



CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

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

Approved by the Board of Directors on 2 March 2011

GLOSSARY

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

CIGO: Cassa Integrazione Guadagni Ordinaria (ordinary redundancy fund)

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: 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 2010

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 for Listed Companies

New 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.

CONSOB Rules for Issuers: the Rules for issuers established by CONSOB with resolution No. 11971 of 1999

CONSOB Market Regulations: the market regulations established by CONSOB with resolution No. 16191 of 2007

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

ICS: Internal Control System

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

Introduction

The Brembo Group adheres to and adopts the Code of Corporate Governance for Italian Listed Companies, approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

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.

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.

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 - Investor Relations, Corporate Governance section).

1. INFORMATION ON OWNERSHIP STRUCTURE (at 2 March 2011)

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:

	% ownership
Nuova FourB S.r.l.	56.52%
Dynamic Global Value Fund	2.083%
Morgan Stanley Asset Management UK Ltd.	2.00%

Figures at 25 February 2011

Securities carrying special rights

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

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.

With reference to powers granted to Directors to buy own shares, the following is noted:

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.

Power to repurchase own shares

The General Shareholders' Meeting of Brembo held on 27 April 2010 approved a plan for the repurchase 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. Authorisation is valid for a maximum of 18 months starting from 27 April 2010. The purchase price per share has been set from €0.52 to €10.00. The only condition that applies to the disposal of own shares purchased is a minimum price requirement of 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 27 April 2010, the Board of Directors granted the powers necessary to implement the plan.



Within the framework of the above-mentioned plan, Brembo neither bought nor sold its own shares in 2010. At 2 March 2011, the Company held a total of 1,440,000 own shares, representing 2.16% of the share capital, at a weighed average price of €7.94 per share and for an overall value of €11,435,811.

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 either directly or through Brembo International S.A. and Brembo Performance S.p.A. The process of merging the latter company into Brembo S.p.A. began in 2010 (the merger will enter into force for accounting and tax purposes on 1 January 2011). The requirements pursuant to Article 2497-*bis* of the Civil Code have been complied with.

2. COMPLIANCE

Through its Corporate Governance Manual, Brembo fully adheres to and adopts the Code of Corporate Governance for Italian Listed Companies, promoted by Borsa Italiana S.p.A and approved in March 2006 by the Corporate Governance Committee.

The Code is available on Borsa Italiana website (www.borsaitaliana.it). Brembo is aware of the central role played by Corporate Governance in creating value for all shareholders and stakeholders and therefore ensures that its Governance system is updated on a regular basis and complies with national and international best practices.

3. BOARD OF DIRECTORS

3.1 Appointment and replacement of Company Directors

Brembo's By-laws establish that (1):

- 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 shareholders, 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

(1) By-laws 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.

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 these 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 this 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

Brembo S.p.A.'s organisation is based on the traditional model, as outlined in the current By-laws.

According to the By-laws, the Board of Directors of Brembo S.p.A. is made up of no less than five and no more than eleven members, whose term of office is set by resolution of the Shareholders' Meeting, and cannot exceed three financial years.

The Board of Directors of Brembo S.p.A. was appointed by the Shareholders' Meeting held on 29 April 2008 and will be in office until the Shareholders' Meeting held to approve the 2010 Financial Statements. The Board of Directors is made up of eleven Directors, as reported in the following table:



Board of Directors										Audit Committee	Remuneration Committee
Office held	Name and surname	In office from	In office until	Exec.	Non-exec.	Indep. as per Rules for Issuers	Indep. as per TUF	% held *	Other offices held **	*	*
Chairman and Managing Dir.	Alberto Bombassei	29.04.08	(1)	X				100%	4		
Director	Cristina Bombassei	29.04.08	(1)	X				100%	–		
Director	Giovanni Cavallini	29.04.08	(1)		X	X	X	90%	4		X ⁽²⁾ 100%
Director	Giancarlo Dallera	29.04.08	(1)		X	X	X	90%	1	X ⁽²⁾	66%
Director	Giovanna Dossena	29.04.08	(1)		X	X ⁽³⁾	X	80%	–	X ⁽³⁾	83%
Director	Umberto Nicodano	29.04.08	(1)		X			80%	1		X ⁽²⁾ 100%
Director	Pasquale Pistorio	29.04.08	(1)		X	X	X	80%	2		
Director	Giuseppe Roma	29.04.08	(1)		X	X ⁽³⁾	X	100%	–	X ⁽²⁾	100%
Director	Bruno Saita	27.04.10	(1)		X			100%	–		
Director	Pierfrancesco Saviotti	29.04.08	(1)		X	X	X	20%	3		X ⁽⁴⁾ 100%
Director	Matteo Tiraboschi	29.04.08	(1)	X				100%	–		

No. of meetings held during 2010: Board of Directors: 10, Audit Committee: 6, Remuneration Committee: 2

NOTES:

* These columns show the percentage of Board meetings and Committee meetings, respectively, attended by directors (No. of times attended/No. of meetings held during the Director's term of office).

** This column shows the number of positions held by Directors at other companies, thus excluding those held at Brembo, as required by 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 ended 31 December 2010.

(2) The Director, who was already a member of the Committee, was reappointed to this office with the reappointment of officers at the Shareholders' Meeting on 29 April 2008.

