

# INVESTMENTS

**In 2023, Brembo's investment management policy continued in line with the guidelines followed to date, with the aim of strengthening the Group's presence not only in Italy, but also at the international level.**

Brembo has launched an investment plan of approximately €500 million to consolidate its global industrial footprint, particularly in Mexico, China and Poland, where new plants are expected to be built with a view to digital transformation and sustainability.

In Mexico, Brembo is completing the expansion of its plant specialising in the manufacturing of brake calipers located in Escobedo, in the Nuevo León State. Once fully operational, the plant will enable to double the Group's production capacity in the country.

With regard to China, Brembo's plan calls for the expansion of the brake system manufacturing plant in Nanjing to strengthen its production capacity in the country. The investment also provides for the renewal of the R&D centre within the said site, with the aim of creating an advanced centre supporting the development of the new technologies required by the Chinese market. Works began in the second half of 2023 and the project is expected to be completed by the end of 2025.

In Poland, Brembo decided to build another cast iron foundry in Dąbrowa Górnicza. The investment will create the Group's most innovative foundry at global level, which will be endowed with cutting-edge technology, also in terms of sustainability. The first pouring of the foundry is

expected in the first half of 2025.

These projects are in addition to the already announced acquisition of the Italcementi property at Kilometro Rosso in Stezzano (Bergamo), which will allow Brembo to expand its headquarters in Italy.

The other investments in property, plant and equipment made by the Group primarily related to purchases of plant, machinery and equipment to increase the level of production automation and constantly improve the mix and quality of factories.

Group's total net investments undertaken in 2023 at all operations amounted to €412,159 thousand, of which €368,426 thousand was invested in property, plant and equipment and €43,733 thousand in intangible assets. The most significant investments were concentrated in Italy (36.3%), North America (22.9%), Poland (19.7%) and China (9.7%).

With regard to investments in intangible assets, development costs for 2023 amounted to €28,910 thousand (7.0% of the Group's total net investments).

In the same period, increases in leased assets amounted to €20,731 thousand.

# RESEARCH AND DEVELOPMENT

Innovation, sustainability and the mobility of the future. Brembo has always been committed to researching and developing cutting-edge technological solutions that not only stand out for their focus on performance, comfort and style, but are also aimed at preserving the environment.

The vehicles of the future are increasingly oriented towards the green model, electrification, overall efficiency and reduced emissions. The focus is on an integrated, complementary brake system in which caliper, disc, pad, suspension and control unit are in synergy with the new vision of mobility, where technology and the environment can coexist in constant equilibrium.

For many years, Brembo has been conducting specific research on mechatronic products, which are increasingly widespread in the automotive sector, thus honing skills that for some time have been applied to systems such as electric parking brakes systems and Sensify™.

After an initial phase of pure research, Brembo is introducing increasingly green solutions on the market, with a particular focus on improving the environmental impact of products also when in use. Since the market requires increasingly shorter time to market, the Group strongly concentrates its efforts and resources on implementing cutting-edge simulation methods, in which new virtual reality and augmented reality technologies are increasingly applied, in addition to designing uniform development processes at Brembo's R&D Centres based in Italy, Poland, Denmark, Spain, the United Kingdom, North America, China and India.

In 2023, R&D activities mainly focused on the following aspects.

## **BRAKE DISCS FOR CARS AND COMMERCIAL VEHICLES**

In the area of brake discs for cars and light commercial vehicles, in 2023 the strategic priority was the development of solutions to meet the criteria of the new Euro 7 standard.

The proposal for defining the new Euro7 standards on pollutant emissions from cars and commercial vehicles is currently awaiting the final approval by the European Commission. For the first time, this proposal will also include provisions on emissions of particulate matter from braking systems. The entry into force of the new standard is expected to take place starting from 2026 for all cars and light commercial vehicles and as of 2028 for heavy vehicles.

Brembo has been active for years in the development of solutions for the reduction of particulate emissions from brakes. As early as in 2020, Brembo had presented its

Greentive® disc, which is characterised by an innovative coating applied to the cast-iron braking ring that ensures very low wear and tear, extends disc life and, thanks to the combination with the specifically developed friction material, also reduces particulate emissions during braking, thus limiting the impact on the environment.

Relying on the expertise gained through Greentive®, Brembo has forged ahead with research, development and testing of advanced solutions to be applied to cast-iron discs through the study of materials and the adoption of technologies and surface treatments never used before for brake disc applications.

After defining for each market segment the product most suitable for the different needs of individual customers, in 2023 activities mainly focused on application developments with the major European market players.

Equally important is Brembo Friction's concurrent development of brake pads that can markedly contribute to creating an ideal combination with the brake disc.

Thinking of the single component — disc or pad — as an independent unit fails to address the problem of emissions in its entirety. The development of a friction module, consisting of disc and pad, designed for each of these new types of disc therefore becomes essential for achieving emission key targets without compromising performance, thus managing to offer Brembo customers solutions consistent with the Group's vision and its guiding principles: low emissions, high performance and best driving experience.

Considerable attention is being devoted to the new needs of hybrid and electric vehicles: as they use regenerative braking, they introduce new requirements for brake discs, instrumental to solving issues relating to disc resistance to corrosion.

All the new solutions, which aim to reduce environmental impact and improve aesthetics and corrosion resistance, are meeting with strong interest among Brembo's main clients.

In this regard, the development phases with major car manufacturers continued, while in Europe production of discs that will adopt one of these technologies began already in 2023.

According to precise guidelines applied throughout the automotive sector and all of the Group's development activities, Brembo also devotes considerable attention to new solutions that are able to reduce disc weight: a lower

weight translates into a greater driving range for electric vehicles and lower fuel consumption of internal combustion vehicles, and consequently into a reduced environmental impact. This aspect will become even more important due to the entry into force of the new European Regulation setting stricter limits on polluting emissions generated by cars and commercial vehicles.

In car applications, after having worked with a major German customer to develop the concept for the light brake disc installed in its new platform of core vehicles, Brembo will also extend the supply of this product — which enables a reduction in weight of up to 15% compared to a conventional disc due to the combination of two different materials (cast iron for the braking ring and a thin steel laminate for the disc hat) — to a new platform of fully electric vehicles, whose application development phase is underway.

The lightweight disc was also successfully developed for other major car manufacturers, which already use it to equip some of their models, attracting the interest of other Brembo customers, especially in the Far East market and among the new players entering the electric vehicle market.

At some major European clients, the application development activity on discs for heavy commercial vehicles — a segment which is of particular interest to Brembo — entered its final phase with solutions aimed at improving performance and reducing weight. Series production of these discs will start in 2024.

