

# CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

pursuant to Article 123-*bis* of the Finance Consolidation Law

Approved by the Board of Directors of Brembo S.p.A. during its meeting of 2 March 2012.

## GLOSSARY

**Brembo/Issuer/Company:** Brembo S.p.A., with registered offices in Curno (Bergamo), via Brembo 25, tax code (VAT code) No. 00222620163.

**Corporate Governance Code:** the Code of Corporate Governance for Listed Companies, approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

**Civil Code:** the Italian Civil Code.

**Board/Board of Directors/BoD:** the Board of Directors of Brembo S.p.A.

**CoSO Report:** Report in accordance with the regulations issued by the Committee of Sponsoring Organisations of the Treadway Commission "Internal Control – Integrated Framework".

**Financial year:** the financial year which the Report refers to, specifically the financial year ended 31 December 2011.

**Group:** the Brembo Group.

**Borsa Italiana Instructions:** Instructions on the Rules of Markets organised and managed by Borsa Italiana S.p.A.

**Brembo's Corporate Governance Manual:** the document in which Brembo has fully adopted the Corporate Governance Code. The fifth edition (March 2011) is available on Brembo's website (www.brembo.com, Investors section,

Corporate Governance, Codes and Manuals).

**Brembo's 231 Model:** the Organisation, Management and Control Model pursuant to Legislative Decree 231/2011 of Brembo S.p.A. – Fourth Edition (November 2011), which is available on Brembo's website (www.brembo.com, Investors section, Corporate Governance, Codes and Manuals).

**Related Party Transaction Procedure:** the Related Party Transaction Procedure adopted by Brembo S.p.A. on 12 November 2010, in compliance with the CONSOB Resolution No. 17221 of 12 March 2010, and subsequently amended by CONSOB Resolution No. 17389 of 23 June 2010; the Procedure is available on Brembo's website (www.brembo.com, Investors section, Corporate Governance, Codes and Manuals).

**CONSOB Regulation on Related Party Transactions:** the CONSOB regulation introduced by Resolution No. 17221 of 12 March 2010, as further amended by resolution No. 17389 of 23 June 2010.

**SC:** Supervisory Committee.

**Rules of Borsa Italiana:** the Rules of Markets organised and managed by Borsa Italiana S.p.A.

**Rules for Issuers:** the Rules for issuers established by CONSOB with Resolution No. 11971 of 1999, as amended and extended.

**Market Regulations:** the Market Regulations

established by CONSOB with Resolution No. 16191 of 2007, as amended and extended.

**Report:** the corporate governance and ownership structure report that companies have to prepare pursuant to articles 123-*bis* TUF and 89-*bis* of the Rules for Issuers.

**By-laws:** the By-laws of Brembo S.p.A., as amended by the Board of Directors to comply with the compulsory provisions of Legislative Decree No. 27 of 27 January 2010 (published in the Italy's Official Journal No. 53 of 5 March 2010) on 12 November 2010 by virtue of the powers vested in the Board by Article 16 e) of the By-laws. The By-laws are available on Brembo's website ([www.brembo.com](http://www.brembo.com), Investors section, Corporate Governance, Codes and Manuals).

**ICS:** Internal Control System.

**TUF:** Legislative Decree No. 58 of 24 February 1998 (Finance Consolidation Law).

ency. This provides a basis for the company's intangible capital, which consists of its brand, its reputation and the set of values shared by employees and collaborators that guides the actions of a socially responsible company.

This report provides a general description of the corporate governance system adopted by the Group and information on its ownership structure, as required by current legislation. This report was filed with Borsa Italiana in the manner and within the timeframe required by law and is available on Brembo's website ([www.brembo.com](http://www.brembo.com) - Investors section, Corporate Governance).

## 1. INFORMATION ON OWNERSHIP STRUCTURE (at 2 March 2012)

### **Structure of share capital**

Brembo's share capital amounts to €34,727,914, has been fully paid up and is divided into 66,784,450 ordinary shares of a par value of €0.52, each bearing voting rights.

### **Restrictions on the transfer of securities**

There are no restrictions on the transfer of securities.

### **Significant shareholdings**

Based on the Shareholders' Register, available information and communications received pursuant to Article 120 of TUF, shareholders who hold shares with voting rights exceeding 2% of the share capital are listed in the following table:

Declarant	Direct shareholder	% on share capital bearing voting rights
Bombassei Alberto	Nuova Fourb Srl	56.517
Goodman & Company Investment Counsel Ltd	Dynamic Global Value Fund	2.083
	Dynamic Global Value Class	0.400
	Total	2.483
Brembo S.p.A.	Own Shares	2.616

## Introduction

— Brembo operates on national and international markets in accordance with best practices, and in compliance with applicable regulations and the principles of Italian governance, which it has to abide by also in light of its listing on the STAR segment of Borsa Italiana.

In its operations, Brembo bases its conduct on rigorous principles of ethics, compliance with rules, responsibility and transpar-

### **Securities carrying special rights**

There are no securities that carry special rights with regard to control of the company.

### **Employee share ownership scheme: exercise of voting rights**

There are no employee share ownership schemes in place.

### **Restrictions on voting rights**

There are no restrictions on voting rights.

### **Shareholders' agreements**

To the extent of the company's knowledge, there are no syndicate agreements or other shareholders' agreements.

### **Change of control clauses**

In carrying on its business, Brembo has in place several joint venture agreements or supply and cooperation agreements with other partners, which, as is usual in international agreements, contain clauses entitling each party to terminate or modify such agreements in case of change of direct and/or indirect control of one of the parties to the agreement.

### **Power to increase the share capital**

No capital increases were authorised pursuant to Article 2433 of the Civil Code, nor were powers granted to issue equity instruments.

### **Authorisation to repurchase own shares**

The General Shareholders' Meeting of Brembo S.p.A. held on 29 April 2011 approved a plan for the buy-back of own shares under which Brembo can buy up to 2,680,000 of its own shares (4.01% of share capital), in one or more tranches. The authorisation is valid for a maximum of 18 months from 29 April 2011 (i.e., until 29 October 2012). The purchase price per share has been set from a minimum of €0.52 to a maximum of €12.00. The only condition that applies to the disposal of own shares repurchased is a minimum price requirement, which must be

no lower than the official price of Brembo stock during the exchange session prior to each disposal transaction. The Board of Directors has been granted the power to determine all other terms and conditions of disposal transactions on each occasion. In accordance with the plan, own shares can be disposed of in one or more tranches regardless of whether the maximum number of shares has been purchased, as follows:

- trading of own shares and activities intended to stabilise the share price;
- alienation and/or exchange of all or a portion of the shares repurchased to carry out acquisitions and/or business agreements with strategic partners;
- allocation of part or all of own shares to the Directors employed by or collaborating with the Company and/or its subsidiaries in implementation of share-based incentive plans.

At its meeting on 29 April 2011, the Board of Directors granted the powers necessary to implement the plan. Within the framework of the above-mentioned plan, in the period from 5 August to 22 September 2011 included, the company bought back a total of 307,000 own shares, equal to 0.46% of the share capital, at a weighed average price of €6.6452, for an overall value of €2,040,086.

At 31 December 2011, the Company held a total of 1,747,000 own shares, representing 2.616% of the share capital, at an average book value of €7.71 per share and for an overall value of €13,475,897.

The information required by Article 123-bis, first paragraph, letter i) (*"agreements between the company and the directors ... providing for compensation in case of resignation or dismissal without just cause or if their employment ceases as a result of a public tender offer"*) are contained in the Remuneration Report in ac-

cordance with Article 123-ter of the TUF, and available on Brembo's website (www.brembo.com, Investors section, Corporate Governance, Remuneration Policy).

The information required by Article 123-bis, first paragraph, letter l) (*"the rules governing the appointment and replacement of directors ... and amendments to the By-laws, if different from the otherwise applicable laws and regulations"*) are illustrated in the section of the Report concerning the Board of Directors (Section 3.1.).

### 1.1 Direction and coordination

Brembo S.p.A. is not subject to any direction and coordination activities by companies or other entities within the meaning of Article 2497-bis of the Civil Code.

However, Brembo S.p.A. directs, coordinates and controls its subsidiaries. The requirements pursuant to Article 2497-bis of the Civil Code have been complied with.

## 2. COMPLIANCE

While acknowledging the new edition of the Corporate Governance Code (Edition published on 5 December 2011), which will be adopted by Brembo in the year 2012, we confirm that the company, through the adoption of the Corporate Governance Manual, has adopted the Corporate Governance Code (the edition published in March 2006) and in financial year 2011 has fully implemented the principles and criteria established by the new Article 7 (published in March 2010), by amending article 7 (Remuneration of Directors) of the Corporate Governance Manual and the Regulations of the Remuneration Committee, upon proposal of the Remuneration Committee.

## 3. BOARD OF DIRECTORS

### 3.1 Appointment and replacement of Company Directors

In line with legislative provisions on the so-called traditional management and control system adopted by the company, as well as the regulatory provisions in force, the By-laws govern the appointment of Directors through a "list-based voting" system, providing that:

- at least one of the members of the Board of Directors, or two members if the Board is made up of more than seven directors, must meet the independence criteria set forth by Article 148 of TUF;
- the Ordinary Shareholders' Meeting appoints the members of the Board of Directors based on candidate lists presented by the Shareholders, so that one member of the Board is chosen from minority lists;
- voting lists may be submitted only by those shareholders who, as at the date on which the lists are lodged with the Company, either on their own or together with others, represent at least the minimum percentage of the shares bearing voting rights at the Ordinary Shareholders' Meeting, established under applicable statutory and regulatory provisions;
- each shareholder, as well as: (i) shareholders belonging to the same group, the latter term being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party, or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of TUF, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and regulatory framework may submit, either on their own or jointly with other shareholders, directly or

through third party intermediaries, or trust companies, a single list of candidates, under pain of disqualification of the list;

- the lists of candidates, duly signed by the shareholders submitting the same, or the shareholder delegated to make the submission, together with all the other related documents as required under the By-laws, must be filed with the Company's registered offices at least 25 calendar days prior to the scheduled date of the General Meeting at first calling and public disclosure must be made both on the Company's website and at its registered offices, in the manner and form specified under applicable statutory and regulatory provisions, at least 21 calendar days prior to the scheduled date of the General Meeting. The filing of voting lists pursuant to the provisions of Article 15-bis shall also be valid for General Meetings held at subsequent callings, if any;
- Board members shall be eligible for re-appointment and, save where otherwise established by General Meeting resolution, shall

be appointed for a term determined by the General Meeting resolution appointing them, up to a maximum of three financial years.