(3) At 31 December 2010, Brembo confirmed the independent status of the Director pursuant to letter l), paragraph 3, of Article 2.2.3 of the Rules of the Market. The Board confirmed the Director's independent status in light of the professionalism and independent judgement demonstrated as well as the fulfilment of the conditions set out in Article 3.C.1. of the Corporate Governance Code and paragraphs 2 and 3 of Article IA.2.13.6 of the Instructions and based on the number of independent directors who for years have comprised the Board (more than required by current regulations).

(4) The Director was appointed to this role with the reappointment of officers by the Shareholders' Meeting held on 29 April 2008.

All non-executive Directors and Directors who qualify as independent comply with independence requirements set out by Corporate Governance Manual of Brembo S.p.A. and by Article 148, paragraph 3, of TUF. All the Directors meet the requirements of personal integrity, professionalism and respectability imposed by Italian laws and regulations.

Pursuant to Brembo's Corporate Governance Manual, the table on the previous page also shows details regarding the offices held by the Directors, the positions they hold at other companies and the percentage of Board meetings they attended in 2010.

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 statements made by the Directors, their professionalism and independence, and by verifying their effective and consistent attendance at Board meetings and other management activities.

3.4 Role of the Board of Directors

The Board of Directors met ten times in 2010 (of which, five in the extraordinary session) at the company's registered office and/or administrative office.

In accordance with the By-laws, each Director is informed prior to the Board Meeting about all items on the agenda through a detailed, analytical report, which outlines the information (in descriptive and numerical terms) that directors need to pass the respective resolutions with full knowledge of the facts.

Some Board meetings were attended by the following non-members, in addition to the Secretary:

- the Head of Human Resources & Organisation participated in the meetings held on 15 and 30 March 2010 to illustrate

matters relating to the end of the Brembo Group's "2009 Ponte Plan" (final results and individual pay-out) and the new Three-year (2010-2012) Incentive Plan for Executive Directors and Top Managers;

- some central business and corporate functions participated in the meeting held on 17 December 2010 to analyse the 2010 Forecast, 2011 Budget and 2010-2014 Plan, which were then approved by the Board of Directors.

Six Board meetings have been scheduled for 2011, and the schedule was approved by the Board on 12 November 2010 and then released to the public.

The Board of Directors holds exclusive responsibility for the ordinary and extraordinary 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.

The Board is also responsible for the functions assigned to it in Brembo's Corporate Governance Manual, including the analysis and distribution of the annual budgets and strategic, business and financial plans of Brembo S.p.A. and the Group.

The Board of Directors reviewed and approved the implementation of specific plans pertaining to transactions with a material impact on Brembo S.p.A. in terms of strategic importance, operating and financial position during the meetings held on 15 March 2010, 13 May 2010, 4 August 2010 and 12 November 2010 (particularly with regard to industrial projects in the Czech Republic, Poland and China), and the meeting held on 17 December 2010.

In detail, the Board of Directors met in extraordinary session on 15 September 2010, 1 October 2010 and 25 October 2010 and in ordinary session on 12 November 2010 in order to implement the "Brembo Performance Corporate Streamlining" process with the



aim of increasing the flexibility of internal processes and containing structural costs. The first step in that process was acquiring 30% of Brembo Performance S.p.A., which manufactures passive safety components and special accessories for cars and motorbikes, thereby bringing the interest held by Brembo S.p.A. to 100%.

By virtue of the powers vested in the Board of Directors by letter a) of Article 16 of the By-laws, the following transactions were then undertaken after the proposed merger was approved:

- the merger of Marchesini S.p.A. into Brembo S.p.A. pursuant to Article 2505 of the Civil Code was approved on 25 October 2010;
- the merger of Brembo Performance S.p.A. into Brembo S.p.A. pursuant to Article 2505 of the Civil Code was approved on 12 November 2010.

Also in extraordinary session, on 1 and 22 October 2010 the Board of Directors approved the lease of two companies owned by an important supplier of mechanical components requiring a high-tech manufacturing process through the incorporation of the company La.Cam (Lavorazioni Camune) S.r.l., a fully-owned subsidiary of Brembo S.p.A.

The Board also evaluated the adequacy of the company's organisational, administrative and accounting structure at its meetings held on 15 March 2010, 13 May 2010, 4 August 2010, 12 November 2010.

At the meeting held on 15 March 2010, the Board of Directors allocated the Directors' total annual compensation pursuant to the By-laws, after having heard the opinion expressed by the Remuneration Committee, which during the same meeting submitted its assessments regarding the following matters to the Directors:

- end of the Brembo Group's "2009 Ponte Incentive Plan", final results and individual pay-out;

- proposal of a "2010 Retention Bonus" for Executive Directors and Top Managers in light of the results the beneficiaries had achieved despite the serious crisis situation;
- the Three-year (2010-2012) Incentive Plan for Executive Directors and Top Managers;
- proposal to allocate compensation to the Board of Directors and Committee members of Brembo S.p.A.

During the meeting held on 30 March 2010, the Board of Directors also approved the Three-year (2010-2012) Incentive Plan for Executive Directors and Top Managers.