Building on the experience gained in the field of light commercial vehicles, 2024 will see research and development of new products continue in this sector as well, so as to comply with the pollutant emission requirements (Euro 7).

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## MOTORBIKES

The design strategy activity continued, which, in addition to defining the style of all the segment's new products, aims to increase the ability to meet customer needs through greater product customisation using modular production lines.

The first product resulting from this strategy was the new top-of-the-line HYPURE monobloc front caliper, which was presented to the market in November 2023 and is scheduled for production in June 2024 for the first customer. As part of the design strategy activities, the development of a

new front brake master cylinder has been launched, which envisages the completion of the Design Freeze phase by the end of the first quarter of 2024.

Work continued on integrating the GBU's various companies (Brembo S.p.A, J.Juan, SBS Friction and Brembo Brake India) with the aim of sharing methodologies and expertise in order to present themselves to customers as Brake System Suppliers and Solution Providers. Thanks to this approach, new European and Indian application projects are thus being developed that will allow Brembo to increase its footprint in both the thermal engine and electric propulsion scooter market.

The search for new markets in the two-wheel field is also focusing on green mobility. A collaboration agreement was signed with a first customer for the development of a high-performance braking system to be used on high-performance products. After concluding the first set of tests on the "laboratory" prototypes, the product requirements were defined followed by the start of the Design Freeze phase, which will be completed by the end of the first quarter of 2024.

As regards methodology, a first digital project aimed to reduce the design times of the main motorbike products is underway. The process of automating the various design phases for the floating caliper has already been completed, reporting a 25% time reduction, and work has begun on the disc product. This methodology will be extended to all products within the next two years.

A second digital project aims to define the "mission profile" of motorbike brake products: the first data collection campaign throughout Italy has been closed with the goal of defining the motorbike product usage profile by April 2024, and then subsequently extending the data collection to Europe and the other continents.

Work is also continuing on developing "green" materials such as friction materials for pads: in particular, compounds with no "non-green" components are being developed for OEM products. In this way, Brembo aims to stand out as the first motorbike pad supplier with products compliant with the strictest automotive regulations.

The product roadmap is being gradually updated in accordance with the Company's mission and constant market developments. The continuous improvement of existing products, the development of new materials and technical solutions, and the focus on costs, especially with regard to products for low-cost countries, are the main drivers for newly developed products.

## RACING

Since the first Formula 1 race in 2022, both the new evolution of racing discs and the latest generation carbon/carbon pad have been used, both produced and engineered entirely within the new dedicated plant in Curno (Italy), which is able to guarantee performance and production consistency at the highest levels.

The development of the full carbon braking system continued in 2023 with customers testing a new brake system specification. The results have been excellent and this new system will be used by major customers in 2024. Currently, all the activities are being set up to define the braking system of the new Formula 1 cars that will race in 2026: the main focus of the development remains the correct initial setting of the carbon system.

The new material, developed and produced entirely within the Carbon Factory, also made its debut in the new Hypercar category (LMH and LMDH) with very positive feedback, with Ferrari winning the Le Mans 24 Hours.

The carbon material produced within the Carbon Factory is also used for other competitions where this material is permitted to be used, such as Formula-E and the Japanese Super Formula.

In collaboration with Petroceramics, work continued on developing the carbon-ceramic material (CCMR) for both car and motorbike applications.

Brembo has already launched the innovation projects for the 2024-2026 three-year period, focusing on the introduction of new caliper concepts with amplified force, which are more efficient and lighter than the amplified calipers already used for several years in the car and motorbike racing world. Several new products have also been offered to the teams, including Formula 1 electro-hydraulic brake-by-wire systems made with innovative production technologies.

A new caliper concept has been approved on-vehicle and on dynamic test benches with a revolutionary type of fastening with eight pistons and four pads. The system's first approval was with a new racing car with extreme characteristics that will be in production in 2024 and will have a full carbon braking system. The same caliper concept will also be used on a road car, again of the same customer, which will be developed in 2024-2025.

With regard to carbon ceramic discs intended for road applications, the validation of the new CCMR-L disc has been completed in 2023 with an important Brembo customer. This disc features a ceramic layer that has further improved its performance also in terms of braking in. Production has started for another customer, while the approval of new systems, again for road application, will begin for three other customers.

For the first time, another customer will use a new brake caliper concept that is being designed at the Curno plant and will be subsequently produced and marketed by AP Racing. This new concept is also used on a track car with a carbon/carbon system and on a road car with CCMR-L carbon ceramic disc.

Thanks to the valuable collaboration of one of our technical development partners, the first characterisation phase for racing braking systems in terms of emissions has been completed. The information obtained will be essential for correctly guiding future choices.

In the mechatronic and smart systems area, the championships that saw the debut of two new electromechanical brake-by-wire systems ended.

In the Formula E championship, Brembo is the exclusive supplier of all 22 participating cars, which competed with the brake-by-wire systems on the car's front axle and reported no problems.

In another championship, Brembo is the exclusive supplier of a team that has the latest version of the electromechanical braking systems controlled by electronic control units, also based on the layout of the vehicle and its regenerative capacity. This team achieved an important victory in 2023. The car was equipped with the most advanced braking systems, all developed and produced in Curno: billet-machined monobloc calipers, discs in advanced material and 410 carbon pads, as well as the brake-by-wire electronically controlled electromechanical braking system.

It should be noted that the application development of these electromechanical brake-by-wire projects began in 2018 with the introduction of safety concepts already used in Formula 1 and, above all, with the introduction of the 48 Volt power supply on all Brembo systems.

Within the racing world, customers were offered the possibility to apply a new concept of electronically controlled braking system that can warn the rider if tyre grip is not sufficient to ensure a correct braking performance in a curve. Other projects are being currently developed in the motorbike and mechatronic-digital fields and will be destined for normal commercial usage in a time frame of about three years.

Huge effort is being dedicated to the development of the future braking systems to be used on high-performance and racing cars with an electric powertrain, which is therefore no longer based on internal combustion. The Brembo Performance Division has analysed the requirements of electric motors and batteries to better integrate them into Brembo's current braking systems and, above all, to define their subsequent developments. Collaboration with universities and dedicated partners are in place for this project. The first concept phase involves also the creation of a

demonstration prototype at the "wheel corner" level of the regenerative braking system, defined BRB.

As regards the simulation field, testing is continuing of new calculation methodologies for the structural part and thermal properties of the disc, for the thermoelastic and fatigue calculation, as well as for integrating the calculation with in the customer wheel unit — in other words, mechanical and thermal calculations with computational fluid dynamics (CFD) solutions. Continuing with an internal project of constant fine-tuning on testing benches and in simulations that began some years ago, several testing and simulation methods were refined and further enhanced. For several years now, advanced integration of testing and calculation has made it possible to use various virtual sensors obtained through the calculation model and/or models obtained from the database.

