIQUE AND AMAZING WOMEN AND MEN	67
4.1 A growing Group with talented People	68
4.2 Different ways of being Brembo People	72
4.3 Training and development of skills	75
4.4 Professional growth through recognition of merit	77
4.5 Safeguarding workers' health and wellbeing	79

	5 Production process	
	CREATING AND INNOVATING TO IMPROVE TOGETHER	85
	5.1 Designing innovation	86
	5.2 Awards for innovative ideas	87
	5.3 The results of innovation: some distinctive products	90
	5.4 Listening to customers for product improvement	92
	5.5 Partnerships to improve the environmental impact of products	93
	5.6 Creativity and method: ensuring product safety	95
	6 Environment	
	BEYOND RESPECT: COMMITMENT TO THE ENVIRONMENT	99
	6.1 Efficiency and environmental protection in production processes	100
	7 The local areas	
	GROWING RESPONSIBLY, TOGETHER AND WHEREVER	111
	7.1 Creating opportunities for the local areas	112
	7.2 Social and cultural development of local communities	116
	7.3 Ancillary companies and supplier network	121
	7.4 2030 Agenda: sustainable development goals and priorities for Brembo	126
	APPENDIX	129
	In-depth information	130
	Methodological note	134
	<i>Reporting standards applied</i>	134
	<i>Reporting scope</i>	134
	<i>Reporting process</i>	135
	<i>Reporting principles</i>	136
	Material topics and related GRI G4 aspects	137
	GRI G4 Table of contents	138
	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 20267	144



LETTER OF THE CHIEF CORPORATE SOCIAL RESPONSIBILITY OFFICER

Dear All,

It is with immense pride that today, in my capacity as Chief CSR Officer, I am presenting the Brembo Group's "Consolidated Disclosure of Non-Financial Information". This is a reporting tool designed to offer all of our stakeholders - ranging from our employees to the shareholders, our suppliers and every one of Brembo's stakeholders right across the continents in which we operate - the opportunity to know and assess the Group's conduct, commitment, progress and results in the area of social responsibility and hence, *inter alia*, respect for the environment, employees, human rights and the fight against corruption.

The focus on these aspects is part of Brembo's DNA, centered on the principles and values that we ask every one of our staff and every partner, in Italy and worldwide, to respect and adopt as their own. Over the years, these principles and values have contributed to a development that takes account, in a balanced manner, both of the interests of the Company and its Shareholders, and of the world around us.

Today, Brembo is a Company with which more than 9,800 people work - a higher number than last year - in 15 countries, across 3 different continents. These people represent a wealth of experience, passion and expertise and Brembo offers them opportunities for professional growth, a stimulating and rewarding work environment, as well as a rich training and development offering. In 2017 alone, the Group

provided a total of more than 195,000 hours of training, including on environment, health, safety and compliance.

Brembo maintains a strong focus and commitment on the environment: in fact, in 2017 the Environment & Energy Department - previously an entity within the Quality & Environment Department - was set up with the specific aim of defining the Group's strategies in this area, continuing to steadily reduce the environmental impact of our sites, which are subject to systematic monitoring and reporting.

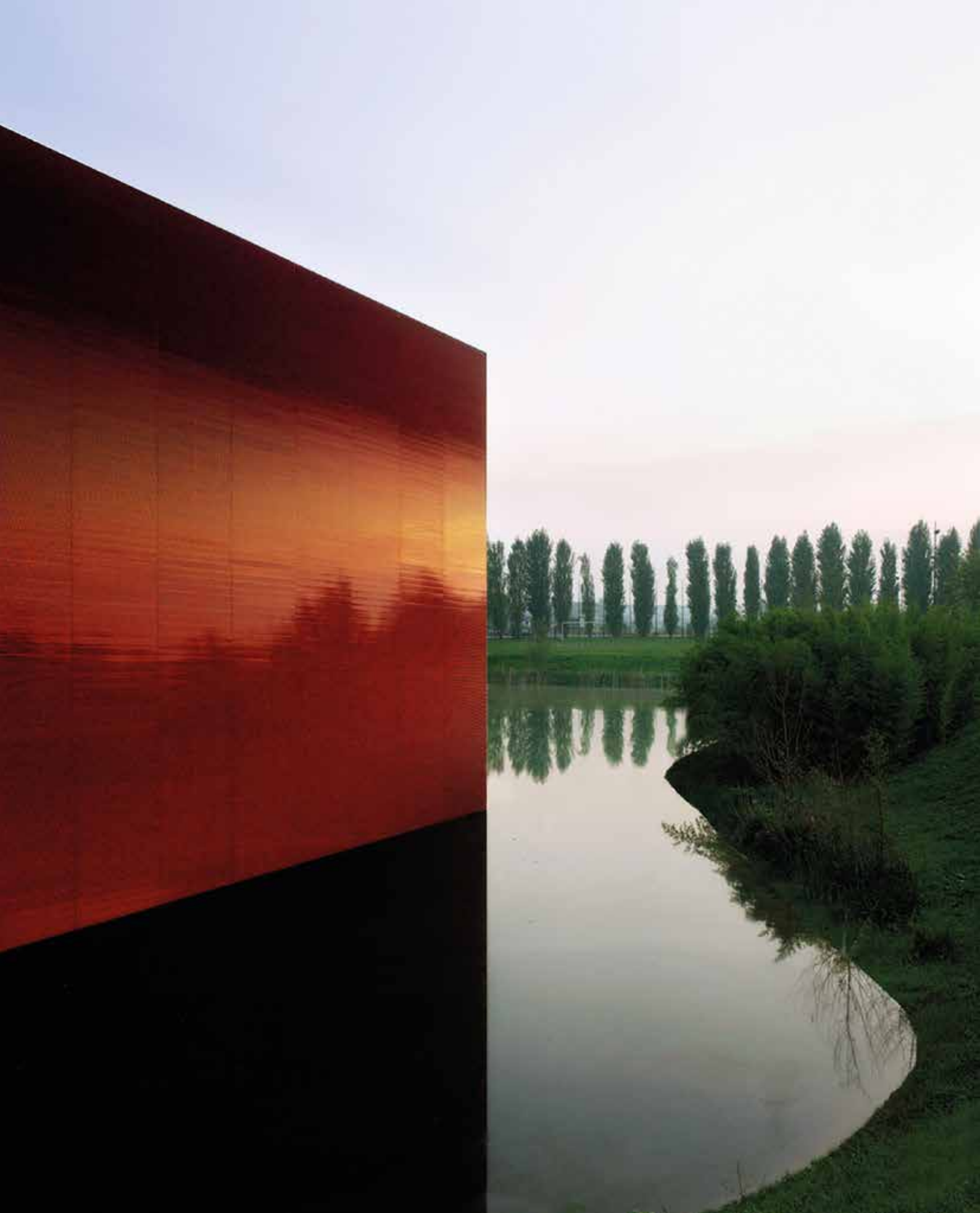
We have invested in and are finalising investments to reduce energy consumption and atmospheric emissions, as well as to minimise waste and industrial scrap and increase waste reuse and recycling, applying best practice and the most stringent standards to guarantee top performance levels. It was no coincidence that Brembo was recognised in 2017 by Carbon Disclosure Project - an independent organisation that monitors the commitment to reduce the causes of climate change - as one of the top companies worldwide and included on the "A List" of the Climate Change programme, with particular reference to carbon dioxide emissions, considered to be one of the main factors responsible for global warming.

In addition, on this front the Group has already defined and disclosed specific medium- and long-term objectives that are in line with the Carbon Disclosure Project's guidelines and meet the requirements laid down by COP21, for the reduction of greenhouse gas emissions: by 2025, Brembo is committed to reducing direct and indirect emissions by 19%, compared to the levels measured in 2015, through actions aimed to improve the efficiency of plants and increase the percentage of energy used that comes from renewable sources.

Brembo's responsible commitment is also expressed at community level: our Group has strong ties to the local areas in which it operates and it pays attention to the needs of these areas, supporting local communities through various projects and initiatives, particularly in sectors such as education, training, research and child protection (*such as the "House of Smile" projects in India - helping women and children living in vulnerable situations - and "SOSTeniamoci" in Italy - a programme assisting a group of foreign unaccompanied minors along a path to independent social and economic living*), without forgetting art, culture and sport. We are a steadily growing Group, in Italy and worldwide, but our principles and values continue to be those that have always underpinned the way we operate: those of a socially responsible Company, which looks carefully and respectfully at the expectations of all of its stakeholders.

Chief CSR Officer
Cristina Bombassei

A large, stylized handwritten signature in black ink, which appears to read 'Cristina Bombassei', is positioned over the printed name and title.



READER'S GUIDE

This **2017 Consolidated Disclosure of Non-Financial Information, in accordance with Legislative Decree No. 254/2016**, (hereinafter also “**Non-Financial Information**” or “**Disclosure**” or “**NFI**”) 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-scale public interest entities¹ 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 matters, respect for human rights, anti-corruption and bribery matters, 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** and the **main risks** connected to such aspects.

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 **G4 Sustainability Reporting Guidelines** — Core Option of the Global Reporting Initiative (GRI) adopted as the standard of reference for the preparation of this document, the contents of the Disclosure on Non-Financial Information were determined through a **materiality analysis**.

¹ Public interest entities which, at consolidated level, employ at least 500 employees on average during the year and report a total balance sheet value

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 G4 GRI Guidelines**: 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 G4 GRI standard 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 2017** and to all **Group’ fully consolidated companies that have been included in the Consolidated Financial Statements at 31 December 2017**, as published in the 2017 Annual Report, unless otherwise indicated. Figures for 2015 and 2016 have been added and indicated appropriately if useful for purposes of comparison or contextualisation of the information.

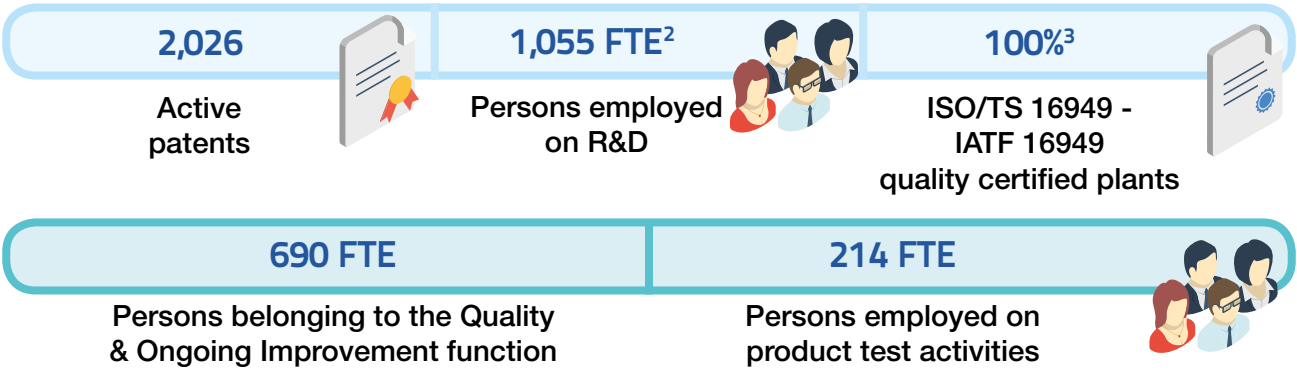
The Consolidated Disclosure of Non-Financial Information was approved by the Board of Directors on 5 March 2018, following examination by the Audit, Risk & Sustainability Committee, in the meeting held on 26 February 2018.

The Consolidated Disclosure of Non-Financial Information is organised into seven 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**

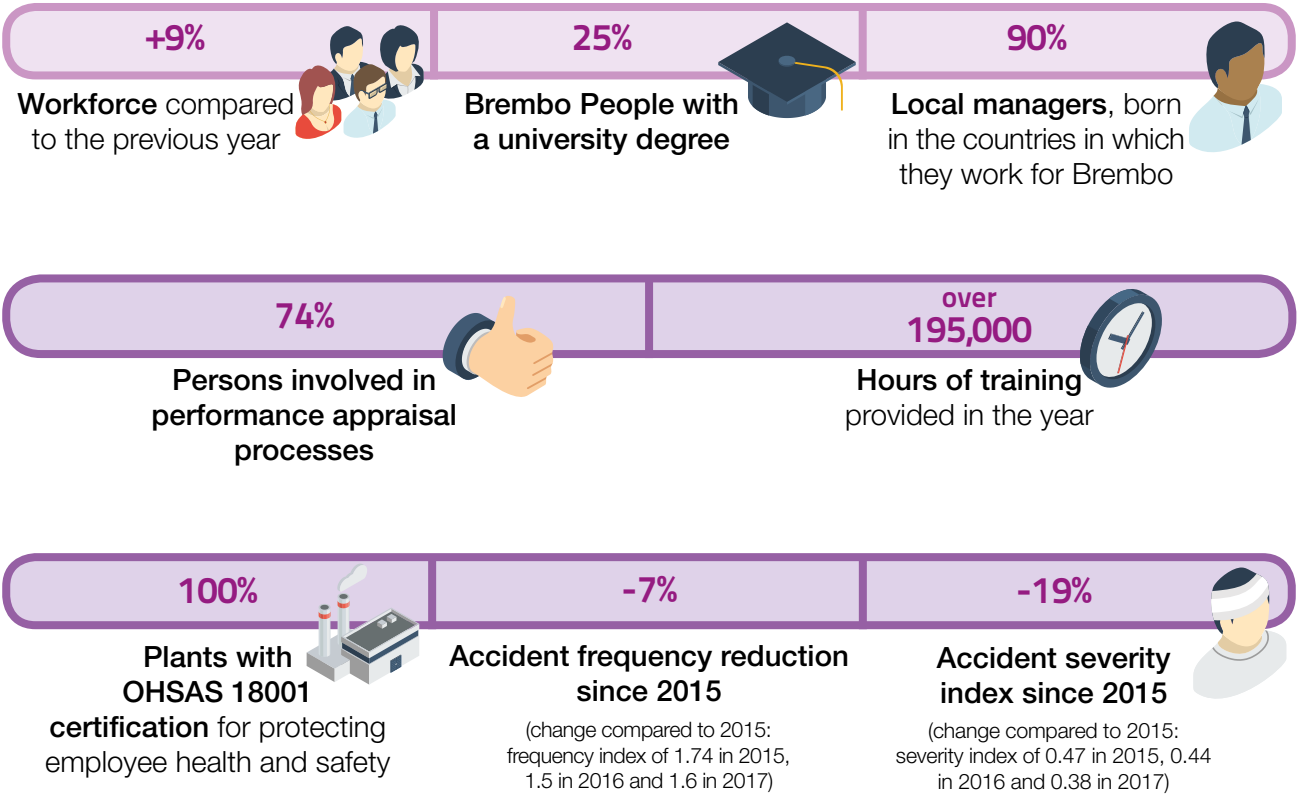
of more than €20 million or net income from sales and services of more than €40 million.

SUSTAINABILITY HIGHLIGHTS

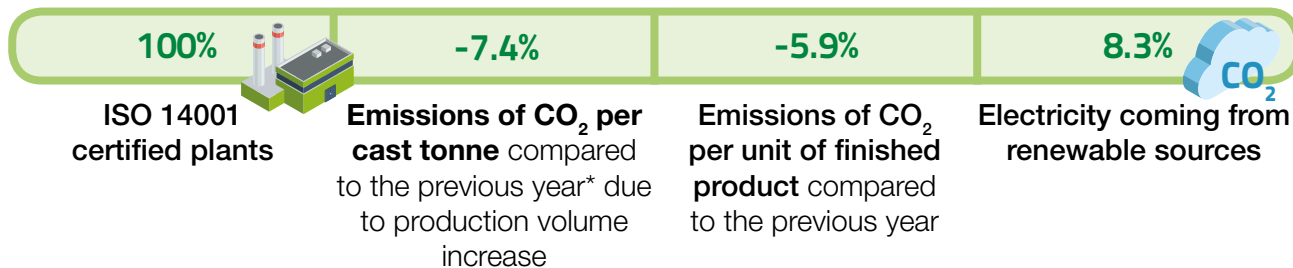
Our commitment to innovation and quality



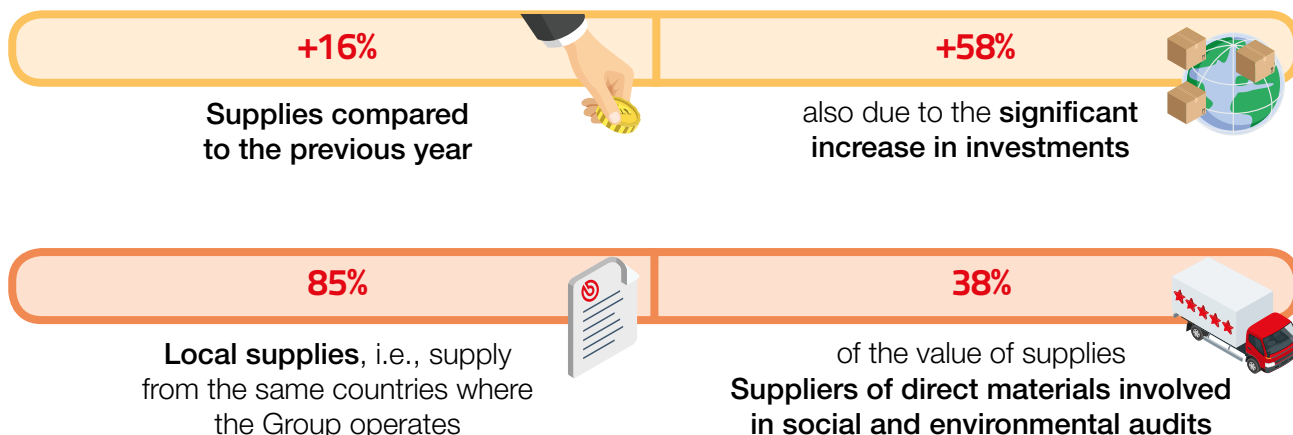
Our commitment to Brembo People and total safety



Our commitment to the environment



Our commitment to the supply chain



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

³ Net of the Zaragoza plant which is ISO 9001 certified.

* The calculation scope for measuring the emission intensity does not take into account the Langfang plant.

CHAPTER 1



A black and white photograph of a building facade with a Brembo logo. The logo consists of a stylized 'B' inside a circle, followed by the word 'brembo' in lowercase letters. The building has a textured, metallic appearance. A large red circle is overlaid on the right side of the image, containing white text. A red wavy line is at the bottom of the image.

The Group
CHOICES,
STRATEGIES AND
CONCRETE,
SHARED
VALUES

1.1 GROUP PROFILE AND MAIN APPLICATIONS

The Brembo Group - global leader and recognised innovator in brake disc technology for vehicles - 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 Company currently operates in 15 countries in 3 continents, with a staff of over 9,800.

FIGURES FOR THE THREE-YEAR PERIOD 2015 – 2016 – 2017



Employees
7,867 – 9,042
9,837



Stock value
+10%
change compared
to early 2017



Investments
156 – 264
361
€ million



Turnover
2,073 – 2,279
2,464
€ million

Main applications

CARS



76.8%

on total sales

This is Brembo's main area of operation and includes brake discs, brake calipers, wheel-side modules and complete braking systems, inclusive of 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.

COMMERCIAL VEHICLES



9.2%

on total sales

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.

MOTORBIKES



9.2%

on total sales

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.

RACING



4.8%

on total sales

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.

1.2 BREMBO'S HISTORY

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.

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

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. Brembo is now present in fifteen countries and three continents.

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

2000s – Style

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 – Future











Brembo is looking to the future. It is opening research and development centres in China and the USA too and the Group is growing thanks to investments and takeovers around the world. Brembo builds its first cast iron foundry in the USA and opens new plants in China and the Czech Republic, as well as expanding its production hub in Poland. Brembo is now a household name around the world. Its history of success is crowned by the inclusion of its Chairman, Alberto Bombassei, in the Automotive Hall of Fame in Detroit in 2017 “due to the extraordinary results achieved.”



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



15 COUNTRIES
WORLDWIDE

19 PRODUCTION
SITES*



Distribution and sales activities

Spain 🇪🇸

Zaragoza

Sweden 🇸🇪

Göteborg

Germany 🇩🇪

Leinfelden-Echterdingen

China 🇨🇳

Qingdao

Japan 🇯🇵

Tokyo

Russia 🇷🇺

Moscow

**Two production sites are not included in the reporting scope of the present Consolidated Disclosure of Non-Financial Information*

22 LEGAL ENTITIES

5 R&D CENTRES

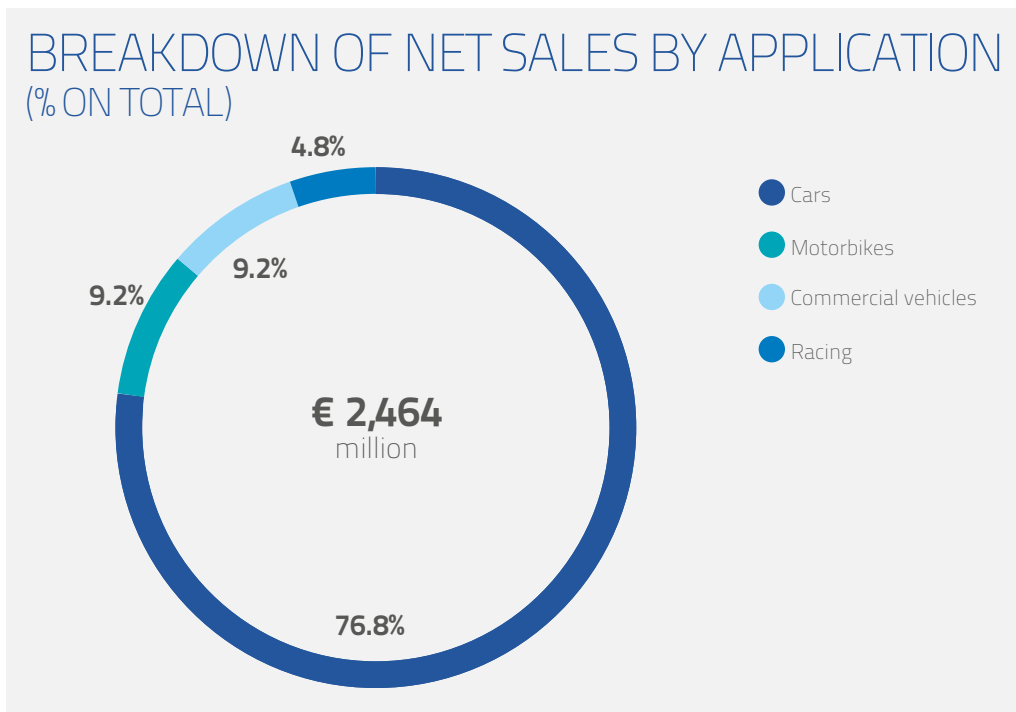
1.4 TARGET MARKETS AND BRANDS

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

Overall in 2017, Brembo's consolidated net sales amounted to €2,464 million, up 8.1% compared to €2,279 million in 2016.

