

# CORPORATE GOVERNANCE

## Principles, Sources and Company Macrostructure

### Principles

Brembo's System of Corporate Governance was implemented also in financial year 2007, fully complying with the provisions of the "Corporate Governance of Listed Companies" and the new requirements for companies listed on the STAR segment.

Brembo bases its conduct on rigorous principles, ethics, compliance with rules, responsibility and transparency. 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.

With this objective, Brembo has implemented and significantly improved its Corporate Governance model, bringing it into line with the Corporate Governance of Borsa Italiana S.p.A. (March 2006 edition), highlighting ethical aspects and voluntarily adopting the principles of corporate social responsibility.

The Corporate Governance Report, which has been published in Brembo's website ([www.brembo.com](http://www.brembo.com), in the Investor Relations section), was submitted to Borsa Italiana (the Italian Stock Exchange) within the terms established by law.

### Sources

**1) Corporate Governance Manual** (which acknowledges the Code of Corporate Governance of Borsa Italiana S.p.A., March 2006 Edition) approved in its fifth edition by the Board of Directors on 26 March 2008 (the document is available for consultation on the website: [www.brembo.com](http://www.brembo.com) - Investor Relations section - Corporate Governance).

The following documents are an integral part of Brembo's Corporate Governance Manual:

- a) **Brembo S.p.A.'s Corporate Governance Code** approved, in its most recent version, by the Board of Directors' resolution of 26 March 2008;
- b) **Rules for the Remuneration Committee**, approved by the Remuneration Committee on 27 April 2007;
- c) **Rules for the Audit Committee**, approved by the Board of Directors during the meeting held on 23 March 2007;
- d) **Instructions for the Management of Significant Transactions and Transactions in Conflict of Interest**, approved, in their most recent version, by resolution of the Board of Directors of 23 March 2007;
- 2) **Company By-laws**, approved in their current version by the Extraordinary Shareholders' Meeting on 27 April 2007 (available on the corporate website [www.brembo.com](http://www.brembo.com), Corporate Governance section);
- 3) **Regulations of the Shareholders' Meetings**, approved by the Ordinary Shareholders' Meeting held on 3 May 2000;
- 4) **Procedure for Handling of Price-Sensitive Information and Disclosure of Documents and Information**, approved by the Board of Directors on 17 March 2005;
- 5) **Delegation of Powers of Brembo S.p.A.**, approved, in its most recent version, by the Board of Directors on 13 November 2007;
- 6) **Internal Dealing Procedure of Brembo S.p.A.**, approved, in its most recent version, by the Board of Directors on 24 March 2006 (available on the website [www.brembo.com](http://www.brembo.com) in the Corporate Governance section);
- 7) **Code of Ethics of Brembo S.p.A.**, approved by the Board of Directors on 11 November 2002, amended on 26 March 2008, and distributed to all Company employees;

- 8) **Guidelines for Information to the Market**, acknowledged by the Board of Directors on 11 November 2002;
- 9) **Legislative Decree No. 58 of 24 February 1998, or Finance Consolidation Law**;
- 10) **Regulations for the Implementation of Legislative Decree No. 58 of 24 February 1998, on regulations for issuers**, adopted by CONSOB with Resolution No. 11971 of 14 May 1999, as further amended and extended;
- 11) **Legislative Decree No. 303 of 29 December 2006**, amending Legislative Decree No. 262/2005 on “Provisions for the protection of savings and the regulation of financial markets”;
- 12) **Law 62/2005** acknowledging EC directives on Market Abuse;
- 13) **Organisational, Management and Control Model** approved by the Board of Directors of 11 February 2005, supplemented by the resolution passed by the Board of Directors on 29 July 2005, 23 March 2007 and 26 March 2008;
- 14) **Procedures for setting up and updating the Register of Insiders**, approved on 24 March 2006 by the Board of Directors.

The above-mentioned documents are available at Brembo S.p.A. Legal & Corporate Department.

Any additional information can be requested from the Company's Investor Relations Office ([ir@brembo.it](mailto:ir@brembo.it)).