For years, Brembo has offered its customers a methodology capable of processing braking torque starting from the system's friction maps that are regularly provided to the teams together with the products. This is a typical virtual sensing application that was complemented in 2023 by the evolution of the new fully equipped caliper able to measure actual braking torque on the front and rear axles. Results were in line with expectations.

A number of virtual sensing applications are also available on cars that use the ceramic material, both in road and racing applications.

The work on integrating experimentation and simulation has also been extended to the production of Formula 1 discs. Brembo is able to couple the discs during the customer delivery stage with specific neural network algorithms, ensuring a more consistent performance when using the system. This methodology, started with Formula 1 systems, will be also applied to other systems in 2024.

This activity will continue in 2024 to integrate the world of simulation and the world of experimentation through tests on customer vehicle simulators and at Milan Polytechnic.

Specific research activities in the mechanical, composite material science, chemical and electronic/control fields are currently underway with Milan Polytechnic, which is an integral part of Brembo's developments and an historical partner for technical development able to provide a valuable scientific contribution to research projects.

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## FRICITION

Friction's commitment to developing traditional, customer-oriented friction materials and increasingly high-performance materials for racing cars continues at a steady

pace. The consolidated expertise on friction materials also relies on the know-how of the subsidiary BSCCB (Brembo SGL Carbon Ceramic Brakes), for the development of pads combined with carbon ceramic discs for ultra-high performance cars.

This commitment stands alongside and anticipates the trend of the automotive market, which is increasingly oriented towards sustainability and the introduction of hybrid and electric vehicles that require materials that are no longer merely high-performance, but also ecological, with a specific focus also on aesthetics.

The fact that for the first time the Euro 7 standard has also included the braking system, and in particular pad emissions, clearly outlines this trend.

Friction is therefore critical to expanding the portfolio of braking materials that allow to ensure high performance, guaranteeing braking safety and paying increasing attention both to the aesthetic aspect in general and to component corrosion. All this without neglecting driving comfort with the absence of noise and vibrations, as well as developing expertise that can also be applied in new and more complex systems such as the Electric Parking Brake and Sensify™.

Thanks to the constant technological evolution in the automotive field, the integration with new mechatronic systems has paved the way for the development of a brake pad concept with embedded sensors that aims to make the braking system increasingly integrated within new vehicles.

To this end, Brembo Friction avails of data-driven methods with a view to developing specific formulations and identifying the raw materials that most influence their different properties.

On this basis, dedicated works continued on developing friction materials aimed at increasingly innovative discs. In fact, new coatings and new treatments require pads designed and produced specifically to reduce PM10 emissions. This development is made possible by the support of cutting-edge internal testing, a top-tier laboratory, and constant collaboration with university centres. These allow the new approach for obtaining the best results to be defined synergistically, every time. In this way it is possible to extend the expertise gained in the field of passenger cars to light and heavy commercial vehicles as well.

Thanks to the skills acquired, projects that not only measure the quantity of particulates emitted but also at their quality are continuing, allowing Brembo to participate in various European projects (VERA, RE-BREATH).

The AFFIDA project made a further step forwards in reducing volatile organic compound (VOC) emissions. This is a natural extension of the COBRA project (part of the Europe-

an Life+ project) which aims to bring to the OE market the innovative technology of organic binders so as to enable the production of a brand-new pad concept.

With a view to sustainability and carbon neutrality, the Life Cycle Assessment and eco-design focus on the use of recyclable and recycled raw materials with a low environmental impact, as well as on the reduction of greenhouse gas generation during the production process.

The Group's interest in continuing and extending its leadership in the pad sector was also extended to the aftermarket through the newly formed BRGP joint venture (50% Brembo and 50% Gold Phoenix, world leader in pad production) in Jinan (Shandong, China), which has created Brembo's first production site entirely dedicated to the large-scale production of brake pads. Friction will play a crucial role in the project, bringing with it the skills acquired over the years. At the beginning of 2024, the new Greenance, EV Kit and Xtra kit products, which are enjoying so much success on the market, are expected to be launched.

The strong collaboration with SBS Friction, a company specialised in the development and production of brake pads from sintered and organic materials recently acquired by the Group, allows to expand the range of products and further advance Brembo's expertise also in the motorbike sector.

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## CAR AND COMMERCIAL VEHICLE SYSTEMS

With regard to Car and Commercial Vehicle Systems, all products are developed in accordance with the Group's vision and pursue its three guiding principles: low emissions, high performance and best driving experience.

The main example of the focus on these three principle is Sensify™, Brembo's revolutionary braking system already presented to the European, Chinese, U.S. and Japanese press.

Sensify™ is an ecosystem in which artificial intelligence, software and sensors manage the braking of each wheel independently. The application development and industrialisation phases for Sensify™ are still ongoing, whereas launch into production with the first manufacturers will take place in 2025. Moreover, in keeping with Brembo's strategic priorities, the promotional phase for Sensify™ is fully underway for both Group clients and new players that have entered the electric vehicles market.

With the Sensify™ ecosystem, individual components undergo important changes: the addition of sensors to brake caliper becomes fundamental and the collection of the resulting data yields an evolution of the entire braking sys-

tem, which can thus be calibrated to the actual use of the vehicle, with the consequent benefits in terms of weight.

With reference to mechatronics — which is no longer a mere advanced research area, but also an application field — the promotional phase for electric parking brakes, in various configurations, for both cars and commercial vehicles up to 7.5 tonnes, is ongoing.

The guiding principle referring to low emissions, i.e., aimed at contributing to the reduction of vehicle consumption and the resultant CO<sub>2</sub> and fine particulate emissions through braking systems, requires Brembo to adopt methods designed to minimise caliper mass, while maintaining performance and advancing solutions for the reduction of the residual torque.

The product and process improvement work is constantly ongoing in the same way as the search for solutions to reduce mass, optimise performance and improve styling. Examples include the Dyadema™ caliper, designed to significantly reduce the track operating temperature, the Flexira™ caliper, developed to meet the needs of several new market segments, the Octyma™ caliper, in production since September 2023, designed to optimise pressure distribution in the pads-brake disc interface, and a new type of caliper developed with a methodology that allows mass to be reduced from 5% to 10%, which is scheduled to enter into production in the fourth quarter of 2024.

The development of friction materials also pursues low-emissions and high-performance objectives. In the case of the former, materials paired with coated discs are being developed, whereas, in the case of the latter, materials under development are paired with all types of carbon ceramic discs.