### 3.2 Composition

Pursuant to the by-laws, the Board of Directors is composed of a minimum of five and a maximum of eleven members, who hold office for a period determined by the General Meeting resolution, up to a maximum of three financial years.

The General Meeting held on 29 April 2011<sup>1</sup> appointed the current Board of Directors, based on the one sole list submitted by the majority shareholder New FourB S.r.l., confirming

<sup>1</sup> Until the General Shareholders' Meeting called to approve the financial statements for the year ended 2010, the Board of Directors was made up of 11 Directors, of whom 3 Executive Directors (Alberto Bombassei, Cristina Bombassei, Matteo Tiraboschi), 2 Non-executive Directors (Bruno Saita and Umberto Nicodano), 6 Non-executive and Independent Directors (Giovanni Cavallini, Giancarlo Dalleria, Giovanna Dossena, Pasquale Pistorio, Giuseppe Roma, Pierfrancesco Saviotti).



*Alberto Bombassei  
receives the Ferrari  
Innovation Award, 2005.*

the number of eleven members and setting the term of office to coincide with the General Meeting called to approve the Financial Statements for the year ending 2013.

Since 6 June 2011, Matteo Tiraboschi has served as Executive Deputy Chairman.

On the same date, the Board of Directors co-opted Andrea Abbati Marescotti to replace Director Bruno Saita (Non-executive and non-independent director)<sup>2</sup>; Marescotti was appointed Managing Director and General Manager of the company, following revocation of the powers previously granted to the Chairman for this office.

The current members of the Board of Directors are listed in the table below.

All the appointed Directors meet the requirements of personal integrity, professionalism and respectability imposed by applicable Italian statutory and regulatory provisions.

The non-executive directors and those who can qualify as independent directors, meet the requirements set by the Corporate Governance Manual of Brembo SpA and by Article 148, paragraph 3 of TUF, as indicated in the table above. The table also specifies the directors' respective roles within the company, their attendance rate at the meetings held in 2011 and the number of positions held with other companies that are relevant for the purposes of Brembo's Corporate Governance Manual.

### 3.3 Maximum number of positions held at other companies

At the time of appointment and thereafter on an annual basis, the Board of Directors evaluates the compatibility of positions held by Directors at other companies. The evaluation is not based on specific criteria or quantitative limits, but instead on the evaluation of state-

ments made by the Directors, their professionalism and independence, and by verifying their effective and consistent attendance at Board meetings and other management activities. This evaluation was carried out by the Board of Directors at the meetings of 29 April 2011 (following the appointment by the General Shareholders' Meeting) and 2 March 2012.

### 3.4 Role of the Board of Directors

In accordance with the law and pursuant to the By-laws, the Governing Body is responsible for managing the company, except for the matters reserved to the General Shareholders' Meeting. In line with the recommendations of the Corporate Governance Code, the Board of Directors shall also carry out the functions and duties defined in Article 1 of Brembo S.p.A.'s Corporate Governance Manual, including the analysis and discussion of annual budgets and strategic, industrial and financial plans of Brembo S.p.A. and the Group.

The Board of Directors met eight times in 2011 (of which, four based on the corporate calendar issued to the public and four in extraordinary sessions) at the company's registered office and/or administrative office; the meetings lasted 3 hours, on average. The Directors' rate of attendance during the year is shown in the table above.

For the year 2012 five meetings have been scheduled, whose calendar was approved by the Board of Directors on 10 November 2011 and then disclosed to the public. At the date of publication of this Report, two meetings were held, one according to the corporate calendar and one extraordinary meeting.

Pursuant to the By-laws:

- Board of Directors' meetings are called by registered letter, telegram, facsimile transmission or e-mail with confirmation of receipt, to be sent to all Board members and all the members of the Board of Auditors, at

<sup>2</sup> Resigned from the position of Director on 24 May 2011.



Board of Directors										Audit Committee	Remuneration Committee
Office held	Name and surname	In office from	In office until	Exec.	Non-exec.	Indep. as per Corporate Governance Code	Indep. as per TUF	% of attendance	Other offices held		
								*	**	*	*
Chairman	Alberto Bombassei	29.04.11	<sup>(1)</sup>	X				100%	4		
Executive Deputy Chairman <sup>(2)</sup>	Matteo Tiraboschi	29.04.11	<sup>(1)</sup>	X				100%	0		
Managing Director / General Manager	Andrea Abbati Marescotti	06.06.11	<sup>(3)</sup>	X				100%	-		
Director	Cristina Bombassei	29.04.11	<sup>(1)</sup>	X				100%	0		
Director	Giovanni Cavallini	29.04.11	<sup>(1)</sup>		X	X	X	63%	3	X <sup>(6)</sup>	100%
Director	Giancarlo Dallera	29.04.11	<sup>(1)</sup>		X	X	X	88%	1	X <sup>(7)</sup>	80%
Director	Giovanna Dossena	29.04.11	<sup>(1)</sup>		X	<sup>(5)</sup>	X	100%	-	X <sup>(8)</sup>	100%
Director	Umberto Nicodano	29.04.11	<sup>(1)</sup>		X			88%	1		X <sup>(7)</sup> 100%
Director	Pasquale Pistorio	29.04.11	<sup>(1)</sup>		X	X	X	100%	2	X <sup>(6)</sup>	100%
Director	Gianfelice Rocca	29.04.11	<sup>(1)</sup>		X	X	X	67%	7		
Director	Pierfrancesco Saviotti	29.04.11	<sup>(1)</sup>		X	X	X	38%	3		X <sup>(7)</sup> 67%
Outgoing Directors during the year											
Director	Giuseppe Roma	29.04.08	29.04.11	X	X	X	100%	-	X <sup>(8)</sup>	100%	
Director	Bruno Saita	29.04.11	24.05.11 <sup>(4)</sup>	X			100%	-			

No. of meetings held during 2011: Board of Directors: 8  
 Audit Committee: 5  
 Remuneration Committee: 3

NOTES:

\* These columns show the percentage of Board of Directors' meetings and Committee meetings, respectively, attended by Directors (No. of times attended/No. of meetings held during the Director's term of office). It should be noted that the percentage has been calculated based on the meetings in which each Director was entitled to participate in light of his/her date of appointment and expiry of the term of office.

\*\* This column shows the number of positions held by Directors at other companies, other than Brembo, which are deemed relevant based on Article 1.4 of Brembo S.p.A.'s Corporate Governance Manual.

(1) Appointed for a term expiring on the date of approval of the financial statements for the year ending 31 December 2013.

(2) Director Matteo Tiraboschi was appointed Executive Deputy Chairman on 6 June 2011.

(3) On 6 June 2011, Andrea Abbati Marescotti was co-opted by the Board of Directors to replace Director Bruno Saita, who resigned, and was appointed Managing Director and General Manager. Director Andrea Abbati Marescotti will remain in office until the General Shareholders' Meeting called to approve the Financial Statements for the year ended 31 December 2011.

(4) Director Bruno Saita (Non-executive and Non-independent Director) resigned from this position on 24 May 2011.

(5) Director Giovanna Dossena was deemed independent within the meaning of TUF and non of the Italian Corporate Governance Code, as she has been a Director of the Company for more than 9 years over the past 12 years.

(6) The Director was appointed to this position with the reappointment of officers by the General Shareholders' Meeting held on 29 April 2011.

(7) The Director, who was already a member of the Committee, was reappointed to this office with the reappointment of officers at the General Shareholders' Meeting on 29 April 2011.

(8) The Director was a member of the Committee during the previous appointment, which ended with the General Shareholders' Meeting held on 29 April 2011.

*Test bench for checking the hydraulic tightness of calipers at the end of the assembly line at the plant in Paladina (Bergamo), 1973.*



*The plant in Curno (Bergamo), early Nineties.*

least five days, or in the cases of particular urgency, at least two days prior to the scheduled date of the Board meeting;

- Board meetings are valid, as well as their resolutions, even without a formal call, when all the Directors and Statutory Auditors in office are present;
- Board meetings may be held by telecommunication means that allow participation in the discussion and provide the same information to all those in attendance.

Except in cases of particular urgency or confidentiality, each Director and Statutory Auditor is informed sufficiently in advance (five days before the meeting) on the items on the agenda by means of a detailed and analytical report describing the various aspects to be evaluated (in narrative and quantitative terms) in order to take the relevant resolutions on an informed basis; such report is usually accompanied by summary schedules for each topic.

In accordance with applicable laws and regulations and the By-laws, the Board of Directors has reviewed and evaluated:

- **the general performance and outlook on operations**, including by means of the information provided by the relevant Bodies during the periodic results presentation and approval, at the meetings held on 2 March 2011, 12 May 2011, 29 July 2011, 10 November 2011 and 2 March 2012;
- **the adequacy of the organisational, administrative and accounting structure** at the meetings held on 2 March 2011, 12 May 2011, 29 July 2011, 10 November 2011 and 2 March 2012;
- **the implementation of specific plans concerning transactions of significant strategic, economic, or financial relevance for Brembo S.p.A.** during the meetings held on 2 and 14 March 2011, 29 April 2011, 12 May 2011, 29 July 2011, 10 November 2011 and 2 March 2012;

- **the main aspects of risk and compliance** on the basis of periodic reports by the Director in charge of overseeing the Internal Control System and the Supervisory and Control Bodies;
- **the 2010-2014 Plan and the 2012 budget** in the meetings held on 14 March 2011 and 12 January 2012, which were also attended by the main Business and Corporate Managers who presented the topics falling within their respective responsibilities.

To provide the necessary **insights on specific issues** referred for examination and approval by the Board of Directors, the Board of Directors' meetings were attended, in addition to the Secretary, by some **Executives of the company or Group companies**, involved in the several projects being discussed by the Governing Body.

The Board of Directors also received the periodic reporting **on the exercise of delegated powers, as well as significant transactions and transactions in potential conflict of interest** during the Board of Directors' meetings held on 2 March 2011, 12 May 2011, 29 July 2011, 10 November 2011, 12 January 2012 and 2 March 2012.