## Corporate Macrostructure

The Brembo macrostructure is outlined in the By-laws which, in 2004, acknowledged the changes deriving from the reform of corporate law and opted to maintain the so-called “Traditional Model”. During the Extraordinary Shareholders' Meeting held on 27 April 2007, the By-laws were amended in order to bring them

into line with the provisions introduced pursuant to Legislative Decree No. 303 of 29 December 2006, amending Legislative Decree No. 262 of 28 December 2005, with specific reference to the adoption of:

- a list-based mechanism for the appointment of the Board of Directors, in order to ensure the appointment of one Board member from minority lists;
- the procedures for the appointment of the Executive in charge of preparing the Company's accounting documents;
- a list-based mechanism for the appointment of one member of the Board of Auditors, in order to ensure the appointment of the Chairman of the Board of Auditors and of one member of the said Board from minority lists, as provided for by the regulatory reference framework.

In addition:

- at 31 December 2007, the number of company shares issued was 66,784,450, each with voting rights. The company Nuova FourB S.r.l. (with registered offices in Bergamo) holds 37,744,753 shares, corresponding to 56.52% of total Share Capital. However, also pursuant to Art. 2497-bis of the Italian Civil Code, this company plays no role in the management and coordination of Brembo S.p.A.;
- Brembo S.p.A. directs, coordinates, and controls its subsidiaries, as listed in the 2007 Report on Operations, either directly or through Brembo International S.A.;
- the company complies with the requirements pursuant to Art. 2497-bis of the Italian Civil Code;
- there are no syndicate agreements or other Shareholder agreements in existence;
- the Board of Directors holds exclusive responsibility for the extraordinary and ordinary operations of the Company, with the exception of the responsibilities that are reserved for the

Shareholders' Meeting, in accordance with Italian laws and the Company By-laws;

- Measures have been implemented to ensure the proper setting up and smooth functioning of Corporate Bodies, the Audit Committee and the Remuneration Committee, always in compliance with the recommendations of the Corporate Governance Code of Borsa Italiana S.p.A. (edition of 26 March 2006). A Nominations Committee has not been established, due to the fact that candidates for the office of Company Director are nominated by the Shareholders' Meeting, pursuant to Italian law and the Company By-laws.

## Implementation of Corporate Governance

### General Shareholders' Meeting

On 27 April 2007, the Shareholders' Meeting deliberated, in its ordinary session, on the Annual Financial statements of Brembo S.p.A. for the year ended 31 December 2006, the Directors' Report on Operations, the Statutory Auditors' Report and the Independent Auditors' Report; the examination of the Consolidated Financial Statements; the plan for the acquisition and disposal of own shares; the integration of the remuneration due in respect of the mandate conferred on the independent auditors following the extension of the consolidation area; and the renewal of the appointment of the independent auditors through to financial year 2012. In its extraordinary session, the Shareholders' Meeting resolved upon the amendment of the Company's By-laws, as already indicated above.

### Relations with Shareholders and Institutional Investors

The company takes special care in monitoring relations with shareholders, institutional and private investors, financial analysts and the financial community in general, scrupulously respecting mutual roles and periodically organising meetings both in Italy and abroad.

In 2007, the company held more than 120 meetings with its institutional investors and financial analysts by participating in ten roadshows in Milan, London (two), Paris, Frankfurt, Zurich, Vienna, Madrid, Copenhagen and Helsinki.

Particular attention is also placed on private shareholders, who are mailed a quarterly newsletter containing the latest results and updates on the Group's performance.

Inside (or price-sensitive) information pertaining to Brembo is disclosed in strict compliance with the principles set forth in Borsa Italiana's Guidelines for Disclosures to the Market.

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

Any and all information of significance for shareholders is disclosed and made available for consultation in a specific section of the corporate website ([www.brembo.com](http://www.brembo.com) – Investor Relations section), in both Italian and English.

