

Principles, Sources and Company Macrostructure

Principles

Brembo's System of Corporate Governance was implemented again in FY 2003, fully complying with the provisions of "Corporate Governance of Listed Companies" (the Preda Code) and those required for STAR segment companies.

Brembo performs its activities under the watchful eye of shareholders, financial institutions, the authorities and, more generally, all stakeholders. Brembo's intention is to present the company as a "transparent house" inspired by values such as correct conduct, observance of regulations, and the ability to engender trust through its behaviour, based on acknowledged and shared ethics.

To offer investors a more detailed assessment tool, reference was made to the guidelines prepared by ASSONIME (February 2004) in order to draft this report.

The report, which has been published in Brembo's website (www.brembo.com, in the section on "Investor Relations"), was submitted to Borsa Italiana (the Italian Stock Exchange).

Sources

1) Company By-laws

2) **Brembo Code of Corporate Governance** (which fully encompasses the Preda Code), the second edition of which was approved by the Board of Directors on 11/11/2003.

The following documents are an integral part

of Brembo's Code of Corporate Governance:

a) **Regulations of the Shareholders' Meetings**, approved by the General Shareholders' Meeting held on 03/05/2000;

b) **Appointment of the Investor Relator** (resolution passed by the Board of Directors on 28/06/2000);

c) **Procedure for circulating confidential information**, approved by the Board of Directors on 28/06/2000;

d) **Instructions for the Investor Relator**, approved by the Board of Directors on 28/06/2000;

e) **In-house procedure for press releases (price-sensitive information)**, the first edition of which was approved by the Board of Directors on 28/06/2000;

3) **Delegation of powers of Brembo S.p.A.** approved by the Board of Directors on 11/11/2002, as subsequently amended.

4) **Instructions governing regulatory requirements for notifying transactions with related parties and regulatory framework**, approved by the Board of Directors on 14/10/2002 and subsequently amended with the resolution passed by the Board of Directors on 13/05/2003.

5) **Code of Conduct regarding Internal Dealing**, approved by the Board of Directors on 19/12/2002 and subsequently amended with the resolution passed by the Board of Directors on 13/02/2004.

6) **Code of Ethics of Brembo S.p.A.**, approved by the Board of Directors on 11/11/2002 and distributed to all Company employees.

7) **Guidelines for Information to the Market**,

acknowledged by the Board of Directors on 11/11/2002.

8) Instructions governing the Board of Directors and the Shareholders' Meeting of Brembo S.p.A., drawn up by the Legal and Corporate Affairs Department on 30/05/2003.

The aforesaid documentation (in addition to further documentation demonstrating fulfilment of the Preda Code) can be obtained from Brembo's Legal and Corporate Affairs Department. Any additional information can be requested from the Company's Investor Relations Office (ir@brembo.it).

Company Macrostructure

Brembo's corporate structure is outlined in the Company By-laws (the most recent version was approved by the Extraordinary Shareholders' Meeting held on 19/07/2002). Once the options were exercised on the 1999-2003 Stock Option Plan, the Board of Directors increased the share capital to €36,317,034, as approved by the Shareholders' Meeting on 03/05/2001. This capital increase was included in the Company By-laws via a public deed dated 16/09/2003.

As of 31/12/2003, the number of ordinary shares issued by the company totalled 69,840,450, each of which with voting rights. A total of 39,066,796 shares, equivalent to 55.94% of the share capital, is held by FourB S.a.s., with legal offices in Bergamo. As also provided for by Art. 2497-bis of the Italian Civil Code, the latter company does not handle any management or coordination activities with respect to Brembo S.p.A. It must also be noted that, either directly or through Brembo Participations B.V., Brembo S.p.A.

supervises and coordinates its subsidiaries, as set forth in the Report on Operations for 2003. The Company has met the requirements provided for by Art. 2497-bis of the Italian Civil Code.

There are no syndicate agreements or other shareholder agreements.

The Board of Directors holds exclusive responsibility for the extraordinary and ordinary operations of the Company, with the exception of the responsibilities that, by law and in accordance with the Company By-laws, are reserved for the Shareholders' Meeting.

