

PG.W. IA – 01

INFORMATION ON THE APPLICATION OF THE CODE OF ETHICS AND THE ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL

Drawn up by: Internal Audit – C. Siboni Signed: _____

Checked by: Internal Audit Director

Person in Charge of Internal Audit – A. Ramorino Signed: _____

Approval by:

<input checked="" type="checkbox"/>	General Manager		Performance group Department	
	Purchasing Department		AP Racing	
	Advanced R&D Department		Brembo do Brasil	
	Business Development Department		Brembo North America	
	Communications and Ist. Relations Department		Brembo Japan	
<input checked="" type="checkbox"/>	Finance Department		Brembo Rassini	
<input checked="" type="checkbox"/>	Internal Audit Department		Brembo China Brake systems co. ltd	
<input checked="" type="checkbox"/>	Legal and Corporate Affaire Department		Brembo Spolka zo.o	
	Marketing Department		Brembo Poland Spolka zo.o	
	Quality & Environment Department		Brembo UK ltd.	
<input checked="" type="checkbox"/>	Human Resources and Organisation Department		Brembo Scandinavia a.b.	
	Foreign Companies Department		Brembo Performance	
	Real Estate Development Department		Brembo GmbH	
	ICT Department		Corporacion Upwards 98 s.a.	
	Process Engineering Department		Marchesini s.p.a.	
	Brake Discs Division Department		Nanjing yuejin automotive brake systems co. ltd.	
	After Market BU Department		Brembo Ceramics Brake Systems s.p.a.	
	Cars/Co.Ve. Systems BU Department		KBX Motorbike products private	
	Motorcycle BU Department			

Approved by: Supervisory Committee – G. Dossena **Signed:** _____

Approved by: Pres – A. Bombassei **Signed:** _____

List of revisions

REVISION	DATE	NOTES
00	01/09/07	First edition

Date of next revision: 03/09/08

Contents

1) PURPOSE AND SCOPE.....	3
2) ABBREVIATIONS AND DEFINITIONS.....	3
3) MATRIX OF RESPONSIBILITIES.....	5
4) OPERATING PROCEDURES.....	6
4.1 PRINCIPLES OF REFERENCE	6
4.1.1 GUARANTEE OF ANONYMITY	6
4.1.2 BAD FAITH REPORTS	6
4.1.3 ANONYMOUS REPORTS	6
4.1.4 COMMUNICATIONS CHANNELS.....	6
4.1.5 REPORTING PARTIES	6
4.1.6 REPORTED PARTIES.....	7
4.1.7 RECIPIENTS.....	7
4.2 INVESTIGATIVE PHASE	7
4.2.1 PRELIMINARY CHECK AND ASSESSMENT.....	7
4.2.2 AUDIT.....	8
4.2.3 FOLLOW UP.....	8
4.3 REPORTING	9
4.4 RESPONSIBILITY FOR UPDATING	9
4.5 FILING OF DOCUMENTS	9
4.6 DISTRIBUTION	10
5) REFERENCE DOCUMENTS	10

1) PURPOSE AND SCOPE

This procedure is aimed at setting up information channels for the receipt, analysis and processing of reports of violations of the Code of Ethics and problems related to the internal audit system (corporate information, corporate administrative liability, fraud or other matters mentioned in the Organisational, Management and Control Model) submitted by employees, foreign referees of the Supervisory Committee, members of corporate organs or third parties.

This procedure applies to all Group companies.

Investee companies shall adopt this procedure or a similar internal instruction with reference to the statutory prerogatives linked to their corporate situation, it being however understood that: (i) the referees of investee companies must promptly notify the Supervisory Committee of any and all reports received, and (ii) upon receiving such notification, the Supervisory Committee is required to carry out the checks and inspections contemplated in this procedure, through the Group's Internal Audit department.

2) ABBREVIATIONS AND DEFINITIONS

Code of Ethics:

Document setting forth the ethical commitments and responsibilities binding on all collaborators, be they administrators or employees in any sense of the term, of Brembo S.p.A. and investee companies, in conducting business and the performance of corporate activities.

Internal Audit:

All the tools necessary or useful in guiding, managing and checking the company's activities, with a view to ensuring compliance with statutory provisions and internal corporate procedures, protecting corporate assets, effectively managing activities and providing accurate and complete financial and accounting data. The responsibility to set up an effective internal audit system is common to all levels of the organisational structure: as a result, in carrying out their duties, all Brembo employees shall be responsible for the setting up and smooth functioning of the internal audit system.

