



BRUNELLO CUCINELLI

**BRUNELLO CUCINELLI S.P.A.**

**Registered office: Corciano (PG), fraz. Solomeo, Via Dell'Industria 5, Italy**

**Fully paid-up share capital: €13,600,000**

**Tax code, VAT code and Perugia Companies Register no. 01886120540**

**R.E.A. no. 165936**

**REMUNERATION REPORT OF BRUNELLO CUCINELLI S.P.A. PURSUANT TO ARTICLE 123-TER OF LEGISLATIVE DECREE NO. 58/1998. APPROVED BY THE COMPANY'S BOARD OF DIRECTORS ON 10TH MARCH 2014.**

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## ***Introduction***

In compliance with article 123-ter of Legislative Decree no. 58 of 24th February 1998 (the TUF) and article 84-quarter of Consob Resolution no. 11971/99 (the “**Issuers’ Regulations**”) which require listed companies to prepare a report on the remuneration of the management and control bodies and make this available to the public, Brunello Cucinelli S.p.A. (the “**Issuer**”) has prepared this remuneration report (the “**Report**”) which was approved by the Remuneration Committee on 7th March 2014 and by the Board of Directors on 10th March 2014.

The Report is available to the public at the Issuer’s registered office and on its institutional website (<http://investor.brunellocucinelli.com/ita/>).

The Report is arranged in two separate sections.

The first regards policy and consists in a description of the remuneration policy regarding the Issuer’s directors and key executives, together with the procedures followed for adopting and implementing this policy.

The second section describes the remuneration paid in the year ended 31st December 2013 (the “**Year**”) to members of the Company’s management and control bodies. This section includes all those persons who were members of the management and control bodies or key executives during the Year.

A general meeting of the Issuer’s shareholders has been called at the Company’s registered office in first call on 23rd April 2014, and as necessary in second call on 29th April 2014, to adopt a resolution (pursuant to paragraph 6 of article 123-ter of the TUF) in favor of or against the first section of the Report. Such resolution, though, is not binding.

Pursuant to article 123-ter of the TUF and article 84-quarter of the Issuers’ Regulations, the aim of this Report is to set out the Issuer’s policy on remunerating members of the management bodies and key executives (the figure of general manager is not to be found in the Issuer’s personnel chart).

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At the date of the Report, the Issuer's executive directors are Brunello Cucinelli (Chairman of the Board of Directors and Managing Director), Moreno Ciarapica (the Issuer's Chief Financial Officer (CFO) and manager in charge of preparing the corporate accounting documents) and Riccardo Stefanelli (sales manager).

On the basis of the definition to be found in Consob Regulation no. 17221 of 12th March 2010 (Regulation on Related Party Transactions), it is hereby stated that the Issuer's key executives are Moreno Ciarapica and Riccardo Stefanelli. As noted earlier, these key executives are also directors of the Issuer.

For information about the program called "Generational Transition", approved by the Board of Directors of the Issuer at its meeting of 13th December 2013, which aims at facilitating the succession in positions of responsibility of the most important offices and departments that comprise the organizational structure of the Company, please refer to paragraph 4.1 of the Report on corporate governance and ownership structure for the Year, available on the corporate website of the Company.

The Issuer's shares have been traded on the Electronic Stock Exchange ("MTA") organized and managed by Borsa Italiana S.p.A. since 27th April 2012.

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## SECTION I

### a) *Bodies or persons involved in preparing or approving the remuneration policy.*

Establishing the Issuer's remuneration policy is the result of a process involving the shareholders' meeting (the "**Meeting**"), the Board of Directors (the "**Board**") and the Remuneration Committee (the "**Committee**").

Pursuant to article 2364, paragraph 1.3 of the Italian civil code, the Meeting has responsibility for adopting resolutions on the remuneration due to the directors and statutory auditors. It adopts resolutions in favor of or against the Report.

The Board sets up internally the Committee made up of independent directors. On the proposal of the Committee and after consulting with the board of statutory auditors, the Board establishes the policy for remunerating directors and key executives. The Board approves the Report.