The ongoing evolution of simulation methodologies is focused on aspects linked to braking system comfort and caliper functionality. Brembo's objective is to increase the simulation capacity of the entire braking system, including friction material. From this standpoint, the ability to rely on the know-how and installed capacity within the Brembo Friction project represents a strength for the Group, which can position itself as a supplier of solutions for complete braking systems.

On the other hand, the development of a methodology for simulating caliper functionality is aimed at establishing, during the design stage, the caliper characteristics that influence constant performance over time, the reduction of the residual torque and the car's pedal feel.

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## PRODUCT DEVELOPMENT METHODOLOGIES

Digitalisation of the Brembo product life cycle is ensured by the Product Development Methods function that, with the GBUs and GCFs, provides methodological and operational support for managing data and project flows.

Product Development Methods support and guide the GBUs/GCFs in adopting Product Lifecycle Management (PLM) throughout the phases of product development, seeking to combine the data from the various departments (digital thread) unambiguously and indissolubly, ensuring that it is traceable and distributing it securely to all internal stakeholders.

PLM is used to share design documents, development phases, the various technical bases and CAD drawings employed for numerical simulations. The simultaneous distribution of information through PLM promotes collaborative product development, resulting in reduced project development times.

Particular attention is paid to the development of parametric CAD models shared between multiple business functions to reduce development times and facilitate the parallelisation of design activities and to the reduction of low value-added human operations in traditional, error-prone and non-standardised design phases through the internal development of automated procedures directly linked to CAD models.

The state of the art of simulation of products and physical processes is constantly monitored — through dialogue with qualified suppliers and participation in conferences and university research projects — both to update the Company's technological and methodological content and to realise virtual models that are increasingly representative of the reality that they seek to reproduce (multiphysics digital twins), thus rendering them more efficient and predictive.

To this end, particular emphasis is placed on simulation process automation, which translates the routine manual operations performed by simulation analysts into automatic digital flows, with the goal of condensing into procedures the know-how gained in implementing simulations and reducing errors relating to manual performance of such simulations, while also making them available to a broader audience.

The adoption of industrial process simulation using the "discrete event" method will also allow the optimisation of time and resources of industrial production flows by acting on the design of production lines within plants.

The most modern additive manufacturing and generative design techniques are also constantly monitored and tested to increase the final innovative content of the product under development.

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## GLOBAL DATA SCIENCE, AI & HPC

On the basis of the know-how consolidated during the previous years, the global Data Science, Artificial Intelligence & High Performance Computing team continued its upgrade process. The process focuses on constantly broadening the resources dedicated to achieving the Company's digital transformation through the application of artificial intelligence. In particular, the current historical phase focuses on hiring specific professionals and adopting technologies dedicated to software quality and on implementing complex software applications in an automated way.

In addition to Italy's central team, the function currently avails of the operating unit at the Brembo Inspiration Lab Center of Excellence in Silicon Valley, California, and of that in China focused on the on-site collection and analysis of new data sources to feed all Brembo innovation processes. Brembo Inspiration Lab's mission is part of the digital transformation plan. This is an operational and coordinated unit, stemming from the contribution of AI and Data Science, Advanced Product Technologies (in collaboration with the R&D GCF), Process Technologies and Business Development. The team is tasked with researching and executing rapid proofs of concept for new technologies enabling smart mobility, smart products and smart processes, in the infrastructure and in the cloud.

The global team carries out, *inter alia*, the following activities:

- developing mobile technologies for gathering data from multiple internal and external sources;
- assembling, analysing and enriching big data through virtual sensing;
- developing inferential and predictive models;
- industrial application of artificial intelligence, with a particular focus on product quality;
- digital automation techniques for office and production processes;
- development of software applications that implement the algorithms and solutions described above;
- development of apps for mobile devices (smartphones) and the related APIs (Application Programming Interfaces);
- construction of a patent portfolio for certifying know-how.

All the solutions developed in this context with a strong "continuous improvement" character are validated by the Group's business and subsequently become part of the Brembo Solutions portfolio, so that they can be offered to the external market in accordance with the "solution provider" mission.

Acting as a competence centre for all GBUs and GCFs, the team operates within a multi-disciplinary ecosystem that brings together the expertise of Data Scientists, Big Data Engineers, Domain Experts and Project Managers, developed and constantly renewed through an intense internal training programme to ensure the spread of "Data Culture" according to Brembo.

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## INNOVATION & ADVANCED R&D

GFC R&D activities constantly monitor vehicle evolution, in line with the main general trends which are: ensuring high performance, reducing emissions and providing users with the best possible experience.

To do this, the research areas Brembo is working on are electrification and the study of fuel cells, driver assistance systems (ADAS) and autonomous driving, the constant reduction of environmental impact and connectivity. The high level of integration is increasingly bringing the brake system into dialogue with other vehicle systems, such as electric-drive motors and new suspension/steering concepts. Such integration will allow for increased active safety and the optimisation of functions, such as regenerative braking.

Brembo is continuing to develop and refine the Sensify™ system, whose peculiarity lies in its "decentralised" architecture, in which each wheel side has its own electro-mechanical actuator for generating and controlling the required braking force. This evolution will lead Sensify™ to be increasingly integrated into the vehicle system in accordance with the development of its architecture.

Brembo continued to conduct its R&D activities with the aim of constantly seeking out new solutions to apply to brake discs and calipers, in terms of new materials, innovative technologies and mechanical and electronic components. The constant need to reduce product weight is leading the research function to evaluate the use of unconventional materials or treatments, such as technopolymers or reinforced light metal alloys, to produce structural components. This approach is also necessary to further improve product sustainability, extending ecodesign and life cycle assessment methodologies (through the use of new specific programmes) to new projects and using such methodologies as a lever to developments increasingly geared towards sustainability and circularity.

New developments are also taking place in collaboration with universities and international research centres. Research activities continued with investees such as Infibra Technologies, a spin-off of the Sant'Anna School of Ad-

vanced Studies in Pisa, and PhotonPath, a spin-off from Milan Polytechnic, in the field of development of photonic sensors. This will allow to speed up the study and fine-tuning of new solutions for the digitalisation of braking systems, a path undertaken with the launch of the new Sensify™ intelligent braking system.

The AppLogger project continued, in collaboration with the Digital & Innovation area. Launched in 2021, this project led to an application created exclusively by Brembo, able to collect braking data in a reliable, constant, continuous and anonymous way, with absolute respect for privacy. After the 2022 release of a new version that allowed data collection in the Brembo cloud, in 2023 the application was made available not only to Brembo employees in EU countries, but also to those in the rest of the world, opening up the study of new features (e.g., the activation of personal statistics) that will allow further developments, also with a view to creating internal contests and reward programmes. Given the growing importance attached to particulate emissions, Brembo is also working on several fronts to assess the emissions of its braking systems, through special test benches and with various research projects funded at European level.