At the meeting held on 25 October 2010, the Board of Directors ratified the payment of the "2010 Retention Bonus" to the 34 Executives designated beneficiaries of the "2009 Ponte Plan" and resolved to pay the Chairman and Managing Director a "2010 Retention Bonus" by drawing on part of the residual provision for the Board of Directors' remuneration.

At its meetings on 15 March 2010, 13 May 2010, 4 August 2010, 12 November 2010, the Board of Directors evaluated the general performance of operations, based in part on information provided by the bodies charged with such responsibility at the time the interim results were presented and approved.

In accordance with the Corporate Governance Manual:

- at the meeting on 2 March 2011, on the basis of the information received from the Directors, the Board surveyed the positions of Director or Statutory Auditor filled by Directors at other companies pursuant to Article 1.4 of the Corporate Governance Manual and conducted a periodic review of the requirements of integrity and independence, also pursuant to the Corporate Governance Manual; the results of that self-assessment process are presented in this Report;

- during the meetings of the Board of Directors held on 15 March 2010, 13 May 2010, 4 August 2010, 12 November 2010 and 2 March 2011, the Board received periodic information regarding the exercise of the powers granted and material transactions and transactions in potential conflict of interest (there were no such transactions to report);
- 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);
- the Board charged the Lead Independent Director, Pasquale Pistorio, with proceeding with a Board Performance Evaluation regarding the size, composition and functioning of the Board and its committees in 2010, the results of which were presented during the meeting of independent Directors on 12 November 2010 and then at the full meeting of the Board of Directors on the same day.

On the subject of the implementation of Brembo's Internal Control System, the Report by the Director charged with supervising the Internal Control System's functionality and the periodic reports by supervisory and control bodies were submitted for the Board of Directors' review at the meetings held on 4 August 2010, 17 December 2010 and 2 March 2011.

In the interest of constantly improving the Organisational, Management and Control Model of Brembo S.p.A. pursuant to Legislative Decree No. 231/2001, at the meeting held on 15 March 2010 the Board of Directors approved the new text of the section "Elements of the Brembo Model", which further emphasises that the analysis of potential risks presented in the special section is also conducted by specific personnel identified for each function who act in concert with the Risk Analysis and Prevention Committee, according to a specific Action Plan.

At its meeting on 13 May 2010, the Board of Directors:

- approved the classification scheme for the degree of abstract applicability of the offences set out in Legislative Decree No. 231/2001 previously validated by the Supervisory Committee;
- requested that the Chairman issue 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) on the basis of the opinion of the full adoption of the 231 Model expressed by the Supervisory Committee.

In accordance with the new CONSOB Regulation (Resolution No. 17221 of 12 March 2010 and Resolution No. 17389 of 23 June 2010), on 12 November 2010 the Board of Directors unanimously approved the New Procedure for Related Party Transactions, based on the prior unanimous favourable opinion expressed by the Audit Committee (charged with expressing that opinion on 4 August 2010, inasmuch as it consists of three independent Directors). The text of the procedure was made available to the public and reproduced in the Corporate Governance section of the Brembo S.p.A.'s website.

By virtue of the powers set forth in Article 16 e) of the By-laws, on 12 November 2010 the Board of Directors amended the By-laws of Brembo S.p.A. to comply with compulsory provisions of law introduced by Legislative Decree No. 27 of 27 January 2010 in implementation of Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies and by Legislative Decree No. 39/2010 regarding statutory auditing in order to invoke all of the supervisory duties assigned to the Board of Statutory Auditors. The amended By-laws were then made available to the public and reproduced in the Corporate Governance section of Brembo S.p.A.'s website, after being filed with the Company Register.



3.5 Delegated Bodies

Chairman of the Board of Directors and Managing Director

During the meeting held on 29 April 2008, 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. Pursuant to law and Brembo's By-laws, the Chairman is the company's legal representative and has all the powers of ordinary administration required to manage the company. He is also the Issuer's controlling shareholder.

In addition, from 1 September 2009, the Chairman Alberto Bombassei has held the role of Managing Director and has therefore been granted all relevant powers. Delegated bodies report to the Board of Directors on their activities, on a quarterly basis.

The Board vested the Chairman, Alberto Bombassei, with broad powers in respect of strategic orientation, the preparation and proposal of guidelines for international expansion, and the Group's financial and restructuring policies. The Chairman is also vested with the powers for the purchase and disposal of real estate, representation of the company before trade unions, contracting of loans and financing repayable in no more than 36 months, and the granting and registration of mortgages.

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

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

3.6 Other Executive Directors

In addition to the Chairman, who is also the Managing Director of Brembo S.p.A., the following directors are considered executive directors:

- Cristina Bombassei, who is the Executive Director in charge of overseeing the Internal Control System;
- Matteo Tiraboschi, who is the CFO and Investor Relator of Brembo S.p.A. and also holds the position of Manager in charge of the Company's financial reports.

3.7 Independent Directors

The Board verified, at the time of appointment and thereafter, that the directors met the independence requirements set out in the Corporate Governance Code and TUF (also see point 3.2).

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

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 Dallera, Giovanna Dossena, Pasquale Pistorio, Giuseppe Roma and Pierfrancesco Saviotti.

Directors Umberto Nicodano and Bruno Saita were designated as non-executive directors.

The Independent Directors meet at least once a year without the other Directors at a meeting coordinated by the Lead Independent Director. During the reporting year, they met on 12 November 2010 to review the results of the Board Performance Evaluation and discuss matters pertaining to the Board's operation and further inquiry into the Company's business.