At its meeting of 2 March 2011 the Board of Directors also drew up the proposals presented to the General Shareholders' Meeting of 29 April 2011, including those relating to the appointment of the Corporate Bodies and the authorisation to purchase treasury shares.

In the plenary meeting of 29 April 2011 and on the basis of the Corporate Bodies' appointed by the General Shareholders' Meeting held on the same day, the Board of Directors:

- granted powers to the Chairman for the management of the company;
- appointed the members of the Remuneration Committee and Audit Committee, the Executive Director in charge of overseeing



the Internal Control System and the Lead Independent Director;

- appointed the Person in charge of Internal Control and the Manager in charge of the Company's financial reports, granting the relevant powers;
- appointed the Supervisory Body pursuant to Legislative Decree 231/2001, establishing the relevant remuneration;
- appointed the Secretary of the Board of Directors.

In an extraordinary meeting of 6 June 2011 the Board of Directors, in approving the new **top governance structure**:

- granted new powers to the Chairman;
- appointed Matteo Tiraboschi as Executive Deputy Chairman, granting him the necessary powers to manage the company;
- co-opted Andrea Abbati Marescotti<sup>3</sup>, appointing him Managing Director and General Manager, following revocation of the powers previously granted to the Chairman for this office. He was then granted the relevant powers.

As part of a **corporate streamlining process**, the Board of Directors, in its ordinary meetings on 2 March 2011, 29 April 2011 and 29 July 2011 and in the extraordinary meeting of 21 June 2011, approved the following transactions:

- a) sale of the equity investment held by Brembo SpA in Softia (40%);
- b) transfer of the registered office of Brembo International S.A. to Italy, with consequent change of its company name into Brembo International S.p.A. (effective 17 May 2011). On 29 July 2011, pursuant to Article 16 let-

ter a) of the By-laws, the Board of Directors, after approving the merger plan, resolved to carry out the merger of Brembo International S.p.A. into Brembo S.p.A. pursuant to Article 2505 of the Civil Code, with effect from 10 October 2011 (except for accounting and tax purposes, which, for reasons of simplification, became effective as of 1 January 2011).

With reference to the **Remuneration of the Executive Directors, other Directors vested with special duties and Key Management Personnel**, at the extraordinary meeting of 14 March 2011, the Board of Directors, following the favourable opinion of the Remuneration Committee, approved the Fifth Edition of Brembo's Corporate Governance Manual. Among others, the new Edition amended, Article 7 (Remuneration of Directors) and the Remuneration Committee's Regulations, in order to incorporate the new laws and regulations introduced in 2010 and, specifically, the principles and criteria laid down in Article 7 of the Corporate Governance Code (March 2010 edition).

Thereafter, the Board of Directors, having considered the proposals made by the Remuneration Committee:

- at the meetings of 12 May 2011 and 6 June 2011, allocated the Board of Directors' total annual compensation, granted to it by the General Shareholders' Meeting of 29 April 2011, also taking into account the revised top management structure approved at the meeting held on 6 June 2011;
- at the meeting of 10 November 2011 approved:
  - the General Policies for the Remuneration of Executive Directors, other Directors vested with special duties and Key Management Personnel pursuant to the new Article 7 of the Corporate Governance Code, illustrated in the Remuneration Re-

<sup>3</sup> The Directors was co-opted by the Board of Directors to replace Bruno Saita (Non-executive and Non-independent Director), who had resigned from his position as Director on 24 May 2011.

port prepared pursuant to Article 123-ter of TUF, whose first section was also approved;

- the Changes to the Rules of the Three-year Incentive Plan (2010 - 2012) for Executive Directors and Top Managers made necessary by the new Governance Structure.

In relation to the implementation of Brembo's **Internal Control System**, at its meeting on 14 March 2011 the Board of Directors acknowledged the Internal Audit activities carried out in 2010.

During the meeting of 29 July 2011 and 2 March 2012, the Report of the Director in charge for overseeing the Internal Control System and the periodic reports by the Control and Supervisory Bodies were submitted to the Board of Directors for the appropriate evaluation on the adequacy of the Internal Control System.

Moreover, in keeping with the process of constant and continuous improvement of its "Compliance" system, the Board of Directors:

- in its meeting of 2 March 2011, approved a new and completely revised edition of Brembo's 231 Model (Third Edition), also redefining the Principles Governing the System of Delegated Powers with a view to adapting it to the Group's new organisational and compliance needs;
- on 10 November 2011, approved the updating of **Brembo's 231 Model (Fourth Edition)** by introducing, inter alia, the new Special Section on Environmental Offences and the principles of the 2010 Bribery Act.

In accordance with the provisions of the **Corporate Governance Manual**, at its meeting of 29 April 2011 (immediately after its appointment) and that of 2 March 2012 the Board of Directors, on the basis of the statements received by the Directors:

- identified the positions as Director or Statu-

tory Auditor held by Directors in other companies pursuant to Article 1.4 of the Corporate Governance Manual, and deemed them appropriate on the basis of the professionalism and independent judgment demonstrated and a verification of the individual Directors' and Statutory Auditors' active and constant participation at Board of Directors' meetings and at various management activities of the company;

- periodically verified that the requirements of integrity, professionalism and independence were met and continued to be met, giving prompt public disclosure thereof; the outcome of this self-assessment activity is disclosed in this Report in the table above.

No Directors notified circumstances warranting the submission of a report by them under Article 1.6 of Brembo's Corporate Governance Manual (departure from the competition principle).

In accordance with the recommendations of the Corporate Governance Code, the Board of Directors carried out the **Board Performance Evaluation** of the size, composition and functioning of the Board and its Committees for the year 2011, instructing the Lead Independent Director, Pasquale Pistorio, to carry it out. The results of this activity were examined during the meeting between the Independent Directors on 10 November 2011 and, subsequently, during the Board of Directors' plenary meeting held on the same day. Paragraph 3.8 provides details on the evaluation process and the relevant results.

With regard to the Related Party Transaction Procedure, during the year, based on proposals of the Audit Committee (serving as the Related Party Transaction Committee), the Board of Directors:

- at the meeting of 29 July 2011 updated the Significance Indices for the identification

of Highly Significant RP Transactions on the basis of data from the 2010 financial statements, and confirmed the amount of €250,000.00 as "threshold" for determining Low Value RP Transactions;

- at the meeting of 12 January 2012, in light of the experience of its first year of operation, confirmed the essential content of the Related Party Transaction Procedure, while clarifying certain definitions and improving the internal information flow.

With regard to **significant transactions**, the Corporate Governance Manual contains instructions for managing the requirements relating thereto. Significant Transactions are the transfers of resources, services or obligations that by purpose, payment, procedures, or execution time may have an impact on the integrity of company assets or the completeness and fairness of information, including accounting. These instructions are intended to regulate the procedures for the quarterly disclosure by Brembo's internal entities to the Board of Directors and by the Board of Directors to the Board of Statutory Auditors of the aforementioned transactions, as well as transactions involving potential conflicts of interest (as specified below) carried out by Brembo S.p.A. or its subsidiaries pursuant to Article 2359 of the Civil Code.

### 3.5 Delegated Bodies

#### **Chairman of the Board of Directors, Executive Deputy Chairman and Managing Director**

On 29 April 2011, the General Shareholders' Meeting confirmed the appointment of Alberto Bombassei as Chairman of Brembo S.p.A. through to the end of the term of the entire Board of Directors.

The Chairman is the company's legal representative, pursuant to law and Brembo's By-laws. He is also the Issuer's controlling shareholder.

In its plenary meeting of 29 April 2011, the Board of Directors granted the Chairman the powers to manage the company, so that he could also discharge the duties of Managing Director.

Subsequently, with the goal of completely reviewing the top governance structure, (including with a view to organise internal succession), on 6 June 2011 the Board of Directors passed the following resolutions:

- it granted new powers to the Chairman;
- it appointed Matteo Tiraboschi as Executive Deputy Chairman, granting him the relevant powers;
- it co-opted Andrea Abbati Marescotti<sup>4</sup>, appointing him Managing Director and General Manager, following revocation of the powers previously granted to the Chairman for this office. Then granted him the relevant powers.

The Chairman, in addition to the legal representation pursuant to law and Brembo's By-laws, was granted the widest powers of: direction, coordination and control according to his office; ordinary administration, subject to the limitations established by law and some specific limitations concerning real estate leases and leases of companies and/or business units; purchase and sale of real estate, including registered real estate, companies and business units and, generally, any transactions on movable or immovable property; purchase and sale of equity investments in Italy and abroad; the incorporation of new companies in Italy and abroad, having the power to choose the organisational system of the new company; and the issuance of letters of patronage, comfort letters, sureties and guarantees (without prejudice to the periodic reporting to the Board of

<sup>4</sup> The Director was co-opted by the Board of Directors to replace Bruno Saita (Non-executive and Non-independent Director), who had resigned from his position as Director on 24 May 2011.





Directors], as well as the powers of taking out mortgage loans, loans or finance leases in the various existing forms.

The Executive Deputy Chairman was granted the authority to legally represent the company before third parties and in court and, in addition to the tasks of direction, guidance, communication and control, he was granted extensive powers for the Group strategic direction, the development and proposal of guidelines concerning the Group's international development and its financial and re-organisation policies. He was also granted powers, subject to specific limitations, for the purchase and sale of real estate, representation in trade union matters, the issuance of letters of patronage, comfort letters, sureties and guarantees (without prejudice to the periodic reporting to the Board of Directors), as well as the power to take out mortgage loans, loans or finance leases in the different existing forms and to manage the company.

The Managing Director and General Manager was granted specific powers in terms of organisation, representation in trade union matters, management of the company and its business; he was also granted powers on matters concerning safety in the workplace and the environment.

Therefore, the Board of Directors retains the power to decide, among other issues, on the purchase and sale of shareholdings in other companies (M&As), when these exceed the above-mentioned limitations, the issuance of guarantees to third parties by Brembo S.p.A., and responsibilities regarding annual budgets and strategic plans.