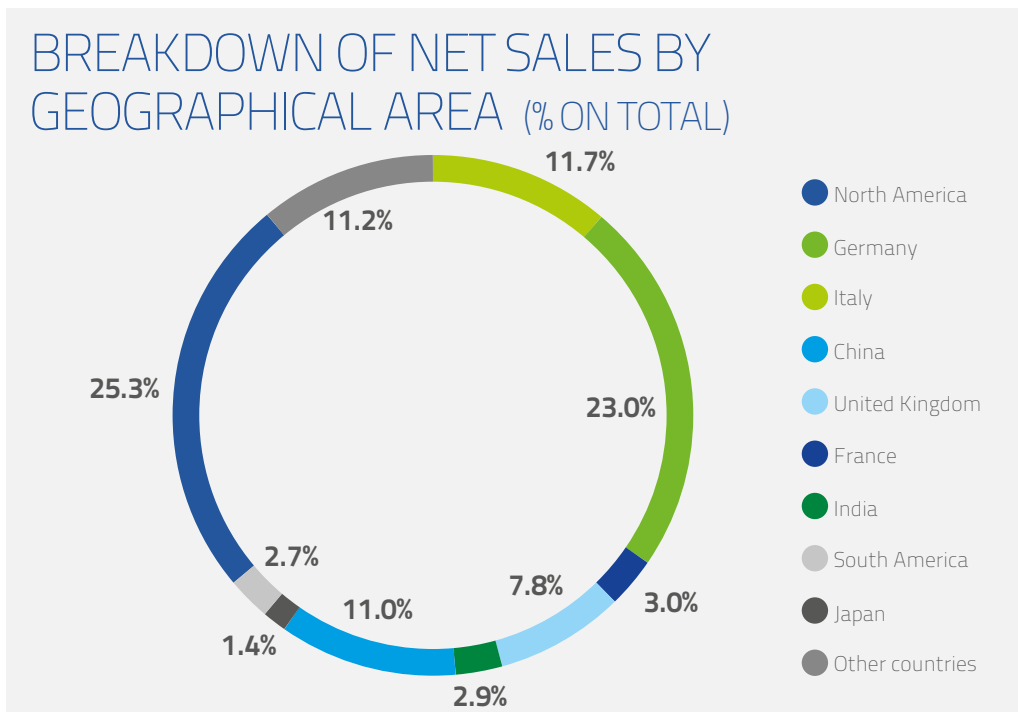
Performance of the industry of reference

In 2017, the car market, which generates three quarters of Brembo's turnover, rose at global level by 2.4% over the previous year. Indeed, despite the slowdown in sales in the United States, the Chinese and European markets grew.



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

In 2017, the target car market changed compared to the previous year by	In the same period, Brembo's sales reported the following results
<ul style="list-style-type: none"> ■ + 3.3% in Western Europe, with significant peaks in Italy and Spain. A positive trend was also reported in Eastern Europe, with a growth of 12.8% compared to 2016 	<ul style="list-style-type: none"> ■ + 7.2% in Europe
<ul style="list-style-type: none"> ■ + 2% in China, the world's top car market 	<ul style="list-style-type: none"> ■ + 34.2% in China
<ul style="list-style-type: none"> ■ - 1.4 % in North America, second market after China 	<ul style="list-style-type: none"> ■ - 0.8% in North America



The brands

Brembo owns and operates with the following brands:



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.



Brembo Racing is the brand that identifies all products bound for the world of car and motorbike racing, used by the best teams in the most important F1, Indy, Nascar, Rally, MotoGP, Superbike, Enduro, Cross and, from December 2018, Formula E championships.



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.



AP represents a brand of excellence in the world market of car braking systems and components for the aftermarket channel.



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



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



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.

THE "BEST BRAND" AWARD

The prestige and recognisability of the "Brembo" brand make it stand out within its market. In 2017, it was reconfrmed "Best Brand" in the brake category by readers of Germany's main car and motorbike magazines (including Motorrad, AutoZeitung, Motorsport Aktuell), a prime position recognised almost every year since 2006.

In 2017, Brembo also came third in the Best Brands Italia chart, drawn up by GfK and Serviceplan on the basis of the now famous annual survey conducted on Italy's best brands.

Having broken into the Top 10 of the "Best Corporate Brands" category for the first time as the only non-consumer brand among the Italian and international giants on the list, Brembo was the third most popular among the 4,500 consumers interviewed by Best Brands to discover the success factors and level of attraction exercised by Italian brands.

1.5 STOCK PERFORMANCE

For a listed Company, stock value can be seen as an indicator of an enterprise’s credibility and reputation.



stock value increase in 2017 compared to year-start

From this perspective, the trust and relational capital enjoyed by Brembo in recent years has grown steadily.

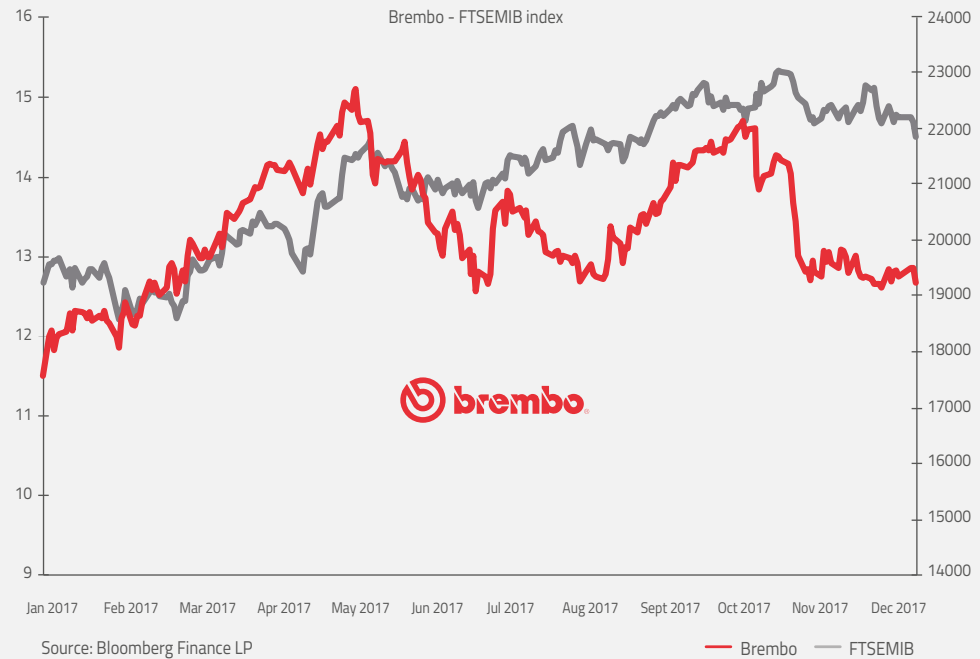
After several years of significant growth, in which the value of the Brembo stock increased more than tenfold from the first day it was listed on the Italian Stock Exchange (in July 1995), the stock rose by a further **10%** approximately in 2017 compared to the year-start. During the same period the FTSE MIB index (in whi-

ch Brembo has been included since 2 January 2017) and the European index Euro Stoxx 600 closed up **13.61%** and **7.68%**, respectively, whilst the BBG EMEA Automobiles Parts index grew **by over 36%**.

An analysis of Brembo stock performance in the three-year period 2015-2017 shows that it rose by more than 127 percentage points, far higher than these same indices; in the same period the Euro Stoxx 600 index closed at +14.5%,

BREMBO STOCK VALUE IN 2017

(€ million)



the FTSE MIB at +17.1%, the European components index at +42.3%. From the beginning of the year up to 17 January 2018 the Brembo stock rose by 4.13 percentage points.

Throughout 2017, the most representative European share indices performed positively. It appears that the modest but widespread phase of economic expansion, which marked 2017, may also extend into 2018. The outlook for some areas has actually improved. The Eurozone economy has proved to be stronger than expected, with 2.3% growth, about one percentage point higher than consensus estimates. Only unforeseen geopolitical developments could upset this scenario that should remain calm in 2018.

On 29 May 2017, Brembo S.p.A. carried out a Brembo stock split, in the ratio of 5 new shares for each old share held. The transaction was approved in April 2017 in order to increase the volume of trades of the stock in light of the ste-

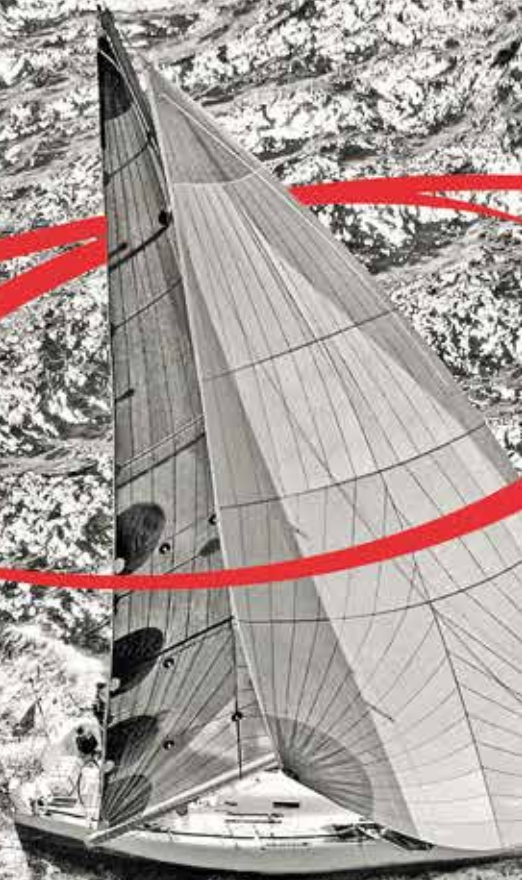
ady growth of the Company, which over time has performed in a more than positive manner resulting in a significant rise in the market value compared to the initial listing price. This transaction had no effect on the amount of the Company's share capital or on the characteristics of its shares.

In October 2017, Brembo was included in the new Borsa Italiana index, namely FTSE Italia Brands, together with other Italian companies considered by Borsa Italiana, with the support of a panel of industry experts, excellent in terms of brand perception and competitive positioning. In addition to the traditional metrics, the main intangible assets of these companies were taken into consideration, such as brand perception amongst their customer base and the distinctive positioning compared to their competitors. The aim of the index is to provide investors with a useful tool for monitoring the performance of these important companies.



Brembo's plant in Pune (India)

CHAPTER 2





Sustainability

AWARE OF
OUR ROLE FOR
A SUSTAINABLE
FUTURE

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' her-

itage 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 focus on operating responsibly is reflected in the establishment of the position of **"Chief CSR Officer"**, a role under the responsibility of the Director overseeing the Internal Control and Risk Management System. As well as liaising with the Audit, Risk & Sustainability Committee, the Chief CSR Officer proposes and coordinates the projects and initiatives in the corporate social responsibility area, monitors the action plans of the various organisational units, also in the light of external best practices, and examines the reports and requests of customers regarding sustainability topics. In addition, since 2017 the Chief CSR Officer has played a key role in preparing the Consolidated Disclosure of Non-Financial Information.

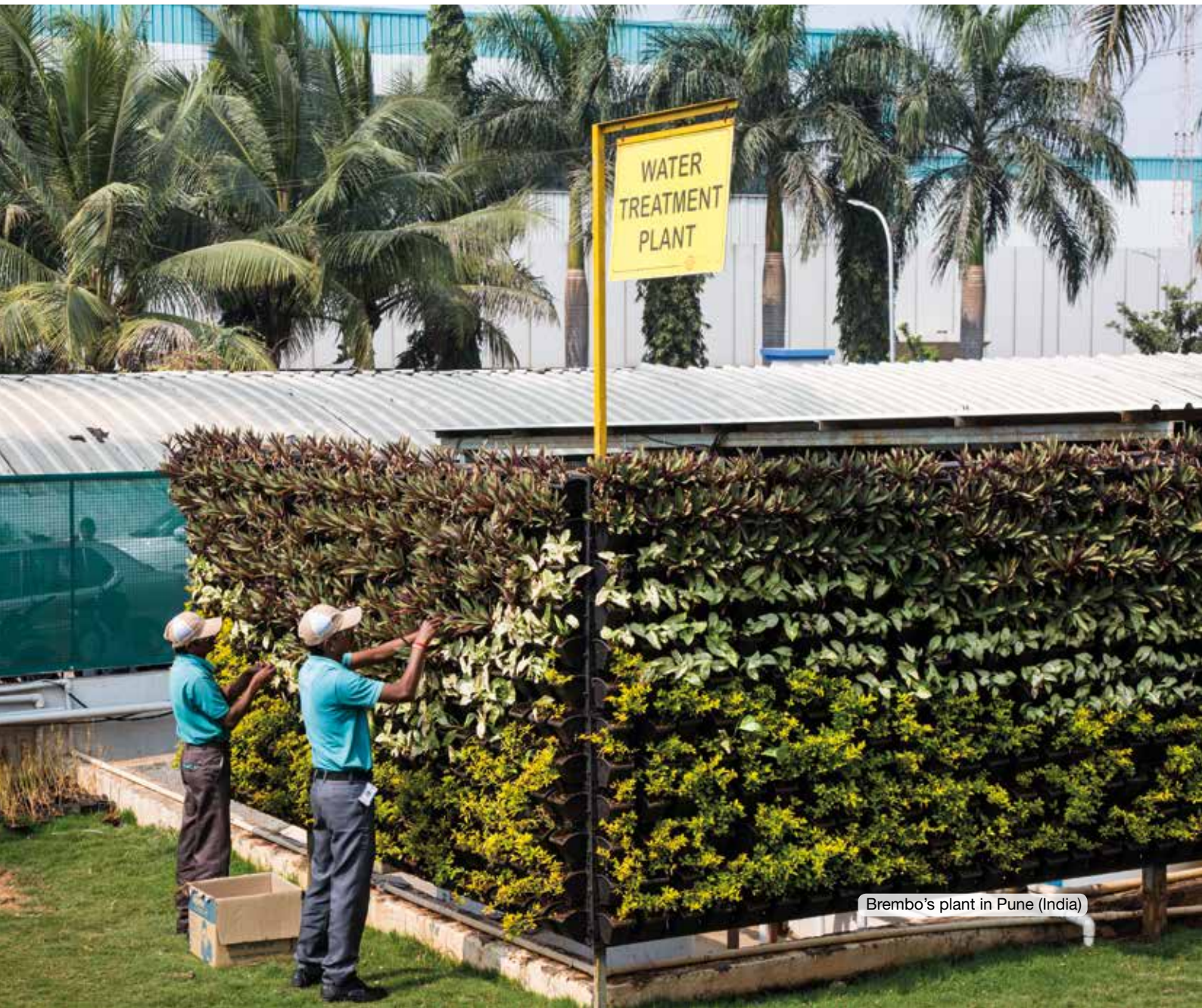
The **"CSR Steering Committee"**, was set up to support the Chief CSR Officer. This Committee is primarily responsible for defining the Sustainability Guidelines and adopting the related policies; proposing a plan with the environmental and social strategic objectives; approving the projects proposed by the Chief CSR Officer and validating the activities preparatory to the sustainability reporting process. Moreover, it is responsible for effectively

managing relations with all Group stakeholders and sustainability risks, as well as assessing the draft Consolidated Disclosure of Non-Financial Information.

In 2017 the Board of Directors attributed to the Audit & Risk Committee responsibility for overseeing sustainability topics given the affinity of the tasks, changing its name to the **Audit, Risk & Sustainability Committee**. The Committee consists of 3 Independent Directors and remains in office for 3 years, up to

the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019.

The Audit, Risk & Sustainability Committee assists the Board of Directors by examining the sustainability policies and procedures, Company guidelines and objectives inherent in the social and environmental objectives and monitoring international initiatives in the sustainability field.



Brembo's plant in Pune (India)



RECURSOS HUMANOS

Brembo's plant in Apodaca (Mexico)

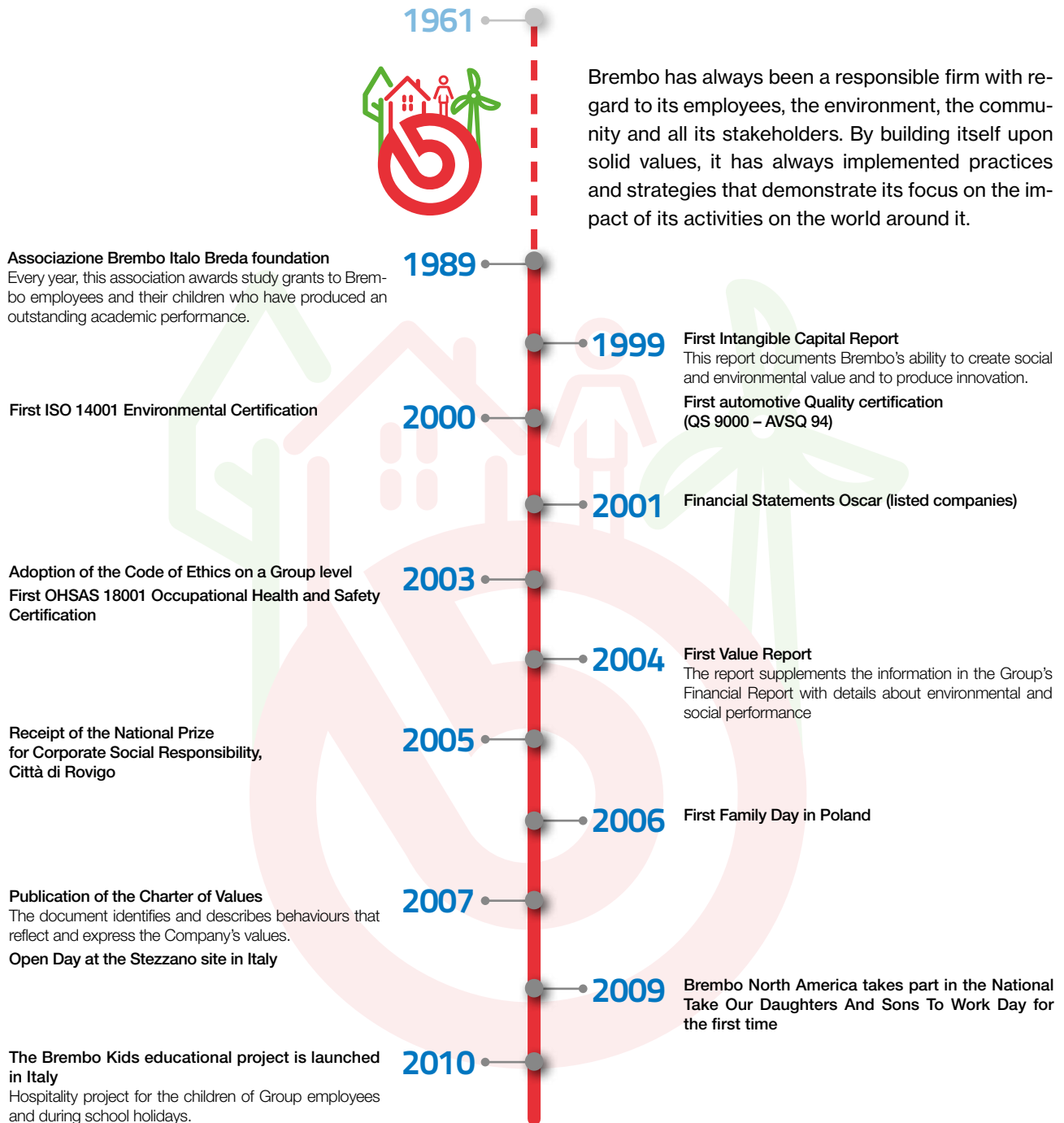
2.2 THE GROUP'S VALUES

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

2.3 THE HISTORY OF CSR



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.

Institution of the CSR Steering Committee and appointment of the 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

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 (Italy)

Support for the I Was a Sari Association – 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.

2011

2012

2013

2014

2015

2016

2017

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.

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.

SOSTeniamoci

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.

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 (Poland)

CDP Climate Change 2017 Award (CO₂ emissions)

Prize awarded 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.

The Houses of Smile and I was a Sari projects received the Impresa Award

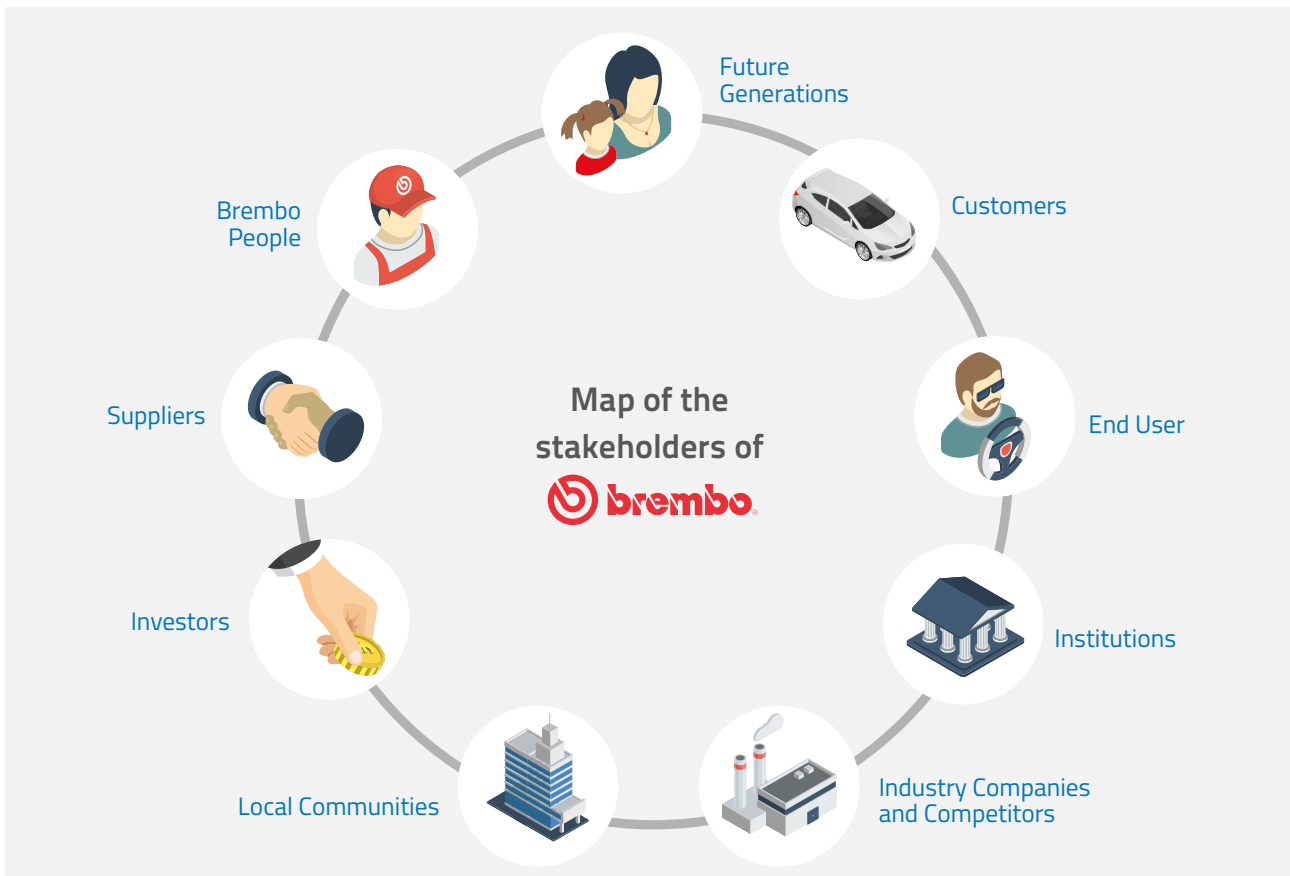
set up by the Italian-Indian Chamber of Commerce, in the “Community Development (Society) Awards 2017” category.

2.4 DIALOGUE WITH STAKEHOLDERS

For Brembo, dialogue with its internal and external stakeholders is an important element of its strategy for improving the impact of Company activities on the environment and society, since it allows the Group to gather important information about the context in which it operates and to obtain feedback about its actions.