3.8 Lead Independent Director

Pursuant to Article 2.8 of Brembo's Corporate Governance Manual, non-executive, independent Director Pasquale Pistorio was appointed as the Lead Independent Director by the Board of Directors at its meeting on 29 April 2008.

As previously mentioned, the Lead Independent Director coordinated Brembo's 2010 Board Performance Evaluation and presented its results during a meeting of the Independent Directors on 12 November 2010 and, later that day, at the Board's plenary meeting.

The 2010 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. The results were then processed and summarised into specific slides presented at the above meetings.

In the course of that activity, the actions taken by the Company were also evaluated with the aim of constantly improving the material operation of the Board of Directors and its Committees. Various matters pertaining to the operation of the Board and the Company's business were also further explored during that meeting.

The independent Directors and the Board of Directors expressed broad general approval of Brembo's Board of Directors and its overall operation and expressed the wish that central business and corporate functions might be more involved in Board meetings. That wish was put into action by the Company as early as the Board meeting held on 17 December 2010.

4. HANDLING OF CORPORATE INFORMATION

Disclosure of inside (or price-sensitive) information is regulated by the relevant section in Brembo's Corporate Governance Manual, which adopts the principles set out in Borsa Italiana's Guidelines for Disclosures to the Market.

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.

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).

- Insiders must report to the market all transactions involving the Company's shares that have a cumulative value of €5,000 per year;
- such transactions may not be carried out 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, Investor Relations section.

A single notice was given under the Internal Dealing Regulations in 2010.



5. BOARD COMMITTEES

As required 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 2008, 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

The Board did not consider it necessary to form a Nomination Committee, as candidates for Directors are proposed by the Shareholders' Meetings in accordance with law.

7. REMUNERATION COMMITTEE

The Remuneration Committee, reappointed by resolution of the Board of Directors on 29 April 2008, is composed of non-executive and independent Directors Giovanni Cavallini and Pierfrancesco Saviotti, and non-executive Director Umberto Nicodano (Chairman).

In 2010, the Remuneration Committee held a meeting on 15 March 2010 at which the Head of Human Resources & Organisation was invited to participate, in addition to the Secretary. In this meeting, the following matters were addressed:

- the end of the Brembo Group's "2009 Ponte Incentive Plan", final results and individual pay-out, with the acknowledgement that the targets set out in the 2009 Ponte Plan had not been met (inasmuch as only one of the goals was achieved according

to the year-end result) and the resulting proposal to the Board of Directors not to pay any of the compensation set out in the Plan; concurrently, acknowledging the excellent results achieved by the Executive Directors and management during the serious crisis situation that occurred in 2009, the Committee saw fit to propose that the Board of Directors pay a 2010 Retention Bonus along with salaries for September 2010 to Brembo's Top Executives, to be identified in the same way as the beneficiaries of the 2009 Bridge Plan were identified and in the context of Brembo's ordinary compensation trends;

- a review of the Three-year (2010-2012) Incentive Plan for Executive Directors and Top Managers, with the acknowledgement of the new Three-year Plan's principles for the purposes of proposal for the approval – given by the Board of Directors on 30 March 2010 – of the final text of the new Three-year Plan Regulations and the associated documentation in accordance with the law;
- the proposal to allocate the remuneration of the Board of Directors and Committee Members of Brembo S.p.A., appointed by the Shareholders' Meeting of 24 April 2009.

On 25 October 2010, the Committee then reviewed and ratified the payment of the "2010 Retention Bonus" to the 34 Executives named beneficiaries of the "2009 Ponte Plan" and approved the proposal to pay the Chairman and Managing Director a "2010 Retention Bonus" by drawing on part of the residual provision for the Board of Directors' remuneration.

8. REMUNERATION OF DIRECTORS

The executive Directors' remuneration is designed to align their interests with the company's main objective of creating value for shareholders in the medium to long term.

The remuneration of non-executive Directors is commensurate to the commitment required from each and is not dependent on Brembo S.p.A.'s operating results.

The Shareholders' Meeting held on 27 April 2010 authorised the Three-year Incentive Plan for Executive Directors and Top Managers for the period 2010-2012 partially and indirectly based on equity instruments (stock performance).

The potential beneficiaries of the plan have been identified as 31 persons (including the Chairman) who serve in executive positions at Brembo and have the power to make management decisions that may have an impact on the Company's development and prospects for the future.

In accordance with CONSOB Communication No. DEM/11012984 of 24 February 2011, it should be noted that:

- there are no agreements between Brembo and its Directors (pursuant to Article 123-*bis*, paragraph 1, letter I, of TUF) that envisage indemnities in the event of early termination;
- details of the amounts received by Directors in 2010 are provided in Note 31 of the Explanatory Notes to the 2010 Consolidated Financial Statements.