The Committee carries out a regular assessment of the adequacy, overall consistency and practical application of the policy for remunerating directors and key executives and the formula on the remuneration policy to be adopted that is proposed to the Board, and reports to shareholders in general meeting on the way it has exercised its functions.

### b) *The possible intervention of a remuneration committee or another committee having competence in this matter.*

At its meeting on 26th March 2012 the Issuer's Board of Directors set up internally the Committee which was assigned the functions as per article 6 of the Borsa Italiana S.p.A. Corporate Governance Code (the "Code"). This committee became effective from the date on which trading began in the Issuer's shares on the MTA, 27th April 2012.

The Committee consists of three independent non-executive directors, Matteo Marzotto, the Committee's Chairman, Candice Koo and Andrea Pontremoli. All the Committee's members hold the independence requirements listed in article 3 of the Code in addition to the requirements listed in article 6 of the Code; on appointment, the Board assessed that the knowledge and experience of all the Committee's members in accounting and financial matters and in compensation matters was adequate. The

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Committee remains in office until the approval of the Issuer's financial statements for the year ending 31st December 2013.

The Committee met once during the Year, on 7th March 2013. The meeting, which was properly minuted, lasted about 1 hour and was attended by all of the Committee's members, together with the Issuer's general counsel, the chairman of the Board of Statutory Auditors and the Head of the Internal Audit Office, who have been invited by the Committee. Discussion concentrated on an analysis of the Issuer's remuneration policy and on the remuneration report for the year 2012, and to this end the Committee was able to access information useful for performing its duties.

At least two meetings of the Committee are planned for 2014, of which one has already been held on 7th March 2014.

**c) *Name of independent experts who may have been involved in preparing the remuneration policy***

No independent experts were involved in preparing the Issuer's remuneration policy.

**d) *Objectives pursued with the remuneration policy, underlying principles and any changes in the remuneration policy compared to the previous financial year.***

The aim of the Issuer's remuneration policy is to attract, retain and motivate people equipped with the professional qualities needed to manage the Issuer and continue to manage it successfully. At the same time the Issuer's remuneration policy pursues the priority objective of creating value for shareholders in the long term and from the standpoint of economic sustainability of the policy for the Issuer.

The underlying principle of the Issuer's remuneration policy is to pay remuneration that is fair and commensurate with the commitment required of the Issuer's directors and key executives. Remuneration consists exclusively of a fixed component. It is believed that the absence of a variable component is more in line with the principle of a healthy and prudent management of the Company, a principle that underlies the work performed by the Issuer's top management and fits in with the objective of value creation in a long-term perspective.

There have been no significant changes in the Issuer's remuneration policy compared to previous years.

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**e) *Description of policies on the fixed and variable components of remuneration.***

As stated, the Issuer's remuneration policy provides exclusively for a fixed component in the remuneration of directors and key executives.

At the meeting held on 12th March 2013, after consulting with the board of statutory auditors, and accepting the proposal of the Committee, the Issuer's Board of Directors approved a resolution on the remuneration due to Directors having special duties, maintaining unchanged, compared to 2012, the remunerations of the Chairman of the Board of Directors and Chief Executive Officer, the Independent Directors and the members of the Control and Risks and Remuneration Committees.

The Board therefore allocated a fixed amount of remuneration to the Chairman and Managing Director, Cav. Lav. Brunello Cucinelli, for his position as Chairman of the Board of Directors, and a further fixed amount of remuneration for his position as Managing Director of the Issuer, plus an attendance fee as described above. Further information in this respect can be found in table 1.

The Directors Moreno Ciarapica, Giovanna Manfredi, Riccardo Stefanelli and Giuseppe Labianca waived, at the same time of their appointment, any specific remuneration for their position as director, since the remuneration for their activities performed as a director of the Issuer and in similar positions held in other companies of the Issuer's group is absorbed by the remuneration due to them as executives. As a result, therefore, these people are only paid an attendance fee for their position as directors as described above, together with their gross annual remuneration as employees of the Issuer, as shown in further detail in table 1 of this Report.