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.



Brembo's offices in Plymouth (USA)

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
Investors 	<ul style="list-style-type: none"> - General Shareholders' Meeting - Feedback and support channels offered by the Investor Relations function - Meetings, roadshows (approximately 10 a year) and quarterly conference calls with analysts - Corporate website and dedicated e-mail accounts 	<ul style="list-style-type: none"> - Increase in the value of the Brembo Group's shares - Reduction of the risks associated with the investment - Transparency of Corporate Governance structures, long-term strategy and objectives, management actions and Company performance, as also extended to the environmental and social arena
Customers 	<ul style="list-style-type: none"> - Daily activities and reports of the Business Units: Car and Commercial Vehicle Systems Division, Brake Discs Division, Motorbikes, Aftermarket and Performance Group - Joint development programmes - Supplier assessment questionnaires and qualification processes - Customer support channels - Support and training network for Brembo Expert repair professionals - Surveys to identify customers' needs and expectations for the development of new products 	<ul style="list-style-type: none"> - Product reliability and safety - Reliability and flexibility of production processes to ensure business continuity and delivery times - Constant product innovation, including the improvement of environmental performance and attention to product design - Support for joint development of custom solutions - Technical support for the network of repair and maintenance service professionals in the transfer of know-how - Protection of the value of the Brembo brand as a distinctive element for vehicles and motorbikes
End User 	<ul style="list-style-type: none"> - Customer support channels - Monitoring and interaction on social networks - Feedback from vehicle and motorbike manufacturers 	<ul style="list-style-type: none"> - Reliability and safety of Brembo products - Information about proper brake system maintenance - Protection of the value of the Brembo brand as a distinctive element for vehicles and motorbikes
Brembo People 	<ul style="list-style-type: none"> - Internal climate (every 3 years), job satisfaction and engagement surveys - Trade union roundtables - Daily activities and reports of the Human Resources and Organisation function - Channels for receiving reports of violations of the Code of Ethics, Code of Basic Working Conditions and Policy on non discrimination and diversity - Internal communication activity (Intranet portal, house organ and notice boards) - Training activities concerning organisational behaviour 	<ul style="list-style-type: none"> - Safe work environment, where the health and mental and physical wellbeing of individuals are protected - Job stability - Opportunities for personal and professional growth - Training and skill development processes - Remuneration policies and merit-based incentive systems - Inclusion and appreciation of diversity - Transparency and engagement with regard to Company objectives and performance
Suppliers 	<ul style="list-style-type: none"> - Daily activities and reports of the Purchasing function 	<ul style="list-style-type: none"> - Timely and proper fulfilment of contractual conditions - Continuity of supply requests - Possibility of developing strategic partnerships to improve activities

<p>Local Communities</p> 	<ul style="list-style-type: none"> - Orientation and involvement of secondary school and university students and related recruiting programmes - Roundtables and discussions with the Public Administration - Initiatives involving the opening of Brembo's facilities to visits from workers' families ("open door" days) in various countries where the Group is present - Initiatives in support of the social and cultural development of local communities promoted by the Group - Whistleblowing mechanism for alleged violations of the Code of Ethics - Monitoring through the media (press, specialist publications, TV, Web and social networks) 	<ul style="list-style-type: none"> - Support to the world of schools, also through a willingness to host students on alternating school-work paths - Collaboration with Universities and research centres in the development and spread of engineering, technical and scientific knowledge and skills - Offering of job opportunities and transparent, merit-based recruitment processes - Creation and protection of employment within the Group and its ancillary businesses - 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 - Participation and support by Brembo in cultural development and social inclusion projects
<p>Institutions</p> 	<ul style="list-style-type: none"> - Roundtables and initiatives involving discussion with institutions, at national and international level - Hearings before parliamentary committees 	<ul style="list-style-type: none"> - Ensuring full compliance with and observance of applicable legislation - 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 - Promotion of local development and the achievement of the objectives established by the international agenda - Monitoring of the process to manage social and environmental risks throughout the value chain
<p>Future Generations</p> 	<ul style="list-style-type: none"> - Focus on the awareness campaigns of environmental associations and on analyses of the scientific community 	<ul style="list-style-type: none"> - Fight against atmospheric pollution and global warming - Conservation of natural resources and circularity of the economy - Protection of ecosystems and natural biodiversity - Contribution to the achievement of the United Nations Sustainable Development Goals
<p>Industry Companies and Competitors</p> 	<ul style="list-style-type: none"> - Participation in the proceedings and themed committees of trade associations 	<ul style="list-style-type: none"> - Involvement in the analysis of the industry's performance and needs to define common strategies for improving the sector and developing industry-wide policies - Strengthening industrial relations, including in view of pre-competitive collaboration on certain key aspects, such as improving sector sustainability - Protection of freedom of competition

Dialogue with the key players in the automotive industry

With a view to promote constructive dialogue with institutions and encourage discussion between the industry's key players, Brembo 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
CLEPA - European Association of Automotive Suppliers	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.
CAEF - European Foundry Association	Brings together and represents the foundry sector's operators at European level.
SAE - Society of Automotive Engineers	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.
UNECE – United Nations Economic Commission for Europe	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 following initiatives:

Country	Associations/organisation and main objectives
■ Italy	<ul style="list-style-type: none"> ➔ 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. ➔ 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.

Country	Associations/organisation and main objectives
<p>■ Italy</p>	<ul style="list-style-type: none"> ➤ 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 Italiana Investor Relations promotes the role of the Investor Relations Officer (IRO) within the financial community. ➤ AIRI: Italian Association for 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 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 development 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. <p>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; 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; NED COMMUNITY - Italian association of non-executive and independent directors; Club FARO - Organisation for the optimised acquisition of raw materials and non-ferrous materials.</p>
<p>■ Spain</p>	<ul style="list-style-type: none"> ➤ 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.
<p>■ Poland</p>	<ul style="list-style-type: none"> ➤ 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.

Country	Associations/organisation and main objectives
<p>■ India</p>	<ul style="list-style-type: none"> ➔ 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.
<p>■ China</p>	<ul style="list-style-type: none"> ➔ 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 2016 Brembo's Chairman has been a Member of the Foundation's Board of Directors. ➔ NANJING ASSOCIATION OF ENTERPRISES WITH FOREIGN INVESTMENT: association that promotes foreign business investments.
<p>■ United States</p>	<ul style="list-style-type: none"> ➔ 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: 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: consultation council for aftermarket executives with the objective of educating and tackling business concerns from the standpoint of millennials. <p>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 e la Michigan Chamber of Commerce.</p>
<p>■ Mexico</p>	<ul style="list-style-type: none"> ➔ CAINTRA: represents and promotes the interests of the industrial community in the Nuevo Leon region.
<p>■ Japan</p>	<ul style="list-style-type: none"> ➔ JSAE - SOCIETY OF AUTOMOTIVE ENGINEERS OF JAPAN: Japanese society that promotes the development of automotive science and technology.

Country	Associations/organisation and main objectives
■ United Kingdom	<ul style="list-style-type: none"> ➤ MIA MOTORSPORT INDUSTRY ASSOCIATION: this is the main world commercial association for the Motorsport, Performance Engineering, Services and Tuning sectors.
■ Argentina	<ul style="list-style-type: none"> ➤ AFAC - ASOCIACION FABRICANTES DE AUTOPARTES Y COMPONENTES: an association that brings together manufacturers in the Argentinean car components industry. ➤ AMCHAM - US CHAMBER OF COMMERCE: promotes encounters between professionals from different companies for the purposes of sharing knowledge and expertise.
■ Brazil	<ul style="list-style-type: none"> ➤ FIEMG AND SINDIPEÇAS: association of companies that promotes trade development and mediates collective bargaining with Trade Unions.



Brembo's offices in Stezzano (Italy)

2.5 THE MATERIALITY MATRIX

Brembo has completed a materiality analysis process to define the structure and content of the Consolidated 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 internal team coordinating Corporate Social Responsibility policies, 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 identification of sustainability Topics that are significant for the Group and the industry was based on an analysis of various information sources such as:

- 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 transcrip-

tions 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, and Safety, Environment 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 has 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.

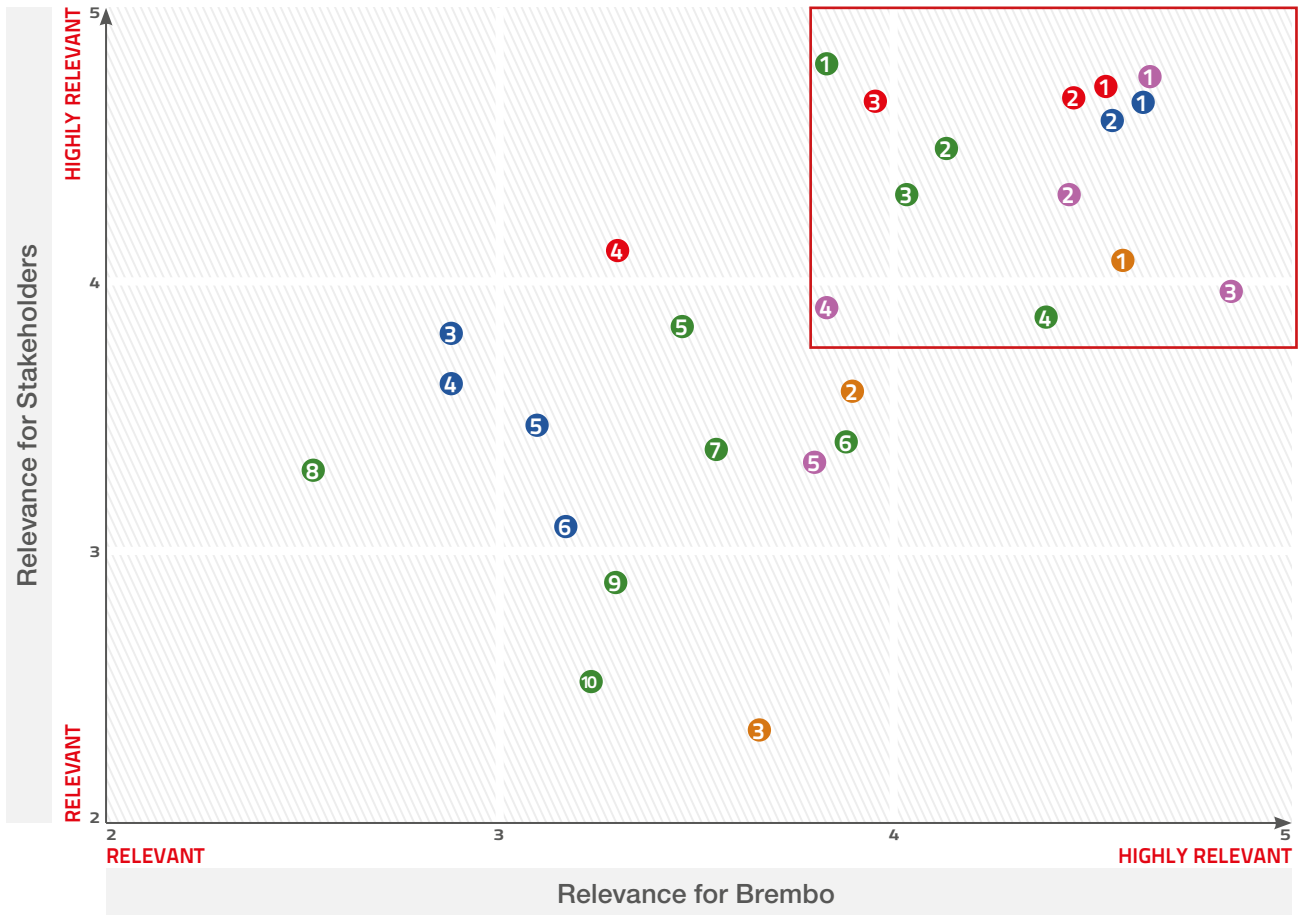
The Materiality Matrix

The materiality matrix, which is the result of the assessment process described above, is illustrated graphically in the diagram indicated below, in which the **28 most relevant topics** are positioned along two axes:

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

During 2017, the Group's top management carried out a new assessment of the positioning of the 28 topics in the materiality matrix compared to the results obtained in 2016. The update is the outcome of the new significance attributed by management to the various topics, considering the industry trend, the economic-financial and reputational impact and Brembo's recent strategies. As in the previous year, top management assessed the significance of the material aspects, in terms of setting out the Group's vision and interpreting the stakeholders' viewpoint.

The 2017 Matrix was examined and approved by the Board of Directors on 18 December 2017, after examination by the Audit, Risk & Sustainability Committee in the meeting of 14 December 2017. The different colours of the Topics identify the stakeholder category most affected by the various sustainability aspects.



HUMAN RESOURCE-RELATED TOPICS

- 1 Occupational Health and Safety
- 2 Brembo People Development
- 3 Benefits and work-life balance for Brembo People
- 4 Protection of freedom of association and workers' rights
- 5 Promotion of diversity and equality of opportunities
- 6 Attention to and strategic alignment of Brembo People

CUSTOMER-RELATED TOPICS

- 1 Total product quality and safety
- 2 Partnerships with customers and co-design
- 3 Product design and style
- 4 Customer satisfaction

COMMUNITY AND ENVIRONMENT -RELATED TOPICS

- 1 Local and Global Development
- 2 Effective management of emissions in the atmosphere
- 3 Efficient waste management
- 4 Energy efficiency
- 5 Relations with local communities and stakeholder engagement
- 6 Product eco-innovation
- 7 Responsible water use
- 8 Conflict minerals
- 9 Soil protection from leakages and polluting substances
- 10 Responsible selection of materials

SUPPLIER-RELATED TOPICS

- 1 Supply chain management
- 2 Environmental and social due diligence in relationships with suppliers and business partners
- 3 Collaboration with suppliers and promotion of the supplier-driven innovation

CROSS-CUTTING TOPICS

- 1 Overall product and process innovation
- 2 Business Ethics
- 3 Brand value and reputation
- 4 Talent attraction and partnerships with Universities
- 5 Participation in system/industry initiatives

Brembo's sustainability model requirements (not included in the Materiality Matrix)

- CREATING LONG-TERM SUSTAINABLE VALUE
- EFFECTIVE GOVERNANCE SYSTEM
- LAW AND REGULATION COMPLIANCE

Relevance for Stakeholders



Relevance for Brembo

The 14 Topics identified as material are reported in detail herein, with an increasing level of detail according to their materiality for the Group and its stakeholders, and are summarised here below:

Overall product and process innovation	<p>Constant process and product innovation to ensure improvements in product quality, also with a view to reducing environmental impact.</p> <p>Ability to exploit the opportunities that digitalisation offers for transforming the planning of production and logistic flows, while satisfying the Customers' need to be able to rely on an extremely flexible supply chain that can meet demand with just in time strategies.</p>
Total product quality and safety	<p>Innovation to improve the safety of all product components: mechanical strength, integration with advanced electronics, etc.</p> <p>Maximum safety guarantee for the brake systems marketed.</p> <p>Offering customers products with high-quality standards to ensure excellent performance, consistent with the target market segment (top-range vehicles).</p>
Occupational Health and Safety	<p>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.</p> <p>Promotion of healthy and ergonomically-sound workplaces.</p> <p>Investment in infrastructure and training and in disseminating a safety culture.</p>
Brembo People Development	<p>Performance management, through the regular appraisal of all staff and definition of structured and formalised career development paths.</p> <p>Retention and development of critical staff and related skills, planning of their succession.</p> <p>Programmes for managing skills and promotion of training/life-long learning.</p> <p>International mobility opportunities for Brembo People.</p>
Partnership with customers and co-design	<p>Partnerships in the automotive supply chain for product innovation and development.</p> <p>Capacity to monitor market trends, reactivity in understanding the most promising innovations and quickly adapting its own offer to such developments.</p>
Brand value and reputation	<p>Promotion of the Brembo brand's distinctive features.</p> <p>Protection of Group's reputation and brand value.</p>
Business Ethics	<p>Dissemination of and training on the Code of Ethics, the Anti-bribery Code of Conduct, the Anti-trust Code of Conduct, the 231 Model and the Local Compliance Programmes.</p> <p>Controls on effective implementation of the Model according to Legislative Decree No. 231/2001 and the Code of Ethics, effective management of violation reports and adoption of safeguards against retaliation.</p> <p>Internal and external mechanisms for reporting behaviours that are unethical, and do not conform to Company standards or are illegal.</p> <p>Incentive systems that promote and recognise the commitment to manage one's own responsibilities/activities with a view to ongoing improvement in business sustainability.</p>
Supply chain management	<p>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.</p> <p>Collaboration inside the supply chain through stable commercial relations, assistance with investment and reinforcement of management skills.</p>

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.
Product design and style	Expression of product quality also by focusing on its design and aesthetics.
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.
Effective waste management	Reduction of hazardous waste production and proper disposal/recycling. Promotion of scrap reduction and recycling initiatives
Talent attraction and partnerships with Universities	Capacity to attract and retain talents and key expertise within the Group also through relations with Universities.

A number of topics expressly required by Decree 254, such as "Responsible use of water resources" and "Promotion of diversity and equal opportunities", were identified amongst the Group's 28 material topics; although the

Group's management does not consider them as the most material, it recognizes their social importance and they are therefore described herein.

CHAPTER 3





Organisational structure

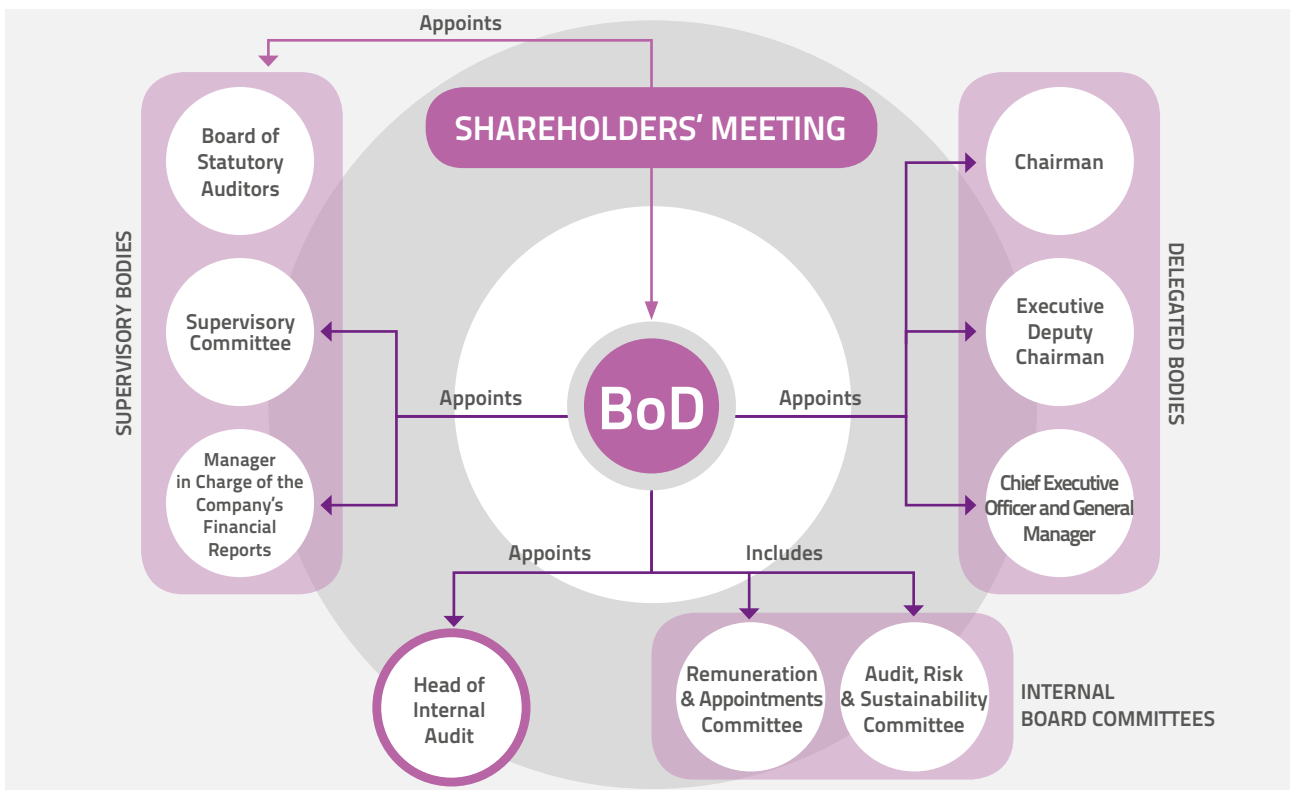
A SOLID YET FLEXIBLE
STRUCTURE
THAT LOOKS
TO THE FUTURE

3.1 CORPORATE GOVERNANCE MODEL

Brembo has structured a sound Corporate Governance Model based on the recommendations of Borsa Italiana’s Corporate Governance Code and best international practices, through which it meets the interests of all of its stakeholders effectively.

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

ble 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, 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. 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 is structured so as to achieve a twofold objective:

DIVERSITY POLICIES OF THE ADMINISTRATIVE BODY

As part of the self-assessment carried out annually by the Board, it emerged that the Board's composition should represent a combination of professionalism and management skills that meet the requirements regarding integrity, independence and gender provided for by current legislative, regulatory and statutory provisions as well as the recommendations of the Self-Regulatory Code suited to the size, positioning, complexity and specific features of the industry and Group strategies.

Accordingly, on 3 March 2017 Brembo's Board of Directors approved the "Regulations of the Board of Directors", applicable with effect from the Board's 2017-2019 term of office, with the aim of providing the market with criteria in addition to those established by applicable laws and regulations, with as objective a foundation as possible, concerning the composition and proceedings of the Board of Directors that are appropriate to the Group's size, position, complexity and the specific nature of its business sector

and strategies. These criteria also include the diversity policies to be applied to the composition of the Governing Body pursuant to Article 123-*bis* of the Finance Consolidation Law. In compliance with the skill diversification provided for by the Regulations, at least four positions must be filled by entrepreneurs or managers who have an international background and/or are from a geographical area where Brembo's business has a significant presence.

The skills of the individuals, who enrich the Board of Directors' team, are one of the main performance indicators of the Company's Governance system.

The requirements identified by the Board of Directors' Rules include the age of the Independent Directors, who may not be younger than 35 and older than 70, 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.

- defining a remuneration system based on fairness and meritocracy, 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 value and aligning the management's interests and Shareholders' expectations.

The Shareholders' Meeting held on 20 April 2017 confirmed 11 members of the Administrative Body and appointed the Board of Directors for the 2017-2019 three-year period.

As required under the Corporate Governance Code, Brembo set up, within the Board of Directors, the Remuneration & Appointments



Committee and the Audit & Risk Committee, which has changed its name into Audit, Risk & Sustainability Committee after a Board of Directors' resolution dated 20 April 2017. 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.

Following the election of new board members and officers, Brembo organised an 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 relevant regulatory framework.