Some of these projects aim at reducing fine particulate emissions, such as the LIFE RE-BREATH project, geared at demonstrating and measuring the reduction of PM10 emissions related to the braking system of buses, as well as at modelling a concentration map for pollutants emitted by brake wear; the project also intends to define a map of the exposure risk to pedestrian health, using two fleets of 10 buses in two European cities, Bergamo and Bratislava, located in regions having the highest declared concentrations of PM2.5 and PM10.

In this context, the VERA project intends to develop, optimise and show innovative tailpipe retrofit solutions for particle (sub-23nm) and NO<sub>x</sub> emissions from petrol and natural gas road vehicles that travel high mileages within the city (taxis, delivery vans, buses).

The nPETS (nano Particle Emissions from the Transport Sector) project received funding from the European Union's Horizon 2020 in order to understand and mitigate the effects on public health of unregulated nanoparticle emissions. The aim is to evaluate the impact of particles with dimensions below 100nm on humans and animals. The nPETS consortium aims to improve knowledge of exhaust and non-exhaust nanoparticle emissions generated by all modes of transport, their impact on health and, ultimately, how new government policies can reduce these emissions and their impacts.

The amount of particulate matter emitted by the braking system can be measured by performing specific tests, as





required by Euro 7 standard. These tests are carried out on test benches that allow the collection of the particles emitted during braking, followed by laboratory analysis, which allows their numerical and, in some cases, also toxicological identification. A total of 3 dynamic benches that can perform these tests are available, one of which fully meets the requirements of the Euro 7 standard.

With regard to R&D, an activity is currently underway regarding the virtualisation of tests traditionally performed on the vehicle. This increases the efficiency of the development phase, reducing the number of tests performed on the vehicle only to those with high value added, where the

driver's actual perception is fundamental. The activities carried out on R&D vehicle simulators are of great support. These allow different test conditions to be easily recreated by modifying the simulator set-up and providing the user with a similar perception to that experienced on the vehicle. In 2023, the globalisation of innovation processes also began at Brembo Inspiration Lab, with the launch of the new ATC (Advanced Technology Center) in Silicon Valley: here, product innovation takes place in synergy with the integration of new methodologies and algorithms related to data science, making use of research centres, institutions and universities within the local innovation ecosystem.

# RISK MANAGEMENT POLICY

Effective risk management is a key factor to protect the Group's value in a historical period that continues to be marked by great volatility and uncertainty at global level. In particular, within the framework of its Corporate Governance system, Brembo defined an Internal Control and Risk Management System (ICRMS) consistent and compliant with the provisions of Article 6 of the "Internal Control and Risk Management System" of the Corporate Governance Code (2020 edition) and, more generally, with national and international best practices.

The Internal Control and Risk Management System (ICRMS) represents the set of organisational structures, rules and procedures that allows the main business risks within the Group to be identified, measured, managed and monitored, while helping the Company to be run in a manner that is sound, correct and in line with the objectives defined by the Board of Directors, favouring the adoption of informed decisions consistent with the risk profile, as well as dissemination of a proper understanding of risks, lawfulness and corporate values.

The Board of Directors is tasked with defining the general guidelines of the ICRMS, so that the main risks pertaining to Brembo S.p.A. and Group subsidiaries are properly identified, as well as adequately measured, managed and monitored. It shall also set criteria to ensure that such risks are compatible with sound and proper management of the Company. The Board of Directors is aware that the control processes cannot provide absolute assurances that the company objectives will be achieved and the intrinsic risks of business prevented, in particular in a period characterised by strong volatility, uncertainty within the macro-economic context and growing geopolitical risks. However, it believes that the ICRMS may reduce and mitigate the likelihood and impact of risk events associated with human error, wrong decisions, fraud, violations of laws, regulations and company procedures, as well as unexpected events such as, for instance, the Israeli-Palestinian conflict, the war in Ukraine and previously the global pandemic.

The ICRMS is subject to regular examination and controls, taking account of developments in the Company's operations and reference context, as well as national and international best practices.

The Board of Directors has identified the other main corporate committees/functions relevant for risk management purposes by defining their respective duties and responsibilities within the ICRMS scope. In detail:

- the Audit, Risk & Sustainability Committee, tasked with supporting the Board of Directors on internal control, risk management and sustainability issues;
- the Executive Director in charge of the Internal Control

and Risk Management System, tasked with identifying the main corporate risks by executing risk management guidelines and verifying their adequacy;

- the Head of Risk Management, responsible for supporting the management team in identifying, assessing and mitigating risks relating to the performance of corporate activities, with a view to managing the Company in line with strategic objectives;
- the Managerial Risk Committees, tasked with defining risk management plans with respect to company projects and/or specific risks.

Brembo's general risk-management principles and the bodies charged with risk evaluation and monitoring are included in Brembo's Corporate Governance Code (approved on 17 December 2021), under "Policies for the implementation of the Internal Control and Risk Management System", in its latest edition issued at year-end 2021, in the Risk Management Procedure, the Organisational, Management and Control Model (as per Italian Legislative Decree No. 231/2001) and in the reference layout for preparing accounting documents (as per Article 154-bis of TUF), to which the reader is referred. In particular, the new Policies for the implementation of the Internal Control and Risk Management System identify the overall design of Brembo's Internal Control and Risk Management System, taking into account the changes made to Brembo's Corporate Governance Manual, the evolution of Brembo's organisational structure with new second-tier and first-tier control roles, the new company strategy and sustainability goals, changes in the legislative and regulatory framework, as well as international best practices adopted by Brembo.

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

The Executive Director in charge of the Internal Control and Risk Management System fully enforces the risk management guidelines based on principles of prevention, cost effectiveness and continuous improvement, as approved by the Board of Directors. The Chief Executive Officer, in addition to coordinating the risk mitigation actions implemented by the competent management team, has a key role in the management of potential corporate "crisis" events, including for example the global pandemic and most recently the Israeli-Palestinian conflict and the war in Ukraine, in relation to which he directly takes on the direction of the Crisis Management Committee, in accordance with the provisions of the company Guidelines for crisis management.

In order to provide the organisation with the instruments for defining the risk categories to which attention should be drawn, starting from risk classes broken down by type, Brembo has developed a model which identifies and classifies risk classes taking into account the different corporate functions from which such risks may originate and/or that are responsible for monitoring and managing them.