With regard to the corporate law reforms provided for by Legislative Decree No. 6/2003, a proposal will be submitted to the Shareholders' Meeting, convened to approve the 2003 Financial Statements, to amend the Company By-laws to reflect the new regulations. For this purpose, the Board of Directors has proposed that the "Traditional Model" be maintained.

Lastly, there are no situations that diverge from the provisions of the Preda Code. The Company has ensured the compliant establishment and due operation of the Corporate Bodies, the Internal Control Committee and the Remuneration Committee (composed of independent directors). No Nominations Committee was established, due to the fact that candidates for the office of Company Director are proposed by the Shareholders' Meeting.

Implementation of the system of Corporate Governance

General Shareholders' Meeting and Relations with Shareholders and Institutional Investors

The General Shareholders' Meeting held on 28/04/2003 approved the Financial Statements of Brembo S.p.A. and the Consolidated Financial Statements of the Brembo Group for the year ended 31/12/2002, the Directors' Report on Operations, the Report of the Board of Statutory Auditors and the Report of the Independent Auditors.

The Shareholders' Meeting also approved the appointment of a new Director, Giancarlo Dallera, in place of Aldo Mazzoleni, who resigned. It likewise renewed the programme of Brembo S.p.A. for the acquisition of own shares and approved civil liability insurance to cover Directors, Statutory Auditors, Company Executives and Managers against professional risks.

Investor Relations activities continued intensely in 2003.

The company fully acknowledged the principles established by the "Guidelines for Information to the Market" issued by Borsa Italiana in June 2002. Specifically, in observance of the procedures for handling price-sensitive information, the Company has strived to provide ongoing and constant information to shareholders and institutional investors, based on criteria of correctness, clarity and equal access to information. Press releases, which are approved by the Board of Directors, presentations given during meetings with the financial community, financial statements and interim reports, prompt and accurate information

on the performance of Brembo stock, and other financial data are promptly published at the Company website, www.brembo.com, in the section on "Investor Relations".

The quality of financial communications has ensured the Company optimum recognition over the years. According to a recent classification drawn up by a panel of 70 analysts and investors, and prepared by a leading consulting firm working in this sector, Brembo ranked first among all the companies listed in the STAR segment.

During the year, there were over sixty meetings with investors, thirty of which held at company headquarters. The latter option favours analysts and institutional investors, since it gives them an opportunity to learn more and better appreciate the Company structure and management. There were also numerous one-on-one meetings during road shows and international conferences held in Milan, London and Madrid. The Company enjoys high visibility with the financial community, and this is demonstrated by the large number of studies published about it by banks and analysts (eighty studies were published in 2003, forty of which by international institutes).

To ensure better communication and attention to minor shareholders who are not covered by the corporate communications aimed at sector professionals, a quarterly newsletter is drawn up and sent to the retail public. This instrument provides small investors with easier access to information and updates about the Company.

The Board of Directors has appointed Roberto Vavassori to handle relations with shareholders and institutional investors. Roberto Vavassori, who is Director of Business Development and Investor Relator (Tel. +39 035 605 223; e-mail: ir@brembo.it), works closely with the Managing Director.

Board of Directors, Transactions with Related Parties, Internal Dealing

The Board of Directors of Brembo S.p.A., appointed by the Shareholders' Meeting held on 24/04/2002 and in office until the Shareholders' Meeting approving the Financial Statements for FY 2004, is composed of 11 Directors, four of whom are Operating Directors (Alberto Bombassei, Cristina Bombassei, Stefano Monetini, Matteo Tiraboschi); there are seven Non-operating and Independent Directors (Paolo Biancardi, Giancarlo Dallera, Giovanna Dossena, Andrea Gibellini, Umberto Nicodano, Giuseppe Roma and Alberto Tazartes; the latter was co-opted by the Board of Directors on 24/09/2003 following the resignation of Eraldo Giovanni Bianchessi. The Shareholders' Meeting convened to approve the 2003 Financial Statements will be asked to appoint a new director as provided for by Art. 2386 of the Italian Civil Code).