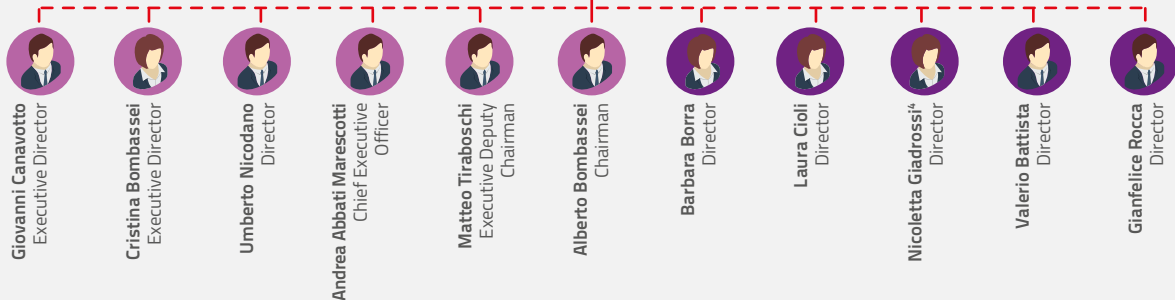
All newly appointed Directors receive all of the Codes, Regulations and Governance Procedures adopted by the Company, which represent the "Director's Manual".

⁴ The candidature of Director Nicoletta Giadrossi was submitted by a group of Shareholders representing 0.515% of the share capital, directly during the General Shareholders' Meeting held on 20 April 2017.

MEMBERS OF THE BOARD OF DIRECTORS

-  Non-independent Director
-  Independent Director

Board of Directors BREMBO



Following the election of new board members and officers, Brembo organised an induction programme for the first term of office (April 2017 – April 2018) targeting newly elected Directors and Statutory Auditors, but also open to those already in office, with the participation of the Top Managers, Division/BU Managers and Human Resources Managers, as follows:

- 4 ad hoc induction sessions on various macro-topics, including Business and Product Management, Quality, Safety and Environment Management Systems, the Business Plan and Corporate Social Responsibility.
- 2 visits to the Curno and Mapello (Bergamo) plants, for a deeper understanding of the development processes for Brembo products.
- 4 in-depth analyses during Board meetings regarding Industry 4.0 organic and non-organic growth strategies and M&A operations, Remuneration policies and Succession Planning.

■ **Board of Statutory Auditors.** It is the body in charge of supervising compliance with the law and corporate By-laws, observance

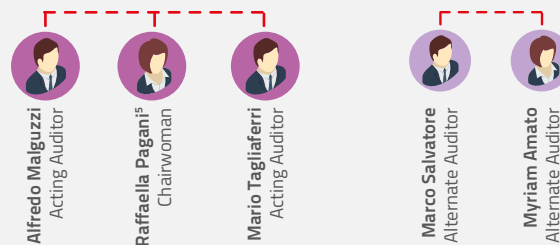
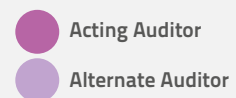
of the principles of sound management and adequacy of the organisational, administrative and accounting structures adopted by the Company.

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 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

⁵ The candidature of the Auditor Raffaella Pagani was submitted by a group of Asset Management Companies and other institutional investors (holding 0.523% of the share capital, overall).

MEMBERS OF THE BOARD OF STATUTORY AUDITORS



as independent as per provisions of the Corporate Governance Code.

■ **Independent Auditors.** It is an external entity in charge of the statutory audit appointed by the Shareholders' Meeting. The audit firm Ernst & Young 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.

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) the distribution of decision-making and commitments, including commitments to spend money, on the Company's behalf;
- (iii) the 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.

DIVERSITY POLICIES FOR THE CONTROL BODY

When Company's boards were renewed for the period 2017-2019, the outgoing Board of Directors expressed its position to the Shareholders on the identification of candidates for control bodies, referring to the experience and professionalism of candidates in order to ensure adequate diversity of the members of the governing body. In particular, the requirements for candidates for the position of Statutory Auditor are the following:

- overall experience of at least three years in professional or academic endeavours closely related to the Company's business; or
- 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.



Brembo's plant in Escobedo (Mexico)

3.2 A RESPONSIBLE BUSINESS MANAGEMENT SYSTEM

Brembo considers that transparent, ethical and compliant conduct, under all aspects, is essential for the Company's activities to be managed correctly. This means not only observing the current laws and regulations, but also considering the expectations and aspirations of the various stakeholders.

In order to promote a Group's prevention policy, Brembo has implemented an integrated global compliance system, adopting a system of tools which apply to the entire Group (Brembo Corporate and Compliance Tools⁶) 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. In December 2016, Brembo's Board of Directors approved the Group's new Code of Ethics, now in its third edition.

■ **Anti-bribery Code of Conduct.** This Code is aimed at maximising transparency, clarifying permissible behaviour, ensuring strict compliance with anti-bribery regulations in force in all countries in which Brembo operates and by any person who, in any capacity, work for Brembo; maintaining the highest standards of integrity. It also defines, inter alia, Brembo's policy on giving and receiving of gifts, hospitality and entertainment, the free provision of goods and services for promotional or public relations purposes, financing to political parties, donations to charitable organisations. Any amendments to the Anti-bribery Code is submitted for approval to the Audit, Risk & Sustainability Committee, the Supervisory Committee and 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 Group companies with a base in China a China Anti-bribery Addendum has been adopted which introduces further specific rules (to comply with local legislation), supplementing Brembo's Anti-bribery Code, the

⁶ The Brembo Codes of conduct and Policies are available for public consultation at <http://www.brembo.com/en/Company/corporate-governance/codes-policies>

equivalent of the Anti-bribery Code of Conduct for foreign companies.

■ **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 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 July 2017, Brembo published the new update of its Organisation, Management and

Control Model, pursuant to Article 6 of Legislative Decree 231/2001.

■ **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 – Conflict 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 Anti-trust 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 for the Compliance Programmes that will need to be implemented starting in 2018 at Group companies based outside the European Union. The training required to disseminate the areas of application will play an important role in 2018. No legal action relating to unfair competition, antitrust and monopolistic practices were reported in 2017.

■ **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 manage-

ment 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.

■ **Health, Safety and Environment Manual.** This sets out Brembo's commitment to a continual improvement in performance in the health, safety and environment area within the Group. It contains the principles, which are made public on the Company website, through the Quality, Safety and Environment-

Policy, and the main goals related to these aspects, such as refining workplace health and safety and environmental protection services, through integrated planning of the phases of each individual process, with the goal of minimising all risks for employees and gradually reducing the environmental impact, within a sustainable development framework.

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 Sharehold-

PRINCIPLES FOR SAFETY AND ENVIRONMENT MANAGEMENT

- The planning of the entire life cycle of Brembo products must enable the recovery and/or recycling of all the materials used.
- Prevention of pollution and 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 of the Safety and Environmental Management System, and ways in which it is implemented.
- Brembo's propensity to reduce its impact on the environment and the 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 and Environmental Management System in order to reduce environmental impact and the risks of operations carried out at industrial plants.
- When evaluating its suppliers, Brembo carefully considers those who have a certified Environmental Management System.
- Health, individual and collective safety and respect for the environment 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 as far as Safety and the Environment is concerned.

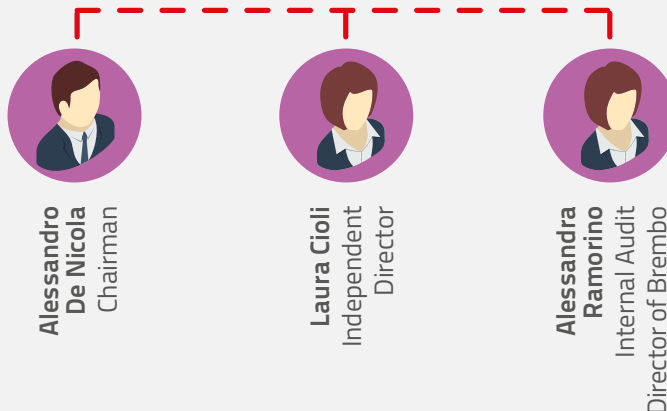
ers' Meeting on 20 April 2017 called upon to appoint the new Corporate Bodies. It will continue to serve until the end of the term of office of the Board of Directors, thus until the approval of the 2019 Financial Statements. In accordance with Brembo's 231 Model concerning the requirements for members 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.

■ **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,

MEMBERS OF THE SUPERVISORY COMMITTEE



also with reference to anti-bribery and anti-trust 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. 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, by means of a supervisory committee that assures adequate protection against reports made in bad faith. 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. The reporting channel set up by the Company is already in line with the requirements of the New Whistleblowing Law (Legisla-

tive Decree No. 2208 approved on 15 November 2017 by the Chamber of Deputies), but the Company is evaluating any further actions/measures to be taken to update its own Whistleblowing Procedure. No instances of bribery were reported in 2017.

■ **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. 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 2017 involving 5% of the Company's workforce, most of whom were new recruits.

During 2017 the Company's anti-bribery and business integrity policies were circulated to all Brembo's partners.



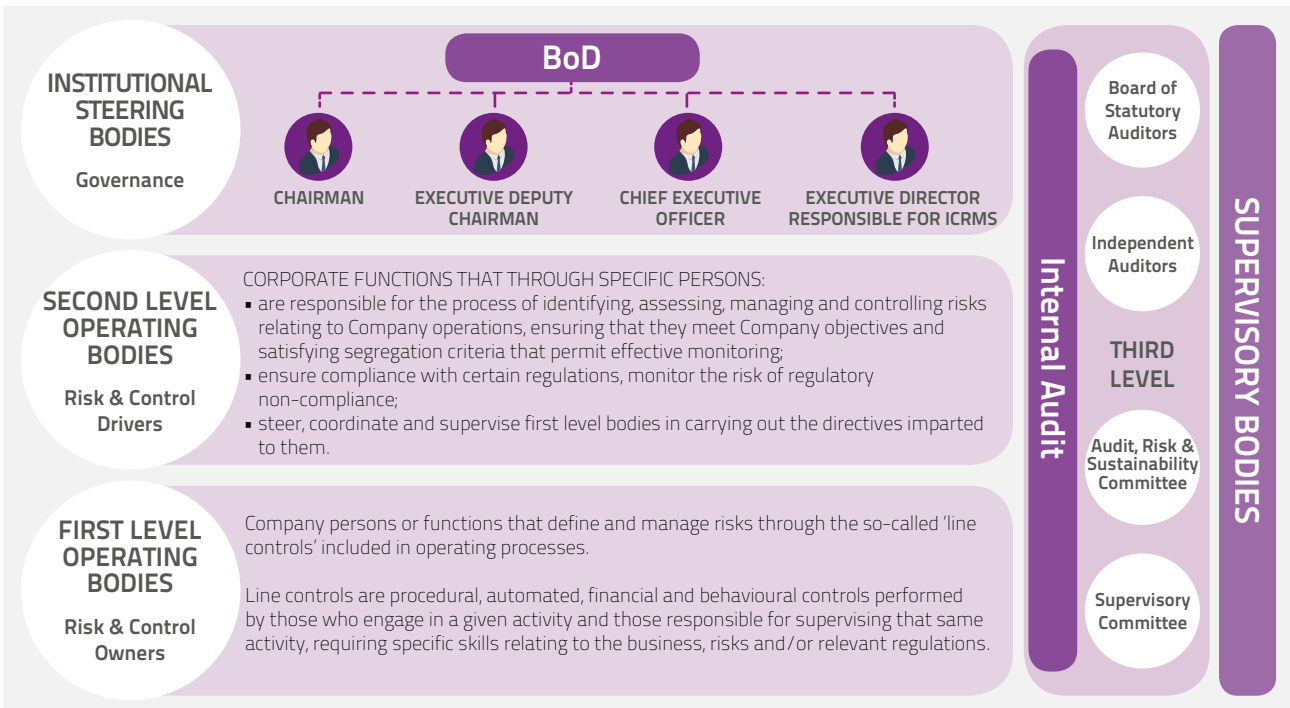
Brembo People received training regarding Ethics, Antitrust, Anti-bribery and compliance with the 231 Model.

3.3 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Effective risk management is a key factor in maintaining the Group's value over time, also with respect to its sustainability principles. In this regard, Brembo has established, within the framework of its Corporate Governance system, an Internal Control and Risk Management System (ICRMS), in keeping with best international and national practice, consisting of specific rules, procedures and organisational responsibilities.

It was set up to share ethical business principles and values, reflects Brembo's Code of Ethics and seeks to establish over time a fully-fledged culture of corporate controls aimed at ensuring legality, correctness and transparency in all Company operations, involving the

whole organisation in developing and applying methods to identify, measure, manage and monitor risks. More specifically, the organisational structure designed to manage business risks is as follows:



Organisational Structure:

- The **Audit, Risk & Sustainability Committee**, which 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;
- the **Internal Audit**, which evaluates the effectiveness and efficiency of the overall Internal Control and Risk Management System on a regular basis and reports the results to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer, the Board of Statutory Auditors, the Audit, Risk and Sustainability Committee and the Supervisory Committee of Brembo S.p.A. with reference to specific risks connected with compliance with Legislative Decree No. 231/2001. On an annual basis, it also reports to the Board of Directors.

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

■ Risk Management Policy

A **Risk Management Policy** based on **ISO standard 31000**, 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 like-

lihood 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.

■ 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 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. Brembo carries out exercises and simulations to identify possible scenarios, causes and potential consequences, considering any cascade (domino effect) and/or cumulative effects. During the 2017 financial year, Brembo was supported by a consultancy firm in identifying the main significant risks for the Group, bearing in mind its activities and characteristics, in relation to 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.
- **Risk analysis**, designed to assess potential risks, their probability of occurrence and impact.
- **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**

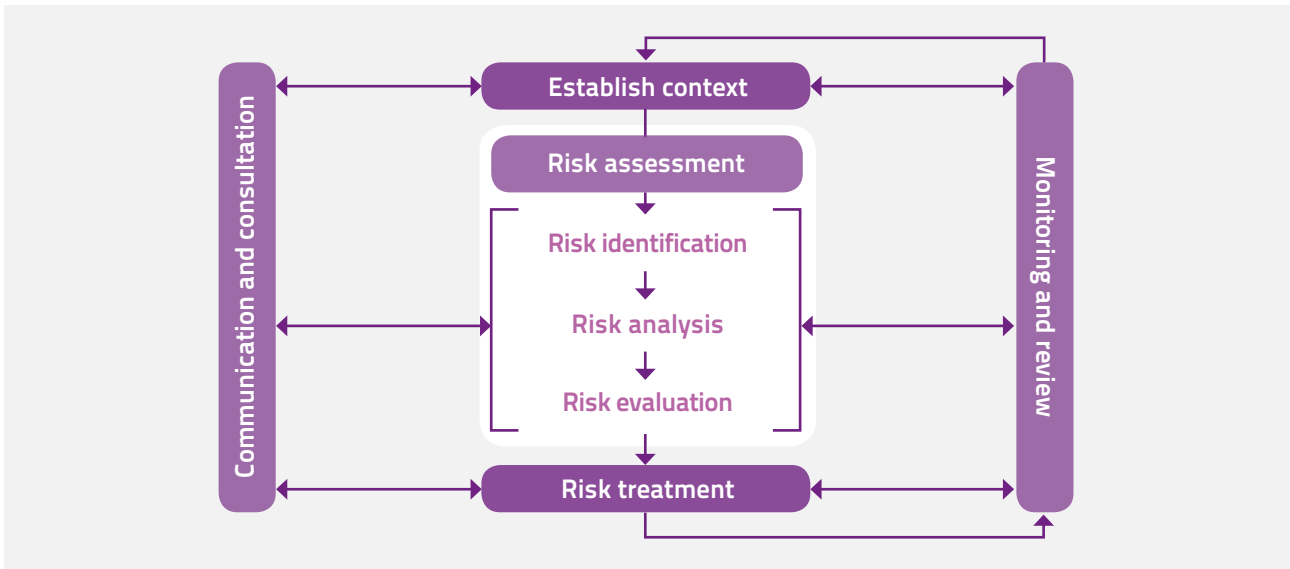
A risk management process founded on a **Risk Model** consisting of the following **risk families**:

- **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 "foot-print", 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, economic/ 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 target markets, innovation, investments, sustainability and management of relations

with stakeholders in general;

- **operating risks**, linked to events that could have an impact on the activity and/ or production continuity of Brembo, with negative consequences in terms of value creation. This family includes risks associated with the supply chain, the unavailability of production facilities, product marketing, international economic conditions, issues involving health, job safety and the environment and, to a lesser extent, the regulatory framework of the countries in which the Group operates;
- **financial risks**, connected to ineffective and inefficient management of events arising in key financial markets: market, commodity, liquidity and credit risks.

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



■ Leg. Decree 254/2016

In accordance with Legislative Decree No. 254/2016, the Group's risk management model includes the identification and assessment of the risks which Brembo generates and to which it is exposed in the following areas:

- **Environmental risks.** connected, on the one hand, to a potential non-compliance with environmental requirements as set forth by local regulations or any new obligation or regulatory requirement regarding a reduction in greenhouse gas emissions, and, on the other, to the growing pressure being applied by civil society and the end consumer to the development of products and industrial processes with a lower environmental impact. This category includes risks relating to the management of production facilities, with particular regard to the use of water at plants located in geographical areas potentially at risk of water shortages, to the impact of pollution of bodies of water due to possible contamination and to the impact of waste management. It also extends to the risks associated with the purchase by the Group of land for production purposes or with the acquisition of existing companies whose facilities stand on soil that has been contaminated as a result of pre-acquisition events. Brembo has always been committed to complying with applicable environmental legislation. To ensure such compliance, it devotes particular attention to monitoring the development of the legal and regulatory framework in the countries in which it operates, which it achieves by participating in local committees, taking part in trade associations and procuring specific consulting services, with the aim of promptly identifying new regulatory trends and ensuring timely compliance with new regulations. The Group conducts individual annual audits of

its production facilities located throughout the world. In addition, as part of its Environmental Risk Management System, which is subject to specific procedures, it periodically assesses environmental issues, recording, for each facility, the existence and proper use of prevention, control and monitoring tools and measures and implementing any corrective actions, where necessary. The Environmental Risk Management System will be updated in 2018 in order to bring it into compliance with the requirements established by the ISO 14001 standard.

- **Risks relating to human resources.** Brembo identifies and monitors both risks relating to health and safety and risks relating to human resource management. In the former area, Brembo's commitment to protecting and promoting health and safety in the workplace translates into thorough risk management based on ongoing analysis of critical issues and the adoption of a preventative approach. In particular, this category includes the risk of occupational and other illnesses due to ergonomic issues and the risk of workplace injuries and/or permanent disability as a result of workplace accidents. With regard to human resource management, in some geographical areas in which Brembo operates there is a risk of a shortage of direct and indirect labour and of technical staff with the skills needed to support development of the business. The Group regularly monitors the labour market in the areas of interest and periodically assesses initial salary levels for the most critical positions to be prepared for a possible review, with the aim of ensuring that they remain attractive. Human resources are recruited and selected with the support of specialised firms, in addition to strategic partnerships struck with local universities, research institutions

and schools, with which specific projects are developed. In order to ensure that the Brembo brand remains highly attractive as an employer, ad hoc communication campaigns have been implemented with a particular focus on certain markets. Finally, there is the risk associated with increasing automation and robotisation of industrial processes in connection with ongoing Industry 4.0 initiatives. Brembo's approach to this issue is to take advantage of these changes as opportunities to improve its global competitiveness and to provide ongoing training to hone the skills of all those who work within the Group.

- **Corruption risks.** These risks are linked to the **Group's corporate liability for breaches of anti-corruption statutes**, with a particular focus on countries regarded as critical, such as Italy, India, China, Poland and the Czech Republic. 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 2012 (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.

- **Social risks.** Due to the nature of the sector in which Brembo operates, one of the greatest risks of a social variety has to do with the **quality and safety of its traditional products**. Manufacturing defects could potentially compromise the reliability and safety of the final product and thus the user's safety. To respond to ensure as effective as possible a response to a risk with such a severe potential impact, the Group has implemented a quality management system based on Guidelines shared by all facilities, which allows all plants to be managed according to uniform standards and indicators. This management system extends to the entire production process (product to market): from design and development, which involves specific analyses of failure conditions and defects in products and processes, to production, when controls are performed to identify any deviation from the quality standards set during the design phase. As another way of ensuring optimal safety performance, Brembo has adopted strict rules for the supplier selection process that call for specific site visits to verify suppliers' ability to meet the quality requirements necessary for the products supplied. Finally, the Group has implemented an organised process for monitoring internal and supplier performance based on the use of specific indicators, some of which are of internal origin and others of which are provided by clients, through which any deviations from their standards are detected.

Another risk of a social nature has to do with **the quality and safety of new and innovative products**. To contain this risk, Brembo has adopted specific countermeasures that have consequences at the organisational level: a dedicated internal team possessing specific technological skills has been formed by recruiting members from the academic world. This experience, along with industry best practices, has formed the foundation for the implementation, among other instruments, of a quality management model for mechatronic products.

- **Risks relating to human rights.** These are risks primarily identified in supply chain management and relate to potential **non-compliance** with international norms and standards in the field of human rights and with Brembo's Codes of conduct, such as its Code of Basic Working Conditions,

Policy on non discrimination and diversity and Code of Ethics. To verify and ensure that all the Group's suppliers uphold human rights, during the pre-qualification phase Brembo administers a self-assessment questionnaire that also includes an analysis of the supplier's commitment to assure adequate protection of the human rights of its workers. Those who make it through this first phase are then vetted by the Group. In addition, in pursuit of ongoing improvement, there are plans to enhance the current system for assessing respect for human rights by suppliers, for one by further adapting acceptability thresholds to take account of the critical issues to which each geographical area is subject. Finally, the pre-qualification process will be gradually implemented to create a system that applies to all the most relevant direct and indirect suppliers of materials.



Brembo's plant in Ostrava
(Czech Republic)

CHAPTER 4





Brembo People
9,837
UNIQUE
AND AMAZING
WOMEN
AND MEN

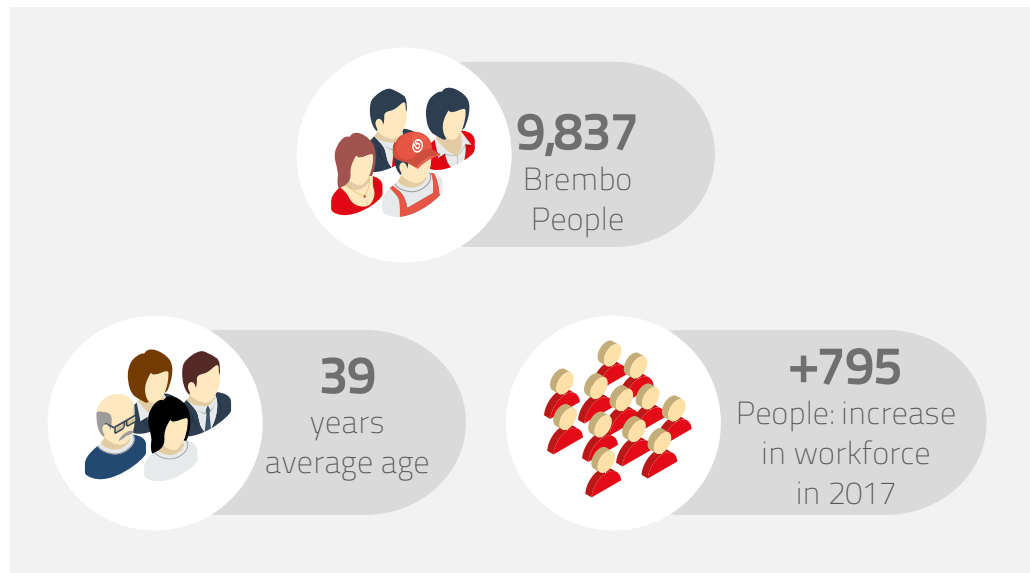
4.1 A GROWING GROUP WITH TALENTED PEOPLE

The skills, attitude, dedication and passion of the over 9,800 People working for the Group: these are the key characteristics that underpin the capacity to innovate and pursue excellence in Brembo product development.