It should be noted that, with the favourable opinion of the Remuneration Committee, in addition to the Directors who have not been vested with specific duties and the Statutory Auditors, the following were identified as **Key**

**Management Personnel of the company:** the Chairman, the Executive Deputy Chairman, the Manager in charge of the Company's financial reports pursuant to Law 262, the Managing Director and General Manager, as the only individuals, together with the Directors and the standing Statutory Auditors, having the powers to influence and/or affect the development, future prospects and overall performance of the company and/or the Group.

The Division Business Unit Directors and other Central Directors have been granted limited powers for ordinary management in relation to the performance of their respective offices and powers regularly registered with the Company Register of Bergamo.

In accordance with laws and regulations and pursuant to Brembo's By-laws, the delegated Bodies reported on the activities carried out in the performance of their respective delegated powers, at least on a quarterly basis and, in any case, in the subsequent meeting.

### 3.6 Other Executive Directors

After the appointment of the Board of Directors by the General Shareholders' Meeting of 29 April 2011 and the renewed top governance structure, in addition to the Chairman, the following directors are considered as Executive Directors:

- Matteo Tiraboschi, who holds the position of Executive Deputy Chairman;
- Andrea Abbati Marescotti, who holds the position of Managing Director and General Manager of the company;
- Cristina Bombassei, who is the Executive Director in charge of overseeing the Internal Control System.

### 3.7 Independent Directors

The Board verified, at the time of appointment (meeting of 29 April 2011) and thereafter

(meeting of 2 March 2012), that the directors continued to meet the independence requirements set out in the Corporate Governance Code and TUF (also see point 3.2).

The following Directors, who have not had, even recently, direct or indirect relations with Brembo S.p.A. or parties associated with Brembo S.p.A. that might compromise their autonomy of judgement, were verified as independent and non-executive Directors: Giovanni Cavallini, Giancarlo Dallerà, Giovanna Dossena<sup>5</sup>, Pasquale Pistorio, Gianfelice Rocca, Pierfrancesco Saviotti.

Director Umberto Nicodano<sup>6</sup> was designated as non-independent director.

The Board of Statutory Auditors verified that the criteria and procedures adopted by the Board of Directors to assess the Directors' independence were correctly applied.

The Independent Directors meet at least once a year without the other Directors at a meeting coordinated by the Lead Independent Director. During the year under review they met twice (the average length of the meetings was approximately 1 hour):

- on 29 July 2011 for an informative meeting with the newly appointed Independent Directors;
- on 10 November 2011 to review results of the Board Performance Evaluation.

### 3.8 Lead Independent Director

Pursuant to Article 2.8 of Brembo's Corporate Governance Manual, at its meeting on 29 April 2011 the Board of Directors confirmed Non-executive, Independent Director Pasquale Pistorio as Lead Independent Director. He will remain in office until the General Shareholders'

Meeting held to approve the Financial Statements for the year ending 31 December 2013.

The Lead Independent Director is a point of reference and coordination for the needs and contributions of non-executive Directors and, in particular, of independent Directors and acts in accordance with the Lead Independent Director Regulations included in Brembo's Corporate Governance Manual.

During the reporting year, the Lead Independent Director coordinated the meetings of independent Directors and promoted activities and initiatives aimed to improve and expand the knowledge of the company and its operations.

Upon request by the Board of Directors, the Lead Independent Director coordinated the **Board Performance Evaluation** of the size, composition and functioning of the Board of Directors and its Committees for 2011.

The 2011 Board Performance Evaluation was conducted by first sending all Directors a specific, detailed questionnaire aimed at surveying the Directors' judgments of a series of indicators regarding, among other subjects, the composition of the Board of Directors and Committees, their operation, the subject matters dealt with, and any areas for improvement. Thereafter, at the discretion of the Lead Independent Director, some brief telephone interviews took place with some Directors.

The results of this activity, received and processed at the end of October 2011, were examined during the meeting of the Independent Directors on 10 November 2011 and, subsequently, during the Board of Directors' plenary meeting held on the same day.

The independent Directors and the Board of Directors have expressed a general consensus on Brembo's Board of Directors and its overall operation.

The 2011 Board Performance Evaluation has positively assessed the achievement of targets set during the previous year. Some relevant comments concerned participation to meet-

<sup>5</sup> Director Giovanna Dossena was deemed independent within the meaning of TUF and non of the Italian Corporate Governance Code, as she has been a Director of the Company for more than 9 years over the past 12 years.

<sup>6</sup> Beside Director Bruno Saita for the period of his term (from 29 April 2011 to 24 May 2011).



ings by teleconference, which resulted in the recommendation to Directors to limit participation by teleconference consistently with their respective professional commitments.

## 4. HANDLING OF CORPORATE INFORMATION

The disclosure of inside or price sensitive information is governed by the procedure for handling inside information, which adopts the principles set out in Borsa Italiana's Guidelines for Disclosures to the Market and international best practices.

In compliance with the procedure for handling price-sensitive information, the company is committed to preparing a report for the financial community. This report will be characterised by timeliness, continuity and consistency and will comply with the principles of correctness, transparency, and equal access to information.

With a view to constantly and continuously updating its governance, the procedure for handling Inside Information was updated (Board resolution of 12 May 2011), including with the aim of improving business control protocols for the prevention of Market Abuse Offences provided for by Legislative Decree 231/2001 (insider dealing offence as per Article 184 of TUF, and market manipulation offence as per Article 185 of TUF).

This procedure is aimed at defining the terms and conditions for the disclosure to the market of Inside Information. It must be observed by any person afforded access to Inside Information pertaining to Brembo by virtue of their professional activity, in particular by its Directors, Statutory Auditors, Company Executives and all employees of Brembo S.p.A. and its subsidiaries.

### 4.1 Internal Dealing

Brembo adopted Internal Dealing Regulations to govern transactions involving the Company's shares or instruments connected to them carried out either directly or indirectly by Insiders or persons closely associated with them (so-called Internal Dealing). In accordance with applicable laws, these Regulations establish that:

- Insiders must report to the market all transactions involving the Company's shares that have a cumulative value exceeding €5,000, on an annual basis;
- Insiders are not allowed to carry out such transactions during the 15 days prior to Board meetings called to approve the results for the period (black-out period).

A complete copy of the Regulations is available on Brembo's website: [www.brembo.com](http://www.brembo.com), Investors section.

Four notices were given under the Internal Dealing Regulations in 2011.

## 5. BOARD COMMITTEES

As recommended by Brembo's Corporate Governance Code, an Audit Committee and a Remuneration Committee were formed, and a Lead Independent Director was appointed. At its meeting on 29 April 2011, the Board of Directors reappointed the members of the two Governance committees that are mandatory for companies belonging to the STAR segment (Audit Committee and Remuneration Committee).

## 6. NOMINATION COMMITTEE

During financial year 2012, a Nomination Committee will be set up in accordance with the provisions of the new Corporate Governance Code published on 5 December 2011.

This Committee was not set up in the previous years, as the Directors' nominations were directly proposed by the General Shareholders' Meeting in accordance with the law.

## 7. REMUNERATION COMMITTEE

After the appointment of the Governing Body by the General Meeting on 29 April 2011, the Board of Directors, at its meeting on the same day, confirmed the Remuneration Committee consisting of the Independent, Non-executive Directors Giovanni Cavallini<sup>7</sup> and Pierfrancesco Saviotti<sup>7</sup>, as well as Non-executive Director Umberto Nicodano (Chairman).

The Committee will remain in office until the approval of the Financial Statements at 31 December 2013.

The composition, duties and functioning of the Committee are defined in the Remuneration Committee Regulations, as amended by the Board of Directors, upon proposal of the Committee itself, on 14 March 2011 in order to fully entrench the principles and criteria established by the new Article 7 of the Corporate Governance Code with regard to the Directors' remuneration. The Regulations are included in Brembo's Corporate Governance Manual.

The Chairman of the Board of Statutory Auditors and another Statutory Auditor delegated by him always attend the Remuneration Committee's meetings.

In 2011, the Remuneration Committee operated regularly and met three times to examine issues within its remit and make appropriate proposals to the Board of Directors (the average length of the meetings, duly recorded in the minutes, was about 1 ½ hours). In addition to the Secretary, the Head of Human Resources & Organization was invited to the meetings, to present the subjects within his responsibility.

At its meeting of 9 May 2011, in order to make appropriate proposals to the Board of Directors, the Committee previously:

- (i) reviewed the new top governance structure expressing its consent;
- (ii) evaluated the proposed allocation of the total annual remuneration granted to the Board of Directors by the General Shareholders' Meeting of 29 April 2011, also taking into account the new structure, specifically examining the proposed remunerations of the Chairman, the Executive Deputy Chairman and the Managing Director, and subsequently reporting them to the Board of Directors.

At its meetings of 25 February 2011 and 8 November 2011 the Committee, including on the basis of an in-depth analysis conducted by the company with ASSONIME and its own trusted professionals, deemed it appropriate to:

- (i) confirm the Key Management Personnel to the Board, as follows: the Chairman, the Executive Deputy Chairman, the Manager in Charge of implementing Law 262, the Managing Director, the General Manager, as well as all the Directors not entrusted with special duties and the standing Statutory Auditors;
- (ii) express a favourable opinion with respect to the previously examined First Section of the Remuneration Report, which illustrates the General Policies for the Remuneration of Executive Directors, other Directors entrusted with special duties and Key Management Personnel;
- (iii) confirm, based on an in-depth analysis conducted by the company, that the Three-Year Incentive Plan for Top Managers approved by Brembo S.p.A.'s General Meeting on 27 April 2010 falls under the rules set forth by Article 114-bis of TUF and that it needs not be amended by introducing



*Test bench at the Stezzano headquarters (Bergamo).*

<sup>7</sup> Member of the Committee with accounting and financial responsibilities.

share retention mechanisms, as the new Article 7 of the Corporate Governance Code does not contain a mandatory provision but merely suggests an opportunity, which, incidentally, is included in the comments thereto;

- (iv) express a favourable opinion on the amendments to be applied to the Plan Regulations, in light of the New Organisational Structure and additions made to the roles of Chairman, Executive Deputy Chairman, Managing Director and General Manager.

The Board of Directors has then implemented the recommendations of the Remuneration Committee.

The Remuneration Report drawn up pursuant to Article 123-ter of TUF provides further information regarding the remuneration policies.