On the subject of the implementation of the new Article 7 of the Code ("Directors' Remuneration") published in March 2010, on 2 March 2011 the Board of Directors resolved, on the Remuneration Committee's proposal:

- (i) to prepare the Remuneration Report during 2011, pursuant to Article 123-*ter* of TUF (added by Legislative Decree No. 259/2010), so as to submit it to the Shareholders' Meeting to be convened in 2012:

a) in accordance with:

- Article 2 of Legislative Decree No. 259/2010 (which requires that the report be submitted to the Shareholders' Meeting convened to approve the Financial Statements during the year after that in which the regulation set out in paragraphs 7 and 8 of Article 123-*ter* of TUF enters into force);
- Borsa Italiana's Notice No. 18916 of 21 December 2010 (which requires that Borsa Italiana survey the data set out in Article 7 of the Code as published in 2006 in order to evaluate directors' remuneration requirements applicable to STAR issuers, pending the forthcoming exchange regulatory revision);
- on a temporary basis, until the implementation of Legislative Decree No. 259/2010, CONSOB Notice No. DEM/11012984 of 24 February 2011 governing indemnities for early termination of relationships between directors and issuers and disclosure of directors' remuneration; and

b) pending the enactment of the CONSOB regulation implementing Legislative Decree No. 259/2010 (set forth in paragraphs 7 and 8 of Article 123-*ter* of TUF);

- (ii) not to proceed with the approval of any amendments to Brembo's Three-year (2010-2012) Incentive Plan for Executive Directors and Top Managers in light of the provisions of Article 7 of the Code in order to include any share-retention mechanisms set forth therein, pending the availability of a clearer and more complete regulatory and legislative framework and access to industry best practices for comparative purposes.

As required by CONSOB's Rules for Issuers, information on changes in shares held by members of Brembo's administration and control bodies in 2010 is provided below:



Name and surname	Shares at 31.12.2009	Shares purchased in 2010	Shares sold in 2010	Shares at 31.12.2010	Ownership position	Ownership method
Board of Directors						
Alberto Bombassei	–	–	–	–	n/a	n/a
Alberto Bombassei (Nuova FourB)	37,744,753	–	–	37,744,753	F	I
Cristina Bombassei	5,320	–	5,320	–	n/a	n/a
Giovanni Cavallini	–	–	–	–	n/a	n/a
Giancarlo Dallera	38,000	–	–	38,000	F	D
Giovanna Dossena	–	–	–	–	n/a	n/a
Umberto Nicodano	–	–	–	–	n/a	n/a
Pasquale Pistorio	–	–	–	–	n/a	n/a
Giuseppe Roma	–	–	–	–	n/a	n/a
Pierfrancesco Saviotti	–	–	–	–	n/a	n/a
Bruno Saita ⁽¹⁾	–	–	–	100,000	F	I
Matteo Tiraboschi	–	–	–	–	n/a	n/a
Board of Statutory Auditors						
Sergio Pivato	–	–	–	–	n/a	n/a
Enrico Colombo	–	–	–	–	n/a	n/a
Daniela Salvioni	–	–	–	–	n/a	n/a

(1) The Board member in question was co-opted on 15 March 2010 and appointed by the Shareholders' Meeting on 27 April 2010.

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

9. AUDIT COMMITTEE

The Audit Committee is composed of three non-executive and independent Directors: Giuseppe Roma (Chairman), Giovanna Dossena and Giancarlo Dallera.

On 23 March 2007, the Board of Directors assessed as adequate the audit expertise of two members of the Audit Committee, Giovanna Dossena and Giuseppe Roma, since they are enrolled in the Registry of Auditors.

In 2010, the Audit Committee held six fully minuted meetings, as follows: 3 February 2010, 10 March 2010, 5 May 2010, 1 October 2010, 3 November 2010, 12 November 2010.

The Executive Director overseeing the Internal Control System was invited to attend these meetings and the Chairman of the Board of Statutory Auditors also attended, either directly or through his representative.

The Manager in charge of the company's financial reports, independent auditors representatives, the Legal & Corporate Manager, the Quality & Environment Manager, and the Purchasing Manager also attended the meetings for the discussion of specific items on the agenda.

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

- it assisted the Board in carrying out the internal control duties assigned to it;
- 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;
- on 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 Internal Auditor upon approval of the 2010 Financial Statements;

- it examined the working plan prepared by the Internal Auditor as well as the periodic reports drawn up;
- it evaluated proposals submitted by the Independent Auditors to broaden the scope of its engagement as well as its work plan and the results of activities completed;
- it evaluated the 2009 Management Letter submitted by the independent auditors, which contained suggestions on financial reporting processes; it analysed the suggestions in light of Italian Law No. 231 and explored aspects relating to the company's Organisation, Management and Control Model;
- it oversaw the effectiveness of the audit process;
- through reports presented by the Committee Chairman on 17 December 2010 and 23 February 2011, it informed the Board of Directors of the activities carried out and the adequacy of the Internal Control System in 2010;
- it evaluated the organisational structure of the Brembo Group;
- together with the Supervisory Committee, it oversaw the Workplace Safety Management System and Brembo Group's Security.

In particular, in each meeting the Audit Committee analysed:

- activities completed by Internal Audit in 2010;
- the progress of the work concerning Law No. 262/05 in Brembo S.p.A. and its extension to Group companies;
- the CFO's report on significant transactions and transactions that might create a conflict of interest under Brembo's current rules.

In addition, on 4 August 2010 the Board of Directors charged the Audit Committee (inasmuch as it currently consists of three independent Directors) with coordinating and supervising the preparation of the new Procedure for Related Party Transactions (in accordance with the relevant provisions of the New CONSOB Regulation) and expressing an opinion thereof prior to final approval by the Board of Directors.

