

A close-up photograph of a bee on a red flower with a yellow center. The bee is positioned on the left side of the frame, facing right. The flower's petals are a vibrant red, and the center is a bright yellow. The background is a soft, out-of-focus green.

# 90.6%

**LOCAL SUPPLIES:  
SUPPLY FROM SUPPLIERS  
LOCATED IN THE SAME  
GEOGRAPHICAL AREAS  
WHERE THE GROUP  
OPERATES\***

\* This includes the costs of purchasing goods and services directly involved in the manufacturing of finished products, namely purchases of: raw materials, components, semi-finished and finished products, ancillary materials and services (mostly transport, utilities, packaging and MRO). The scope of analysis was expanded to also include the provision of services not closely associated with production, such as the costs of ICT and telephony, cleaning, security and canteen services. Tax and legal advice, insurance, sponsorships, business travel, recruitment and training activities, building leases and industrial assets are excluded.



# 5. THE SUPPLY CHAIN



**90.6%**<sup>67</sup>

Local supplies: supply from suppliers located in the same geographical areas where the Group operates



**78.2%**

Suppliers of direct materials that since 2015 have been involved in social and environmental audits (in terms of value of supplies)

## 5.1 ANCILLARY COMPANIES AND SUPPLIER NETWORK

The Group relies on the contribution of more than 6,900 businesses located in more than **15 countries throughout the world** to carry out its own activities. These provide essential goods and services for Brembo's industrial processes.

For its production, Brembo needs to access high quality raw materials with sustainable costs, whilst being mindful of the environment. The main raw materials that the Group procures to make its products are ferrous and aluminium scrap, which are used in foundries and then to manufacture discs and calipers. Brake discs are made from cast iron, mainly derived from recycled material originating from the ferrous scrap recovery chain or mechanical processing scrap. Brembo currently favours primary aluminium in producing its calipers. In 2023, at some of its plants, the Group has introduced the use of 5% recycled aluminium deriving from the scrapping of alloy rims. In addition, as part of constant efforts to reduce greenhouse gas emissions, Brembo is experimenting with the use of secondary aluminium for casting calipers, with the goal of introducing it into production as early as next year. In addition to raw materials, Brembo also procures a series of finished and semi-finished

components, such as seals, pads, small parts, chemical products and packaging components for products for sale such as cardboard and plastic packing. In any case, 87% of total materials entering Brembo's plants and used to manufacture the main organisation's products and services is recycled and consists of ferrous and cast iron scrap.

During 2023, the total number of raw materials, components, materials and auxiliary production services processed and integrated in Brembo products generated a purchasing value of more than **€2,442** million, in addition to about **€317** million for machinery and industrial plant.

The geopolitical environment and the different market conditions of recent years continued to increase the strategic importance of the supply of electricity, natural gas and raw materials such as ferrous scrap, aluminium, cast iron goods, binders and refining agents directly used in the Group's foundries, which in 2023 rose to an overall purchase value of nearly €785 million.

Equally significant in 2023, worth a total of more than €935 million, were components and outsourced processing.

<sup>67</sup> This includes the costs of purchasing goods and services directly involved in the manufacturing of finished products, namely purchases of: raw materials, components, semi-finished and finished products, ancillary materials and services (mostly transport, utilities, packaging and MRO). The scope of analysis was expanded to also include the provision of services not closely associated with production, such as the costs of ICT and telephony, cleaning, security and canteen services. Tax and legal advice, insurance, sponsorships, business travel, recruitment and training activities, building leases and industrial assets are excluded.

**VALUE OF SUPPLIES<sup>68</sup> BY CATEGORY (€)**

	2021	2022	2023
Raw materials and cast iron goods	569,247,032	828,883,991	784,757,701
Components and outsourced processing	754,713,751	927,064,442	935,242,159
Ancillary products and services	479,527,436	637,225,182	722,488,086
<b>Total</b>	<b>1,803,488,219</b>	<b>2,393,173,615</b>	<b>2,442,487,946</b>
Industrial assets	173,589,519	241,577,366	317,136,247
<b>Total</b>	<b>1,977,077,738</b>	<b>2,634,750,981</b>	<b>2,759,624,193</b>

**VALUE OF SUPPLIES BY GEOGRAPHICAL AREA (€)**

	2021	2022	2023
Europe	1,013,421,591	1,270,635,517	1,361,206,670
North America	316,636,567	469,729,190	461,460,717
South America	25,848,759	584,428,614	61,940,494
Asia	444,685,424	54,420,444	541,755,432
Other*	2,895,877	13,959,850	16,124,633
<b>Total</b>	<b>1,803,488,218</b>	<b>2,393,173,615</b>	<b>2,442,487,946</b>

\* The item "Other" includes for 93% United Arab Emirates and for the remaining part Russia, Australia and Libya.