The Report is available on Brembo's website ([www.brembo.com](http://www.brembo.com), Investors section, Corporate Governance, Remuneration Policies).

## 8. REMUNERATION OF DIRECTORS

Please refer to the Remuneration Report pursuant to Article 123-ter of TUF, which is available on Brembo's website ([www.brembo.com](http://www.brembo.com), Investors section, Corporate Governance, Remuneration Policies).

## 9. AUDIT COMMITTEE

After the appointment of the Governing Body by the General Shareholders' Meeting on 29 April 2011, in its meeting on the same day, the Board of Directors appointed the Audit Committee composed of 3 Non-executive, Independent Directors in the persons of: Giovanni Cavallini<sup>8</sup>

(Chairman) – Pasquale Pistorio – Giancarlo Dallera<sup>9</sup>.

The Board also confirmed that the Audit Committee also acts as the Related Party Transaction Committee.

The composition, duties and functioning of the Committee are defined in the Audit Committee Regulations contained in Brembo's Corporate Governance Manual.

The following persons always participate in the Audit Committee's meetings:

- The Chairman of the Board of Statutory Auditors or another Statutory Auditor delegated by him;
- the Executive Director in charge of overseeing the Internal Control System;
- the Managing Director / General Manager (as from September 2011).

In 2011, the Audit Committee held five meetings, duly recorded in the minutes, lasting about 3 hours each, on the following dates: on 23 February 2011, 18 May 2011, 20 July 2011, 22 September 2011, 28 November 2011. One meeting was held on 23 February 2012, in which the 2011 final reports were presented.

The Manager in charge of the company's financial reports, or a person delegated by him, the independent auditors' representatives, the Head of the Legal and Corporate Department, the Legal & Corporate Manager, the Quality & Environment Manager, the Purchasing Manager, the IT Manager and the Human Resources & Organisation Manager also attended the meetings for the discussion of specific items on the agenda.



*An assembly phase for a Formula 1 braking system.*

<sup>8</sup> Member of the Committee with accounting and financial responsibilities.

<sup>9</sup> Until the General Shareholders' Meeting called to approve the Financial Statements for the year ended 31 December 2010, the Audit Committee was made up of the following members: Non-executive, Independent Directors Giuseppe Roma (Chairman), Giovanna Dossena, Giancarlo Dallera.

In the context of the duties assigned to the Audit Committee:

- it assisted the Board of Directors in carrying out the internal control duties falling within its remit;
- it expressed its opinion on the proper use of the accounting standards and their consistency in the Group for purposes of preparing the consolidated financial statements, based on the information provided by the Manager in charge of the Company's financial reports and by the Independent Auditors;
- upon request of the Executive Director in charge of overseeing the Internal Control System, it expressed its opinion on specific aspects regarding the identification of the main risks facing the company, as well as the design, implementation and management of the Internal Control System. It also examined the report presented by the Director in charge of overseeing the Internal Control System (ICS) and the Person in charge of Internal Control upon approval of the 2011 Financial Statements;
- it examined the working plan prepared by the Person in charge of Internal Control, as well as his periodic reports;
- it examined the working plan prepared by the Independent Auditors and the results of their activities;
- it evaluated the 2011 Management Letter issued by the Independent Auditors, which contained suggestions on some aspects of the financial reporting processes;
- it examined some aspects related to Brembo's 231 Model;
- it oversaw the effectiveness of the audit process;
- through reports presented by the Audit Committee Chairman on 29 July 2011 and 2 March 2012, it informed the Board of Directors of the activities carried out and the adequacy of the Internal Control System in 2011;
- it evaluated the organisational structure of the Brembo Group;
- together with the Supervisory Committee, it oversaw the Workplace Safety Management System of the Brembo Group.

Moreover, in each meeting the Audit Committee analysed:

- activities completed by the Internal Audit Department in 2011;
- the progress of the work concerning Law No. 262/05 in Brembo S.p.A. and its extension to Group companies;
- the Chief Financial Officer's report on significant transactions and transactions that might create a conflict of interest under Brembo's current rules.

In its capacity as Related Party Transaction Committee, the Audit Committee:

- carried out the annual assessment of the Significance Indices of Highly Significant RP Transactions and the "threshold" for the identification of Low Value RP Transactions, expressing a favourable opinion on the updating of the Significance Indices of Highly Significant RP Transactions based on the data of Financial Statements at 31 December 2010 approved by the General Shareholders' Meeting on 29 April 2011, and on maintaining the "threshold" for the identification of Low Value RP Transactions at €250,000.00;
- acknowledged that, as set forth by the Board of Directors at its meeting on 2 March 2011, the Executive Deputy Chairman, the Managing Director and the General Manager have been included in the definition of "Key Management Personnel" provided for by the Related Party Transaction Procedure;
- received information on "Ordinary" Related Party Transactions carried out at arm's length or otherwise, with Brembo Group companies and considered as "Exempt"

from the application of the procedural arrangements provided for in Brembo's Procedure, in the meetings held on 20 July 2011, 22 September 2011 and 28 November 2011.

At its meeting of 28 November 2011, in order to allow the Board of Directors to annually assess the effective application of the Related Party Transaction Procedure, it issued a favourable opinion on the following proposals (subsequently approved by the Board of Directors and included in the Procedure):

1) Confirming the essential content already included in the Related Party Transaction Procedure pursuant to CONSOB Regulations and specifically:

- Audit Committee as the Related Party Transaction Committee;
- "threshold" of €250,000.00 for Low Value RP Transactions;
- Significance Indices for the identification of Highly Significant RP Transactions (threshold 5%) to be updated on an annual basis and calculated with reference to data from the Financial Statements approved by the Annual General Meeting;
- Operating procedures for managing the Procedure;
- Soft and Strong Procedural Arrangements provided for Moderately or Highly Significant RP Transactions;
- Non-applicability of the whitewash mechanism and exemptions for transactions carried out in an emergency, as not provided for by the By-laws.

2) Inclusion of some clarifications in the definitions of "Key Management Personnel", "Significant Influence" and "Close Family Members" in light of the in-depth analysis conducted by the company, as well as some specific actions to improve the implementation of the procedure and information flows.

## 10. INTERNAL CONTROL SYSTEM

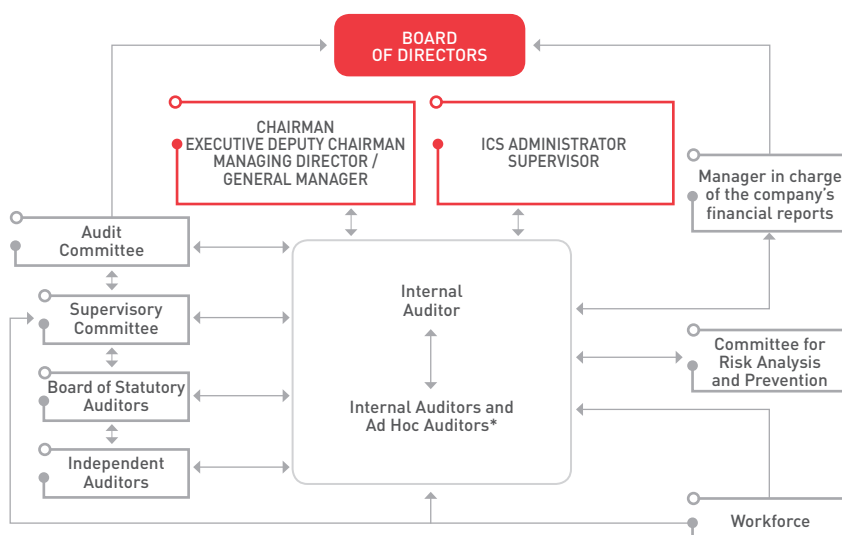
Brembo's Internal Control System complies with the principles set out in Borsa Italiana's Corporate Governance Code (acknowledged by Brembo's Corporate Governance Manual) and is organised as follows:

The Board of Directors:

- defines the general guidelines of the Internal Control System, so that the main risks pertaining to Brembo S.p.A. and Group companies are properly identified, as well as adequately measured, managed and monitored. It also sets criteria to ensure that such risks are compatible with sound and proper management of the company;
- carries out an annual appraisal that the Internal Control System is adequate and effective and operates efficiently.

With regard to compliance and internal control activities, the following powers were granted within the Board of Directors:

- to the Chairman, the responsibility for defining the general guidelines of compliance and



\* Selected on a case-by-case basis based on the relevance of their professional expertise to the problems at hand.



*Racing cars. Aluminium  
fixed two-piece caliper,  
1984.*

internal control system within the broader powers of direction, coordination or control granted to him in relation to his office;

- to the Executive Deputy Chairman, the tasks of ensuring the implementation and constant updating of the Brembo 231 Model, as well as the implementation of regulations in foreign countries where the investee companies operate, including all necessary training and awareness-building activities necessary to create a compliance culture in Italy and in all investee companies;
- to the Managing Director/General Manager, within the powers granted to him, the task of implementing and enforcing the implementation at all levels in Italy and abroad, of the provisions set forth by the Law, the By-laws, the internal procedures, the Corporate Governance Manual, the Code of Ethics and, more generally, the compliance in force in the Company and its investee companies; in this regard, specific reference is made to the provisions of Legislative Decree 231/2001 and similar provisions in force in foreign countries where the investee companies carry out their operations.

For 2011, the Board of Directors expressed its assessment and respective guidelines in the meetings of 29 July 2011 and 2 March 2012, based on the reports received from the Executive Director in charge of overseeing the Internal Control System, the Chairman of the Audit Committee, the Chairman of the Supervisory Committee and the Person in charge of Internal Control.

### **10.1 Appropriateness of the Internal Control and Risk Management System**

With reports dated 20 July 2011 and 23 February 2011, the Chairman of the Audit Committee informed the Board of Directors of the activities carried out by the Committee and expressed a favourable opinion as to the adequacy of the In-

ternal Control System, leaving the final opinion to the Board of Directors.

After considering the reports of the Chairman of the Audit Committee, the activities undertaken and planned by the Internal Audit of the company, the meetings held by the Person in charge of Internal Control with the Chairman of the Board of Directors, the Executive Director in charge of overseeing the Internal Control System and the Manager in charge of the company's financial reports (also the CFO), the Board of Directors seconded the opinion of the Chairman of the Audit Committee. The Board also acknowledged that the Internal Control and Risk Management System is appropriate for the Group's structure and type of business and that, for the purposes of preparing the Consolidated Financial Statements, the accounting principles are properly used.