The Company employed almost 800 more People in 2017 than in the previous year. This can primarily be attributed to increased volumes, full production getting underway at the most recent plants, the opening of new production hubs and improvements to existing ones, particularly those in Mexico, Poland, China, the Czech Republic, the United States, India and Italy.

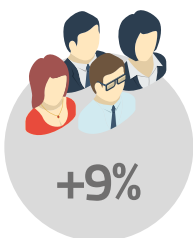
Brembo has set itself the specific objective of attracting talented people who stand out not only for their professional experience or poten-

tial, but also for their personal qualities, skills, passions, belief in the Group's values and a strong ability to work with others. All this contributes to the formation of a youthful, highly professional and qualified team: the Company's real strategic asset. 82% of the Company population has a medium-high level of education, over 25% are graduates and around 1,800 People, that is to say 18% of employees, have a degree in engineering or other technical and scientific subjects.

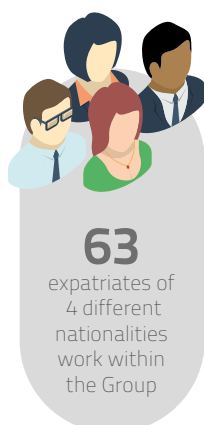
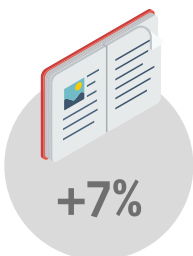


Compared to 2016

Increase in personnel:



Increase in People with mid-high level education:



Educational qualifications of Brembo People (No. and % of the total)	2016	2017
Brembo People	9,042	9,837
Compulsory primary school	16%	18%
High school or vocational school	56%	57%
University	28%	25%

People with a university degree by subject studied (No. and % of the total)	2016	2017
Brembo People with a university degree	2,547	2,523
Engineering	57%	57%
Business and Law	18%	19%
Arts, Humanities and Foreign Languages	8%	7%
Mathematical, Physical and Natural Sciences	7%	6%
IT	4%	3%
Social, Political and Behavioural Sciences	3%	3%
Chemistry	1%	3%
Other	2%	2%

The personnel recruitment process, set out in the Group's specific Guidelines, represents a key opportunity for Brembo to identify new talents who stand out for their ability to make a contribution and grow within a constantly evolving context, ready to tackle or even anticipate future challenges facing the Group.

Brembo pays particular attention to People and demonstrates it by offering them a stimulating workplace with real opportunities for professional growth, as well as employment stability. More than 83% of the Group's employees have a permanent contract.

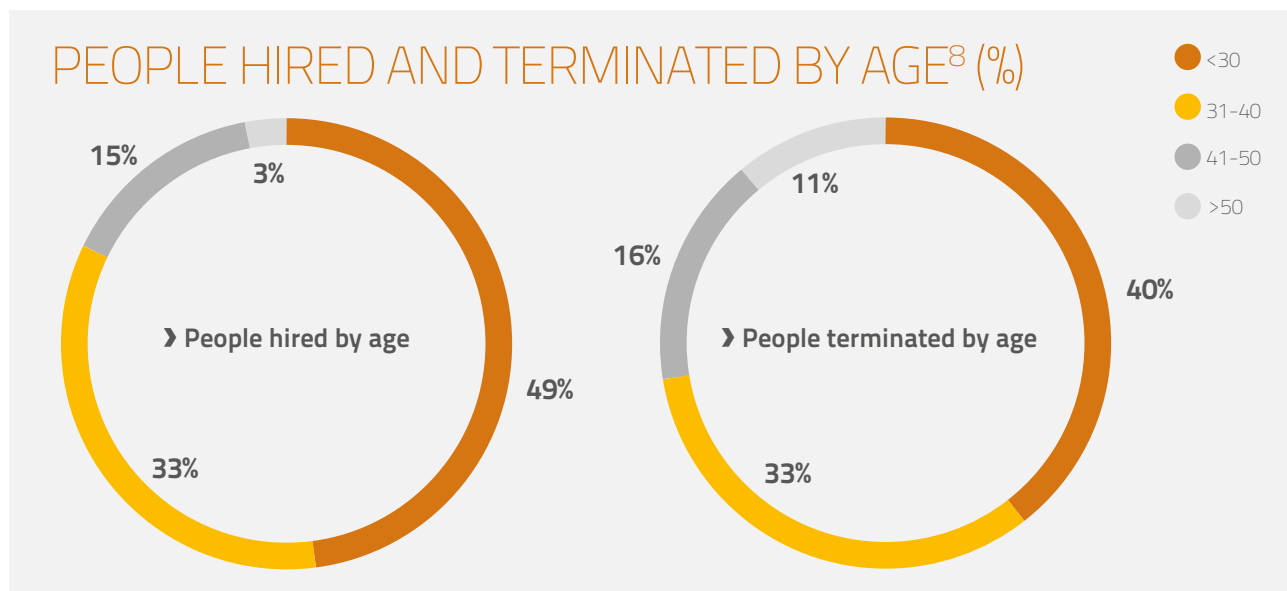
People hired by geographical area ⁷ and gender (No.) ⁸				
Geographical Area	2016		2017	
	Men	Women	Men	Women
Europe	472	151	582	144
America	360	79	454	96
Asia	202	24	282	59
Total	1,034	254	1,318	299

⁷ 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.

⁸ 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 tables, as this is an interCompany transfer.

People terminated by geographical area ⁷ and gender (No.) ⁸				
Geographical Area	2016		2017	
	Men	Women	Men	Women
Europe	298	60	347	86
America	232	36	174	30
Asia	78	20	110	25
Total	608	116	631	141

People hired and terminated by age ⁸		
Age group	Hired	Terminated
<30	791	305
31-40	539	254
41-50	236	126
>50	51	87
Total	1,617	772



In order to ensure the promotion of equal opportunities and respect for internal resources, even during the selection phase, the recruitment process has long been regulated by the Guidelines, which include aspects linked to equal opportunities.

Thanks to structured and strategic partnerships with more than 30 Universities worldwide, Brembo has strengthened its ability to put itself forward as a reference point for numerous talented young people. This is the result of the Group's specific strategy to consolidate and

Some of the technical-scientific training courses that Brembo participates in:

- ✓ Accademia del Freno (Brake Academy) at the Polytechnic University of Milan
- ✓ Master in Race Motorbike Engineering in Bologna
- ✓ Master in Competition Vehicle Engineering in Bologna
- ✓ Technical German Language course at the Milan Polytechnic

develop relationships with academic institutions. This includes organising numerous "career days" and "campus recruiting" days, during which the Group and its professional opportunities are presented to young graduates and those about to graduate.

Another example of how Brembo develops synergies with the world of university education and research is the support it provides for specific training and education courses, when Brembo professionals and researchers work with young students, sharing their experience with them and also hosting students at the Group's laboratories for thesis projects, research and internships.

For Brembo, maintaining and developing solid and strategic working relationships with educational and training organisations and institutions, such as schools, universities and centres, both public and private, is a very important factor, both in countries with less standardised and widespread education so as to ensure a tangible commitment to supporting primary education, and in contexts characterised by low unemployment (such as the Czech Republic) so as to invest in training and development, helping qualified young people to enter the workplace.

In reference to the world of work, maintaining dialogue with universities is fundamental, both for promoting an exchange of experiences and to increase opportunities for reciprocal growth, introducing promising young people to the world of Brembo. It is also essential to maintain communications with trade union organisations, where present.⁹

Brembo provides with well-structured paths for effective induction within the Company those

starting out on their professional career within the Group. All our production sites worldwide promote programmes dedicated to helping new graduates learn more about Brembo when they start out at the Company. These programmes include "LIFT" Leaders' International Fast Track, an interfunctional training programme coordinated by the parent Company, which accompanies young talents for around 2 years after they start working for Brembo, assigning them a mentor picked from among the line managers, a tutor from the Human Resources and Organisation Department and a sponsor from the C-Suite (the first organisational line), and offering job rotation comprising three positions from different areas of the Company, with at least one overseas posting.

Those who join the Group will find a stimulating and positive environment, where they can grow and feel that they are making a difference. This is demonstrated by the results of the surveys carried out by the Group on a three-yearly basis among all personnel in order to gather anonymous opinions and assessments regarding the Company climate and the level of engagement and motivation deriving from their professional experience at Brembo.

The most recent analysis carried out in 2017 saw more than 74% of the workforce take part (compared to 68% in 2015) and highlighted a notable propensity for Brembo People to feel involved in the Group's objectives and corporate project, consolidating a response rate growth trend for the fourth time running.

The Group's average Engagement Index is over 77%, a slight increase compared to last time.

⁹ In keeping with that set out in the Brembo Code of Basic Working Conditions, the Group applies collective bargaining when required by the law or social system, corresponding to 79.38% of the global population.

4.2 DIFFERENT WAYS OF BEING BREMBO PEOPLE

The Group's territorial growth and expansion over recent years means that it now operates within very different contexts on a global level, boosting its awareness of the value and opportunities deriving from cultural diversity.

Geographical areas with the most significant personnel changes (in absolute terms) compared to 2016

+313

Europe (from 66% to 64% of the total workforce)

+253

America (from 17% to 18% of the total workforce)

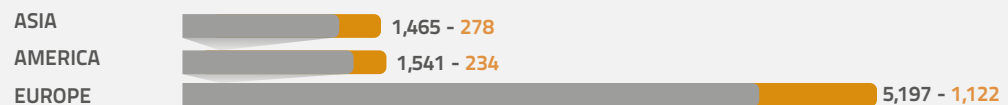
+229

Asia (from 17% to 18% of the total workforce)

Brembo was able to create a culture that, since the beginning, 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. This is a success factor in itself.

In fact, Brembo's team is a multicultural one: out of every 100 Brembo People, 33 work in Italy, 19 in Poland, 15 in China, 10 in the Czech Republic, 7 in the United States and 7 in Mexico, while the remaining 9 are distributed between India, Brazil, the United Kingdom, Argentina, Spain, Japan and other countries.

BREMBO PEOPLE BY GEOGRAPHIC AREA* AND GENDER (No.)



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

The diversity and richness of Brembo's human capital also emerges taking into account that:

- 83% of Brembo People are men and 17% are women: women are up slightly compared to 2016, chiefly among white-collar workers, where they account for 26% of the workforce

- in this category;
- Brembo employs 148 People with disabilities;
- the distribution of People by age group sees 24% aged under 30, 33% between 31 and 40, 28% between 41 and 50 and just 15% in the over-50s age group.

People by age and gender (No.)						
	2016			2017		
	Men	Women	Total	Men	Women	Total
< 30 years	1,878	308	2,186	2,000	351	2,351
31 – 40 years	2,532	533	3,065	2,709	555	3,264
41 – 50 years	2,041	487	2,528	2,240	553	2,793
< 50 years	1,115	148	1,263	1,254	175	1,429
Total	7,566	1,476	9,042	8,203	1,634	9,837

People by classification level and gender (No.)						
	2016			2017		
	Men	Women	Total	Men	Women	Total
Managers	450	56	506	475	59	534
White-collar workers	1,690	593	2,283	1,845	653	2,498
Blue-collar workers	5,426	827	6,253	5,883	922	6,805
Total	7,566	1,476	9,042	8,203	1,634	9,837



90%
of managers were born
in the country where
they are working for
Brembo today

A sign of our 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 534 Brembo managers in the different countries, 90% were born in the country where the Company operates. In order to ensure the promotion of diversity and respect for people and workers' human rights, in addition to the provisions set out in its Code of Ethics, Brembo has also formalised a Code of Basic Working Conditions and a Policy on non-discrimination and diversity (both of which are available from <http://www.brembo.com/en/company/corporate-governance/codes-policies>), which reflect and represent the universal convictions of the Group and the foundations of the employer-worker relationship.

In greater detail, these documents confirm and establish rules of conduct regarding child labour; forced labour and the treatment of human be-

ings; the right to work, freedom of association and collective bargaining; harassment and discrimination; health and safety; working hours; payment; corruption; environment and sustainability; social commitment and local populations. In order to monitor their effective implementation, they are supervised by the Human Resources and Organisation Department and the institutional Whistleblowing channel, as well as by a specific mechanism put in place to gather reports on any behaviour that does not comply with Company policies, including a dedicated email address 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, which includes the meetings provided for by the Brembo Agenda as part of the Brembo Committee System.

To this regard, two episodes of potential discrimination, formalised, were brought to Brembo's attention in 2017.

What is more, two further reports were received

PARENTAL LEAVE AT BREMBO

Parental leave at Brembo is guaranteed in accordance with current regulations and local legislation.

In keeping with the systems in place in individual countries, the Group supports its employees in establishing a healthy work-life balance by offering flexible working hours that can be adapted to meet personal requirements, while still ensuring compatibility with the corporate organisation. During 2017, 287 employees took advantage of at least one type of parental leave, respectively accounting for 6% of the entitled female population and 2% of the male population. The percentage of employees who returned to work at the end of their period of leave is around 82%.

Note: Starting with its Consolidated Disclosure of Non-Financial Information 2018, Brembo will also report on the number of employees, divided by gender, who returned to work after parental leave and were still employed twelve months after returning to work.

regarding alleged violations of working practices. Out of these two reports, both explored and handled by the Company, one has since been resolved.

Lastly, within the scenario of local Employee Assistance Programmes, additional and even more targeted processes have been put into place. In Italy, for example, Brembo created a “Listening Booth” some years ago, which offers the chance to meet an external professional and receive support when faced with particular personal problems.

In order to promote a culture of respect for People within the Group and combat all forms of discrimination, awareness procedures have been put in place, with specific training sessions offered to employees and managers regarding the Code of Ethics and the subject of Diversity. There are also specific programmes such as the CSR awareness programme for technical and marketing personnel.

Equally important for creating an inclusive work-

place designed to meet everyone’s needs are the organisational tools introduced to improve the work-life balance, including, for instance, the possibility to work on a part-time basis: in 2017, over 250 employees (78% of whom women) benefited from this opportunity.

What is more, to support the needs of employees with school-age children, the group promoted a number of ad-hoc initiatives during the summer holidays, such as the “Brembo for Kids” project in Italy, at Stezzano, at the group headquarters, where a recreation centre open to children of Brembo workers was set up. Within the centre, offering structures and services also suitable for young children, games and educational activities were provided to children aged 3 to 11, allowing them to experiment with different forms of art — from painting to sculpture, comic strips, music and architecture — with the objective of stimulating their creativity and learning to share their ideas with others.

Brembo People with part-time contracts by gender

2015			2016			2017		
Men	Women	Total	Men	Women	Total	Men	Women	Total
64	206	270	58	216	274	57	200	257

4.3 TRAINING AND DEVELOPMENT OF SKILLS

✓ **over 195,000 hours** of training provided in 2017
 In 2016: over **180,000**

✓ **over 96% of the training hours** was provided in classrooms

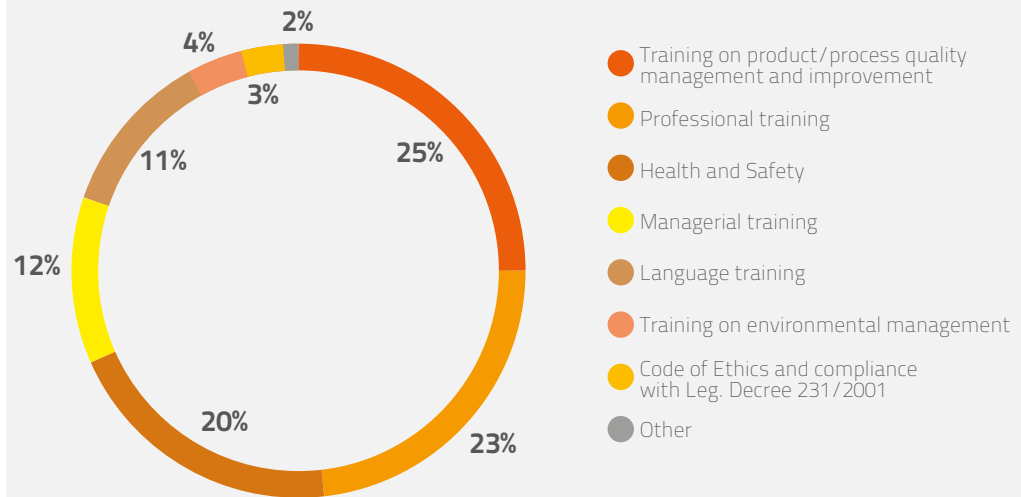
For Brembo, People training and professional growth is at the basis of the continuous innovations and quest for quality that the Group can offer its clients, representing one of its areas of excellence.

As well as playing a fundamental role in enhancing the value of its People, training is seen as a key tool for development of individual skills and for sharing Group values and strategies.

Training is structured so as to respond to the training requirements of the entire corporate population, ensuring a differentiated and inclusive offer, designed to involve professional families on all levels. In 2017, each employee

received 20 hours of training on average, with this figure reaching an average of 38 hours per year for white-collar workers, around 29 hours for managers and around 12 hours for blue-collar workers. Over the course of the year, 71% of People received training in human rights and the associated procedures (Code of Ethics included), for a total of more than 5,200 hours.

TRAINING PROVIDED BY TYPE OF CONTENT (% ON TOTAL)



Average hours of training by professional classification level and gender					
	2016	2017		2016	2017
Managers	27	29	Average	20	20
White-collar workers	32	38	Men	21	20
Blue-collar workers	15	12	Women	17	17

As it plays a strategic role in the Company's success, training is regulated by 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 training needs of the corporate population. This is carried out annually by surveying the specific areas and Topics that call for further study in relation to the set of skills required for the Group's main professional families, formalised in the Brembo Managerial Competencies Model and the Technical Competencies Libraries. In addition to the analysis carried out by the individual organisational units to identify training

solutions for specific requirements, employees have the opportunity to ask to take part in specific courses and modules, Coaching, Mentoring and Tutoring programmes, as well as to personalise their training, thus proactively enhancing the development of each Person and giving them responsibility for establishing their own learning process.

Over the past two years, the general training catalogue offered by the Group was further enriched 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.



**brembo
academy**

KNOWLEDGE
SHARING IN
BREMBO:
FOSTERING
KNOWLEDGE
SHARING
BETWEEN
THE GROUP'S
CENTRES OF
EXPERTISE

The Brembo Academy 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 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 course for trainers at the Brembo Academy itself was updated and relaunched as of 2015. The Academy offers numerous courses: from more technical and engineering-related courses, held by experts from the R&D Academy, 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 was 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 Brembo Production System criteria, with a view to ongoing improvement.

4.4 PROFESSIONAL GROWTH THROUGH RECOGNITION OF MERIT

As part of Brembo's personnel development strategy, the training process is complemented by individual performance and professional growth assessment plans. Providing tangible career development opportunities and the knowledge of being able to build one's professional career within Brembo are two important tools for encouraging talents and skills to remain within Brembo.

The prerequisites of an effective system for assessing and recognising individual contributions to the Group's growth are:

- periodically sharing the Company's expectations concerning its employees, defining the expected performances;
- the assessment of the results achieved.

The importance attributed to the recognition of each individual's contribution to corporate growth is reflected in the adoption of specific procedures regulating these processes and applicable to the entire Group, and in the development of specific management tools.

These procedures are representative of Brembo's Human Resources Management model,

which focuses on performance, skills, potential and motivation.

For the white-collar worker population the 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 objectives to be pursued are defined, along with the preparation of any improvement plans, and future growth paths are identified.

In 2017, 74% of Brembo People (75% of men and 70% of women) were included in a periodical and structured performance assessment process, with a rate varying from 71% for blue-collar workers to 87% 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	392	87%	47	84%	439	87%
White-collar workers	1,382	82%	450	76%	1,832	80%
Blue-collar workers	3,897	72%	531	64%	4,428	71%
Total	5,671	75%	1,028	70%	6,699	74%

* Data refer to the 2016 performance assessment process ended in April 2017 and to workforce at 31 December 2016.

As further proof of the Group's commitment to the development of its employees, which also includes facilitated growth programmes, Brem-

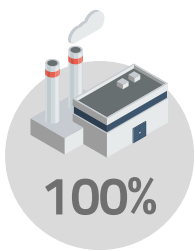
bo promotes internal mobility, offering exchange opportunities for those interested, including through its Job Posting tool (where applicable).



Brembo's plant in Escobedo (Mexico)

4.5 SAFEGUARDING WORKERS' HEALTH AND WELLBEING

One of the main values appreciated by clients and the end users of Brembo products is the reliability of the braking system, which is able to ensure safety both on the road and the race track.



100% of Brembo's plants is OHSAS 18001:2007 certified



¹⁰ Near miss means any work-related event that could have caused an accident, but luckily did not do so: it therefore means an event that has the potential to cause an accident.

This recognition would not have been achieved and maintained if the corporate DNA did not include an innate awareness of the importance of safety, which extends to all its operating sites, with specific actions put in place to safeguard the health and safety of each employee.

Within this field, Brembo's commitment is based not only on mandatory compliance with legislative requirements, but also on specific actions primarily aimed at identifying more effective solutions for guaranteeing health and safety - both individual and collective - in the workplace. Brembo's approach 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.

The management of aspects regarding the health and safety of Brembo's employees and external consultants is regulated, on both a Group level and a site level, by specific manuals and procedures that comply with the OHSAS 18001 standard and constitute the Management System implemented by Brembo to manage work activities in safety.

In order to ensure their full and effective implementation, the Group undergoes periodical voluntary inspections by independent third-party organisations, put in place to verify that its var-

ious production sites have implemented effective Safety Management Systems for its workers. In 2017, 100% of the Group's production plants had OHSAS 18001:2007 certification. In newly built sites, the Management System is implemented as soon as production gets underway and certification audits are normally carried out around twelve months after plant commissioning.

Legislative compliance is a fundamental principle for Brembo: this is why all the Group plants also undergo an annual audit carried out by a third-party organisation to ensure that they comply with legislation. On a Group level, the Health & Safety Committee, including the Chief Executive Officer and the top management, meets on a six-monthly basis to establish the medium- and long-term objectives. 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.

Brembo adopts an organic and systematic approach for health and safety management, which means that every significant accident and near miss¹⁰ is analysed using a standard method, which entails identifying the causes and implementing suitable corrective action.

This approach enabled the Group to close the year with an accident frequency rate of 1.60 per 100 employees, down by approximately 7%

compared to 2015. There was also a decline in the severity rate¹¹, which expresses the number of calendar days lost on average per accident over the year by each worker, equivalent to 0.38 days per worker, down by 19% compared to 2015, reaching the lowest level ever recorded in the Group's history. More than one-half of the accidents led to fewer than 10 days off work

and there were no fatal accidents. Lastly, 13 cases of occupational disease were recorded in 2017.

The Group accident frequency rate and severity rate for 2017 are provided below, together with the severity rate broken down by geographical area:

Accident frequency ¹² and severity rates*			
2017			
	Men	Women	On the Total
Accident severity rate No. of total days of absence due to accident / No. Of workers **	0.41	0.19	0.38
Accident frequency rate (No. of accidents / No. of workers **) x 100	1.60	1.62	1.60

Accident severity rate per geographical area*	
2017	
Severity rate - Italy	0.48
Severity rate - EMEA (excluding Italy)	0.42
Severity rate - America	0.03
Severity rate - Asia	0.41

2017			
	Men	Women	Total
Workplace accidents (%)	85%	15%	100%

* Only workplace accidents are taken into consideration.