**PERCENTAGE OF LOCAL SUPPLIES (€)**

	2021	2022	2023
Europe	87%	86%	90%
North America	83%	85%	87%
South America	99%	100%	99%
Asia	96%	96%	97%

68 The scope of analysis of the value of supplies includes the costs of purchasing goods and services directly involved in the manufacturing of finished products, namely purchases of: raw materials, components, semi-finished and finished products, ancillary materials and services (mostly transport, utilities, packaging and MRO). It also includes the provision of services not closely associated with production, such as the costs of ICT and telephony, cleaning, security and canteen services. Tax and legal advice, insurance, sponsorships, business travel, recruitment and training activities, building leases and balance sheet allocations/provisions are excluded. The "value of supplies" is considered in euro by converting each transaction at the exchange rate of the transaction date. The scope of analysis of the value of supplies includes all Brembo companies except for: Brembo Japan Co. Ltd.; Brembo Deutschland GmbH; Brembo Russia LLC; Brembo Inspiration Lab Corp.; Brembo Reinsurance Ag; Brembo Poland Manufacturing Sp Zoo; Brembo Poland Heatech Sp Zoo and Brembo Thailand Ltd.

## 5.2 RESPONSIBLE SUPPLY CHAIN

For Brembo, supply chain management is a priority and is essential to ensuring responsible supplies, with a focus on environmental protection and the rights of workers and local communities. For this reason, the Group asks for its model of conduct to be shared and applied also by its supply chain. These principles and values are at the basis of the supplier selection and were formally defined within the Sustainable Procurement Policy. Through this document, that as of 2022 integrates and supersedes the Supplier Code of Conduct and the Procurement Policy, Brembo brings together the new regulations, but, above all, it intends to accompany its suppliers towards an increasingly sustainable business.

This Policy is broader in scope: it contains the codes of conduct that suppliers are required to apply and urges responsible, sustainable conduct, far beyond mere compliance with rules and codes. This policy was distributed to the main global Brembo suppliers, which are required to sign it and abide by it. It includes verification and audit programmes, monitoring, training sessions and corrective measures to support suppliers in a collaborative manner.

Over the years, the Group has thus established a structured supplier management process that seeks to promote the development of stable relations with its partners, as well as ensuring continuous innovation and improved quality and sustainability throughout the industry.



This process is structured into three main phases:

1. Clear communication of the standards that Brembo expects from its business partners in terms of product and service quality, respect for human rights and employee protection and, more generally, attention to ESG issues.
2. Assessment of suppliers' capacity to meet ESG-related technical specifications and requirements both during the qualification phase and during the business relationship and monitoring of the risk relating to supply.
3. Providing suppliers with support to continually improve their own performance and strengthen their ability to innovate.

### CLEAR COMMUNICATION OF WHAT THE GROUP EXPECTS FROM SUPPLIERS

In light of the complexity of the production and technological sector in which Brembo operates, it asks the Group main suppliers to adopt the Sustainable Procurement Policy, which summarises the guidelines set out in the Group's sustainability policy, the rules and principles that Brembo's suppliers are required to uphold.

In particular, Brembo asks:

- to 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;
- to implement a quality management system certified by independent accredited bodies, promoting where

possible, the use of Automotive IATF standard 16949 among the suppliers of direct materials;

- to develop and maintain an ISO 14001-compliant environmental management system, preferably obtaining third-party certification;
- to actively take part in the fight against climate change through collaboration and transparency in data sharing and the concrete commitment to reducing climate-altering gases;
- to implement administrative, physical and technical controls on information security, in particular the ISO/IEC 27001:2013 standards and other applicable standards in this field.

The Sustainable Procurement Policy has become a key document in relations with suppliers, and even an inte-

gral part of the new General Terms and Conditions of Purchase Direct Materials and Services (GTCOP), which were updated and released in a new revision in 2023.

The Sustainable Procurement Policy has already been signed by over 800 of the total active suppliers.