The Investor Relations office is entrusted to a structure set up and managed by Corrado Orsi, Chief Financial Officer of Brembo S.p.A. and Investor Relator (appointed by the Board of Directors

with resolution of 12 November 2004), who works in close collaboration with the Chairman.

The company's contact details for investors are: ir@brembo.it; tel. +39 035.6052145; fax +39 035.6052518.

### Internal Dealing

**A**ny and all transactions in financial instruments issued by the Company, effected directly or through third-party intermediaries, by so-called Insiders (i.e. persons who, by reason of their role within the company, are authorised to access inside information) or persons closely related thereto (so-called "Internal Dealing") must, at present, comply with the transparency requirements set forth by the Consolidated Finance Law (article 114) and the Rules for Issuers (articles 152-sexies et seq).

Brembo's Code of Conduct on Internal Dealing, in force since 2003, was updated in 2006 to comply with the new requirements.

In accordance with statutory provisions, all transactions effected by Insiders in shares issued by the company for an amount exceeding €5,000 must be disclosed to the market on an annual basis. Moreover, the aforesaid insiders are barred from performing any such transactions during 15-day black-out periods preceding Board of Directors' meetings called to approve interim and annual financial statements.

In 2007, one disclosure, which is available in unabridged form for consultation on the corporate website, was made pursuant to the aforesaid Code.

### Board of Directors

**T**he Board of Directors of Brembo S.p.A., appointed by the Shareholders' Meeting held on 29 April 2005 and in office until the

Shareholders' Meeting approving the 2007 Financial Statements, is composed of 11 Directors.

In compliance with the new Corporate Governance Manual, the Board of Directors is composed of four executive Directors (Alberto Bombassei, Cristina Bombassei, Stefano Monetini, and Matteo Tiraboschi), four non-executive and independent Directors (Paolo Biancardi, Giancarlo Dallera, Giovanni Cavallini, and Giuseppe Roma) and three non-executive Directors (Giovanna Dossena, Andrea Gibellini, and Umberto Nicodano). All non-executive Directors and Directors who qualify as independent comply with the requirements set out by the Brembo S.p.A. Corporate Governance Manual and by Art. 148, paragraph 3 of Legislative Decree 58/98.

Bruno Saita is Secretary to the Board of Directors.

All the Directors meet the requirements of personal integrity, professionalism and respectability imposed by Italian laws and regulations.

**I**n 2007, the Board of Directors met ten times at the company's registered offices and/or administrative offices. The company Directors were informed, before each Board Meeting, as envisaged by the By-laws, of all the items on the agenda by means of a detailed analytical report outlining the necessary elements (in descriptive and numerical terms) that allows the Directors to pass their resolutions on the basis of full knowledge of the matters in question.

**P**ursuant to Brembo's Corporate Governance Code, the following tables indicate the qualifications of Board members, the number of positions held by individual Board Members in other companies and the dates of the Board meetings held during the year, together with the related attendance rates.

Name	Non-executive	Independent	Executive	Other offices
<b>Bombassei Alberto</b>				
Chairman			x	5
Biancardi Paolo	x	x		3
Bombassei Cristina			x	1
Cavallini Giovanni	x	x		3
Dallera Giancarlo	x	x		3
Dossena Giovanna	x			3
Gibellini Andrea	x			1
Monetini Stefano			x	0
Nicodano Umberto	x			6
Roma Giuseppe	x	x		3
Tiraboschi Matteo			x	5

### Meetings of the Board of Directors - 2007

Date of meeting	% of attendance
14. 02. 2007	72%
23. 03. 2007	90%
27. 04. 2007	90%
14. 05. 2007	90%
31. 07. 2007	90%
27. 09. 2007	90%
07. 11. 2007	63%
13. 11. 2007	90%
18. 12. 2007	100%

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 Brembo Corporate Governance Manual. Thus, it is specifically responsible for analysing and sharing annual budgets and strategic plans.

The Directors' remuneration was changed in 2007, pursuant to the Shareholders' resolution of 28 April 2006 establishing the overall emoluments due to the Board, which were subsequently distributed amongst Board members pursuant to Board resolution of 23 March 2007.