At the meeting hold on 12th March 2013, the Board recognized a fixed annual amount of remuneration to the independent non-executive directors Matteo Marzotto, Candice Koo, Andrea Pontremoli and Cassian Folsom (Father Cassian), plus an attendance fee as described above, thus maintaining unchanged the remuneration policy adopted for the year 2012. Further information in this respect may be found in Table 1.

In regard to the remuneration paid to the members of the Remuneration Committee, the Board adopted a resolution to pay an additional fixed annual amount for the Year to the Chairman, Matteo Marzotto, and to each of the other committee members, Candice Koo and Andrea Pontremoli.

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As far as the remuneration of the members of the Control and Risks Committee is concerned, the Board recognized an additional fixed annual amount for the Year to be paid to the Chairman, Andrea Pontremoli, and to each of the other committee members, Matteo Marzotto and Candice Koo.

As stated above at point d), the Issuer's remuneration policy does not provide for a variable component of remuneration for directors or key executives (nor in general for other executives).

At its meeting of 7th March 2014, the Committee approved this Report.

**f) *Policy followed with regard to non-monetary benefits.***

The Issuer's remuneration policy does not provide for the payment of non-monetary benefits to directors or key executives.

**g) *Description of the performance objectives underlying the granting of the variable components.***

As no variable components are envisaged in the Issuer's remuneration policy no performance objectives have been set. Equally, no incentive mechanisms are envisaged for the head of the internal audit department or for the manager in charge of preparing the corporate accounting documents.

**h) *Criteria utilized for assessing the performance objectives underlying the granting of shares, options, other financial instruments or other variable components of remuneration.***

There are no performance assessment criteria, since the granting of shares, options or other financial instruments on the basis of such an assessment is not envisaged.

**i) *Information designed to show the consistency of the remuneration policy with the pursuit of the company's long-term interests.***

The Issuer's Board of Directors has adopted a remuneration policy that is consistent with the pursuit of the Issuer's commercial and financial objectives in the medium term but especially in the long term. As stated at point d) above, the Issuer's remuneration policy does not provide for variable components in

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the remuneration of directors and executives as it is believed that this is more compatible with the principle of a healthy and prudent management of the Issuer.

**j) *Vesting periods and any deferred payment schemes.***

No vesting periods for remuneration are envisaged.

**k) *Information on any clauses requiring the holding of financial instruments after acquisition.***

There are no clauses regarding the holding of financial instruments.

**l) *Policy relating to the treatment envisaged if a position is no longer held or on termination of the employment relationship.***

No policies have been adopted regarding the treatment envisaged on the termination of the employment relationship with directors and key executives or if they no longer hold their position.

**m) *Information on any non-compulsory insurance, welfare or pension coverage.***

The director Moreno Ciarapica is a member of the “*Previndai*” fund as far as non-compulsory welfare coverage is concerned. This fund provides for a monthly payment of a sum of money designed to supplement the employees’ leaving entitlement (the Italian *trattamento di fine rapporto*). The Issuer pays 50% of this amount.

The Issuer has taken out insurance to cover the civil liability of directors, including independent directors, and the other corporate bodies of the Issuer and its subsidiaries.

**n) *Any remuneration policy followed with regard to independent directors, membership of committees and the performance of specific duties.***

The Issuer’s remuneration policies with regard to the independent directors, membership of committees and the performance of specific duties are discussed at point e) of this Report, to which reference should be made.

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**o) *Any other companies used as a reference for establishing the remuneration policy.***

The remuneration policies of other companies were not used as a reference in drawing up the Issuer's remuneration policy.

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## **SECTION II**

This section is presented in two separate parts and sets out details on a name basis of the remuneration paid to members of the management body (including two key executives) and the control body.

### ***Part one***

Description of the items making up the remuneration of the members of the management and control bodies.