The list of the main risks and related scenarios regarding the Group is mapped within the ERM (Enterprise Risk Management) risk register, which is updated at least annually together with the register of risks relating to the Environmental, Social and Corporate Governance (ESG) areas. Risks are monitored at regular meetings, where results, opportunities and risks are analysed for the business units and geographical areas in which Brembo operates. At these meetings, further necessary actions are also defined to mitigate new internal or external risks emerged in the performance of corporate activities.

The first-tier risk families in which the risks mapped within the risk register are catalogued are identified on the basis of the Risk Management Procedure and are listed below:

- a) external risks;
- b) strategic risks;
- c) operating risks;
- d) financial risks.

Brembo's top risks for each of the above-mentioned risk families are discussed below. The order in which they are discussed does not imply classification in terms of probability of occurrence or possible impact.

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## EXTERNAL RISKS

### Country Risk

Due to its international footprint and the increasing geopolitical tensions at global level, Brembo 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.

To ensure the monitoring of the evolution of political, economic, financial, security and safety risk relating to countries in which the political and economic context is or may in future become unstable, and to manage any escalation in specific geographical areas, Brembo has set up a working group that, in the most serious cases, takes on the characteristics and composition of a Crisis Committee. It is tasked with monitoring related developments and defining the actions necessary to mitigate the risks and their possible direct and indirect impacts on the Group.

With specific regard to the Israeli-Palestinian conflict, there are no Group plants and/or plants of strategic suppliers or sub-suppliers located in the territories affected by the conflict. However, given the seriousness of the situation, the risk of escalation and its effects on maritime transport, Brembo constantly monitors the state of the crisis to assess possible impacts in terms of additional logistics costs and delays in the handling of goods, as well as risks of increases in the prices of commodities, utilities and energy.

With regard to the war in Ukraine, Brembo continues to monitor the situation and maintain the control measures and processes adopted since the conflict broke out, including with the aim of ensuring compliance with the series of sanction packages implemented over time.

### Risks Associated with Macroeconomic and Demand Changes

In 2023, the global economy recorded a level of inflation that had not been seen in 20 years. The International Monetary Fund therefore reviewed the global growth outlook for 2024 downwards, with a risk of recession for some EU countries. The automotive market could therefore be negatively impacted by the possible resulting decline in demand. Brembo's focus on the top-premium market and its geographical diversification translate into a lower Group overall exposure to such potentially recessionary effects.

In order to constantly align its production and sales forecasts and monitor the risks associated with macroeconomic and demand changes, Brembo keeps constant control of its order portfolio, the performance of the automotive market in the various countries in which it operates and the related macroeconomic indicators.

## STRATEGIC RISKS

### Innovation

Brembo is exposed to risks associated with the evolution of technology, in other words, the risk that competing products will be developed that are technically superior because they are built based on breakthrough technologies and more efficient processes. In order to maintain its competitive edge, Brembo invests sizeable resources in R&D, conducting applied and basic research on both existing and newly applied technologies, such as those associated with digital innovation, in addition to mechatronics, including based on the Company's mission. For additional information, reference should be made to the "Research and Development" section in this Directors' Report on Operations. Product and process innovations — those currently being used, as well as those that may be used for production in the future — are patented to protect the Group's technological leadership. A specific function within the Legal and Corporate Affairs GCF, called IPR – Intellectual Property Rights, is responsible for managing patents and, more generally, all aspects associated with protecting the Group's intellectual property.

### Market

Brembo traditionally holds a significant market share in top-end segments of the automotive sector and, in terms of geography, generates most of its sales in Europe, North America and China. In order to reduce the risk of segment/market saturation in the countries where it operates, the Group has forged ahead with its strategy aimed at evenly distributing sales at geographical level and is gradually broadening its product range, also by focusing on the premium segment. In addition, the Group is also developing new products, solutions and services for its customers, in line with its corporate mission statement.

Within this context, the trend towards an increase in the market share of electric vehicle manufacturers in China and the ensuing entry into the market of new local braking system manufacturers have resulted in increased competition, mainly in the middle and lower segments of the market.

### Investments

Investments in certain countries may be influenced by major modifications of the local regulatory framework, which could result in changes in the economic conditions existing at the time of the investment. For this reason, before investing in foreign countries, Brembo assesses the country risk carefully in the short, medium and long term. In general, M&A activities are accurately coordinated in all their

aspects in order to mitigate any investment risks. Within the context of this assessment, the risks associated with climate change, such as the physical risks connected with the effects of possible catastrophic natural events, are also taken into account.

### Corporate Social Responsibility

Brembo continues to engage in ongoing development aimed at strengthening its Sustainability Model and fulfilling its legal non-financial disclosure requirements under Italian Legislative Decree No. 254/2016 and periodically updates its ESG risk assessment system, using measurement criteria in line with the Group's risk assessment and management methodology. The following risks stand out among those mapped:

- the use of water resources, which is a risk issue managed at production sites by diversifying supply sources, as well as the risks linked to the pollution of waterbodies due to any contamination;
- health and safety in the workplace, which is a priority, where the relevant risks are assessed and managed by the competent functions, as described in the related chapter;
- the supply chain, which is increasingly global and strategic, and within which suppliers are asked to operate in compliance with the sustainability standards defined by the Group, with particular reference to environment protection and working conditions.

Brembo identifies the main sustainability-related aspects of its corporate strategy, generally anticipating the methodologies and requirements provided for by EU Directives and the customers, namely taking into account the sustainability opportunities and risks that may have a positive or negative impact on the Company's future cash flows and therefore creating or reducing the Company's value in the short, medium and long term, by influencing its development, performance, and positioning.

Within this context, Brembo manages and monitors the achievement of the internal sustainability targets and compliance with any regulatory requirements, including for instance the net zero target. For further details, reference should be made to the latest Consolidated Disclosure of Non-Financial Information (NFI).

### Climate Change

Brembo is strongly committed to responding to the challenges posed by climate change to improve the Group's resilience and seize the opportunities arising from the tran-

sition to a low-carbon economy.

A key element to achieve this objective is the active management of climate-related risks and opportunities and their impacts. In this context, Brembo conducted a Climate Change Risk Assessment (CCRA) in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The evaluation was updated in 2023 with the support of a specialised consulting firm and involves a scenario analysis and qualitative and quantitative assessment of the main risks and opportunities with regard to physical and transition risks over various time horizons. In terms of physical risks, most of the Group's sites are exposed to acute atmospheric events, which, however, on the basis of the technical evaluations performed, do not give rise to significant exposures to the risk of damage to property and/or the business. Some manufacturing plants are exposed to flood risk. However, thanks to the existing prevention and control systems (including hydraulic barriers), the residual risk exposure is modest, in addition to being transferred to the insurance market in financial terms.