In 2007, a Board Performance Evaluation was carried out by the Lead Independent Director, Giancarlo Dallera, on the basis of assessment questionnaires, individual interviews and final Board overview of the results and assessments as required under Brembo's Corporate Governance Code.

### Chairman of the Board of Directors and Managing Director

On 28 April 2006, the Board of Directors confirmed the appointment of Alberto Bombassei as Chairman of Brembo S.p.A. through to the end of the term of the entire Board. The Chairman is the company's legal representative.

On 28 April 2006, the Board of Directors also appointed Stefano Monetini as Managing Director of the company through to the end of the term of the entire Board. He is also the Company's legal representative within the powers granted to him by the Board of Directors.

Both the Chairman and the Managing Director have carried out their tasks and functions properly. Delegated bodies and

persons report to the Board of Directors on their activities, on a quarterly basis.

### Delegation of Powers

On 28 April 2006, the Board of Directors granted the Chairman and Managing Director the specific powers listed below.

The Board vested the Chairman, Alberto Bombassei, with broad powers in respect of strategic orientation, the proposal and drawing up of guidelines for international expansion, and the Group's financial and restructuring policies. During the year the Board also vested the Chairman with specific powers to dispose of real estate and implement specific M&A transactions, and business development projects culminating in the acquisition of undertakings operating in Brembo's core business sector.

In accordance with guidelines issued by the Chairman, the Managing Director, Stefano Monetini, who also retains his post as General Manager, is vested with responsibilities for the implementation and management of corporate policy in respect of Business Units, the Divisions, all group companies and the management of the human resources supporting operations.

Therefore, the Board of Directors retains the power to decide, among other issues, on the purchase and sale of investments in other companies (M&As), the granting 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.

Information regarding the exercise of the powers delegated by the Board of Directors, on an ad hoc basis, to the Chairman, the Managing Director and other Board members for the implementation of specific projects, was submitted before the

Board of Directors during the meetings of 14 February 2007, 14 May 2007, 31 July 2007 and 13 November 2007.

### Significant Transactions and Transactions Involving Conflicts of Interest

The Corporate Governance Manual of 23 March 2007 contains amendments to the instructions for the management of transactions with related parties effected by the company, with a view to bringing the same into line with the provisions of Article 150 of Legislative Decree No. 58/98. It further sets forth procedures for the Board of Directors to make written and oral reports to the Board of Statutory Auditors, with the prior opinion of the Audit Committee, in respect of all inter-company transactions and transactions with parties other than related parties, that are significant or entail a potential conflict of interest. All Group companies follow the procedures for the disclosure, management and analysis of transactions with related parties.

Reports on significant transactions and transactions involving conflicts of interest were made at the Board meetings of 14 February 2007, 14 May 2007, 31 July 2007 and 13 November 2007. Due to their purpose and nature, such transactions were not considered to be outside of the company's normal course of business; furthermore, they did not present any critical issues and were within the range of market values for similar transactions. During the Board of Directors' Meetings held on 31 July 2007 and 7 November 2007, information was provided in relation to two transactions for which prior approval had been received.

### Audit Committee and Internal Control System

In 2007, the Audit Committee, made up of non-executive and mainly independent Board members, continued its activities as



before. The only change consisted in the composition of the Board, as the Committee Chairman Giuseppe Roma and original member Giovanna Dossena were joined, through to March 2007, by the Director Andrea Gibellini, who was subsequently replaced by the Director Giovanni Cavallini, in turn, replaced, on a permanent basis, by the Director Giancarlo Dallera who was appointed to the Committee by Board resolution of 14 May 2007.

In 2007 the Audit Committee held five meetings (on 6 February 2007, 5 March 2007, 8 May 2007, 17 July 2007, and 6 November 2007). During these meetings, Internal Audit activities were analysed and the correctness of procedures, the efficiency of corporate transactions, the reliability of financial information, observance of the law and regulations, the protection of corporate assets and the information relating to significant transactions or transactions involving conflicts of interest were monitored. The Chairman of the Board of Statutory Auditors, Sergio Mazzoleni, participated in these meetings, either directly or by proxy.