On the basis of the work plan prepared by the Company, the Audit Committee supervised the process of drafting the procedure through the Committee Chairman specifically appointed by the Committee; on 5 November 2010, having heard the opinions of the Internal Auditor and the Board of Statutory Auditors, in the belief that the final version of the procedure adhered to the principles laid down in the New CONSOB Regulation for Related Party Transactions, the Committee unanimously expressed a favourable opinion pursuant to Article 4, paragraph 3, of the New CONSOB Regulation.

In further compliance with the provisions of the New CONSOB Regulation for Related Party Transactions and in the context of the new procedure for related party transactions, the Board of Directors also identified the Audit Committee as the body responsible for the following, inasmuch as it currently consists of three independent non-executive Directors:

- expressing a reasoned, non-binding preliminary opinion, supported by a statement of grounds on the advisability of effecting Moderately Significant Related Party Transactions, taking due account of the Company's interests, as well as assessing the fairness and substantive propriety of the related terms and conditions, pursuant to Article 7 of New CONSOB Regulations on Related Party Transactions;
- participating in negotiations and fact-finding investigations undertaken prior to effecting Highly Significant Related Party Transactions and expressing a reasoned, binding preliminary opinion, supported by a statement of grounds on the advisability



of the said Transactions, taking due account of the Company's interests, as well as assessing the substantive and procedural propriety of the proposed Transactions, pursuant to Article 8 of the New CONSOB Regulations on Related Party Transactions.

- carries out an annual appraisal that the Internal Control System is adequate and effective and operates efficiently.

For 2010, the Board of Directors expressed its assessment and respective guidelines in the meetings of 4 August 2010, 17 December 2010, and 2 March 2011 based on the reports received from the Executive Director in charge of overseeing the functioning of the Internal Control System, the Chairman of the Audit Committee, the Chairman of the Supervisory Committee and the Internal Auditor.

10.1 Appropriateness of the Internal Control and Risk Management System

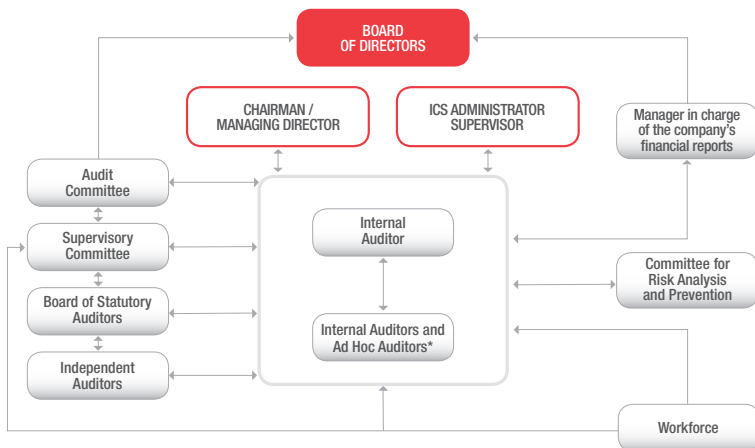
With reports dated 17 December 2010 and 23 February 2011, the Chairman of the Audit Committee informed the Board of the activities carried out by the Committee and expressed a favourable opinion as to the adequacy of the Internal Control System, leaving the final opinion to the Board of the Directors.

After considering the report of the Chairman of the Audit Committee, the activities carried out and planned by Internal Audit and the meetings held by the Internal Auditor with the Chairman of the Board of Directors, the Executive Director responsible for 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 acknowledged that, to date, measures taken to minimise risks have been systematically implemented across all areas of the company and its subsidiaries. It therefore found the Internal Control and Risk Management System to be adequate.

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,

10. INTERNAL CONTROL SYSTEM



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

Brembo's internal control system complies with the principles set out in Borsa Italiana's Corporate Governance Code (fully 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.

constant manner in accordance with the audit plan submitted by the Internal Auditor;

- the departments of the Parent Company and its subsidiaries are in constant contact in order to rationalise procedures and ensure processes are reliable;
- the internal auditing process has also acted as a stimulus within each of the Group's business segments to share risk control objectives and comply with applicable regulations, with a view towards constantly recouping efficiency and achieving transparent behaviour;
- 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, 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 preparing 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 (e.g., significant organisational changes, business changes, changes or updates to 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, 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 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 in conjunction with the preparation of the Brembo Group's Consolidated Financial Statements and Six-monthly Report.

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.

The above-mentioned Director submitted her annual report for the review of the Audit Committee and Board of Directors at the meetings held on 23 February 2011 and 2 March 2011.

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 during the 2007-2010 period had been properly implemented.

The main risks to which the Company is exposed continued to be identified in 2010, in a process that involved the Company's entire

management in the self-assessment of risks, with the aid of the Internal Auditor and the Internal Audit Department.

The Executive Director also verified that the new procedures issued in 2010 by both the Internal Audit Department and the main control bodies were in compliance with the contents of the document "Policies for Implementing the Internal Control System".

10.4 Internal Auditor

Since 2008, Alessandra Ramorino has been Internal Auditor.

The Internal Auditor 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 Internal Auditor 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 some meetings of the Board of Statutory Auditors.