** This is the number of workers present at the plant during the month in question. This includes: employees, temporary workers and labour providers.

¹¹For 1.6% of the total accidents that occurred at Brembo in 2017, it was not possible to establish the effective duration with any degree of certainty, because the person concerned had a temporary contract and terminated the working relationship with the Company during the period of convalescence.

¹²In order to calculate the frequency rate, both accidents with days lost and accidental events that did not lead to any days being lost apart from the day of the event itself (e.g. medical treatment, changes of work role, etc.) were taken into consideration. In order to calculate the severity rate, the calendar days starting from the day after the event occurred were taken into consideration.

Open dialogue and discussion for ongoing 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.

■ Health and Safety Committees

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.

■ Prevention through information sharing

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.

■ Promoting worker wellbeing

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, such as cigarette and alcohol addition, a sedentary lifestyle, eating habits and driving style.

Methods and tools supporting workers' health and safety

■ LOTO (Lockout-Tagout)

In order to improve health and safety management in the workplace, a guideline has been drawn up in relation to the LOTO 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.

■ Safety of machinery and production systems

In order to ensure that all the Group's machinery and production systems comply with applicable laws and regulations, a specific project was set up, which has now been completed at the European sites and is planned for all the Group sites.

■ Tools for identifying the causes of accidents

A new tool has been developed to assist personnel in describing and identifying the causes that led to accidents and near misses. This tool makes it possible to assess the higher potential impact that an event could

have had, in addition to its actual impact. Priority is then given to improvements that can be made. By using this assessment method, even a near miss, which by defini-

tion has no real impact, could be assigned the highest level of intervention priority in order to resolve the underlying causes.

HEALTH AND SAFETY COMMUNICATION CAMPAIGN

In 2017, following a series of meetings with the Brembo management and regional workshops, the Group developed a communication campaign to be launched during the first part of 2018 and designed to:

- share and stimulate a culture of Brembo safety throughout the Group;
- improve safety performances and relative indicators (accident frequency and severity rates) even further, focusing on the behavioural causes that lead to accidents and near misses;
- raise awareness of the fact that safety is based on principles such as responsibility, choice, individual and collective commitment, and that the priorities are non-negotiable;
- stimulate the motivation of Brembo People to constantly improve all safety-related aspects.



Brembo's plant in Nanjing (China)

CHAPTER 5



An aerial, black and white photograph of a two-lane road winding through a dense forest. A white car is visible on the road. A large, vibrant red graphic element, consisting of a thick, flowing ribbon that forms a large circle and extends across the image, is overlaid on the scene. In the lower right quadrant, a solid red circle contains white text.

Production process
CREATING
AND INNOVATING
TO IMPROVE
TOGETHER

5.1 DESIGNING INNOVATION

Keeping pace with evolving means of transport and contributing to their safety through constant braking system innovation, looking to the vehicles of the future, is the principle that has always guided Brembo's R&D activity.

Each component of the braking system (from calipers to discs, from pads to suspensions, all the way to control units) complements the others in the optimisation of the braking function, which Brembo constantly seeks to perfect, not only in terms of performance, but also of comfort, duration, aesthetics and environmental sustainability, with the aim of:

- **Increasing braking system performance**, while ensuring maximum reliability and improving comfort through solutions that can reduce braking action noise, vibrations and harshness;
- **Prolonging the life of Brembo's products**, while minimising disc and pad wear;
- **Reducing 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;
- **Enhancing the style content** so as to offer products that can interpret concepts of prestige and elegance, thus becoming new status symbols.

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: 2,026 patents divided into 481 families have already been registered in the world in little more than fifty years since its foundation. In 2017, 43 patents were filed (of which 30 in Italy and 13 in China), in addition to 42 filed the previous year and 41 in 2015 (among patents and design models). In 2017, Brembo also registered four new brands, which have been added to the 155 brands already registered since its foundation.



filed by the Group
since it was founded

5.2 AWARDS FOR INNOVATIVE IDEAS

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 Ideas**, 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 and 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.

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



brembo innovation awards

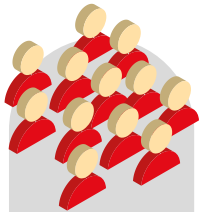
The Innovation Awards recognise the best ideas relating to the following business areas:

- 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 2017, **42 ideas were presented**, comprising 28 product ideas and 14 process ideas: the latter regarded both the systems and the discs. Out of all those submitted, **awards were given to 38 ideas**: 26 product ideas and 12 process ideas. In 2017, Brembo allocated a budget five times higher than that of 2016 for awards for employee ideas, confirming the importance that the Group attributes to the innovation and improvements that these projects can bring. Its objective for 2018 is to receive at least 45 ideas.

Following on from the increase in patent applications due to Brembo personnel's ideas, from 2017 onwards all new patent applications will automatically be submitted to the Innovation Awards competition.

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



the work of
1,055
People

(FTE) engaged in research and development activities



more than
18
years

of refining the Brembo Project Development System methodology which structures phases, roles, responsibilities, controls and tools for the innovation management process

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

» Discs and calipers

In 2017, various improvement work was carried out in the cast iron disc area. This mainly included the definition of parameters to improve the brake system's comfort characteristics, methods of calculating disc fluiddynamic performance, studies on shock and thermal fatigue resistance and solutions aimed at reducing weight against lower emissions of CO₂, particulates and "wheel dust". This last aspect included several studies for the search of new geometries enabling a significant reduction in mass and an improvement in the disc's performance. Moreover, in 2017 the Group continued to carry out the study of forms, materials, technologies and surface treatments designed to meet the needs of electric vehicles.

The automotive and commercial vehicle sectors represent the main areas for application of the new disc technologies. One example is the application development of the lightweight disc with Daimler: a product that gives a weight reduction of up to 15%, combining two different materials.

Work is also continuing in the motorbike sector on developing discs made from composite materials for on-road use, with the bench tests of the first prototypes starting at the end of 2017. For Brembo the racing sector, including Formula 1, is the starting point for fine-tuning new-generation discs and for 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 piston retraction.

» 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 ongoing improvement in accordance with the Company philosophy of innovation and technological development. Research and development continue to interact in synergy with all of Brembo's other 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.



Brembo's plant in Escobedo (Mexico)

5.3 THE RESULTS OF INNOVATION: SOME DISTINCTIVE PRODUCTS

The **pinza freno Extrema** with carbon-ceramic disc, winner of the Innovation Gallery – 2015 Motortec Madrid Show, is the direct result of Brembo's commitment in F1.



Its distinctive features are the result of a concise and essential design, far more open and deeper than previous products. Innovative aesthetics that translates into a sharp reduction in the weight of non-suspended masses (more than 3 kg), thus reducing the vehicle's fuel consumption and hence greenhouse gas emissions, and giving better pedal feeling than the conventional product.

The caliper body designed in this way also gives improved ventilation, with a reduction in brake fluid temperature of more than 30°C (86°F).

The **lightweight brake disc**, conceived by Daimler and developed in partnership with Brembo, combines two different materials: cast iron and steel. The most important advantage is the steel disc hat, which is just 2.5 mm thick, compared to the 7.5-9 mm of the classic cast iron disc hat, but has the same performance.



The significant thickness reduction produces a disc that is 10-15% lighter, depending on disc hat geometry. This reduces the car's fuel consumption significantly and, hence, limits greenhouse gas emissions.

Brembo's main contribution to product development was the design of the hat's gearing, achieved using a precision sprock-

et technology, normally employed for the famous Swiss watch mechanisms.

The **PVT Plus brake disc** adopts the pillar-structure brake disc ventilation system designed by Brembo for heavy vehicles, which improves system cooling and reduces the risks of generating thermal cracks on the disc surface.

This ventilation system features a pillar geometry with a specially designed form which, together with the arrangement on three bands on the braking ring, increases resistance to thermal cracking by up to 30%, guaranteeing a longer disc lifespan. A further advantage is the reduction in disc mass, which can even reach 10%.

This reduces both fuel consumption and polluting emissions, whilst at the same time increasing vehicle performance, comfort and handling.





The new **Brembo Stylema brake caliper**, exclusively for the new Ducati Panigale V4, features a form that is sculpted, compact, ventilated, light (7% lighter than their predecessors) and high-performance. It cools very quickly and features precise, essential lines, just like the latest-generation sports motorbikes.



The **ECS brake caliper**, designed for the new Alpine A110, features two functions in a single block, an innovative design and very low weight, being made entirely of aluminium. Thanks to a gear-reduction unit developed by Brembo, it allows both service brake and parking brake functions. In addition, it is fitted with an ad-hoc control software that assures a higher level of safety in emergency situations. This new caliper concept is also distinguished by an attractive and fully customisable design, which allows optimum customisation levels.

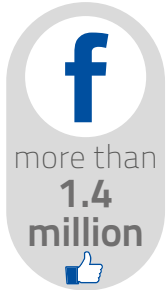


The **19RCS Corsa Corta radial master cylinder** is the latest evolution of the radial cylinder concept and offers users the chance to tailor the bite point to exactly where they want it. Simply moving from one type of braking to another allows the feel of the motorbike to be adjusted using three settings and the configuration changed instantly and smoothly.

The **B-M8 brake caliper**, an 8-piston monobloc with four of the largest pads produced by Brembo, was recognised in 2015 as the Best Engineered New Product at the SEMA Show in Las Vegas. Specifically conceived for the front brake systems of heavy vehicles, SUVs and large saloon cars, the key feature of the B-M8 is that it is the caliper with the highest level of efficiency in terms of architecture and style, increasing overall performance during braking and providing constant braking power in intensive use conditions. The B-M8 calipers are produced using an innovative casting process with 4D technology, applied for the first time on this occasion for the production of automotive calipers.



5.4 LISTENING TO CUSTOMERS FOR PRODUCT IMPROVEMENT



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



fans for Brembo's Instagram profile



followers for Brembo's LinkedIn profile



followers for Brembo's Twitter profile

Brembo works to improve its products through daily contact with customers who manufacture vehicles fitted with Brembo braking systems. It does this in a spirit of maximum collaboration and joint development.

To continue to improve Brembo's offer, particularly regarding perceived quality and comfort, it is just as essential to talk to users of 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.

In this regard, the annual analyses of data relating to issues encountered by drivers in certain key markets during brake use are particularly 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." 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.

In terms of "social media", Brembo is present on various platforms (Facebook, Instagram, LinkedIn, Twitter, YouTube, Snapchat) in order to introduce each segment of the public to a series of content optimised for use on the various networks. To this regard, in China Brembo has expanded and improved its communications thanks to the use of specific channels, including We-Chat, a text and voice communication app for mobile devices, Weibo, a microblogging platform, and Youku, a video hosting service comparable to YouTube in the West.

5.5 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 Padova 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:

► 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.

For further information: www.rebrake-project.eu

► 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 In-



2,061,000 €

Allocated by the European Union for this project. Brembo is Project Coordinator



9,465,000 €

budget for the project

8%

of the costs are financed by Brembo



3,327,000 €

budget for the project

42%

of the costs are financed by Brembo



3,825,000 €

budget for the project

43%

of the costs are financed by Brembo

stitute 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.

For further information: www.lowbrasys.eu/en

▶▶ 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 CO₂, as well as the emissions of polluting gases released in the magnesium casting process.

For further information: www.cralproject.eu

▶▶ 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.

For further information: www.cobralifeproject.eu/en

▶▶ EQUINOX

Brembo is a partner in this European research project, which 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.

For further information: <http://equinox-project.eu/>

▶▶ 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 CO₂ 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.

EQUINOX

4,678,000 €

budget for the project
Brembo works in collaboration with 11 international partners

LIBRA

2,987,140 €

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

5.6 CREATIVITY AND METHOD: ENSURING PRODUCT SAFETY

One of the major challenges for Brembo in the last years has been to tackle the complexity caused by the 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 test

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, per-

formance 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 appropri-

✓ 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 (CUNA)** 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.

ate 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.

The entire test system falls within the solid Project Management (BPDS - Brembo Project Development System) process that, by planning and managing specific inspection moments (so-called “gates”) and handling any recovery

plans, 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.

▶ FMEA/FMECA

During the **design and development phase**, product and process FMEAs/FMECAs are carried out 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 (which as of 1 October 2016 replaced the previous ISO/TS 16949 specification). This international standard requires the development of a quality management system oriented towards identifying and managing risks in all processes and towards preventing defects, while also promoting the development of suppliers and thereby ensuring constant improvements. The quality management system, characterised by Guidelines common to all the Group’s plants, allows best practices to be transferred from one plant to another, as well as all the 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. The Group is committed to ongoing product quality and safety monitoring at all its plants, adopting specific indicators in line with the plans set out annually by the Quality Department in the Quality Plan.

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). Should these indicators reveal situations that diverge from the established objectives, action plans are put in place immediately to restore compliance.

► Activities guaranteeing product authenticity

Safeguarding the safety of those wishing to buy Brembo equipment also means being committed to countering product illegal counterfeiting activities and fraud in the distribution channels, as the sale of counterfeit braking systems may represent a source of risk for the end user. In fact, the braking system is a safety component and very often counterfeit products are found to be extremely dangerous because they are not made with controlled materials and are inadequately tested.

The main tool developed by Brembo to counter the sale of non-original products is an **“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 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 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. To address the risk of counterfeiting of its products, the Group actively seeks collaboration with public institutions and customs control authorities to combat the production and illegal trade in Brembo counterfeit products. In particular, numerous operations have been carried out 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. Collaboration was also strengthened with local authorities in Europe and Asia, leading to a gradual reduction in these illegal activities. In Europe, Brembo has worked, among others, with OLAF - European Commission Anti-Fraud Office in order to prevent the growing spread of counterfeit products.

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. In 2017, more than 25,000 counterfeit product offers were removed from e-commerce platforms, more than 4,000 online shops were banned, over 3,000 Facebook pages were removed and around 300 websites using the Brembo brand illegally were identified.

¹³ The Zaragoza site is ISO 9001 certified. All Brembo sites will complete the transition to the new IATF standard by July 2018. In January 2018, the sites already IATF 16949 certified were: Czestochowa, Mapello Aluminium Foundry, Brembo Brake India – Chakan, Brembo Brake India – Manesar, and the Polish Niepolomice site.

CHAPTER 9





Environment
BEYOND
RESPECT:
COMMITMENT
TO THE
ENVIRONMENT

6.1 EFFICIENCY AND ENVIRONMENTAL PROTECTION IN PRODUCTION PROCESSES

At Brembo the development of high-quality products with an increasingly lower environmental impact is combined with ongoing innovation of production processes, through the adoption of solutions aimed at reducing the use of resources - first and foremost water and energy - during all processing phases, ensuring efficient use of raw materials and the proper handling of waste.

Brembo's commitment to environmental protection is also reflected within its internal organisation: 2017 saw the creation of the new Environment and Energy Office with the objective of pinpointing the Group's environmental sustainability strategies, guiding and involving all the plants in the progressive and sustainable reduction of their environmental impact.

In a complex field such as the environment, characterised globally by constantly evolving regulatory requirements, a commitment to ongoing improvements in environmental performance permits the Group to reduce risks of non-compliance with regulations, while also guaranteeing a high level of competitiveness through greater production efficiency and cost optimisation.

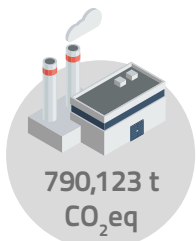
Brembo's approach to protecting the environment at all its production sites can be summed up in the application of the best practices and the most restrictive standards, so as to ensure excellent performances. This approach is most apparent in its newly built plants, designed and constructed in keeping with the best available technology and appreciated by the local authorities in this sense. One example is the new foundry in Homer, Michigan (USA), which received a financial contribution from the state due to the high level of energy efficiency installed by

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

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 policy implemented by Brembo to reduce its impact on climate change and water consumption, currently contained in the Goals and Principles section of the Safety and Environment Manual, is an element that is also assessed by investors. In order to ensure transparency and accurate information about these aspects, Brembo has voluntarily adhered to Carbon Disclosure Project 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 moni-



of GHG released into
the atmosphere



plants with
ISO:14001-certified
environmental man-
agement system



of training provided
to personnel on
environmental
management

toring 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 recognising this commitment, in 2017 CDP named Brembo as one of the world's leading companies in terms of its efforts to fight the causes of climate change and included the Company on the Climate Change programme "A list".

Also in 2017, as regards water resource impact monitoring promoted by CDP (Water questionnaire), Brembo achieved an A- score, which was an improvement on its result from the previous year, placing the Company in a leading position in terms of water management as well.

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

In order to ensure systematic and structured control of environmental risks, the Group 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. In 2017, all Brembo's plants were ISO 14001 certified. In newly opened sites, the Management System is implemented when production gets underway and certification audits are normally carried out around twelve months after the plant is commissioned.

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 2017, besides standard training, more than 7,300 hours of training on environmental issues were provided across the Group's sites.

Brembo's Management System also requires each site to be provided with a specific mechanism for the reporting of any complaints from the local community, so as to be able to resolve any potential problems that have been flagged up as quickly as possible. Some sites, such as the Polish site in Dabrowa, have an email address that local residents can use to communicate with the Company. On a Group level, five reports were received in 2017: three by the plant in Dabrowa (Poland), one by the plant in Ostrava (Czech Republic) and one by the foundry in Homer (Michigan, USA). All were duly dealt with by Brembo and four were resolved by means of specific corrective actions.

Energy consumption

In 2017, Brembo consumed around 3.8 million GJ (Gigajoules, the joule is the unit of measurement of energy), slightly up on 2016, primarily due to increased activity at the production sites in Homer (Michigan, USA) and Escobedo (Mexico), as well as the inclusion of the production plant in Langfang (China) in the measurement. This consumption was primarily in the form of electrical energy (around 70% of total consumption). To this regard, in 2017 Brembo guaranteed that part of its energy requirements would be met by the use of energy from renewable sources, in line with the Group's commitment to the environment and natural resources. The Group's operations with the highest energy consumption are the metal alloy casting processes, operations that have the greatest environmental impact, particularly in greenhouse gas emission terms. It is actually the efficient management of melting process that can provide the largest be-

* 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 2017, the Group did not generate any energy destined for sale.

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

Annual energy consumption broken down by source* (GJ)		
	2016	2017
DIRECT CONSUMPTION	1,024,066	1,165,662
Energy from non-renewable sources		
Natural Gas	651,329	795,293
Other fossil fuels**	370,891	372,118
Energy from renewable sources***		
Photovoltaic	1,422	1,564
Other sources (thermal solar, etc)	424	224****
INDIRECT CONSUMPTION	2,048,842	2,673,431
Electrical energy	2,037,390	2,647,302
from non-renewable sources	2,037,390	2,429,422
from renewable sources	-	217,880
District heating	11,452	26,129

benefits in terms of optimising the energy requirement and reducing the gases released into the atmosphere.

The special technology investment programmes and research projects supported by the Group, also in partnership with other qualified bodies in the sector, are 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.

A variety of solutions has been adopted to date in this area: over the past few years, all the basin casting furnaces in the Mapello (Bergamo) aluminium foundry have been replaced by new-generation furnaces which drastically

reduce methane gas consumption per tonne of aluminium produced. If a conventional furnace requires 110 to 120 m³ of gas to be used per tonne of metal, the new technology reduces the requirement to 70 or 80 m³ of gas per tonne depending on the plant's saturation level, with an energy saving of about 30%. This is a new high-efficiency technology that has now become the operating standard for the entire Group. Over the years, important measures have also affected the heat treatment furnaces used in the final phases of the production process to give pieces the mechanical properties desired: in this case, the electrical plants have been replaced with gas-powered systems ensuring major efficiency gains and emission reduction.

A type of plant that deserves particular attention is the plant produced by recovering process heat from the melting furnaces in the cast iron foundries, in Italy and Poland. The recovered heat is used to warm the plant, allowing about 300,000 m³ of natural gas to be saved every year and avoiding atmospheric emissions in the region of 565t of CO₂.

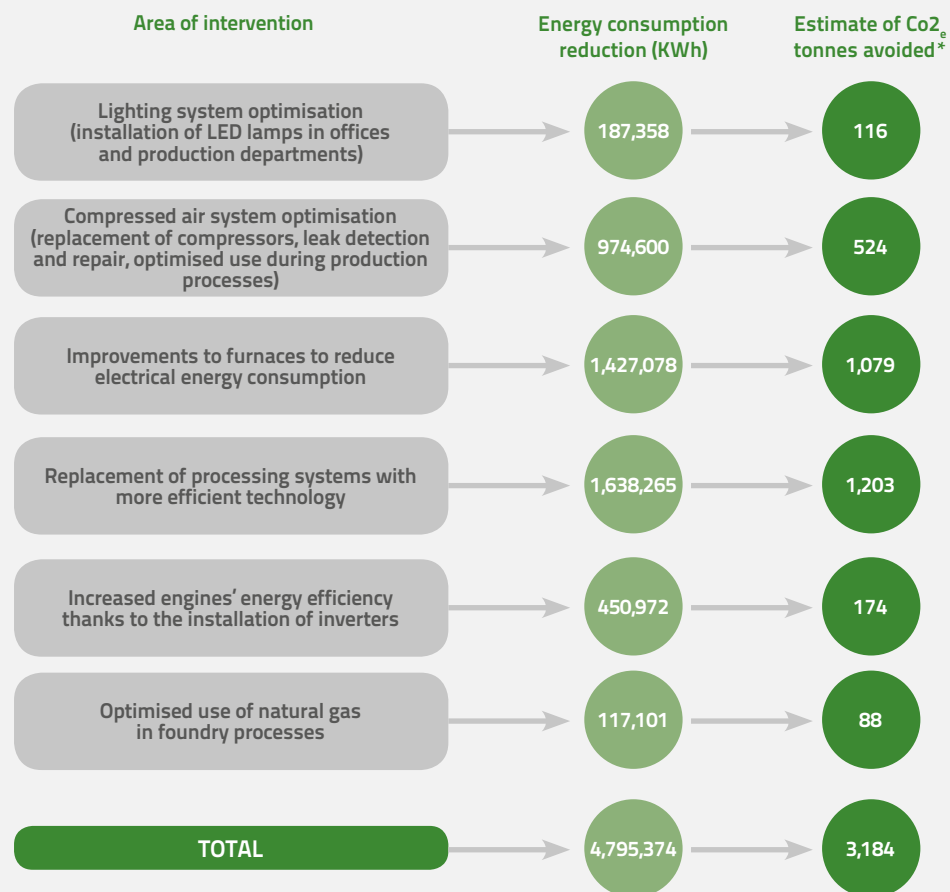
In 2017, significant technological improvements were introduced to the cast iron foundry in Nanjing (China) regarding the melting furnaces, the sand casting plant and the core production plant, obtaining significant gains in terms of production and energy efficiency: for example, an energy saving of at least 50 kWh per tonne of melted metal, thanks to the work on the furnaces.

In the overall technical plant area, given the high

incidence of the energy consumption of the compressed air systems used in the production areas, over the years various actions have been taken to improve energy efficiency for compressed air generation, achieving an estimated reduction in consumption of 20% compared to the facilities and equipment previously used.

In addition to this energy efficiency work, 2017 marked the start of a new form of intervention focusing on progressively increasing the use of

ANALYSIS OF MAIN MEASURES TO REDUCE ENERGY CONSUMPTION AT GLOBAL LEVEL



* For all the above-mentioned intervention categories, the reduction regards scope 2 type emissions, with the exception of the "Optimised use of natural gas in foundry processes" intervention, for which the reduction regards scope 1 type emissions.