The Chairman of the Audit Committee met directly with the Internal Audit office on several occasions to address specific issues pertaining to the improvement of the structure of internal controls.

**T**he Managing Director and the Board of Directors were duly informed of the results of the activities of the Audit Committee through the joint reports submitted by the Committee Chairman, Giuseppe Roma, and by the Chairman of the Supervisory Committee, Giovanna Dossena, during the Board of Directors' Meetings of 23 March 2007 and 13 November 2007.

In June 2007 the Internal Audit office, which had already adopted all the recommendations set forth in the Corporate Governance Code, was restructured to be even more finely tuned to the strategies established through Brembo's Control System, especially with the appointment of a new department reporting directly to the Chairman Alberto Bombassei.

The activities undertaken have continued to be oriented towards risk prevention, the determination of direct action to be taken to eliminate anomalies and irregularities and to support the company in the pursuit of pre-set operating targets.

In detail, activities focused on the following aspects:

**Savings Law No. 262/05:** completion of the implementation phase. In 2007, the company approved the procedure drawn up by the Executive in charge of preparing the company's accounting documents which fully consolidated the attestation process for the Company's accounting documents, and as of February 2007, tests have been carried out to validate key audits and checks identified during the mapping of administrative processes and the drawing up of related procedures/instructions.

Test results confirm that the current key audits and checks are appropriate for the aforesaid processes. In any event, following the conclusion of testing, the Internal Audit office promptly submitted all the recommendations and areas for improvement that emerged at the end of the implementation phase to the Executive in charge of preparing the company's accounting documents and the Compliance Officer.

**Audit Activities:** the annual audit plan includes audit activities based on risk assessments, using the Control Risk Self Assessment method, organisational audits of all Group companies, audits of compliance with law 262/05 and Legislative Decree 231/01, carried out on behalf of the Supervisory Committee, operating audits on specific areas of activity and ethics audits on the basis of specific reports received.

In this specific context, the activities carried out in 2007 were largely in line with the pre-established programme.

The Internal Audit office provided further support to company management in respect of the aspects pertaining to their specific departments, within the framework of corporate governance projects involving all the company areas.

## Legislative Decree No. 231/01 as further amended and extended

Pursuant to Article 6 of Legislative Decree 231/2001 and in compliance with Confindustria's Guidelines, in 2007, efforts continued to endow Brembo with an effective Organisational, Management and Control system aimed at protecting the company from liability for the offences mentioned in the said Legislative Decree No. 231/2001.

In detail, the following activities were carried out:

- The new "Reporting Procedure" was issued in September 2007, with a view to setting up a suitable information pipeline through which top management, employees and all other Brembo stakeholders could report breaches of the Organisational, Management and Control Model and the Code of Ethics to the Supervisory Committee;
- Training and updating sessions were carried out for the managers in charge of the Organisational, Management and Control Model within Group companies, in respect of new offences, individual responsibilities for internal controls, the main contents of the Code of Ethics and the Control and Management Model of Brembo S.p.A.

The specific activities entrusted to the Supervisory Committee (appointed by Board of Directors' resolution on 30 July 2004 and subsequently modified by Board resolution of 23 March 2007), were regularly undertaken in accordance with applicable regulations. More specifically:

- On 26 March 2008, the Board extended the Model to take account of the new offences to be added to those already contemplated under Legislative Decree No. 231;
- The Supervisory Committee also instructed Internal Audit to carry out specific control and audit tasks on the critical areas identified in the Model.

The Supervisory Committee met five times during 2007 (on 6 February 2007 – 5 March 2007 – 8 May 2007 – 17 July 2007 – 6 November 2007), with the attendance of the Chairman of the Board of Statutory Auditors, Sergio Mazzoleni, at all meetings, either directly or by proxy.

During the year no violations of laws subject to the penalties provided for in Legislative Decree 231/2001 were reported.