At its meeting on 23 February 2011, the Audit Committee was provided with appropriate information on the results of Internal Auditor's activities for 2010, 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 the Internal Auditor's activities relating to Law No. 262/05 for 2010, 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 2010, the Internal Auditor issued a favourable opinion for the Audit Committee concerning the adequacy of the procedure for related party transactions.

At its meeting on 14 March 2011, the Internal Auditor reported to the Board of Directors regarding the assessment of the Internal Control System.

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 2010, 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 conformity 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 2010, 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, 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.

Internal Audit intensified its monitoring activities on the management of the main risks 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.

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

Pursuant to Legislative Decree 231/2001, on 30 July 2004 the Board of Directors appointed the Supervisory Committee for the first time and on 12 November 2004 approved the first edition of its Organisation, Management and Control Model (hereunder the "Model"), subsequently updated with new editions.

Within the process of constantly improving and updating the Organisational, Management and Control Model of Brembo S.p.A. and in accordance with Legislative Decree No. 231/2001, on 15 March 2010 the Board of Directors approved the new version of the section "Elements of the Brembo Model" as proposed by the Chairman of the Supervisory Committee. The new version better emphasises that the analysis of the potential risks set forth in the special section is also conducted through specific personnel identified for each function, who act in concert with the Risk Analysis and Prevention Committee (consisting of ten of the Company's top managers) according to a specific Action Plan.

The Supervisory Committee is currently composed of three non-executive and independent Directors – Giovanna Dossena (Chairwoman), Giancarlo Dallera and Pierfrancesco Saviotti – and by the Internal Auditor, Alessandra Ramorino.

In 2010, all specific activities falling under the responsibility of the Supervisory Committee were regularly conducted; the Committee met on 3 February 2010, 10 March 2010, 5 May 2010, 14 July 2010, and 3 November 2010.

The Chairman of the Supervisory Committee also met separately with the Internal Audit Department for further discussion of several risk-assessment analyses conducted by Law No. 231 personnel.



The Supervisory Committee met five times during the year to verify that the Model was subjected to constant updating to reflect changes in the regulatory framework, as well as to analyse the Model's solidity and functionality requisites, all related implementing procedures, and the supervisory activities performed by Internal Audit on the Supervisory Committee's behalf. More specifically:

- in the context of its activity of analysis of the Model's solidity and functionality requirements, the Supervisory Committee suggested some improvements to enhance the solidity and functionality of the Organisational, Management and Control Model and reported the need for an update to the Model to reflect the risk-assessment analyses conducted;
- audit activities have been 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;
 - the 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 the relevant personnel for Group companies;
 - findings reached through meetings with the managers of sensitive areas and/or functions within the meaning of Legislative Decree No. 231/01.

On 13 May 2010, 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).

At the meeting held on 13 May 2010, the Board of Directors also approved the classification scheme for the degree of abstract applicability of the offences set forth in Legislative Decree No. 231/01 prepared by the Risk Analysis and Prevention Committee (consisting of the Company's top managers) previously validated by the Supervisory Committee.

In addition, work continued during 2010 to ensure that Brembo has an effective Organisation, Management and Control Model in operation. More specifically the following additional initiatives were continued:

- review and extension of the risk assessment carried out in respect of sensitive processes within the meaning of the Model, with the involvement of high-level executives and the assignment of specific operating responsibilities;
- training targeted not only at high-level executives and operating managers of Brembo S.p.A., but also their counterparts within individual Group companies.

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

In 2009, the Board of Directors appointed Matteo Tiraboschi, a Director and the Group's current Chief Financial Officer, as Manager in Charge of the Company's Financial Reports.

Pursuant to the By-laws, the Manager in charge of the Company's financial reports is to be appointed by the Board of Directors in light of the non-binding opinion of the Board of Auditors.

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

- 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 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.

11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

During the meetings of the Board of Directors held on 15 March 2010, 13 May 2010, 4 August 2010, 12 November 2010 and 2 March 2011, information was provided concerning transactions undertaken with related parties after material transactions and/or transactions in conflict of interest had been reported to the Audit Committee in accordance with Brembo's instructions.

Due to their purpose and nature, such transactions were not considered outside of the company's normal course of business; furthermore, they did not present any critical issues, were within the range of market values for similar transactions and were not material in amount.

On the subject of Related Party Transactions, in accordance with the provisions of the New CONSOB Regulation on Related Party Transactions, on 12 November 2010 the Board of Directors unanimously approved the New Procedure for Related Party Transactions, having heard the favourable opinion from the Audit Committee (charged with providing such opinion, since it consists of three independent Directors, within the meanings of both Article 148, paragraph 3, of TUF and the independence requirements set forth in the Corporate Governance Code of Borsa Italiana S.p.A.).