- The statutory auditors received a fixed amount as remuneration as resolved by shareholders in general meeting.
- The Chairman of the Board of Directors received a fixed amount as annual remuneration as resolved by the Board of Directors.
- The Managing Director received a fixed amount as annual remuneration as resolved by the Board of Directors.
- The independent directors received a fixed amount as annual remuneration as resolved by the Board of Directors, plus a refund of the expenses incurred in the position.

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- The non-independent directors who are also executives received fixed annual remuneration as employees of the Issuer.
- The chairmen and other members of the Remuneration Committee and the Control and Risks Committee received a fixed amount as annual remuneration as resolved by the Board of Directors.

No variable compensation or incentive plans based on financial instruments are envisaged.

At the date of this Report the Issuer does not have a policy which governs any indemnity which might be payable to directors and key executives in the event of the early termination of the employment relationship.

*(COURTESY TRANSLATION FOR THE CONVENIENCE OF INTERNATIONAL READERS)*

***Part two***

Details of the remuneration paid by the Issuer during 2013 to members of the management and control bodies and key executives are provided.

In addition, details of investments in the Issuer's share capital held by members of the management and control bodies and key executives are also provided.

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(In thousands of Euro)

[illegible]

(III) Total				157.273	-	-	-	-	-	157.273	-	-
Giovanna Manfredi (4)	Director	01/01 – 31/12/2013	The date of the shareholders' meeting approving the financial statements for the year ending 31/12/2013									
(I) Remuneration in the company preparing the financial statements				349.434	-	-	-	-	-	349.434	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				349.434	-	-	-	-	-	349.434	-	-
Giuseppe Labianca (5)	Director	01/01 – 31/12/2013	The date of the shareholders' meeting approving the financial statements for the year ending 31/12/2013									
(I) Remuneration in the company preparing the financial statements				343.281	-	-	-	-	-	343.281	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				343.281	-	-	-	-	-	343.281	-	-
Andrea Pontremoli (6)	Director	01/01 – 31/12/2013	The date of the shareholders' meeting approving the financial statements for the year ending 31/12/2013									
(I) Remuneration in the company preparing the financial statements				22.8	12.5	-	-	-	-	35.3	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				22.8	12.5	-	-	-	-	35.3	-	-
Matteo Marzotto (7)	Director	01/01 – 31/12/2013	The date of the shareholders' meeting approving the financial statements for the year ending 31/12/2013									
(I) Remuneration in the company preparing the financial statements				23.2	10	-	-	-	-	33.2	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				23.2	10	-	-	-	-	33.2	-	-
Padre Cassiano (Cassian)	Director	01/01 – 31/12/2013	The date of the shareholders' meeting approving									

Folsom) (8)			the financial statements for the year ending 31/12/2013									
(I) Remuneration in the company preparing the financial statements				20.4	-	-	-	-	-	20.4	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				20.4	-	-	-	-	-	20.4	-	-
Candice Koo (9)	Director	01/01 – 31/12/2013	The date of the shareholders' meeting approving the financial statements for the year ending 31/12/2013									
(I) Remuneration in the company preparing the financial statements				25.082	7.5	-	-	-	-	32.582	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				25.082	7.5	-	-	-	-	32.582	-	-
Gerardo Longobardi	Chairman of the Board of Statutory Auditors	01/01 – 31/12/2013	The date of the shareholders' meeting approving the financial statements for the year ending 31/12/2013									
(I) Remuneration in the company preparing the financial statements				81.675	-	-	-	-	-	81.675	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				81.675	-	-	-	-	-	81.675	-	-
Guglielmo Castaldo	Standing auditor	01/01 – 31/12/2013	The date of the shareholders' meeting approving the financial statements for the year ending 31/12/2013									
(I) Remuneration in the company preparing the financial statements				53.998	-	-	-	-	-	53.998	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				53.998	-	-	-	-	-	53.998	-	-
Lorenzo Ravizza	Standing auditor	01/01 – 31/12/2013	Until the shareholders' meeting approving the financial statements for the year ending 31/12/2013									
(I) Remuneration in the company preparing the financial statements				56.158	-	-	-	-	-	56.158	-	-