## Appropriateness of the Internal Control and Risk Management System

In the reports dated 23 March 2007 and 13 November 2007, the Chairman of the Audit Committee asserted that risk containment activities must be systematically carried out in respect of the various areas of business operations. Implementation is also underway within foreign group companies. The parent company imparts concrete guidelines to all investee companies in respect of the streamlining of procedures and the reliability of processes. The Internal Audit Office also aims at ensuring that control and compliance objectives are shared within each operating sector, with a view to constantly improving efficiency and transparency in individual behaviour.

## Remuneration Committee

The Remuneration Committee, reappointed with a resolution passed by the Board of Directors on 29 April 2005, was composed, up to 23 March 2007, of non-executive and independent Directors Paolo Biancardi and Giancarlo Dallera and non-executive Director Umberto Nicodano (Chairman); from 23 March 2007 to 14 May 2007 it was composed of non-executive and independent Directors Giancarlo Dallera and Giovanni Cavallini and non-executive Director Umberto Nicodano (Chairman); as of 14 May 2007 it has been composed of non-executive and independent Directors



Paolo Biancardi and Giovanni Cavallini and non-executive Director Umberto Nicodano (Chairman). The Remuneration Committee held 2 meetings during the year on 13 February 2007 and 23 March 2007.

### Independent Directors' Meetings

The first meeting of Independent Directors was held on 13 November 2007, in accordance with the Brembo Corporate Governance Manual. The following issues were addressed at the meeting: i) role and functioning of the meetings of Independent Directors; (ii) assessment of the activities and functioning of the Board of Directors; (iii) assessment of the need for a Board Performance Evaluation.

### Board of Statutory Auditors

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 29 April 2005; it consists of the following members: Sergio Mazzoleni (Chairman), Enrico Cervellera (Statutory Auditor), Andrea Puppo (Statutory Auditor), Giuseppe Marangi (Alternate Auditor), Mario Tagliaferri (Alternate Auditor). All of them comply with statutory and regulating requirements. In 2007 the Board of Auditors held four meetings and participated in all meetings of the Board of Directors.

### Privacy

In accordance with the "Personal Data Protection Code", as per Legislative Decree 196 of 30 June 2003, Brembo S.p.A. has drafted and updated the prescribed "Security Planning Document" and has implemented all the measures prescribed therein. These measures were extended also to its subsidiaries with registered offices in Italy.

More in detail, the company planned and carried out the necessary initiatives at the organisational, technical, and training levels. In compliance with the provisions of the Rules for Issuers, data pertaining to trading in own shares by the members of administrative and control bodies in 2007 are provided below:

	Shares at 31.12.2006	Shares purchased	Shares sold	Shares at 31.12.2007	Ownership position	Ownership method
Alberto Bombassei	0	0	0	0	N/a	N/a
Alberto Bombassei (Nuova FourB)	37,744,753	0	0	37,744,753	F	I
Paolo Biancardi	0	0	0	0	N/a	N/a
Cristina Bombassei	5,320	0	0	5,320	F	D
Giovanni Cavallini	0	0	0	0	N/a	N/a
Giancarlo Dallera	8,000	0	0	8,000	F	D
Giovanna Dossena	0	0	0	0	N/a	N/a
Andrea Gibellini	0	0	0	0	N/a	N/a
Stefano Monetini	0	0	0	0	N/a	N/a
Umberto Nicodano	0	0	0	0	N/a	N/a
Giuseppe Roma	0	0	0	0	N/a	N/a
Matteo Tiraboschi	0	0	0	0	N/a	N/a
<b>Board of Statutory Auditors</b>						
Sergio Mazzoleni	0	0	0	0	N/a	N/a
Enrico Cervellera	0	0	0	0	N/a	N/a
Andrea Puppo	0	0	0	0	N/a	N/a

Legend: D = direct control  
I = indirect control (through third parties, subsidiaries or trustees)  
F = full ownership  
N/a = not applicable

for the Board of Directors  
The Chairman  
(signed Alberto Bombassei)