In light of the foregoing, the Board of Directors also acknowledged that:

- the process of identifying the main risks and monitoring the associated plans for improvement are continuing in a structured, constant manner in accordance with the audit plan submitted by the Person in charge of Internal Control;
- the process of integration between the Group companies and the Corporate Functions is constantly improving, with a view of implementing the direction, coordination and control by the Parent Company;
- in detail, constant attention is being paid to the processes in place to ensure that Brembo's worldwide Safety & Environment System complies with current regulations, international reference standards and best practices;
- oversight activities are made possible also thanks to the efforts of the Internal Audit team and its reports;
- work to design Brembo's Internal Control



System continues with participation in institutional meetings, calling attention to the guidelines ratified during meetings of the Board of Directors.

## 10.2 The Risk Management and Internal Control System as it Relates to the Financial Reporting Process

In accordance with the principles outlined by CoSO (Committee of Sponsoring Organizations), the Manager in charge of the Company's financial reports assisted by the Compliance Officer and supported by Internal Audit and, where applicable, the evaluations provided by Brembo's Risk Analysis and Prevention Committee, carries out a process to identify and assess the risks that might prevent the company from achieving its objectives regarding the reliability of financial reporting.

The process for identifying and assessing such risks is reviewed yearly. The Manager in Charge of the company's financial reports is responsible for updating the process to reflect any changes during the year that might influence the risk assessment process (i.e., significant organisational changes, business changes, amendments or updates of accounting standards, etc.).

Control measures taken to minimise risks identified during the risk assessment process are outlined using the appropriate formats (flow charts and matrices). Key control measures have been identified from among these.

In determining whether the administrative and accounting procedures are being effectively applied, the Manager in charge of the Company's financial reports relies on the support of Internal Audit, which, together with the Compliance Officer, prepares an annual Test Plan for the aforementioned control measures. Based on the Test Plan results, the Manager in charge of the Company's financial reports and the Compliance Officer evaluate the need for corrective actions and develop a Corrective Plan.

This Plan is used to address any missing key control measures, existing control measures that are not being effectively applied and existing control measures that are not entirely adequate.

The Corrective Plan is delivered to the Process Contact Persons, who, within the established deadlines, are required to take steps to either implement new control measures or mitigate the risks resulting from the lack thereof.

When this process is complete, through the above-mentioned testing activities Internal Audit evaluates whether the Corrective Plan was effectively implemented.

Any event that could potentially impact the adequacy of the above framework in light of the company's actual situation or that might compromise the reliability of the risk analysis process must be identified by the Process Contact Persons and promptly reported to the Manager in charge of the Company's financial reports (through the Compliance Officer).

The Process Contact Persons are responsible for identifying all events within their processes that could potentially change the above framework and promptly reporting them to the Manager in charge of the Company's financial reports (through the Compliance Officer). Every six months, if no specific events have occurred that could impact the processes or control measures for which they are responsible, the Process Contact Persons must provide a formal communication to that effect. If the Compliance Officer does not receive such communication, he or she must request it.

The Compliance Officer and Internal Audit periodically report to the Manager in charge of the Company's financial reports as to the activities carried out and test results. The main companies in the Brembo Group are subject to analysis and assessment in conjunction with the preparation of the Brembo Group's Consolidated Financial Statements and Six-Monthly Report.



*The first fixed monobloc caliper with radial fittings for the "500cc motorcycle Grand Prix", 1997.*

Every six months, the Manager in charge of the Company's financial reports (supported by the Compliance Officer) requests that the subsidiaries' Administration Departments conduct a self-assessment to identify risk areas and the key control measures that address them.

Internal Audit, in cooperation with the Compliance Officer, plans and periodically implements an assessment programme at subsidiaries. The results of the assessment are reported to the Manager in charge of the Company's financial reports, who takes any necessary corrective actions. The Manager in charge of the Company's financial reports may base his or her attestation on a process of self-certification that is carried out by Brembo's top management, which provides information used in financial reporting and is responsible for the processes/systems that generate financial data.

### **10.3 Executive Director charged with overseeing the Internal Control System**

Director Cristina Bombassei has been identified as the Executive Director charged with overseeing the Internal Control System.

This Director submitted her annual report to the Board of Directors at the meeting held on 2 March 2012.

In accordance with the instructions provided by the Chairman of the Board of Directors, the Executive Director also determined that the monitoring activity required by the action plans for the audits conducted had been properly implemented.

The main risks to which the Company is exposed continued to be identified and measured in 2011, in a process that involved the Company's entire management in the self-assessment of risks, with the aid of the Internal Audit Department.

### **10.4 Person in charge of Internal Control**

Alessandra Ramorino has been the Person in charge of Internal Control since 2007.

The Person in charge of Internal Control is the same person as the Internal Audit Director, is a member of Brembo S.p.A.'s Supervisory Committee, is not responsible for any operational area and does not report hierarchically to any operational area manager. The Person in charge of Internal Control has had direct access to the information required to perform her duties, reported on her work at each meeting of the Audit Committee and Supervisory Committee and attended the meetings of the Board of Statutory Auditors.

At its meeting on 23 February 2012, the Audit Committee was provided with appropriate information on the results of her activities for 2011, through the annual report on the adequacy of the Internal Control System.

The Manager in charge of the Company's financial reports was also given due notice of activities carried out by the Person in charge of Internal Control relating to Law No. 262/05 for 2011, in the form of half-yearly reports on the adequacy of the control model implemented for the purposes of Law No. 262 and the results of the tests in this area conducted by the Internal Audit Department.

On 5 November 2011, the Person in charge of Internal Control, issued a favourable opinion to the Audit Committee, on the adequacy of the first revision of the Related Party Transaction Procedure approved by the Board of Directors at its meeting of 12 December 2011.

The Report of the Person in charge of Internal Control was examined by the Board of Directors during its meeting of 2 March 2012.

### **10.5 Internal Audit**

The Internal Audit function reports hierarchically to Brembo S.p.A.'s Chairman, and in operational terms to the Audit Committee; both corporate functions ensure its organisational

independence. As part of its work, Internal Audit maintains constant relations with all the institutional control bodies and periodic relations with Function Directors and Managers.

The activities carried out by Internal Audit have continued to be oriented towards risk prevention, the determination of direct action to be taken to eliminate anomalies and irregularities and the provision of support to the Group in the pursuit of pre-set operating targets.

During 2011, Internal Audit operated based on the approved three-year audit plan, in line with the actions agreed during the year with the Chairman and Audit Committee. The audit plan provides for: risk assessments, using the Control Risk Self Assessment method, organisational audits of Group companies, audits of compliance with Law No. 262/05 and Legislative Decree No. 231/01, operating audits on specific areas of activity and ethics audits on the basis of specific reports received.

In 2011, Internal Audit continued to collaborate towards implementing the new IT system, providing advice regarding the compliance of the control processes implemented with an adequate Internal Control System.

Internal Audit is charged with preparing and periodically updating a "Corporate Risk Report" designed to assist the Group and the Executive Director in charge of overseeing the Internal Control System, in assessing corporate risks.

In the context of Legislative Decree No. 231/01 and particularly with regard to methodological improvements, Internal Audit supported Company personnel in charge of the risk-assessment project for activities that might lead to the offences cited in Law No. 231.

In 2011, Internal Audit continued its monitoring of management of the main risks, including through follow-ups of the improvement plans defined by the management; it also provided information and training regarding the Internal Control System to Brembo's management.

Finally, in 2011 Internal Audit initiated an

internationalisation process of the function, monitoring, through local auditors, the activities in the countries where Brembo's presence is particularly significant, starting with Poland.

## 10.6 Organisational Model Within the Meaning of Legislative Decree 231/01

As part of the activities aimed at improving its compliance system and pursuant to Legislative Decree No. 231/01, the Board of Directors constantly adapted Brembo's 231 Model in light of legislative developments and the development of the Group's business mission and organisational structure.

By adopting Model 231, Brembo intends to:

- (i) fulfil all the legal requirements and adopt the principles that inspired the Legislative Decree by formalising a structured and organic system, which already exists within the company and is responsible for control procedures and activities (preventive and ex post facto) designed to prevent and mitigate the risk that Offences will be committed, through the identification of Sensitive Activities;
- (ii) set up an effective instrument of corporate management, also acknowledging the Model's function of creating and protecting the value of the company.

In keeping with the aim of constant and continuous improvement of its compliance system, the Board of Directors:

- in its meeting of 2 March 2011, approved a new and completely revised edition of the Model (prepared according to best practices), also redefining the Guiding principles of Brembo's System of Delegated Powers to bring it in line with the Group's changed organisational and compliance needs.
- on 10 November 2011, approved the Fourth Edition of the Brembo 231 Model. The main new aspects of this edition are:

- the inclusion of the new Special Section on Environmental Offences, in accordance with the provisions of Legislative Decree 121/2011 implementing the European directives on environmental protection (Directive No. 2008/99/EC) and pollution caused by ships (Directive No. 2009/123/EC);
- the inclusion of control protocols for the prevention of private corruption offences provided for by the 2010 Bribery Act;
- the inclusion, in the appendix, of the Brembo Compliance Guidelines which summarise the main rules of behaviour (indicated in the Special Sections) adopted by Brembo to prevent the commission of offences and make the content of the individual Special Sections clearer and more accessible to the recipients of Brembo's 231 Model.

The text of the Fourth Edition of Brembo's 231 Model, which details its underlying principles and the modalities for its construction and constant updating, can be found on Brembo's website ([www.brembo.com](http://www.brembo.com), Investors, Corporate Governance, Codes and Manuals).

Given the increasingly international structure of the Group, during the year Brembo also carried out information and training activities on Brembo's 231 Model, including for the subsidiaries, and in the countries where it operates it verified, the compliance of this Model with the local compliance rules in force that are similar to Legislative Decree 231/01.