✓ 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 heating suppliers.

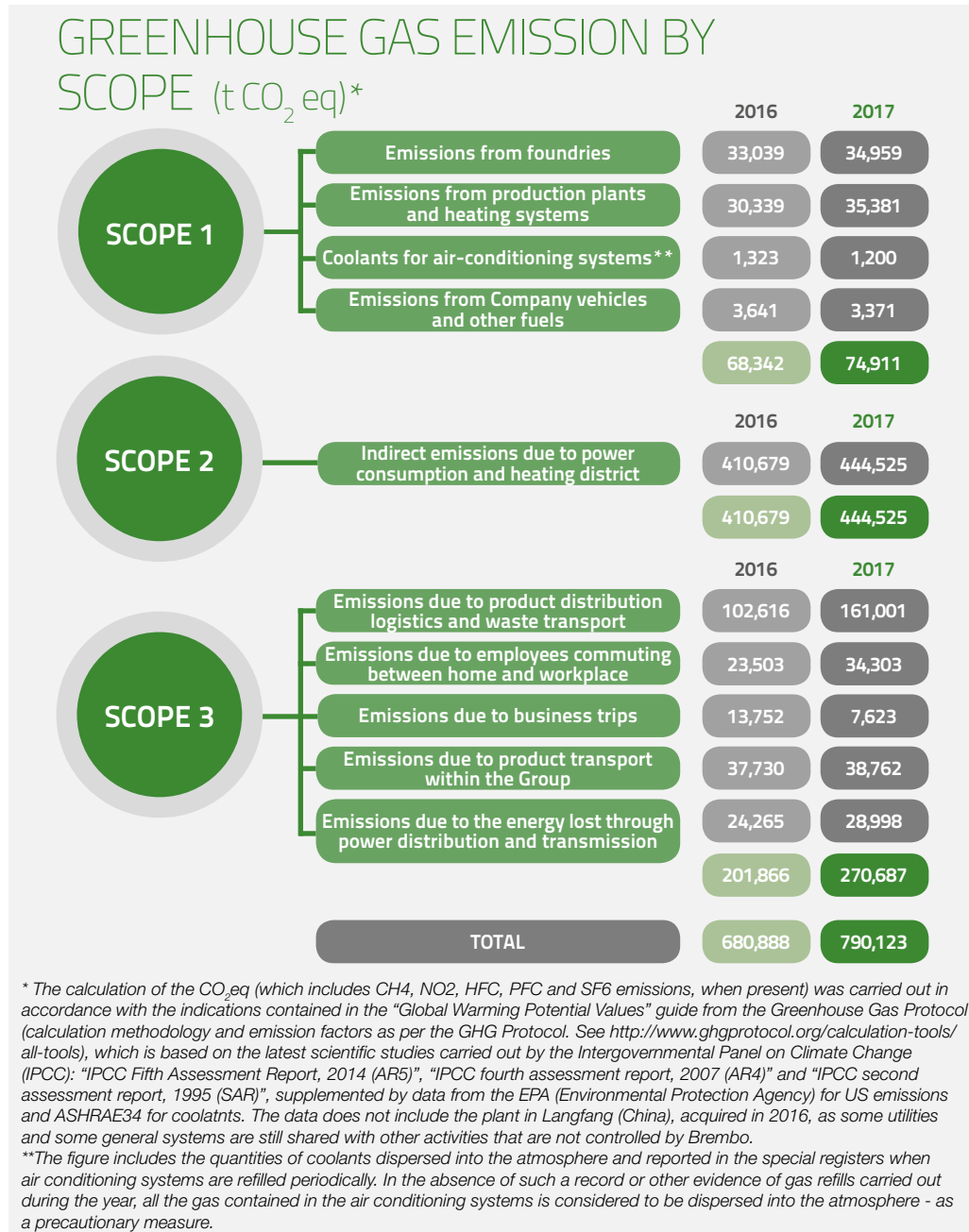
✓ SCOPE 3

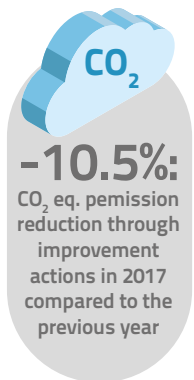
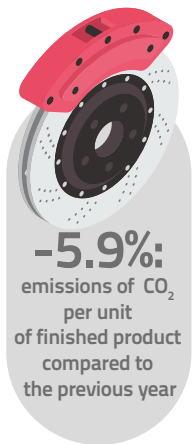
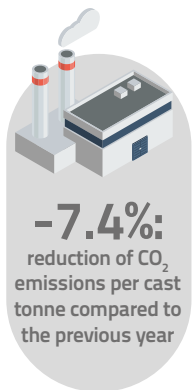
Emissions that are not included in the previous scopes linked to Brembo's value chain. This scope includes emissions from Brembo product distribution and handling among plants, personnel commuting from home to workplace or business trips.

electrical energy from renewable sources, reaching a share of just under 10% of the total electrical energy purchased. The Group also developed a second photovoltaic energy plant

at its Stezzano hub, which increases the consumption of renewable energy produced to around 0.5 MW.

These energy consumption optimisation mea-





asures have resulted in major energy savings and a significant cost reduction, particularly in the Group's long-established plants such as those in Italy, which had been based on the previous generation technology. Overall, the measures implemented in 2017 in the various production hubs reduced CO₂ emissions by about 3,200 tonnes.

Greenhouse gas emissions:

It was calculated that the Group's operations in 2017 produced a total of **790,123** tonnes of CO₂-eq. The emissions inventory and calculation methodology undergoes annual assurance certification by a third-party body in accordance with the ISO14064 standard.

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:

▶▶ **by 2025**

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.

▶▶ **by 2040**

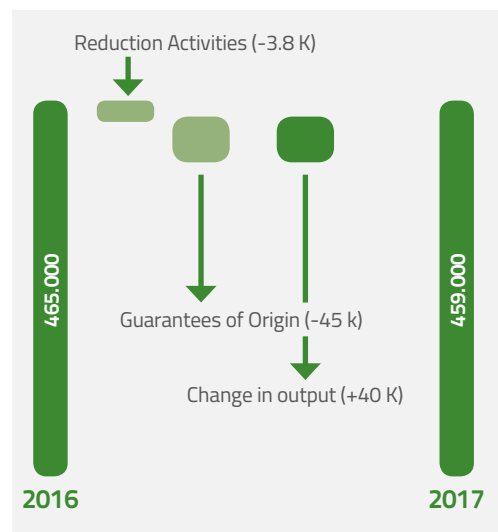
Brembo is committed to reducing Scope 1 and Scope 2 direct and indirect emissions by 41% compared to 2015 levels (on a like-for-like consolidation basis).

Brembo's commitment to the reduction of CO₂ has been transformed into an internal reduction objective calculated on the same basis as the baseline year (2015) using the following formula:

$$\frac{\text{CO}_2 \text{ eq reduction achieved through improvement actions}}{\text{CO}_2 \text{ eq emissions of the previous year}} \geq 2.1\% \geq 2.1\%$$

In 2017, these improvements led to a 10.5% reduction in CO₂ emissions compared to 2016 (on a like-for-like consolidation basis within 2015).

On a like-for-like consolidation basis with 2015 and compared to 2016, Brembo was able to contain the increase in CO₂ due to the growth in production volumes thanks to energy efficiency measures and increasing the quota of renewable energy within the energy mix purchased, thereby achieving a 1% reduction in absolute terms compared to energy emissions from the previous year.



Air pollutant emission

Brembo also controls, together with gas emissions contributing to climate change, the release of substances that are harmful to the environment and ozone-depleting. Atmospheric emissions are governed exclusively in accordance with the limits established by regulatory requirements in place in countries where Brembo operates. Every emission subject to authorization is monitored periodically to ensure compliance with the established limits.

In 2017, a total of 0.06 tonnes of freon 22 gas (R-22) - harmful to the ozonosphere - were dispersed into the atmosphere. The figure inclu-

des 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. Furthermore, as regards dust, an increase was recorded due to the inclusion of data from the production plant in Langfang (China) and the opening and start of operations of the new foundries in Homer (Michigan, USA) and Escobedo (Mexico).

**The figures reported were determined based on exact measurements taken at the plants undergoing periodic sampling tests. The emissions for each plant are calculated based on such exact measurements, since the concentration of harmful substances, mass flow and the plant operation time are known. Hence, the figures reported refer solely to plants equipped with measurement tools.
** The 2016 figure was restated to correct a figure given in 2016, regarding a plant.*

HARMFUL EMISSIONS (t)*			
	2015	2016	2017
Nitrogen oxides (NOx)	262.15	118.75**	131.90
Dusts	100.52	79.43	160.95
Volatile organic compounds	65.99	146.51	118.02
Sulphur oxides (SOx)	48.82	45.95	49.35
Hazardous pollutants	25.46	35.14	4.29
Persistent organic compounds	3.46	0.69	0.00
OTHER	256,71	-	-

Management and use of water resources

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 signifi-

cant need for water resources, like Brembo, to identify all possible solutions for reducing the amount of water drawn and consumed. Some of the main areas where the Group is committed to an efficient use of water resources include: accurate monitoring of the quantities of water drawn, consumed and recycled; a systematic analysis of wastewater released

back into the environment after industrial use; the reuse of water in multiple processing cycles; the adoption of technologies and product treatment plants which, where possible, allow water to be replaced with dry alternatives. This latter aspect represents one of the most important actions, thanks to which, in 2017, absolute water consumption remained more or less constant compared to 2016 despite an increase in production volume.

These measures allowed to reduce water use to a total of 1,156 million litres in 2017, despite the expansion of the consolidation scope and the production plant volume increase during the year. Most water supplies are drawn from public mains.

Most of the water drawn is used for cooling the melting furnaces, for preparing the cooling lubricant emulsions needed for mechanical procedures, and for oxidation processes for the superficial treatment of aluminium braking

systems. The oxidation system installed at the new braking system plant in Nanjing (China), where production is expected to get underway in 2018, was developed specifically to avoid the need for water drainage. In addition to leading a significant reduction in water consumption on site, this will also prevent plants from contaminating downstream receptors thanks to the absence of a drain point.

In 2017, most wastewater - about 502 million litres - was put back into the public sewage systems, and about 11% was, instead, treated and poured back into surface waterbodies.

Waste reduction

Greater efficiency in using raw materials in production processes translates into reduced costs and containment of waste and processing scrap to the benefit of the environment.

With this objective in mind, Brembo closed 2017 with Group waste production totalling



Water consumption by supply source (thousands m ³)			
	2015	2016*	2017
Public water mains	588	668	782
Water well	348	326	374
Total	936	994	1,156

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

Water discharges by destination (thousands m ³)			
	2015	2016*	2017
Public sewage system	310	232	430
Surface waterbodies	88	208	54
Other	-	-	18
Total	398	440	502

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

319,545 tonnes, nearly half of which estimated as recyclable, due in large part to the brake disc machining processes. The increase compared to last year is primarily due to the inclusion within the calculations of the plant in Langfang (China), the progressive start of production at the sites in Escobedo (Mexico) and the foundry in Homer, Michigan (USA), as well as a change in classification at the processing plant in Homer, Michigan (USA). Most waste is due to scrap metal which is reused in the production processes. Only 6% of the waste generated during the year - equal to a quantity of about

18,000 tonnes - is classified as hazardous under current local legislation.

The limited percentage of hazardous waste produced overall by the Group is due both to careful management of the production processes, designed to minimise scrap generation as much as possible, and the very nature of Brembo's industrial sector in which the waste produced can be reused in other processes.

All waste produced by the Group is disposed of through external specialised firms, which are checked for possession of the necessary permits. Information regarding the final destination

Waste generated (t)			
	2015	2016*	2017
Hazardous waste	18,599	18,300	18,427
Non-hazardous waste	181,670	199,979	301,118
Total	200,269	218,279	319,545

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

of the waste (recycling/landfill) is not currently available, as this is not specifically monitored at a Group level. However, there are plans to map out and obtain systematic information regarding the final destination of any waste produced over coming years. When materials are not directly

reused by the Group, where possible Brembo fosters their utilization in by-products within collateral supply chains; this is the case of machining process scrap metal which is recycled by companies in the supply chain as part of a circular economy.



Brembo's plant in Pune (India)

CHAPTER 7





The local areas
GROWING
RESPONSIBLY.
TOGETHER AND
WHEREVER

7.1 CREATING OPPORTUNITIES FOR THE 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 in keeping with its objective of establishing strong bases in the vicinity of its customers' production centres, where the vehicles and motorbikes fitted with the Group's braking systems are manufactured.

It is sufficient to think of Brembo's investment management policy, which - in keeping with the development and modernisation approach it has followed to date - aims to boost the Group's presence both in Italy and at international level, thereby contributing to the creation of manufacturing districts and representing for many of its workers a source of employment and income for developing their own projects. In more recent years, its main investment programmes have focused on North America (25%), Poland (24%), Italy (24%) and China (21%). In detail:

- in the State of Michigan (USA), work was completed on the new cast iron foundry, which began operations in 2016, in an area adjacent to the new Homer plants;
- in Escobedo, Mexico, work on the new brake caliper processing and assembly plant was completed. Once fully operational, it will have a production capacity of around 2 million aluminium calipers per year. The new production complex covers an area of more than 35 thousand square metres and required an investment of €32 million. In Mexico, Brembo is also building up a new cast iron foundry adjacent to the new Escobedo plant, with an additional investment of €85 million. It will extend over 25,000 square metres and, once fully operational, will have a casting capacity of about 100 thousand tonnes a year.

The production of the two new sites will be delivered to the major European, Asian, and American OEM manufacturers in Mexico;

- in Poland, Brembo is completing the expansion plan of the Dabrowa Górnicza production hub, began in 2016 and entailing the construction of a third casting line and new machining lines extending over a covered area of a further 22 thousand square metres. This new plant, which will entail an increase in the casting capacity of 100,000 tonnes a year, will produce both "grey" cast iron (used for brake discs) and "spheroidal" cast iron (used for calipers intended for light commercial vehicles), therefore responding to the constant increase in demand for brake discs and floating calipers in Europe. In Poland, the four-year investment programme worth €34 million is still underway with the aim of making the new plant in Niepolomice fully operational. This plant is devoted to processing steel hats for mounting on lightweight braking discs, produced in the Group's plants in Poland, China and the United States;
- in Italy, investments were directed primarily at purchases of plant, machinery and equipment to increase the production automation level (development costs amounted to approximately €21 million);
- in China, Brembo continued to develop the

Economic value generated, distributed and retained (€ thousand)		
	2016	2017
Economic value generated	2,353,494	2,546,706
Economic value distributed	2,058,781	2,235,339
Suppliers	1,504,633	1,608,135
Brembo People*	387,640	436,050
Investors and lenders	101,807	120,862
Public Administration	63,494	69,215
Gifts and sponsorships	1,207	1,077
Economic value retained	294,713	311,367

* The item "Economic value distributed to Brembo People" includes the costs of Brembo's employed personnel and temporaries.

new complex close to the plant already existing in Nanjing to produce aluminium calipers. Equipped with cutting-edge process integration and automation, the new production hub will extend over about 40,000 square metres; 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. The overall investment in the site, from 2016 to 2018, amounted to around €100 million. Also in China, in Langfang, the Asimco Meilian Braking Systems disc plant continued its programme of replacing the foundry line processing machinery, which it aims to complete in 2018.

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 employ-

ment and technological development. In fact, in 2017, 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 €1,600 million. More than €430 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 its support for public spending through its contribution to tax revenue and its dividends to shareholders, thereby encouraging further investments.

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 2017 - as part of national policies designed to attract and support industrial inno-

vation and development - the Group received more than €20 million in public grants, many in the form of tax relief.

► Contribution to developing the local intellectual capital

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.

In fact, for local areas, the presence of Brembo entails the transfer and development of skills: they can benefit from the activities of a Group that focuses on creating excellent production plants wherever it sets them up, as demonstrated by the recognitions received by the Dabrova plant from Jaguar Land Rover as a "Gold Standard Global Supplier" for 2015 and the award presented to the Ostrava plant in 2016, also by Jaguar Land Rover.

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:
www.kilometrorosso.com

► 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 and thermal and structural calculations. 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. The partnership established between the Group and the alumni association of the Istituto ITIS Paleocapa fulfils this vision. This is the main vocational secondary-education institution in the city of Bergamo which trains and specialises

young people in disciplines such as electronics, electrotechnology, IT and mechatronics.

In addition, in 2015-2016 the Group contributed to setting up a museum at the institution itself, not only providing the funding, but also donating Company machinery that was no longer in use but which was of significant historic and industrial importance.

► 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.



Brembo's plant in Ostrava
(Czech Republic)

7.2 SOCIAL AND CULTURAL DEVELOPMENT OF LOCAL COMMUNITIES

Brembo is a Group with close ties to the local areas where it operates. It focuses strongly on the needs they express, demonstrating its willingness to provide tangible support to local communities in the areas of greatest social need, through various projects and initiatives.

In order to guarantee structured and strategic management of philanthropic initiatives promoted by the Group, a dedicated coordination body was set up on a central level: the social and cultural Sponsorships and Donations Committee. It 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. The Group's Country General Managers also play an active role in listening to and supporting local socio-cultural development initiatives. They act in keeping with the priorities identified by the Committee, indicating local needs and identifying suitable ways of providing support to the communities.



Brembo concentrates its efforts on the following five areas of intervention:

- ▶ **Social issues and safeguarding children**
- ▶ **Education, training and research**
- ▶ **Art and culture**
- ▶ **Sport**
- ▶ **Brembo worldwide**

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 two-year period 2016-2017 and saw Brembo acting as the direct promoter of initiatives, developed through the active search for partnerships with non-profit organisations

▶ Houses of Smile

In the first months of 2017, the House of Smile was inaugurated in Pune (India) as a result of the collaboration between Brembo and CESVI, an NGO involved in supporting develop-

ment and combatting poverty. The Houses 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 in poor areas on the outskirts. Swadhar, the local NGO, operates within the service and education centre hub, coordinating the psychological support, legal guidance and career assistance services for women and the support services for young mothers. Swadhar also promotes educational activities for children between the ages of 3 and adolescence. Its 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 also house an I was a Sari workshop for teaching women the art of specialist 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 are carried out on the existing structures and more extensive services are being provided.

► 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 using recycled Sari fabrics or premium textiles. The Indian women are taught specialist tailoring skills and guaranteed a dignified regular wage, which provides them with precious independence. Thanks in part to Brembo’s contribution, it has been pos-

sible 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”.

The Houses 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, tai-

lored 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 September 2017, the Kilometro Rosso – Innovation and High Technology District, where Brembo has its general headquarters, hosted a diploma award ceremony for the 23 young foreign citizens who had completed their training course. Following their period of apprenticeship, four of them already have a permanent job.

In early December, they were shown the short film “NumerUomini”, by the director Gianfranco Ferraro. It takes on the form of a fairy tale, telling the story of the young migrants from their arrival in Italy’s reception centres to their recognition of human dignity thanks to the workplace integration and inclusion process made possible thanks to SOSTeniamoci.



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.

In 2017, Brembo also supported the General Surgery Unit – Liver and Lung Transplant Centre at the Papa Giovanni XXIII hospital in Bergamo, contributing towards the purchase of equipment for the dynamic preservation of transplant organs.

■ **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.

■ **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. The main initiatives it has supported include its sponsorship of the Teatro alla Scala's Chinese tour and its support for the Fondazione Accademia Carrara in Bergamo through its sponsorship of the Educational Services brochure dedicated for Educational Institutions.

■ **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, and supports other local sports associations. In greater detail, in 2017 Brembo began 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. It has also founded the Brembo Prize for Atalanta's young footballers, awarded annually to the most deserving 'emerging' talent.

7.3 ANCILLARY COMPANIES AND SUPPLIER NETWORK

In its activity, Brembo relies on the contribution of over 5 thousand businesses, located in more than 15 countries worldwide, which provide goods and services for the Group's industrial processes.

The set of raw materials, components, materials and ancillary production services that were processed and integrated in Brembo products generated a purchase value of over €1,300 million in 2017, with further €300 million approximately for machinery and industrial plants.

The supply of raw materials, such as aluminium (around 36,000 tonnes), ferrous scrap and cast iron goods (equivalent to 500,000 tonnes), binders and refining agents used directly in the Group's foundries, are fundamental to the

Group and accounted for a total purchase value of around €490 million in 2017.

Equally significant, for an overall value of around €590 million, are the external components and processes, in addition to the Group's demand for durable goods such as systems and machines, which exceeded €300 million in 2017.

Brembo pursues an international development strategy with a central focus on the local area and a commitment to create stable relations with local communities. This is demonstrated



VALUE OF SUPPLIES* BY CATEGORY (€)

	2015	2016	2017
Raw materials and cast iron goods	471,528,576	488,058,411	491,810,571
Components and outsourced processing	473,807,534	541,838,745	591,954,970
Ancillary products and services	157,269,625	169,209,841	283,493,387 **
TOTAL	1,102,605,735	1,199,106,997	1,367,258,928
Industrial assets	133,184,000	199,036,000	314,727,000
TOTAL	1,235,789,735	1,398,142,997	1,681,985,928

* This only includes the costs of purchasing goods and services directly involved in finished product production, namely purchases of: raw materials, direct materials, industrial assets, products and services ancillary to production (including logistic, maintenance and repair services for production plant, packaging materials, tools and utilities).

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.

by the high percentage of purchases from the same countries where the Group operates, equivalent to 85% total purchases¹⁴.

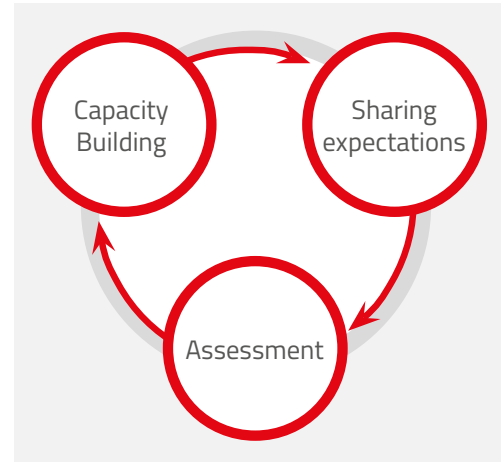
Promoting sustainable business models through responsible purchasing practices

Given the strategic importance that Brembo gives to developing relations with a supply chain focused on ongoing innovation, improving quality and sustainability, the Group has developed a structured supplier management process, which can be summarised in three main stages:

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.



¹⁴ This percentage is only calculated with regard to the purchase categories of raw materials and cast iron goods, external components and processes, and ancillary products and services (excluding industrial assets).



In 2017, Brembo undertook to:

- ✓ adopt a **Code of Conduct for Suppliers** that sums up Brembo's sustainability policy, indicating the principles that Group suppliers must respect, subscribe to and transfer throughout their supplier chain;
- ✓ include sustainability issues in its **Purchase Policy**, among the principles that guide the selection and assessment of suppliers in addition to quality, service, innovation and competitiveness requirements.

PURCHASES FROM COUNTRIES IN WHICH THE GROUP OPERATES (€)

	2015	2016	2017
Europe	602,824,177	642,149,847	740,410,107
North America	279,088,442	277,095,486	273,098,844
South America	50,911,600	44,612,958	44,562,441
Asia	141,325,788	198,512,268	252,842,292
Other	28,455,729	36,736,438	56,345,245
TOTAL	1,102,605,735	1,199,106,997	1,367,258,928

► Clear communication of what the Group expects from suppliers

Bearing in mind that the sector in which they operate features high labour intensity and highly complex production and technological processes, the Group requires its suppliers to:

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

► Supplier selection and appraisal

Brembo provides new suppliers with a structured assessment and type approval process.