The New Procedure for Related Party Transactions governs the following aspects, among others:

- it identifies the Audit Committee (inasmuch as it currently consists of three independent, non-executive Directors) as the body charged with:
 - expressing a reasoned, non-binding preliminary opinion, supported by a statement of grounds on the advisability of effecting Moderately Significant Transactions, taking due account of the Company's interests, as well as assessing the fairness and substantive propriety of the related terms and conditions, pursuant to Article 7 of the New CONSOB Regulations;
 - participating in negotiations and fact-finding investigations undertaken prior to effecting Highly Significant Transactions and expressing a reasoned, binding preliminary opinion, supported by a statement of grounds on the advisability of the said Transactions, taking due account of the Company's interests, as well as assessing the substantive and procedural propriety of the proposed Transactions, pursuant to Article 8 of the Regulations for Related Party Transactions of the New CONSOB Regulations;
- it does not extend the scope of the procedure to parties other



than those set forth in Annex 1 to the CONSOB Regulation (which referred to IAS 24 at the date of publication of the Regulation);

- it sets the threshold for small transactions outside the scope of the new procedure at €250 thousand, 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 Relevant 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 with special tasks and Key Management Personnel from the scope of the new 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, as defined in annex 2 to the procedure;
- it lays down the rules for the assessment of Moderately and Highly Significant Transactions, carried out either directly by Brembo or through subsidiaries;
- it identifies the organisational structure 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 New Procedure for Related Party Transactions is available on Brembo's website: www.brembo.com, in the section InvestorRelations/CorporateGovernance/Codes and Manuals.

12. APPOINTMENT OF STATUTORY AUDITORS

Brembo S.p.A.'s By-laws ⁽²⁾ establish 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. The emoluments of Statutory Auditors shall be determined by the Shareholders' Meeting;
- voting lists may be submitted only by those shareholders who, at the date the lists were submitted, represent, either on their own or together with others, at least the minimum shareholding required for the submission of lists of candidates seeking appointment to the Board of Directors, pursuant to article 15-*ter* of these By-laws, or such other percentage of the share capital, as may be 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

(2) By-laws amended by the Board of Directors to comply with the compulsory provisions of Legislative Decree No. 27 of 27 January 2010 (published in 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.

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 these 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 supervises 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

- The Board of Statutory Auditors, appointed by the Shareholders' Meeting on 29 April 2008 for a term expiring on the date of the Shareholders' Meeting held to approve the Financial Statements for 2010, is made up as specified in the table below:

Board of Statutory Auditors

Office held	Members	In office from	In office until	Independent	% held ⁽²⁾	Weight of other offices Annex 5-bis of the Rules for Issuers ⁽³⁾
Chairman	Sergio Pivato	29.04.08	⁽¹⁾	x	80%	3.8
Acting Auditor	Enrico Colombo	29.04.08	⁽¹⁾	x	60%	5.36
Acting Auditor	Daniela Salvioni	29.04.08	⁽¹⁾	x	100%	0
Alternate Auditors	Gerardo Gibellini	29.04.08	⁽¹⁾	–	–	–
Alternate Auditors	Mario Tagliaferri	29.04.08	⁽¹⁾	–	–	–

Auditors who left office during the year

Quorum required to present lists for the most recent appointments: 2,5%.

No. of meetings held during the financial year: 5.

NOTES

(1) appointed for a term expiring on the date of approval of the Financial Statements for the year ending 31 December 2010.

(2) 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).

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



All the members of the Board of Statutory Auditors must meet applicable statutory requirements and also comply with the provisions set forth in the Brembo's Corporate Governance Manual. The Company has determined that the ceiling on concurrent appointments has 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.

On 29 April 2008, the Shareholders' Meeting established the emoluments of the Board of Auditors as a whole, in the overall gross amount of €105 thousand per annum. In 2010, the Board of Statutory Auditors held five meetings and most members of the Board of Auditors participated in all meetings of the Board of Directors. The composition of the Board of Statutory Auditors did not undergo any change during financial year 2010.

14. RELATIONS WITH SHAREHOLDERS

Brembo takes special care in monitoring relations with shareholders, institutional and private investors, financial analysts, and the financial community in general, 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 has set up a specific Italian-English Investor Relations section on its website (www.brembo.com) affording public access to its press releases, Financial

Statements and interim reports, presentations to the financial community, stock price trends, etc.

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

The Investor Relations function also 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, CFO of Brembo S.p.A.

The company's contact details for investors are: e-mail "ir@brembo.it"; phone +39.035.60.52.145; fax +39.035.60.52.518.

15. GENERAL SHAREHOLDERS' MEETINGS

By virtue of the powers vested in it by Article 16 e) of the By-laws, on 12 November 2010 the Board of Directors amended the By-laws to comply with the compulsory provisions of Legislative Decree No. 27 of 27 January 2010 (published in the Italian Official Journal No. 53 of 5 March 2010), incorporating the provisions of European Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies.

The By-laws state:

- under the new Article 10-*bis* (ADDITION OF ITEMS TO THE AGENDA), that shareholders individually or collectively representing at least one fortieth 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), that 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, as part of the disclosures pertaining to the meeting in question, all the documents regarding the Financial Statements, as well as all the recommendations placed on the agenda by the Board of Directors and forwarded to Borsa Italiana and CONSOB, pursuant to applicable statutory and regulatory provisions. As a general rule, entitled attendees shall also be provided with a summary of the Company's stock price trends.

The new By-laws amended to comply with the compulsory provisions of law are available from the website: www.brembo.com - Investor Relations section, Corporate Governance, Codes and Manuals.

The Rules governing the Shareholders' Meetings are available on the website: www.brembo.com - Investor Relations section, Corporate Governance, in the Brembo's Corporate Governance Manual.

16. CHANGES SINCE THE END OF 2010

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