Brembo's Supervisory Committee is a collegial body composed of at least 3 members, of whom one is the Person in charge of Internal Control and the others are persons complying with the requirements of autonomy, independence, integrity, professionalism, competence and continuity of action required by Legislative Decree 231/01. After the appointment of the Governing Body by the General Shareholders'

Meeting of 29 April 2011, the Board of Directors, on the same day, appointed the new Supervisory Committee consisting of the following 3 members:

- Marco Bianchi, Chairman and independent member;
- Giancarlo Dallera, Independent Director pursuant to Article 3 of the Brembo's Corporate Governance Manual and former member of the Supervisory Committee in the previous term;
- Alessandra Ramorino, Brembo's Person in Charge of Internal Control - Internal Audit Director and former member of the Supervisory Committee in the previous term.

Each member complies with the requirements of autonomy, independence, integrity, professionalism, competence and continuity of action required by the Supervisory Committee Regulations and Legislative Decree 231/01.

On 12 May 2011, on the basis of the opinion expressed by the Supervisory Committee concerning the full adoption of the 231 Model, the Chairman of the Board of Directors issued the Company's notice pursuant to Article IA.2.10.2 of the Market Regulation Instructions (full adoption of the Model pursuant to Article 6 of Legislative Decree No. 231/01).

With reference to the specific activities for which the Supervisory Committee is responsible, it should be noted that in 2011 the Committee operated on a regular basis, meeting on 23 February 2011, 4 May 2011, 20 July 2011, 22 September 2011 and 3 November 2011. The Chairman of the Committee also attended the Audit Committee meeting of 28 November 2011 for the matters falling within his responsibility and interest.

In 2012, one meeting was held on 23 February, in which the final reports of 2011 were presented.

The Chairman of the Supervisory Committee also met separately with the Internal Audit

Director for further discussion of several risk-assessment analyses conducted by personnel of the Law No. 231 team and to examine the assessments carried out in response to some reports received.

In the course of five meetings held during the year, the Supervisory Committee verified that the Model was constantly updated to bring it in line with changing laws and regulations, analysed the soundness and functionality requirements, as well as the mode of implementation and checked Internal Audit's supervisory activities carried out on behalf of the Supervisory Committee. More specifically:

- as part of its analysis of the Model soundness and functionality requirements, the Supervisory Committee took part in the drafting of the fourth edition of the Model, suggesting improvements to the functionality and soundness of the Organisation, Management and Control Model;
- audit activities were carried out in order to check that the Model is being implemented effectively, with the support of the Internal Audit Department, based on the Supervisory Committee's action plan;
- oversight of the Model entailed:
  - an analysis of the reports received by the Supervisory Committee;

- an analysis of the flow of information contained in the Supervisory Committee's half-yearly report by the internal functions of Brembo S.p.A. and relevant personnel for Group companies;
- meetings with the managers of sensitive areas and/or functions within the meaning of Legislative Decree No. 231/01.

During the meeting of 3 November 2011 the Supervisory Committee also expressed a favourable opinion on the fourth edition of the Brembo's Organisational Model.

During the year, no violations of laws subject to the penalties provided for in Legislative Decree 231/01 were reported.

#### 10.7 Independent Auditors

The Shareholders' resolution of 26 April 2004, by virtue of which PricewaterhouseCoopers S.p.A. was appointed as the Company's Independent Auditor, was renewed on 27 April 2007 through to the end of financial year 2012.

#### 10.8 Manager in charge of the Company's financial reports

Pursuant to article 27-bis of the By-laws and in light of the non-binding opinion of the Board of



*Commercial vehicles.  
Cast-iron floating front  
caliper, 1993.*

Statutory Auditors, on 29 April 2011 the Board of Directors appointed Matteo Tiraboschi as Manager in charge of the Company's financial reports<sup>10</sup>, granting him the relevant powers. He also holds the positions of Executive Deputy Chairman of Brembo S.p.A. and Group CFO.

The Manager in charge of the Company's financial reports must meet the following requirements in terms of professional qualifications:

- diploma or university degree in economics, finance, or subjects related to business management and corporate organisation;
- at least three years of overall professional experience in the discharge of business administration or control functions; or otherwise managerial or administrative responsibilities at corporations; or managerial or administrative functions, or auditing functions, including as an outside auditor or consultant, such as a certified public accountant, in the service of undertakings operating in the credit, financial or insurance sectors; or, in any event, in sectors closely related, or otherwise involving business activities similar to those of the company and therefore entailing the management of financial and economic resources.

The manager is appointed for a three-year term that may be renewed once or several times.

The Manager in charge of the Company's financial reports attended all the Board of Directors' meetings and, directly or through his delegate, the meetings of the Audit Committee and the Board of Statutory Auditors to provide the information within his responsibility.

<sup>10</sup> Matteo Tiraboschi has held this office since 2009.

## 11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

In accordance with CONSOB Regulations (Resolution No. 17221 of 12 March 2010 and Resolution No. 17389 of 23 June 2010), on 12 November 2010 the company adopted the Related Party Transaction Procedure (hereinafter the "RPT Procedure"), in light of the unanimous and favourable opinion of the Audit Committee (appointed for that purpose, being composed of three Independent Directors).

The purpose of the RPT Procedure, as also specified in the Code of Ethics, is to ensure the transparency and the substantive and procedural propriety of Related Party Transactions that are not concluded at arm's length, with a view to safeguarding the company's higher interests. As a general rule, the said transactions may be concluded only when strictly necessary in the company's interest, without prejudice to the foregoing provisions.

The RPT Procedure governs the following aspects, among others:

- it assigns the function of Related Party Transaction Committee to the Audit Committee, as it is made up of 3 Independent, Non-executive Directors;
- it does not extend the scope of the RTP Procedure to parties other than those set forth in Annex 1 to the CONSOB Regulations (which referred to IAS 24 at the date of publication of the Regulations);
- it sets the threshold for low value transactions outside the scope of the new Procedure at €250,000.00, to be revised annually, inasmuch as it was decided that transactions below said threshold cannot constitute a risk for the company;
- it sets the amounts of the thresholds for the significance indices for Highly Significant Transactions on the basis of the previous year's Financial Statement figures and states that they are to be revised annually



- according to each year's results;
- it excludes resolutions (other than resolutions passed pursuant to Article 2389, paragraph 3, of the Civil Code) concerning the remuneration of Directors and Directors with special duties and Key Management Personnel from the scope of the new RPT Procedure, inasmuch as such resolutions also involve the Remuneration Committee, which consists solely of non-executive Directors and a majority of independent Directors;
- it exercises the option to exempt ordinary transactions and intra-Group transactions;
- it lays down the rules for the assessment of moderately and highly significant transactions, carried out either directly by Brembo or through its subsidiaries;
- it identifies the organisational structures and information flows deemed appropriate to ensure that the competent bodies are provided all useful information to evaluate such transactions in a timely manner.

The Board of Directors decided not to use the whitewash mechanism in the event of unfavourable opinion for highly significant transactions and did not provide for exceptions in case of urgency.

Moreover, regardless of the provisions of applicable laws and regulations, the Group companies were required to formalise a local procedure that sets out the operating procedures to identify their Related Parties and Related Party Transactions, as well as their approval procedures, consistently with the guidelines set forth by the RPT Procedure adopted by Brembo S.p.A.

During the year, based on proposals by the Audit Committee (serving as the Related Party Transaction Committee), the Board of Directors:

- at the meeting of 29 July 2011 updated the Significance Indices for the identification

of Highly Significant RP Transactions on the basis of data from the 2010 financial statements, and confirmed the amount of €250,000.00 as "threshold" for determining Low Value RP Transactions;

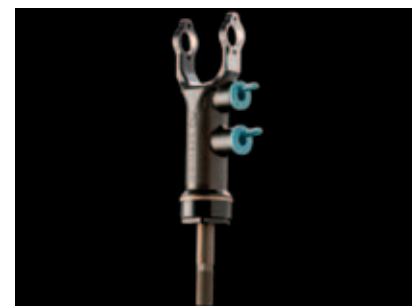
- at the meeting of 12 January 2012, in light of the experience of its first year of operation, confirmed the essential contents of the RPT Procedure as described above, while clarifying certain definitions and improving the internal information flows.

## 12. APPOINTMENT OF STATUTORY AUDITORS

In line with applicable laws and regulations, the By-laws govern the appointment of Statutory Auditors by providing that:

- the Board of Statutory Auditors is made up of three acting auditors and two alternate auditors, all appointed by the Shareholders' Meeting based on list voting procedures;
- appointment to, and ongoing membership of, the Board of Auditors are strictly subject to full satisfaction of all applicable eligibility requirements, in terms of personal integrity and professional qualifications. Acting auditors are chosen among people who can also meet the applicable independence requirements, meaning that, beside meeting all statutory requirements, they may not have served as a director of acting auditor of Brembo S.p.A. for more than nine of the previous twelve years;
- auditors are appointed for a term of three years and are eligible for re-appointment; their emoluments are determined by the Shareholders' Meeting;
- voting lists may be submitted only by those shareholders who, at the date the lists are submitted, represent, either on their own or together with others, at least the minimum shareholding required for the submission

*Racing cars. Master cylinder made from a block of solid aluminium, 2001.*



*Motorbikes. One Pin disc and caliper, 2007.*

of lists of candidates seeking appointment to the Board of Directors, pursuant to article 15-ter of the By-laws, or such other percentage of the share capital, as may be established under applicable statutory and regulatory provisions;

- each shareholder with voting rights, as well as: (i) shareholders belonging to the same group, the latter term being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party, or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of TUF, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework may submit, either on their own or jointly with other shareholders, directly or through third party intermediaries, or trust companies, a single list of candidates, under pain of disqualification of the list;
- the lists of candidates, duly signed by the shareholders submitting the same, or the shareholder delegated to make the submission, together with all the other related documents as required under the By-laws, must be filed with the Company's registered offices at least 25 calendar days prior to the scheduled date of the General Meeting at first calling and public disclosure must be made both at Company's registered offices and on its website and in the manner and form specified under applicable statutory and regulatory provisions, at least 21 calendar days prior to the scheduled date of the General Meeting;
- the Board of Statutory Auditors discharges the supervisory duties entrusted to it under applicable laws and regulations and super-

vises compliance with the law and By-laws, observance of the principles of sound management and in particular of the adequacy of the organisational, administrative and accounting structures adopted by the Company and the material operation of those structures, as well as the concrete approach to implementing the corporate governance rules set forth in applicable legislation;

- the Board of Statutory Auditors is also in charge of monitoring the independence of the Independent Auditors.