Organisational, Management and Control Model:

Contemplated under Legislative Decree No. 231 of 8 June 2001 that introduced a regime of corporate administrative liability for certain types of offences, this document was adopted by resolution of the Board of Directors of Brembo S.p.A. on 11 February 2005 and amended in light of subsequent legislative reforms.

The Model adopted is in keeping with the contents of the guidelines recommended by trade associations, and represents a further step towards rigour, transparency and the sense of responsibility in internal and public relations, whilst also providing shareholders with the best guarantees of efficient and proper corporate management.

Foreign Referees of the Supervisory Committee:

Employees of Brembo S.p.A.'s investee companies, in charge of forwarding to the Supervisory Committee any and all reports of possible violations, or behaviour or practices that do not comply with the provisions of the Code of Ethics and the Organisational, Management and Control Model, where applicable, as well as any and all behaviour and practices that may occasion harm or losses, including only to the corporate image of Brembo S.p.A., or any one of its investee companies, in the case where reports by employees of the companies they serve do not directly reach the Supervisory Committee.

Report:

Any and all information pertaining to possible violations, or behaviour or practices that do not comply with the provisions of the Code of Ethics and the Organisational, Management and Control Model, where applicable, as well as any and all behaviour and practices that may occasion harm or losses, including only to the corporate image of Brembo S.p.A., or any one of its investee companies, forwarded by employees, referees of the Supervisory Committee, members of corporate organs (Board of Directors, Board of Auditors), the independent auditors of Brembo S.p.A. and its investee companies, as well as third parties (customers, suppliers, consultants, collaborators) maintaining business relations with the said companies.

Save for situations of fraud, this rule shall not apply to operating anomalies that must be identified by corporate structures during the course of required internal controls and reported to the heads of related departments.

Anonymous reports:

Any and all reports forwarded by persons whose identity is not specified and cannot be traced.

Bad faith reports:

Any and all reports made with a view to occasioning harm or prejudice to employees, members of corporate organs and/or the independent auditors of Brembo S.p.A. or any of its investee companies, or to the said companies themselves, or even third parties (customers, suppliers, consultants, collaborators) maintaining business relations with Brembo S.p.A. and/or the said companies.

3) MATRIX OF RESPONSIBILITIES

	Type of Responsibility	Supervisory Committee (ODV)	Internal Audit	Legal and Corporate Affairs	Internal Audit Committee (CCI)	Chief Financial Officer	Human Resources Director	Referees of the Supervisory Committee
Ensuring the preparation and maintenance of the communications channels for reports	Primary responsibility	X						
	Supporting responsibility		X					X
Ensuring the receipt, recording, notification and checking of reports received	Primary responsibility	X						
	Supporting responsibility		X					X
Assessment of reports received	Primary responsibility		X					
	Supporting responsibility			X	X	X	X	
Launching the process of checking, auditing and reporting	Primary responsibility	X						
	Supporting responsibility		X					
Auditing activities	Primary responsibility		X					
	Supporting responsibility							
Ensuring the updating, archiving and dissemination of procedures pertaining to reports received	Primary responsibility	X						
	Supporting responsibility		X					

The above departments report to the Internal Audit department and are in charge of implementing the guidelines imparted by the Supervisory Committee in respect of matters dealt with in this procedure, to the exclusion of the assessment of reports which shall largely be responsibility of the Internal Audit department.

4) OPERATING PROCEDURES

4.1 PRINCIPLES OF REFERENCE

4.1.1 GUARANTEE OF ANONYMITY

All the departments / organisational positions within Brembo S.p.A. and its investee companies involved in the receipt and processing of reports must ensure the absolute confidentiality and anonymity of the persons making the reports.

4.1.2 BAD FAITH REPORTS

Brembo expects employees at all levels to collaborate in maintaining a climate of mutual respect for the dignity, integrity and reputation of each and every person within the company. Brembo shall not tolerate insulting or defamatory interpersonal behaviour. Accordingly, the Supervisory Committee shall ensure adequate protection against bad faith reports, taking action against such conduct and informing the parties/companies targeted by reports found to have been made in bad faith.