At the level of physical risks associated with chronic events, some Group sites are exposed to the risk of water shortages. To lower this exposure, the Group has already implemented — and is further investing in — measures to reduce water consumption, differentiate water sources (mainly water mains and wells drawing on aquifers) and implement water purification and storage systems that enable the utmost flexibility in the various industrial and civil uses at plants.

With regard to transition risks, opportunities and risks have been mapped over time horizons to 2030 and to 2050. The main opportunities are attributable to both some effects associated with the trend towards an increase in the share of electric vehicles in the global automotive market, with the possibility of extending the Group's segments and value chain thanks to the improvement of existing products and the new solution to be launched on the market (e.g., Sensify), as well as to the appreciation and spread of products with a high environmental performance (e.g., Greenance discs).

The main risks relate to the spread of alternative forms of mobility, the effects associated with regenerative braking in electric vehicles and, potentially, greater durability of "traditional" braking system components and the reduction of the related contribution, as well as to the costs that might arise from the implementation of net zero policies and possible new systems of taxation associated with externalities, such as possible cap-and-trade systems.

For further details, reference should be made to the Consolidated Disclosure of Non-Financial Information (NFI).

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## OPERATING RISKS

The main operating risks inherent in the nature of the business are associated with the supply chain, the unavailability of production facilities, product marketing, IT, issues involving health, job safety and the environment and, to a lesser extent, the regulatory framework of the countries in which the Group operates.

### Supply Chain

The main risks associated with the supply chain include dependence on single suppliers, which in the event of disruption of the relevant supply relationships could jeopardise the production process and the ability to fill orders for clients in a timely manner. In response to this risk, the Purchasing GCF identifies, where possible, alternate suppliers as potential replacements (Supplier Risk Management Program) for goods and services deemed strategic, whereas the Quality GCF monitors and ensures the robustness and stability of the supply chain in providing products that meet the requirements of Brembo and its customers.

The supplier monitoring process has been reinforced for the purpose of prevention, particularly as regards suppliers' financial solidity and the availability of production capacity even in the face of sudden demand fluctuations — aspects that, following the pandemic emergency and the outbreak of the conflicts in Ukraine and in the Israeli-Palestinian area, have taken on growing importance due to the ensuing repercussions on transportation and logistics at global level. In addition, feasibility analysis activities were intensified to enable adequate management of technical risks from the initial phases of development, thereby ensuring product durability.

With regard to risks relating to logistics and associated with the continuity and the prices of transport of raw materials and finished products, Brembo's mitigation actions focus on a strategy for diversifying methods of transport and the relevant operators, in addition to constantly monitoring them.

### Business Interruption

Natural or accidental events (e.g., earthquakes or fires), malicious behaviour (e.g., acts of vandalism) or malfunctioning of systems may result in damage to assets, the unavailability of production facilities and discontinuity of operation of such facilities. Brembo therefore reinforced its risk mitigation process, through the planning of loss prevention engineering. The aim of this process was to reduce risk factors in terms of probability of occurrence and to implement protective measures aimed at limiting the impact of this

risk and maintaining the operating continuity levels of the Group's production facilities.

In line with this vision, following the outbreak of the conflict in Ukraine, Brembo conducted analyses to assess and mitigate the effects associated with continuity of utility supplies, with particular regard to the supply of gas to its European facilities. This project resulted in the conversion back from natural gas to LPG of several furnaces installed in various European plants.

Brembo is also exposed to risks of disruption of its business due to events relating to its supply chain. This was the case in the second half of 2023, when Brembo suffered the effects of extended strikes at the premises of some of its customers operating in North America, which were also mitigated through thorough replanning of production and constant monitoring of the order backlog.

### Product Quality

Brembo considers the risk relating to the marketing of its products, in terms of their quality, safety and traceability, to be of fundamental importance. The Group has always been committed to mitigating this risk through robust and efficient quality management, both at its own plants and at suppliers. As part of this process, it has instituted a worldwide Supplier Quality Assurance function, specifically dedicated to quality control of components, in addition to constantly optimising prevention activities, such as for instance the Failure Mode & Effect Analysis (FMEA).

In addition, the Quality GCF bears global responsibility for properly managing binding requirements and the safety behaviour of products, with particular regard to the risk of recall from the market, for which specific company procedures have been set up.

### Information Technology

Brembo considers the operating continuity of its IT systems to be a significant priority and it has implemented a framework for managing cyber risks aimed at business continuity and the availability, integrity and confidentiality of data, while also ensuring compliance with the European GDPR and the national legislation applicable in the various EU member states. These issues are growing in importance also in light of the start of the Group's smart factory (Industry 4.0) process and the implementation of the strategic pillars associated with the new corporate mission.

In 2020, the Group's three Italian companies were certified according to the ISO 27001 international standard, which sets the requirements and defines the methods for proper, secure management of information within the Company. Over the years, certification was extended to Poland, the

Czech Republic and North America. A Security Operations Center (SOC), reporting to the Group's Head of Information Security, was also established to ensure real-time monitoring of cyber events in order to prevent and promptly react to any cyber attacks.

### Environment, Safety and Health

The Group's primary risks relating to health, job safety and the environment can be of the following types:

- inadequate protection of employee health and safety, which can lead to serious accidents or work-related illnesses;
- environmental pollution resulting from sources such as uncontrolled emissions, inadequate waste disposal or the spreading of dangerous substances onto the ground;
- partial compliance or non-compliance with laws and regulations governing the sector, also in light of the changing legal framework of some countries.

The occurrence of these events could result in criminal penalties and/or pecuniary fines against Brembo, the entity of which could be material in the case of sanctions related to Italian Legislative Decree No. 231/01. Brembo manages this type of risks by carrying out ongoing and systematic evaluations of its exposure to specific risks and reducing or eliminating those considered unacceptable. This procedure is organised within a Management System that covers job health and safety, as well as environmental aspects, and that is compliant with the international ISO 45001 and ISO 14001 standards, respectively, and certified by an independent body.

In summary, although accidents and mistakes can happen, the Group has implemented systematic rules and management procedures that allow it to minimise the number of accidents, as well as the impact they may have. A clear-cut assignment of responsibility at all levels, the presence of independent internal control bodies that report to the Company's highest officers and the application of the highest international management standards are the best way to guarantee the Company's commitment to health, job safety and the environment.

### Legal & Compliance

Brembo is exposed to risks arising from the failure to rapidly comply with changing laws and new regulations in the sectors and markets in which it operates. To mitigate this risk, each compliance function stays abreast of the relevant legal and regulatory developments, with the assistance of outside consultants, where necessary, through a constant

process of legal and regulatory updates and research. With reference to the risk of non-compliance with tax laws and regulations, or of operating in conflict with the principles or spirit of the systems in the jurisdictions in which the Group operates, in accordance with the guidelines laid down in the Global Tax Strategy and the Brembo S.p.A.'s Tax Strategy adopted in 2019, Brembo pursues the goal of proactively managing the tax risk by ensuring that such risk is timely recognised, properly measured, monitored and contained through the Tax Control Framework.