(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-
(III) Total				56.158	-	-	-	-	-	56.158	-
2 Key executives (10)	Key executive	01/01 – 31/12/2013	Until the shareholders' meeting approving the financial statements for the year ending 31/12/2013								
(I) Remuneration in the company preparing the financial statements				-	-	-	-	-	-	-	-
(II) Remuneration from subsidiaries and associates				-	-	-	-	-	-	-	-
(III) Total				-	-	-	-	-	-	-	-

**Notes:**

(1) The remuneration of Brunello Cucinelli consists of €50,000 paid as Chairman of the Board of Directors, €750,000 paid as Managing Director and €3,200 paid for attendance at board meetings (8 attendance fees of €400 each).

(2) The remuneration of Moreno Ciarapica consists of €339,856 paid as an executive of the Issuer and €3,200 paid for attendance at board meetings (8 attendance fees of €400 each). Mr. Ciarapica has waived any specific remuneration as Director.

(3) The remuneration of Riccardo Stefanelli consists of €154,077 paid as an executive of the Issuer and €3,200 paid for attendance at board meetings (8 attendance fees of €400 each). Mr. Stefanelli has waived any specific remuneration as Director.

(4) The remuneration of Giovanna Manfredi consists of €346,234 paid as an executive of the Issuer and €3,200 paid for attendance at board meetings (8 attendance fees of €400 each). Mrs. Manfredi has waived any specific remuneration as Director.

(5) The remuneration of Giuseppe Labianca consists of €340,081 paid as an executive of the Issuer and €3,200 paid for attendance at board meetings (8 attendance fees of €400 each). . Mr. Labianca has waived any specific remuneration as Director.

(6) The remuneration of Andrea Pontremoli consists of €20,000 paid as Director, €10,000 paid as Chairman of the Control and Risks Committee, €2,500 paid as a member of the Remuneration Committee, €2,800 paid for attendance at board meetings (7 attendance fees of €400 each).

(7) The remuneration of Matteo Marzotto consists of €20,000 paid as Director, €5,000 paid as Chairman of the Remuneration Committee, €5,000 paid as a member of the Control and Risks Committee, €3,200 paid for attendance at board meetings (8 attendance fees of €400 each).

(8) The remuneration of Padre Cassiano consists of €20,000 paid as Director and of €400 paid for attendance at board meetings (1 attendance fee).

(9) The remuneration of Candice Koo consists of €20,000 paid as Director, €2,500 paid as a member of the Remuneration Committee, €5,000 paid as a member of the Control and Risks Committee, €3,200 paid for attendance at board meetings (8 attendance fees of €400 each) and €1,882.52 paid as the refund of expenses incurred in the position.

(10) The two key executives, Moreno Ciarapica and Riccardo Stefanelli, are also Directors of the Issuer. Information on their remuneration is contained in the respective items in the table.

**Table 2 - Investments held by members of the management and control bodies and by key executives.**

FIRST AND LAST NAME	POSITION	COMPANY IN WHICH INVESTMENT IS HELD	NUMBER OF SHARES OWNED AT THE END OF THE PREVIOUS YEAR	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES OWNED AT THE END OF THE CURRENT YEAR
Brunello Cucinelli	Chairman of the board and managing Director	Brunello Cucinelli S.p.A.	43,058,000	0	1,200,000 (*)	41,858,000
Moreno Ciarapica	Director and key executive	Brunello Cucinelli S.p.A.	114,000	0	0	114,000
Giovanna Manfredi	Director	Brunello Cucinelli S.p.A.	1,710,000	0	0	1,710,000

(\*)Shares sold pursuant to the agreement entered into in March 2012 with Mr. Chen Long, the controlling shareholder of Sichuan Lessin Holdings Company Ltd. (formerly Sichuan Lessin Department Stores Ltd.), current partner at 49% of Brunello Cucinelli Lessin (Sichuan ) Fashion Co. Ltd, a subsidiary company of the Group which manages the Issuer's sales network in China. The sale was subject to press release pursuant to art. 114 of Italian legislative decree no. 58/1998 (TUF) and communication of internal dealing.