4.1.3 ANONYMOUS REPORTS

Anonymous reports shall not be entertained.

4.1.4 COMMUNICATIONS CHANNELS

In order to promote the reporting on the matters in question, Brembo shall prepare possible channels of communication, including:

- Oral reports to the Supervisory Committee or the Internal Audit department
- Ordinary post (Supervisory Committee C/O Internal Audit – Brembo s.p.a. viale Europa, 2 24040 Stezzano (BG) Italy).
- E-mail (organismo_vigilanza@brembo.it; internal_audit@brembo.it).
- Voice mail (+39 035-6055295)
- Brembo portal (Corporate Governance section)
- Internet (Corporate Governance section of the website www.brembo.com)
- Facsimile transmission (+39 035-6055203)

The aforesaid channels shall be set up and maintained by the Internal Audit department.

4.1.5 REPORTING PARTIES

Reports may be made by any person: employees, members of corporate organs (Board of Directors, Board of Auditors), customers, suppliers, consultants, collaborators, shareholders, partners of Brembo S.p.A., and its investee companies, as well as other third parties.

4.1.6 REPORTED PARTIES

Reports may pertain to any and all the employees, members of corporate organs (Board of Directors, Board of Auditors), the independent auditors of Brembo S.p.A. and its investee companies, as well as other third parties (customers, suppliers, consultants, collaborators, partners) maintaining business relations with Brembo S.p.A. and/or its investee companies.

4.1.7 RECIPIENTS

Should the report not be directly addressed to a Supervisory Committee, the addressees of the same (employees, members of corporate organs, independent auditors, referees of foreign companies) shall make timely transmission of the original report to the Supervisory Committee, in compliance with principles of confidentiality aimed at protecting the effectiveness of assessments and the integrity of the persons involved.

The Supervisory Committee must also receive any and all documents pertaining to the reported facts, in order to carry out the assessments falling within its purview.

4.2 INVESTIGATIVE PHASE

The Internal Audit department shall

- record each report received in a specific database.
- record the information pertaining to each report in the “report sheet” that must be filed and archived in the “report management system”.
- forward all the reports pertaining to other matters, to the relevant bodies/departments. The subsequent investigative activities, pertaining to these reports, must be carried out directly by the relevant department/body which shall forward a copy of their final findings to the Internal Audit department for the purpose of updating the “report sheet”.
- give timely notice to the Supervisory Body in respect of the matters regarding the company’s administrative liability pursuant to Legislative Decree No. 231/2001.

Throughout the investigative phase, the Internal Audit department shall avail of expert and skilled, objective and independent personnel.

4.2.1 PRELIMINARY CHECK AND ASSESSMENT

All the reports pertaining to the matters in question, shall be subjected to a preliminary check, aimed at assessing the legal and factual bases of the report, in order to decide whether further assessments are required.

Subsequently, the information required to evaluate whether or not there is good cause to proceed an audit must be obtained from the company/department involved.

The aforesaid activities must be assessed by the Internal Audit department in concert with the Human Resources and Organisation Department, the Legal and Corporate Affairs Department,

and, with regard to accounting matters, internal accounting checks and audits, as well as fraud, also with the Chief Financial Officer of Brembo S.p.A., and the Internal Audit Committee, in charge of internal audit system, in respect of matters falling with the latter's purview.

In respect of matters regarding corporate administrative liability pursuant to Legislative Decree No. 231/2001, the decision to proceed with further checks, and launch the subsequent assessment or auditing phases, shall lie with the Supervisory Committee.

Upon conclusion of the preliminary check, the Internal Audit department shall update the "Report Sheet" and, in the case of a decision to refrain from proceeding further, archive the report.

Internal Audit shall also archive reports in respect of which a decision is made not to proceed with the audit and update the "report sheet" accordingly.

The Supervisory Committee shall ensure that the preliminary check and assessment phases are completed as early as possible.

4.2.2 AUDIT

Audit activities must be carried out directly by the Internal Audit department, with priority over audits scheduled under the annual plan.

In carrying out audits, the work team shall implement the operating standards of the Internal Audit department, based on the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors (IIA), including the required interviews with the person making the report, the reported person and any and all witnesses.