Name	Non operating	Indep.	Operating	Other offices
Bombassei Alberto <i>Chairman</i>			X	8
Biancardi Paolo	X	X		4
Bombassei Cristina			X	1
Dallera Giancarlo	X	X		2
Dossena Giovanna	X	X		=
Gibellini Andrea	X	X		5
Monetini Stefano			X	5
Nicodano Umberto	X	X		6
Roma Giuseppe	X	X		2
Tiraboschi Matteo			X	19
Tazartes Alberto	X	X		2

Bruno Saita is Secretary to the Board of Directors.

Each director deposited his or her CV at the Company Offices (ten days prior to the scheduled date of the meeting); all directors meet the requirements set forth by the Preda Code, as verified by the meetings of the Board of Directors held on 31/07/2003 and 13/02/2004.

In 2003, the Board of Directors met seven times at the Company Offices, whereas its meeting on 17/12/2003 was held by teleconferencing. The meetings are detailed below:

<i>Board of Directors Meetings</i>	
<i>Date of meeting</i>	<i>% attendance</i>
31/01/03	80%
14/02/03	100%
21/03/03	100%
13/05/03	90%
31/07/03	100%
24/09/03	90%
13/11/03	90%
17/12/03 (tel.)	100%

Each company Director is informed at least 5 days before the Board Meeting about all items on the agenda. This is undertaken by sending a detailed analytical report that outlines the necessary elements (in descriptive and numerical terms) and allows Directors to make resolutions with full knowledge of the facts.

In addition to the functions attributed to it by law and by the Company By-laws, the Board of Directors is also responsible for the functions envisaged by the Code of Corporate Governance approved on 11/11/2002. Thus, it is specifically responsible for analysing and sharing annual budgets and strategic plans.

No changes have been made regarding the Directors' remuneration, in accordance with the resolution passed by the Shareholders' Meeting on 24/04/2002. Furthermore, it must be noted that in FY 2003 the second and last tranche of shares for the 1999-2003 Stock Option Plan were allotted to 11 Company Directors, two of whom Operating Directors (E. G. Bianchessi and S. Monetini), and to one employee of a subsidiary company.

Furthermore, following the proposal made by the Remuneration Committee, the Board Meeting of 24/09/2003 approved a three-year incentive plan for top executives (Rewarding Corporate Performance 2003-2005), with reference to several executives of the Company and its subsidiaries, and for two of the Operational Directors of Brembo S.p.A. (Chairman/Managing Director and General Manager). The plan, which can also be extended to other parties (but not beyond 30/06/2004) will be presented to the Shareholders' Meeting convened to approve the 2003 Financial Statements, scheduled for 26/04/2004.

During the Board Meetings held on 31/07/2003 and 13/02/2004, information was provided regarding transactions with related parties on the part of several Directors of Brembo S.p.A. In terms of their object and nature, the Board did not consider them extraneous to the Company's normal course of business; these transactions did not present any particular critical elements, and they respected market values for transactions of this kind.

Lastly, among relevant parties there were no transactions exceeding the limitations set by the Code of Conduct regarding Internal Dealing.

Delegation of powers (approved by the Board of Directors on 11/11/2002)

The Board of Directors, which is responsible for Company operations, granted the Managing Director ordinary administrative powers as well as certain extraordinary powers, including those to buy and sell realty, represent the Company in union relations, stipulate loans and financing to be repaid within 36 months, and grant and register mortgages. The Board retains the power to decide on the purchase and sale of shareholdings in other companies (M&A), the issuance of guarantees to third parties by Brembo S.p.A., and responsibilities regarding annual budgets and strategic plans.

The General Manager, the Business Unit Directors and other Central Directors are granted limited powers for ordinary administration in relation to the performance of their respective offices, regularly enrolled with the Company Register of Bergamo.

Information regarding the exercise of powers was submitted during the Board Meetings held on 13/05/2003 and 13/11/2003.