## SELECTION, ASSESSMENT AND MONITORING

### New supplier selection and assessment

In 2023, 6 new suppliers were selected and activated taking account of environmental and social criteria, through the completion of the pre-assessment questionnaire. They account for 5.36% of the candidates who qualified as new Brembo suppliers in 2023. In addition to the new suppliers falling within the above characteristics, Brembo also subjects to a sustainability assessment all suppliers that become relevant during the year. "Relevant suppliers" are those that belong to certain product categories or that conduct business with Brembo that exceeds specific thresholds for each Group company.

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

The first phase of the process involves inviting suppliers to register with Brembo's Supplier Portal and asking them to complete a pre-assessment questionnaire (the questionnaire is also available online on the website <https://www.brembo.com/en/company/suppliers/criteria-for-selection>).

This first analysis phase enables Brembo not to establish commercial relationships with suppliers who do not comply with the minimum requirements and allows it to identify in advance any critical issues regarding new potential suppliers and to implement corrective actions accordingly. The questionnaires are analysed by the Purchasing, Administration & Finance, Quality & Corporate Social Responsibility Global Central Functions (GCFs) with the aim of assessing the operating, financial and sustainability risk profiles.

Once the pre-assessment phase is concluded positively, all potential suppliers of direct materials receive onsite visits from the Quality Global Central Function to check that the quality and process requirements are met effectively.

Once the approval process has been completed, the supplier becomes part of the supplier base to which Brembo can award orders. 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 capabilities
- C. Quality and service
- D. Economic competitiveness

Alongside the existing ESG governance already in place, in 2023 more than 350 direct and indirect suppliers were invited to register on a digital platform managed by an external provider to complete an ESG assessment questionnaire. This questionnaire is based on the SAQ 5.0 model defined as part of the Drive Sustainability initiative promoted by the major global players in the automotive industry and allows Brembo to adhere to the sustainability guidelines of the reference supply chain of which it is part, while also promptly complying with emerging regulations and with the most consolidated international standards regarding sustainability due diligence.

In the future, this activity will allow Brembo to extend the process to all new potential suppliers of relevant categories and to monitor suppliers' performances over time.

### Monitoring and risk management

In pursuit of a virtuous process of continuous improvement in product quality and risk management, Brembo regularly monitors indicators relating to supply quality and cost, assessing the risks inherent in the supply chain, such as the increase of supplier's dependency on Brembo and Brembo's dependency on the supplier, and financial solidity, thus highlighting any critical situations.

Moreover, where a situation considered at risk were to threaten business continuity, Brembo has a plan in place to set up a Crisis Committee composed of an inter-functional team to take the measures needed to minimise the impact. In 2023, 20 risk events were monitored relating to different areas.

In addition, in consultation with experts, Brembo has conducted for years third-party ESG audits of suppliers with the specific goal of assessing compliance with the sustainability standards mandated by the Group.

The Procedure for Managing CSR Audits, which has been operating as of 2018, defines the procedures for selecting suppliers involved in audits, the processes for managing third party-audits, related follow ups and any corrective actions. The parameters for selecting suppliers involved in CSR audits are: the country of origin of the supplies, the turnover with the Brembo Group, the type of production process, as well as other ESG indicators, if any.

The objective of the third-party audits is to identify critical issues affecting areas such as: working conditions, related remuneration and working hours, health, safety and the environment.

The Supplier is required, for each non-conformity reported, to develop remedial action plans, which are then monitored by Brembo using the same third-party assessor.

To date, Brembo has involved 140 suppliers in sustainability-related audits certified by third-party bodies, of which 23

in 2023. Of these, four were identified as having significant adverse environmental and social impacts, both potential and actual.

Brembo did not suspend collaboration with the suppliers identified. However, in keeping with its aim of accompanying its suppliers towards an increasingly sustainable approach to business, environmental improvement actions were agreed with the suppliers in question.

The percentage of the turnover monitored further increased by 7.9%, reaching 78.2% of the purchase costs overall for 2023 for the main direct material suppliers.

Periodically, the Purchasing GCF gives an update in the CSR Meeting of work underway relating to the supply chain with regard to the assessment activities concerning suppliers, decarbonisation (Net Zero Supply Program) and sustainability in general.

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## ENGAGEMENT AND AWARENESS RAISING

In the area of supply chain engagement and transparency, the main initiatives conducted in 2023 were:

**Supplier Engagement Survey “Materiality Matrix”:** fourth edition, designed specifically to ensure direct support during the assessment process. The survey involved 20 relevant suppliers, with a 92% response rate.