These audits must be completed as early as possible and the related results must be assessed by the Internal Audit department, acting in concert with the Human Resources and Organisation Department and, with regard to accounting matters, internal accounting checks and audits, as well as fraud, also with the Chief Financial Officer of Brembo S.p.A., and the Internal Audit Committee, in charge of internal audit system, in respect of matters falling with the latter's purview.

The persons in charge of the unit or entity subjected to auditing shall define the contents of the "improvement plan" required for the elimination of any and all critical areas uncovered. For each critical area, a deadline for corrective action must be indicated, together with the name of the person in charge of implementing the said corrective action.

At the end of the auditing process, the Internal Audit department shall update the "report sheet".

4.2.3 FOLLOW UP

Internal Audit shall directly monitor the state of progress of the action plan for each audit finding.

The persons in charge of implementing the action plan for individual findings, may directly agree on deadline extensions with the Internal Audit department, providing detailed grounds for such extensions.

In defining and implementing the annual plan, the Internal Audit department may decide, on the basis of the results of monitoring, or at the behest of the Supervisory Committee, that operating follow-up activities are required in the field, in order to check the effective resolution of problems or the state of progress of the related action plan.

At the end of follow-up activities, the Internal Audit department shall update the “report sheet”.

4.3 REPORTING

Internal Audit shall ensure the following reporting flows:

- **Half-yearly reports on the report database:** with a view to drawing up statistics highlighting all the reports received and their current state of progress. This report must be forwarded to the Chairman, the Internal Audit Committee and the Supervisory Committee, in respect of all matters pertaining to corporate administrative liability pursuant to Legislative Decree No. 231/2001.
- **Audit report:** to be submitted to the Chairman and the Directors/managers of the departments involved, if any. The audit report must also be made available to the Internal Audit Committee and the Supervisory Committee, upon request.
- **Executive summary** of the audit report, to be submitted to the Internal Audit Committee and the Supervisory Committee. The executive summary must also be made available to the Board of Auditors, upon request.

The reporting system from and to the Supervisory Committee, contemplated in the Organisational, Management and Control Model drawn up pursuant to Legislative Decree No. 231/2001, shall continue to apply.

4.4 RESPONSIBILITY FOR UPDATING

The Internal Audit department shall be in charge of updating this procedure, in concert with the Human Resources and Organisation Department, and, with regard to accounting matters, internal accounting checks and audits, as well as fraud, also with the Chief Financial Officer of Brembo S.p.A., and the Internal Audit Committee, in charge of internal audit system, in respect of matters falling with the latter's purview.

4.5 FILING OF DOCUMENTS

In order to ensure the management traceability of reports and related investigative activities, the Supervisory Body shall prepare and update the “report management system” in which all “report sheets” must be recorded, further ensuring the archiving of all related support documents.

Internal Audit shall further ensure the filing of the original documents of the reports, in accordance with Brembo’s highest standards of data security and confidentiality.

4.6 DISTRIBUTION

This procedure must be disseminated and distributed as widely as possible.

Towards such end, it shall be published on Brembo’s intranet portal and website (www.brembo.com).

5) REFERENCE DOCUMENTS

Type of document	Code of Document	Document Title	Available at
		Code of Ethics of Brembo s.p.a.	http://bremboportalemos.brembo.org/Aree/CorpGov Codes and Manuals section
		Organisational, Management and Control Model of Brembo s.p.a.	http://bremboportalemos.brembo.org/Aree/CorpGov Codes and Manuals section
		Corporate Governance Manual of Brembo S.p.A.	http://bremboportalemos.brembo.org/Aree/CorpGov Codes and Manuals section
Statute of reference		CONSOB regulation No. 11971 of 14/5/1999 as further amended	
Statute of reference		Italian Civil Code	
Statute of reference		Legislative Decree No. 231/2001 “Rules governing the administrative liability of legal persons, companies and associations, including those lacking legal personality, pursuant to article 11 of Law No. 300 of 29 September 2000”	http://bremboportalemos.brembo.org/Aree/CorpGov Framework of Reference section
Statute of reference		Legislative Decree No. 62/2002 “Rules governing criminal and administrative offences pertaining to commercial undertakings, pursuant to Law No. 366 of 3 October 2001”	http://bremboportalemos.brembo.org/Aree/CorpGov Framework of Reference section
Statute of reference		“Financial brokerage consolidation act pursuant to articles 8 and 21 of Italian law No. 52 of 6 February 1996”	