Chairman of the Board of Directors and Managing Director

The Shareholders' meeting has confirmed Alberto Bombassei as Chairman of Brembo S.p.A. for FY 2002 – 2004. The Chairman is the Company's legal representative.

On 24/04/2002 the Board of Directors also

appointed Alberto Bombassei as Managing Director of the Company, granting him the powers specified in the previous Point.

The Chairman/Managing Director has properly carried out the responsibilities and tasks assigned to him.

Internal Control Committee and Internal Control System

The work of the Internal Control Committee continued in 2003. The Committee was established with the resolution passed by the Board of Directors on 21/02/2001 and it is composed of Non-operating Independent Directors – Giuseppe Roma (Chairman), Andrea Gibellini and Giovanna Dossena – whose role is to submit proposals and provide consultancy.

The Internal Control Committee held three meetings (on 04/04/2003, 31/07/2003 and 13/11/2003). During these meetings, the activities performed by the Committee for Risk Self-Assessment were analysed and the efficiency of corporate transactions, the reliability of financial information, observance of the law and the regulations, and protection of corporate assets were widely monitored, as provided for by the Code of Conduct.

The Committee also made note of the new provisions of Article 2.2.3, subsection 3, letter i) of the Regulations for Organised Markets (new responsibilities regarding consultancy and making proposals).

It must also be noted that the Chairman of the Board of Statutory Auditors, Sergio Mazzoleni, also participated in meetings of the Internal Control Committee, either directly or by proxy.

The Managing Director and the Board of Directors were duly informed of the results of the activities of the Internal Control Committee through the reports submitted by the Committee Chairman, G. Roma, during the Board Meetings of 13/05/2003 and 13/11/2003.

With regard to the Internal Control System, organisational changes were made, as approved by the Board of Directors on 13/05/2003. This led to the establishment of a more structured Internal Audit unit on 07/07/2003 (reporting directly to the person responsible for Internal Control, on the staff of the Chairman/Managing Director), as well as the establishment on 18/11/2003 of the Committee for Risk Analysis and Prevention, in place of the previous Committee for Risk Self-Assessment. The activity of this Committee – which involves consultancy – is aimed essentially towards guaranteeing the involvement of the most significant executive functions in identifying the main risks and in implementing the most appropriate management measures to prevent risks. This Committee also pursues the goal of circulating the concept of transparency at all levels of responsibility.

As part of the Internal Audit activities, in order to ensure effective application of the rules of corporate conduct set forth in the Code of Ethics as well as the prevention of risks (including any connected with the criminal liability of Legal Entities as provided by Legislative Decrees 231/01 and 61/02), proactive work was conducted to draw up and complete self-assessment questionnaires by Central Departments. Likewise, internal audits were performed at the Curno plant, and in the Administration and Finance Department of the Parent Company, Brembo S.p.A.

Remuneration Committee

The Remuneration Committee, established with the resolution passed by the Board of Directors on 21/02/2001, is composed of Non-operating and Independent Directors: Umberto Nicodano, Paolo Biancardi and Giancarlo Dallerà. In 2003, the Remuneration Committee held three meetings (on 28/04/2003, 31/07/2003 and 24/09/2003). The minutes of the meetings were recorded in the specific book, and the Committee decided to submit the three-year incentive plan (previously detailed) to the Board of Directors.

Board of Statutory Auditors

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 24/04/2002 and is

composed of Sergio Mazzoleni (Chairman), Enrico Cervellera (Statutory Auditor), Andrea Puppo (Statutory Auditor), Giuseppe Marangi (Alternate Auditor) and Mario Tagliaferri (Alternate Auditor), all of whom meet the legal requirements and those of the Preda Code.

In 2003, the Board of Statutory Auditors met four times, on 21/03/2003, 23/06/2003, 24/09/2003 and 18/12/2003, and it regularly attended all the meetings of the Board of Directors.

Privacy

Based on the Code for the Protection of Personal Information, provided for by Legislative Decree No. 196 dated 30/06/2003, Brembo S.p.A. drafted and updated the envisaged Programmatic Security Document