### 13. STATUTORY AUDITORS

Pursuant to the By-laws, the Board of Statutory Auditors is made up of three acting auditors and two alternate auditors appointed on the basis of the single list submitted by the majority shareholder New FourB S.r.l. for the term set by the Shareholders' Meeting resolution, up to a maximum of three years.

The General Shareholders' Meeting held on 29 April 2011<sup>11</sup> appointed the current Board of Statutory Auditors for the 2011-2013 period, based on the only list presented by the majority shareholder New FourB S.r.l. The members of the current Board of Statutory Auditors are listed in the following table. Therefore, the Board of Statutory Auditors' office will expire with the General Meeting called to approve the Financial Statements for the year ending 31 December 2013. The General Meeting also confirmed Sergio Pivato as Chairman of the Board of Statutory Auditors.

The remuneration of the Board of Statutory Auditors was established by the General

<sup>11</sup> The Brembo S.p.A.'s Board of Auditors appointed by the Shareholders' Meeting of 29 April 2008 for a term expiring upon the Shareholders' Meeting called to approve the 2010 Financial Statements, was made up of three acting auditors (Sergio Pivato, Chairman; Enrico Colombo, Daniela Salvioni) and two alternate auditors (Mario Tagliaferri and Gerardo Gibellini).

Shareholders' Meeting on 29 April 2011 in the gross amount of Euro 196,000.00 per annum, to be distributed among all the members.

All the members of the Board of Statutory Auditors must meet applicable statutory integrity, professionalism and independence requirements. They must also comply with the provisions set forth in the Brembo's Corporate Governance Manual.

Upon the appointment of the Board of Auditors (29 April 2011) and subsequently in the Board of Directors' meeting of 2 March 2012, the Company determined that the ceiling on concurrent appointments had not been exceeded in respect of any member of its Board of Statutory Auditors, on the basis of the declarations made by each of the said members in such regard pursuant to Annex 5-bis to the Rules for Issuers.

Pursuant to the Corporate Governance Manual, the Board of Statutory Auditors:

- monitors the independence of the Independ-

ent Auditors, verifying both compliance with the relevant laws and regulations and the nature and extent of the services, other than auditing, rendered to Brembo S.p.A. and its subsidiaries by the Independent Auditors and the entities belonging to the Independent Auditors' network;

- may ask the Internal Audit to carry out audits on specific operating areas or company's transactions;
- promptly exchanges information relevant to the discharge of its duties.

In 2011, the Board of Statutory Auditors held five meetings and most of its members participated in all meetings of the Board of Directors. The meetings of the Board of Statutory Auditors lasted about 2 hours on average.

In performing its functions the Board of Statutory Auditors regularly met with the Independent Auditors and the Internal Audit Director.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor designated

## Board of Statutory Auditors

Office held	Members	In office from	In office until	Independent	Attendance rate to the BoD meetings <sup>(2)</sup>	Attendance rate to the meetings of the Board of Statutory Auditors <sup>(2)</sup>	Weight of other offices pursuant to Annex 5-bis of the Rules for Issuers <sup>(3)</sup>
Chairman	Sergio Pivato	29.04.2011	<sup>(1)</sup>	x	75%	100%	3.8
Acting Auditor	Enrico Colombo	29.04.2011	<sup>(1)</sup>	x	75%	100%	4.76
Acting Auditor	Mario Tagliaferri	29.04.2011	<sup>(1)</sup>	x	100%	100%	3.45
Alternate Auditor	Gerardo Gibellini	29.04.2011	<sup>(1)</sup>	–	–	–	–
Alternate Auditor	Marco Salvatore	29.04.2011	<sup>(1)</sup>	–	–	–	–

### AUDITORS WHO LEFT OFFICE DURING THE YEAR

Acting Auditor	Daniela Salvioni	29.04.2008	29.04.2011	x	50%	100%	–
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**Quorum** required to present lists for the most recent appointments: 2.5%

Number of meetings of the Board of Directors held during the financial year: 8

Number of meetings held during the financial year: 5

### NOTES

<sup>(1)</sup> Appointed for a term expiring on the date of approval of the financial statements for the year ending 31 December 2013.

<sup>(2)</sup> Attendance rates at meetings of the Board of Statutory Auditors (number of meetings attended/number of meetings held during the term of office of the auditor). It should be noted that the percentage rate has been calculated based on the meetings in which each Statutory Auditor was entitled to participate in light of his/her date of appointment and expiry of the term of office.

<sup>(3)</sup> Weight of other positions held, within the meaning of Article 144-terdecies et seq. of the Rules for Issuers (ceiling on concurrent appointments).

by the Chairman, also attended all the meetings of the Audit Committee and the Remuneration Committee.

The composition of the Board of Statutory Auditors did not undergo any changes during financial year 2011.

## 14. RELATIONS WITH SHAREHOLDERS

Brembo takes special care in monitoring relations with shareholders, institutional and private investors, financial analysts, and the financial community, scrupulously respecting mutual roles.

The financial community is provided numerous opportunities to obtain information from and engage in dialogue with the Company as part of a consistent, effective and ongoing communication process. The Company also holds events for financial analysts, conference calls and meetings with shareholders and investors at major capital markets or the Company's registered office.

In order to provide the market with exhaustive and constantly updated financial information, the company publishes a specific Italian-English Investor Relations section on its website ([www.brembo.com](http://www.brembo.com) – Investors section) with useful information for stakeholders, including: press releases, financial statements and interim reports, presentations to the financial community, stock price trends, etc.

The Investor Relations function devotes particular attention to Ethical Investors, i.e., those who in their investment decisions privilege companies that are particularly attentive to environmental, social and ethical parameters, in addition to traditional financial indicators.

The Investor Relations function is headed by Matteo Tiraboschi, the Group's Executive Deputy Chairman and CFO.

All Investors' requests may be sent to Brembo via the following channels: email "[ir@brembo.it](mailto:ir@brembo.it)"; phone +39.035.60.52.145; fax +39.035.60.52.518.

## 15. GENERAL SHAREHOLDERS' MEETINGS

With regard to the calling and conduct of the General Shareholders' Meetings, the By-laws establish as follows:

- under Article 10 (CALLING OF GENERAL MEETINGS), the General Meeting shall be called by the Board of Directors by notice of calling containing an indication of the date, time and venue of the scheduled meeting, the items placed on the agenda, as well as further information required by applicable laws and regulations. The notice of calling may provide an indication of the scheduled dates of the meeting at callings subsequent to the first, if any;
- the notice of calling shall be published on the Company's website and in accordance with the other procedures as described, as well as in compliance with the requirements of current laws and regulations. If and to the extent the notice of calling is to be published in one or more daily newspapers pursuant to applicable rules and regulations, such publication shall be made in one or more of the following daily newspapers:
  - Il Sole 24 Ore;
  - Corriere della Sera;
  - Milano Finanza;
  - Italia Oggi.

The Ordinary Shareholders' Meeting must be called by the Governing Body at least once a year within one hundred and twenty days following the end of the Company's financial year, or within one hundred and eighty days from such date in the case where the Company is required to draw up consolidated financial statements or where warranted by specific reasons pertaining to the Company's corporate purpose and structure, such reasons being indicated in the Directors' Report mentioned in Article 2428 of the Civil Code;

- under new Article 10-bis (ADDITION OF

ITEMS TO THE AGENDA), the shareholders individually or collectively representing at least 1/40th of share capital may submit a written application, according to the terms and conditions set forth in applicable laws and regulations, to add items to the agenda for the Shareholders' Meeting, indicating the proposed additional items of business in the application;

- under Article 11 (PARTICIPATION IN AND REPRESENTATION AT GENERAL SHAREHOLDERS' MEETINGS), the shareholders entitled to vote may participate in the meeting and cast votes provided that the Company has received an appropriate notice certifying their standing, issued by the intermediary participating in the centralised financial instrument management system, by the third trading day prior to the date for which the Shareholders' Meeting is scheduled (or within other term as provided for under applicable law).

Any party entitled to participate in a Shareholders' Meeting may be represented by written proxy granted to another person, not required to be a shareholder, in accordance with the provisions of laws and regulations in force at the time.

Proxies may also be granted electronically, according to the conditions set out in the Ministry of Justice regulation. In accordance with the notice of the meeting, proxies may be notified electronically using the specific section of the Company's website or, where allowed in the notice of the meeting, by sending the document to the Company's certified e-mail address.

Proxies may be issued only for a specific General Shareholders' Meeting and shall be valid even for subsequent callings of such General Meeting, pursuant to applicable statutory provisions. The Chairman of the General Shareholders' Meeting shall declare the validity of proxies, and in general, the right to participate in the Meeting.

The information that the Board of Directors is required to provide to the Shareholders' Meeting must be of such nature as to provide the latter with an in-depth understanding of all matters relevant to making informed decisions in respect of the items submitted for shareholder approval. Briefly put, during the Shareholders' Meeting, entitled attendees are provided not only the information included in the filings made with Stock Market and Securities Services institutions, but also all the documents regarding the Annual Financial Statements and any resolutions proposed to the Shareholders' Meeting (which reproduce the recommendations placed on the Agenda by the Board of Directors, as disclosed to the public and forwarded to Borsa Italiana and CONSOB, pursuant to applicable laws and regulations). As a general rule, entitled attendees shall also be provided with a summary of the Company's stock price trends.

The By-laws are available on the website: [www.brembo.com](http://www.brembo.com) - Investors section, Corporate Governance, Codes and Manuals. The General Meeting Regulation designed to regulate the functioning of the General Meetings was modified by the General Meeting on 29 April 2011, primarily for the purposes of aligning its content to the changes introduced by Legislative Decree No. 27 of 27 January 2010, "implementing Directive 2007/36/EC on the exercise of certain shareholders' rights in listed companies" ("Legislative Decree 27/2010") and encouraging the active participation of the the company's shareholders. The Shareholders' Meetings Regulations are available on the website: [www.brembo.com](http://www.brembo.com) - Investors section, Corporate Governance, in Brembo's Corporate Governance Manual.

## 16. CHANGES SINCE THE END OF 2011

No significant changes took place from the end of the financial year through to the date of approval of this Report.