**Conflict Minerals and Extended Minerals Engagement Survey:** conducted on a panel of over 220 relevant suppliers, since the Conflict Minerals Survey is part of the broader SAQ 5.0 sustainability questionnaire. In 2023 as well, suppliers belonging to the Friction Materials, Raw Materials and Mechatronics product categories were involved in the Conflict Minerals Survey as these components are potentially at risk of using these materials.

**Net Zero Supply Chain Programme:** from the standpoint of environmental sustainability, 2023 was a year characterised by the launch of the Net Zero programme for the supply base. The programme provides for the involvement of suppliers in Brembo’s decarbonisation journey. Suppliers thus play a key role in this process, given that a large part of its GHG emissions is tied to its supply chain, and suppliers’ cooperation is essential to achieving medium- and long-term goals.

The Net Zero Supply Chain Program initiative was launched in October 2023 through a workshop involving approximately 290 suppliers identified as “carbon-relevant”. The initiative met with considerable participation among suppliers, who were then called on to provide Brembo with primary carbon emissions data in the form of a questionnaire. The collection and processing of the data received were concluded at the end of 2023. More complete and precise reporting of emissions relating to the supply chain will therefore be possible in 2024.

Brembo also organised an internal training session for over 200 employees from the Purchasing GCF and other areas concerned with the decarbonisation issue (such as the CSR and Industrial Operations GCF – Environment & Energy area). The goal is to obtain widespread competency within the organisation with regard to the main environmental sustainability issues, and in particular decarbonisation, ensuring familiarity with the concept of Scope 3, the related calculation methods and the decarbonisation targets.

Moreover, the Purchasing GCF, together with the CSR GCF, manages an area dedicated to sustainability available on the home page of the Brembo Supplier Portal to encourage effective communication, share best practices and de-

velop greater sensitivity to sustainability matters through detailed thematic reports, such as sharing a brochure dedicated to Conflict Minerals, Cobalt and Mica.

**Training for the Purchasing GCF personnel:** in order to strengthen the level of attention paid to sustainability issues in the procurement area, an ad-hoc training course has been created in which all the Purchasing GCF personnel was invited to participate. Training was particularly intense in 2023. From the standpoint of sustainability, the

launch of the new NQC platform was accompanied, in the first half of the year, by training sessions on the use of this tool and the management of NQC questionnaires.

The common goal of sustainability and decarbonisation training sessions was to increase the sensitivity of Purchasing GCF personnel to ESG and environmental topics, so that these matters can increasingly be integral aspects of the commercial relationship and consequent selection of suppliers.

## DEVELOPMENT AND CAPACITY BUILDING

Brembo promotes the continuous improvement of its suppliers' performance and their involvement in product innovation processes, with a view to strategic partnerships.

In order to ensure the maximum safety and quality of its products, Brembo is committed to involving suppliers from the early stages of the development of a project, adopting a preventive and proactive approach, which allows any critical issues identified to be anticipated and resolved.

The Group also promotes opportunities for supplier development, through collaborative initiatives that encourage direct discussion and the sharing of best practices.

Examples include the projects coordinated by the Brembo Supplier Quality area, which provide for the involvement of some suppliers in tutoring activities in order to improve the quality performance. Supplier support activities continued in 2023 as well in the form of improvement plans and guided growth plans, in some cases with the involvement of specific external process expertise.

These projects aim to support the development of Quality competencies in managing production processes, by analysing the processes themselves, sharing experiences and approaches with the aim of identifying the improvement solutions to be implemented.

## COMBATING THE USE OF CONFLICT MINERALS

"Conflict Minerals" are metals such as gold, coltan, cassiterite, wolframite and their derivatives such as tantalum, tin and tungsten coming from Conflict-Affected and High-Risk Areas (CAHRAs). These minerals are subject to international regulations, including section 1502 of the Dodd-Frank Act, a 2010 U.S. federal law and EU Regulation No 2017/821 which discourages their use because their trading could fund conflicts in risk areas, 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, Code of Basic Working Conditions and Sustainable Procurement Policy, Brembo does not directly purchase minerals from conflict zones and requires its suppliers and commercial partners to declare the presence and provenance of conflict minerals 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.

As of 2021, the Brembo Group decided to launch an investigation also on the origin of cobalt, another high-risk material that comes from conflict zones. In 2023, data on conflict minerals and extended minerals (Cobalt and Mica) began to be collected through a specific section of the SAQ 5.0 sustainability questionnaire.

Tantalum	Ta	180.95	73
Tungsten	W	183.84	74
Gold	Au	196.97	79
Tin	Sn	118.71	50