- The first phase consists of asking suppliers to complete a self-assessment questionnaire (available on the website <http://www.brembo.com/en/company/suppliers/criteria-for-selection>). The questionnaire also assesses the activities put in place by suppliers to ensure the protection of workers' rights, fight corruption and minimise environmental risks.
- The questionnaires are analysed by the Purchasing, Administration and Finance, Quality, Environment and Energy Departments with the aim of assessing the operating, financial and sustainability risk profiles. Once the pre-assessment phase has been completed positively, all potential suppliers receive local site visits by the Quality Department and/or any other Brembo staff to check the actual satisfaction of quality and process requirements.
- Having completed the approval process, the supplier becomes part of the supplier base to which Brembo can assign commissions. The

assignment of a specific supply takes place by benchmarking the various offers received on the basis of the following assessment criteria:

- A. Compliance with technical specifications
 - B. Technological and innovation capacity
 - C. Quality and service
 - D. Financial competitiveness.
- With a view to a virtuous process of continuous improvement, Brembo carries out, with the support of third parties, periodic audits of its suppliers with the specific objective of assessing their compliance with the sustainability standards required by the Group.

The third-party CSR Audit Management Procedure was drawn up in 2017 and defines supplier selection methods and processes for managing audits, follow ups and corrective actions.

In addition to various political, ethical and social aspects, the selection parameters for the suppliers being audited include: the country of origin of the supplies, the turnover with the Brembo Group and the type of production process.

The third-party audits aim to identify any critical factors inherent to different areas such as: work, salaries and working hours, health and safety, the management system, and the environment.

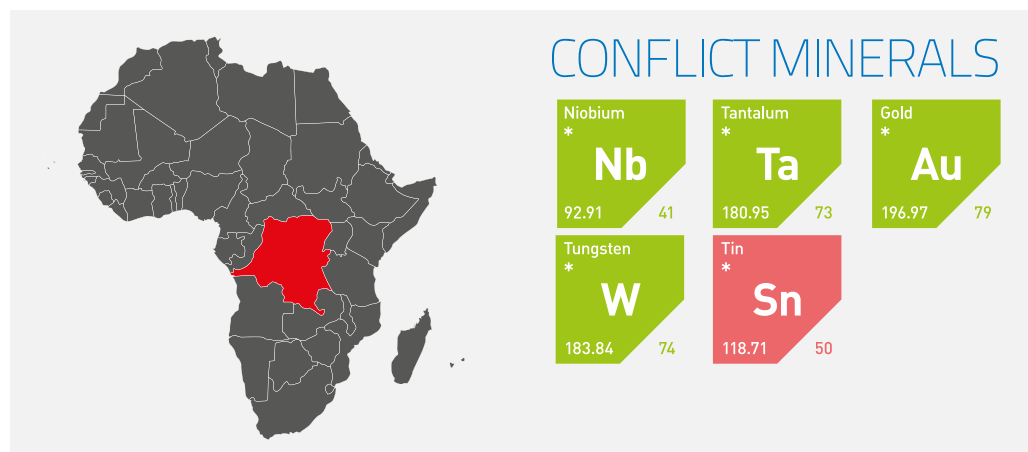
A corrective action plan, subject to periodic monitoring by Brembo using the same third-party certification body, is developed for each non-conformity reported.

To date audits have been carried out on **46 suppliers**, covering 38% of the purchasing turnover for direct goods. More than one third of the suppliers have received an above average assessment compared to the average of the country and reference industry. In 2017 there were no reports of serious critical issues, such as the presence of underage workers or forms of forced labour, and no serious infringements of employee safety standards.

Periodically, the Group Procurement Office and the Quality Office provide the CSR Steering Committee, of which they form part, with an update on the activities involving the supply chain as regards sustainability issues.

► Development and capacity building

The ongoing innovation and the quality improvement offered by Brembo require supplier involvement so that a supply chain network supporting this goal can be developed. To this end the Group promotes opportunities for supplier growth through initiatives for collaboration that encourage direct discussion and best practice



sharing. One example of this are the projects coordinated by the Brembo Supplier Quality Office, which saw the involvement of some suppliers in quality performance guided growth courses: projects involving three suppliers at five production sites were carried out in 2017. These projects aim to support the development of Quality skills in the management of production processes, through the analysis of the processes themselves, the sharing of experiences and approaches that aim to identify improvement solutions for implementation.

► 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.



Brembo's plant in Homer (USA)

7.4 2030 AGENDA: SUSTAINABLE DEVELOPMENT GOALS AND PRIORITIES FOR BREMBO

In September 2015, the 193 United Nations member states approved the Global Agenda for Sustainable Development: a programme that issues a “call to action” for all member states with regard to their commitment to steering the world along a sustainable path to the benefit of 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 su-

tainable 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 role in generating positive change on a global level and in the sustainable development of the areas where it operates, Brembo has launched a procedure designed to make a tangible contribution to the 2030 Global Agenda. It has started by identifying the potential business objectives it can work on, with a view to playing an active role in the achievement of the SDGs for sustainable development.





Brembo's plant in Mapello (Italy)



 brembo

Brembo's plant in Mapello (Italy)



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
Alberto Bombassei	78	M	X	--	--	--	--	X	X		X	X
Matteo Tiraboschi	51	M	X	--	--	--	--	X	X	X	X	X
Andrea Abbati Marescotti	54	M	X	--	--	--	--	X	X	X	X	X
Cristina Bombassei	50	F	X	--	--	--	--		X		X	X
Giovanni Canavotto	67	M	X	--	--	--	--	X	X			X
Barbara Borra	58	F	--	X	X	X	X	X		X		X
Laura Cioli	55	F	--	X	X	X		X		X	X	X
Nicoletta Giadrossi	52	F	--	X	X	X	X	X		X	X	X
Umberto Nicodano	64	M	--	X	---		X	X		X	X	X
Valerio Battista	61	M	--	X	X			X	X	X	X	X
Gianfelice Rocca	68	M	--	X	X			X	X	X	X	X

* Remuneration and Appointments Committee

Board of Statutory Auditors										
Position	Members	Year of birth	Date of first appointment ¹	In office from	In office until	List	Indep. as per Code	Attendance to Board of Statutory Auditors' meetings in 2017	Attendance to Board of Directors' meetings in 2017	No. of other offices held
Chair-woman	Raffaella Pagani ¹⁵	1971	29.04.2014	20.04.2017	Approval of the Financial Statement at 31 December 2019	m	x	100%	100%	13 Weight 3.75
Acting Auditor	Alfredo Malguzzi	1962	20.04.2017	20.04.2017	Approval of the Financial Statement at 31 December 2019	M	x	100%	100%	8 Weight N.A.
Acting Auditor	Mario Tagliaferri	1961	20.04.2017	20.04.2017	Approval of the Financial Statement at 31 December 2019	M	x	100%	100%	11 Weight 3.63
Alternate Auditor	Myriam Amato	1974	29.04.2014	20.04.2017	Approval of the Financial Statement at 31 December 2019	m	x	-	-	-
Alternate Auditor	Marco Salvatore	1965	29.04.2011	20.04.2017	Approval of the Financial Statement at 31 December 2019	M	x	-	-	-

No. of meetings held during the year of reference (2017) Board of Statutory Auditors: 8 Board of Directors: 8 Audit, Risk & Sustainability Committee: 5 Remuneration & Appointments Committee: 1

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 Statement at 31 December 2019	x	100%
Independent Director	Laura Cioli	1963	20.04.2017	20.04.2017	Approval of the Financial Statement at 31 December 2019	x	100%
Internal Audit Director of Brembo	Alessandra Ramorino	1968	29.04.2008	20.04.2017	Approval of the Financial Statement at 31 December 2019	x	100%

¹⁵ The candidature of Auditor Raffaella Pagani was submitted by a group of Asset Management Companies and other institutional investors (holding 0.523% of the share capital, overall).

Workforce	2017		
	Men	Women	Total
Employees (Headcount)	8,203	1,634	9,837
Temporaries (FTE)	1,538	198	1,736

Temporaries by gender and geographical area ¹⁶ (No.)	2017		
	Men	Women	Total
Total	1,538	198	1,736
Europe	748	148	896
America	54	16	70
Asia	736	34	770

Employees by gender and geographical area ¹⁶ (No.)	2016			2017		
	Men	Women	Total	Men	Women	Total
Total	7,566	1,476	9,042	8,203	1,634	9,837
Europe	4,955	1,051	6,006	5,197	1,122	6,319
America	1,341	181	1,522	1,541	234	1,775
Asia	1,270	244	1,514	1,465	278	1,743

Employees by employment contract and gender (No.)	2016			2017		
	Men	Women	Total	Men	Women	Total
Total	7,566	1,476	9,042	8,203	1,634	9,837
Permanent contract	6,201	1,136	7,337	6,894	1,302	8,196
Fixed-term contract	1,365	340	1,705	1,309	332	1,641

¹⁶ 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. "America" includes Argentina, Brazil, the United States and Mexico.

Employees by employment contract and gender (No.)	2016			2017		
	Men	Women	Total	Men	Women	Total
Total	7,566	1,476	9,042	8,203	1,634	9,837
Full-time employees	7,508	1,260	8,768	8,146	1,434	9,580
Part-time employees	58	216	274	57	200	257

Turnover by gender (%)	2016			2017		
	Men	Women	Total	Men	Women	Total
Hiring rate	13.7	17.2	14.2	16.1	18.3	16.4
Termination rate	8.0	7.9	8.0	7.7	8.6	7.9

Turnover by age (%)	2016				2017			
	<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
Termination rate	13.4	7.7	4.1	7.1	13.0	7.8	4.5	6.1

Turnover by geographical area ¹⁷ (%)	2016			2017		
	Europe	America	Asia	Europe	America	Asia
Hiring rate	10.4	28.8	14.9	11.5	31.0	19.6
Termination rate	6.0	17.6	6.5	6.9	11.5	7.7

Hours of training by classification level and gender (h)	2016			2017		
	Men	Women	Total	Men	Women	Total
Total	157,776	25,524	183,299	167,382	27,973	195,355
Managers	12,385	1521	13,905	12,923	2,813	15,736
White-collar workers	57,960	15,874	73,834	75,641	19,505	95,145
Blue-collar workers	87,431	8,129	95,560	78,818	5,655	84,474

¹⁷ 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. "America" includes Argentina, Brazil, the United States and Mexico.

METHODOLOGICAL NOTE

Reporting standards applied

The Consolidated Disclosure of Non-Financial Information of the Brembo Group (hereinafter also “Disclosure”) in accordance with 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, which will be published annually, has been written in accordance with Italian Legislative Decree No 254/2016 and follows the “GRI G4 Sustainability Reporting Guidelines” (‘in accordance’ - core), issued by the Global Reporting Initiative (GRI). 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 138 contain the GRI Content Index. 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-G4 Guidelines: the issues discussed within the Disclosure are those that, following a materiality analysis and assessment, described on pages 40-45 of this document, were deemed to be relevant, in-

asmuch as they reflect the social and environmental impacts of the Group’s activity or influence the decisions made by its stakeholders.

Reporting scope

The qualitative and quantitative data contained in the Consolidated Disclosure of Non-Financial Information 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 2017. As provided for by Article 4 of Italian Legislative Decree No. 254/2016, this Consolidated Disclosure of Non-Financial Information 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 relevant. Any further boundary limitation is specified appropriately in the document.

When useful for the purposes of comparing or contextualising information, data from the 2016 and 2015 financial years have been included and duly indicated, with the exception of few cases for which only a summary and qualitative comparison of this data was given with regard to previous financial years, as provided for by the Decree with reference to the initial application of the regulations.

Reporting process

The preparation of the 2017 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 Financial Consolidated Disclosure, the draft Statement 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 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 of Non-Financial Information:

Materiality	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.
Inclusiveness	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.
Sustainability Context	The Consolidated Disclosure of 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.
Completeness	The aspects and scope of the Disclosure allow the stakeholders to comprehensively assess the Group's main economic, social and environmental impacts.
Balance	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.
Comparability	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.
Accuracy	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.
Timeliness	Brembo's Consolidated Disclosure of Non-Financial Information is prepared annually and disclosed in the same period of the presentation of the Consolidated Financial Statement.
Reliability	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
Clarity	Brembo's Consolidated Disclosure of Non-Financial Information contains information presented in such a way as to be clear and accessible to all stakeholders.

MATERIAL TOPICS AND RELATED GRI G4 ASPECTS

MATERIAL TOPICS IDENTIFIED BY BREMBO	REFERENCE GRI-G4 CATEGORIES AND ASPECTS	IMPACTS BOUNDARY		
		INTERNAL IMPACT	EXTERNAL IMPACT	BOUNDARY LIMITATIONS
Overall product and process innovation	Product Responsibility: Customer Health and Safety Environmental: Products and Services	●		
Total product quality and safety	Product Responsibility: Customer Health and Safety	●		
Occupational Health and Safety	Labor Practices and Dignified Work: Occupational Health and Safety	●	Contractors	Reporting partially extended to contractors
Brembo People Development	Labor Practices and Dignified Work: Employment, Training and Education	●		
Partnership with customers and co-design	Product Responsibility: Customer Health and Safety	●	Customers	
Brand value and reputation	Society: Anti-competitive Behaviour	●		
Business Ethics	General Aspects: Ethics and Integrity Society: Anti-corruption, Anti-competitive Behaviour Human Rights: Investment, Human Rights Grievance Mechanisms	●	Suppliers	Reporting partially extended to suppliers
Supply chain management	Economic: Procurement practices Environmental: Supplier Environmental Assessment Labor Practices and Decent Work: Supplier Assessment for Labour Practices Human Rights: Supplier Human Right Assessment	●		
Local and Global Development	Economic: Economic Performance, Procurement Practices, Market Presence	●		
Product design and style	(*)	●		
Effective management of emissions in the atmosphere	Environmental: Emissions, Transport	●	Suppliers	Reporting partially extended to suppliers
Energy efficiency	Environmental: Energy	●		
Effective waste management	Environmental: Effluents and Waste	●		
Talent attraction and partnerships with Universities	Labor Practices and Dignified Work: Employment, Training and Education	●		

(*) As regards the topic in question (not directly linked to an aspect covered by the GRI-G4 Guidelines), Brembo reports the management approach adopted and the relative indicators in the document.

GRI G4 TABLE OF CONTENTS

GRI table of contents ‘in accordance’ – core option

General standard disclosures	Page number / notes	Indicator description
Strategy and Analysis		
G4 – 1	4-5	Statement from the most senior decision-maker about the relevance of sustainability for the organisation and its strategy
Organizational Profile		
G4 – 3	7	Name of the organisation
G4 – 4	13; 20	Primary brands, products and/or services
G4 – 5	16	Location of the organisation's headquarters
G4 – 6	16-17	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report
G4 – 7	21-22; Corporate Governance and Ownership Structure Report; Annual Report	Nature of ownership and legal form
G4 – 8	13; 18-19	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)
G4 – 9	12-13; Annual Report	Scale of the organisation
G4 – 10	68; 72-73; 132-133	Total number of employees by employment contract, employment type, region and gender
G4 – 11	71	Percentage of total employees covered by collective bargaining agreements
G4 – 12	121-125	Description of the organisation's supply chain
G4 – 13	No significant changes have been reported	Significant changes during the reporting period regarding size, structure, ownership or the supply chain
G4 – 14	60-62	Report on whether and how the precautionary approach or principle is addressed
G4 – 15	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)	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses
G4 – 16	36-39; 93	Memberships of national and/or international industry associations

General standard disclosures	Page number / notes	Indicator description
Identified Material Aspects and Boundaries		
G4 – 17	134	List of entities included in the organisation's consolidated disclosure of non-financial information or equivalent documents and those not covered by the Disclosure
G4 – 18	40-41	Process for defining Disclosure content
G4 – 19	42-45	Material aspects identified in the process for defining Disclosure content
G4 – 20	137	Aspect Boundary within the organisation for each material aspect
G4 – 21	137	Aspect Boundary outside the organisation for each material aspect
G4 – 22	This is the first Consolidated Disclosure of Non-Financial Information	Effect of any restatements of information provided in previous reports, and the reasons for such restatements
G4 – 23	This is the first Consolidated Disclosure of Non-Financial Information	Significant changes from previous reporting periods in the Aspect Boundaries
Stakeholder engagement		
G4 – 24	32	List of stakeholder groups engaged by the organisation
G4 – 25	33	Basis for identification and selection of stakeholders with whom to engage
G4 – 26	34-35	Approach to stakeholder engagement, including frequency of engagement by activity type and by stakeholder group
G4 – 27	34-35; 92	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting
Statement Profile		
G4 – 28	134	Reporting period (such as fiscal/calendar year) for information provided
G4 – 29	This is the first Consolidated Disclosure of Non-Financial Information	Date of most recent previous report (if any)
G4 – 30	134	Reporting cycle (such as annual, biennial)
G4 – 31	7	Contact point for questions regarding the report or its contents
G4 – 32	134; 138-143	GRI Content Index and the 'in accordance' option chosen
G4 – 33	144-146	External assurance for the report
Governance		
G4 – 34	26-27; 48-52; 60; 131 Corporate Governance and Ownership Structure Report	Governance structure of the organisation, including committees of the highest governance body, and any committees responsible for decision-making on economic, environmental and social impacts
Ethics and Integrity		
G4 – 56	29; 54-57	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics

Specific standard disclosures	Page number / Notes	Omissions	Indicator description
Category: Economic			
Aspect: Economic Performance			
G4 – DMA	112-115		Management approach
G4 – EC1	113		Direct economic value generated and distributed
Aspect: Market Presence			
G4 – DMA	72-73		Management approach
G4 – EC6	8; 73		Hiring procedures of people resident at significant locations of operations and proportion of senior management hired from the local community
Aspect: Procurement Practices			
G4 – DMA	121-122		Management approach
G4 – EC9	9; 121-123		Proportion of spending on local suppliers at significant locations of operation
Category: Environmental			
Aspect: Energy			
G4 – DMA	100-103		Management approach
G4 – EN3	102		Energy consumption within the organisation
G4 – EN6	102-103		Reduction of energy consumption
Aspect: Emissions			
G4 – DMA	100-101; 104-107		Management approach
G4 – EN15	104		Direct greenhouse gas emissions
G4 – EN16	104		Energy indirect greenhouse gas emissions
G4 – EN17	104		Other indirect greenhouse gas emissions
G4 – EN19	103; 105		Reduction of greenhouse gas emissions
G4 – EN21	106		NOx, SOx and other significant air emissions
Aspect: Effluents and Waste			
G4 – DMA	100-101		Management approach
G4 – EN23	108	Information relating to the waste disposal method is not currently available. The Group undertakes, over coming years, to start a definition process for this indicator reporting method so as to collect the data needed to cover this area	Total weight of waste by type and disposal method

Specific standard disclosures	Page number / Notes	Omissions	Indicator description
Aspect: Products and Services			
G4 – DMA	86		Management approach
G4 – EN27	90-91; 93-94		Extent of mitigation of environmental impacts of products and services
Aspect: Transport			
G4 – DMA	100-101		Management approach
G4 – EN30	104		Significant environmental impact of transporting products and goods/material for the organisation's operations, and transporting members of the workforce
Aspect: Supplier Environmental Assessment			
G4 – DMA	122-124		Management approach
G4 – EN32	123-124		Percentage of new suppliers that were screened using environmental criteria
Category: Labour Practices and Decent Work			
Aspect: Employment			
G4 – DMA	68-71		Management approach
G4 – LA1	69-70; 133		Total number and rates of new employee hires and employee turnover by age group, gender and region
Aspect: Occupational Health and Safety			
G4 – DMA	79-82		Management approach
G4 – LA5	79		Percentage of total workforce represented in formal joint management-worker health and safety committees
G4 – LA6	8; 80	The accident rates have been calculated on the basis of the calculating method used at Brembo. The Group sets itself the improvement objective of starting a monitoring process for hours worked, so as to adapt to the indications set forth in the GRI Guidelines for calculating these indicators. Monitoring hours worked will also make it possible to report on the occupational disease rate. Lastly, Brembo undertakes to refine its monitoring of absences to be included in the calculation of the absenteeism rate	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender

Specific standard disclosures	Page number / Notes	Omissions	Indicator description
Aspect: Training and Education			
G4 – DMA	75-78		Management approach
G4 – LA9	76		Average hours of training per year per employee by gender, and by employee category
G4 – LA11	8; 77-78		Percentage of employees receiving regular performance and career development reviews, by gender and by employee category
Aspect: Supplier Assessment for Labour Practices			
G4 – DMA	122-124		Management approach
G4 – LA14	123; 124		Percentage of new suppliers that were screened using labour practices criteria
Category: Human Rights			
Aspect: Investment			
G4 – DMA	58-59; 75		Management approach
G4 – HR2	75		Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained
Aspect: Supplier Human Rights Assessment			
G4 – DMA	122-124		Management approach
G4 – HR10	123-124		Percentage of new suppliers that were screened using human rights criteria
Aspect: Human Rights Grievance Mechanisms			
G4 – DMA	58-59; 72-74		Management approach
G4 – HR12	73-74		Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms
Category: Society			
Aspect: Anti – corruption			
G4 – DMA	54-55; 57-59		Management approach
G4 – SO4	54; 59; Corporate Governance and Ownership Structure Report		Communication and training on anti-corruption policies and procedures
G4 – SO5	59		Confirmed incidents of corruption and actions taken

Specific standard disclosures	Page number / Notes	Omissions	Indicator description
Aspect: Anti – competitive Behaviour			
G4 – DMA	54-56; 58		Management approach
G4 – SO7	56		Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes
Category: Product Responsibility			
Aspect: customer health and safety			
G4 – DMA	95-97		Management approach
G4 – PR1	95		Percentage of product and service categories for which health and safety impacts are assessed

Independent auditors' report on the consolidated disclosure of non-financial information in accordance with article 3, par. 10, of Legislative Decree n. 254/2016 and with article 5 of Consob Regulation adopted with Resolution 20267

(Translation from the original Italian text)

To the Board of Directors of
Brembo S.p.A.

We have performed a limited assurance engagement pursuant to article 3, paragraph 10, of Legislative Decree December 30, 2016, n. 254 (hereinafter "Decree") and article 5 of Consob Regulation adopted with Resolution 20267, on the consolidated disclosure of non-financial information of Brembo S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on December 31, 2017 in accordance with article 4 of the Decree and approved by the Board of Directors on March 5, 2018 (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 "Sustainability Reporting Guidelines", version G4, defined in 2013 by GRI - Global Reporting Initiative ("GRI G4 Guidelines"), 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 non-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.

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 G4 Guidelines. 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 standard 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 topics 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 topics indicated in article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in art. 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 regards 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 Poland Spolka Zo.O. 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.
- We have selected based on their activities, relevance to the consolidated performance indicators and locations the production site of Mapello (BG) of Brembo S.p.A. and the production site of Dabrowa of Brembo Poland Spolka Zo.o.. For these two production sites, we have carried out site visits during which we have 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 December 31, 2017 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI G4 Guidelines.

Other Information

The Group has prepared a Sustainability Report for the year ended December 31, 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, March 20, 2018

EY S.p.A.

Signed by: Claudio Ferigo, Partner

This report has been translated into the English language solely for the convenience of international readers.





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