In the area of personal data processing compliance risk, the Group is supported by the Data Protection Officer and other dedicated functions, such as the Privacy Supervisory Board and the Privacy Reference Persons identified in sensitive company areas.

Among compliance-related risks, attention should be drawn to the risk associated with breaches of national, international and industry regulations, and unethical professional behaviour in breach of the Company's ethics policy that expose Brembo to vicarious administrative liability, in addition to undermining the Group's reputation on the market. The mitigating measures taken by the Group are regarded as sufficient to significantly reduce its exposure to cases of risk and are aimed at ensuring the global spread of a culture of compliance through the establishment of specific principles of ethics and conduct, in addition to constant monitoring of legal changes. For further details, reference should be made to Brembo's Corporate Governance and Ownership Structure Report available on the Group's website ([www.brembo.com](http://www.brembo.com), section Company, Corporate Governance, Corporate Governance Reports), specifically to the paragraph relating to the 231 Model and other compliance tools.

The application of the provisions and preventive measures continued constantly and successfully, owing in part to the training activity carried out and the progressive monitoring conducted within the framework of ordinary legal activities. With reference to litigation, the Legal and Corporate Affairs GCF periodically monitors the progress of existing and potential litigations and determines the strategy to be applied and the most appropriate steps to take in managing them, involving specific corporate functions, when needed. The Administration and Finance GCF is responsible for the appropriate checks or assessments related to such risks and their economic effects.

### Planning and Reporting

The same ERP (Enterprise Resource Planning) software has been implemented at nearly all Group companies in order to prepare accurate and reliable financial reporting for the Group, while also improving the Internal Control and Risk Management System and the quality, timeliness and com-

parability of the data provided by the various consolidated companies. It should be noted that, as part of the Digital Transformation Programme, the Group is expected to be gradually migrated to the new ERP IT programme, according to the project timelines centrally defined at global level.

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## FINANCIAL RISKS

In conducting its business, the Brembo Group is exposed to various financial risks, including market, liquidity and credit risks. Financial risk management is the responsibility of the Parent's Treasury & Credit Department, which, together with the Group's Finance Department and the Purchasing function, evaluates the main financial transactions and related hedging policies. The various risk management strategies adopted by the Group are illustrated in detail here below.

### Market Risk

#### Interest rate risk management

The year 2023 was characterised by constant interest rate hikes applied by the various central banks at global level. Since the Group's financial debt is partly subject to variable interest rates, it is exposed to the risk of interest-rate fluctuations. To reduce this risk, the Group has entered into several medium/long-term fixed-rate loan agreements, as well as specific hedging contracts (IRS), which account — including lease liabilities — for approximately 52% of gross financial position.

The objective is to eliminate the variability of the borrowing costs associated with a portion of debt and benefit from sustainable fixed rates. The Group's Central Treasury & Credit Department constantly monitors rate trends in order to evaluate in advance the need for any changes to the financial indebtedness structure.

#### Exchange rate risk management

Since Brembo operates in international markets, it is exposed to exchange rate risks. To mitigate this risk, the Group uses natural hedging (offsetting receivables and payables) and hedges only net positions in foreign currency, using mostly, and where advisable, forward contracts in order to reduce exchange rate risk exposure.

### Commodity Risk

Through a dedicated task force, the Brembo Group closely analyses and monitors the course of the risk associated with fluctuations in the prices of raw materials and com-

commodities. In particular, the Group undertakes specific financial transactions to hedge against the risk of energy price fluctuation and a financial hedge aimed at mitigating aluminium price fluctuation.

Moreover, it bears recalling that fixed prices are set in supply contracts with certain commodities suppliers for a given period of time and that the contracts in place with the main customers also provide for automatic periodic indexing on the basis of commodities prices. Both these approaches mitigate the risk of fluctuations in commodities prices.

### Liquidity Risk

Liquidity risk can arise from Brembo's inability to obtain the financial resources necessary to guarantee its operation. The Central Treasury & Credit Department implements the main measures indicated below in order to minimise such risk:

- it constantly assesses financial requirements to ensure that appropriate measures are taken in a timely manner (obtaining additional credit lines, capital increases, etc.);
- it obtains adequate credit lines;
- it optimises liquidity, where feasible, through cash-pooling arrangements;
- it ensures that the composition of net financial debt is adequate for the investments carried out;
- it ensures a proper balance between short- and medium-/long-term debt.

### Credit Risk

Credit risk is the risk that a customer or one of the parties to a financial instrument will cause a financial loss by failing to perform an obligation. Exposure to credit risk arises, in particular, in relation to trade receivables. In this sense, it should be noted that the parties with whom Brembo has commercial dealings are primarily leading car and motorbike makers with a high credit standing. The current macroeconomic context, and in particular the acquisition of new customers in the electric vehicle sector, has made continuous credit monitoring increasingly important, so that

situations where there is a risk of insolvency or late payment with respect to contractual terms can be anticipated.

## RISK MANAGEMENT PROCESS: RISK FINANCING

Following on from the above mitigation measures, and in order to minimise the volatility and financial impact of any detrimental event, under its Risk Management Policy, Brembo has provided for the residual risks to be transferred to the insurance market, where insurable.

Brembo's changing needs through the years have been specifically reflected in its personalised insurance coverage, which has been optimised to significantly decrease the Company's exposure to intrinsic risks related to the type of activities carried out. Thanks to international programmes, all Brembo Group companies are currently covered against the following key strategic risks: property all risks, general liability, general product liability, product withdrawal/recall and environmental responsibility. Additional coverage has been arranged locally based on the specific requirements of local legislation or collective labour contracts and/or corporate agreements or regulations.

Insurance analysis and transfer of the risks to which the Group is exposed are conducted in collaboration with a leading insurance broker, which supports this process with its international organisation and is responsible for the compliance and management of Group insurance programmes at global level.

In 2023, Brembo set up its own captive reinsurance company Brembo Reinsurance AG based in Zurich, Switzerland, that reinsures a portion of the risks transferred to the insurance market, such as liability and product withdrawal/recall risks. This transaction, also supported by the expansion of the Brembo Group's business, stemmed from the strategic need to increase the Group's level of autonomy with respect to insurance market trends, characterised in recent years by a hard market phase that has also pushed several companies — not only in the automotive sector — to set up their own captive reinsurance company.