



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**

**Traditional management and control model**

**Institutional website: [www.brunellocucinelli.com](http://www.brunellocucinelli.com)**

**REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES OF BRUNELLO CUCINELLI S.P.A. PURSUANT TO ARTICLE 123-BIS OF LEGISLATIVE DECREE NO. 58/1998 RELATING TO 2013. APPROVED BY THE COMPANY'S BOARD OF DIRECTORS ON 10 MARCH 2014.**

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## GLOSSARY

**Board:** the Issuers' Board of Directors.

**Civil Code:** the Italian civil code.

**Corporate Governance Code/Code:** the Corporate Governance Code for listed companies approved in December 2011 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**Group:** the group headed by the Issuer.

**Instructions to Market Rules:** Instructions accompanying the Rules of the Markets Organized and Managed by Borsa Italiana S.p.A..

**Issuer / Company / Brunello Cucinelli:** Brunello Cucinelli S.p.A..

**Issuers' Regulations:** the Regulations on issuers adopted by way of Resolution no. 11971 of 14th May 1999 (as amended).

**Market Regulations:** the Regulations on markets adopted by way of Resolution no. 16191 of 29th October 2007 (as amended).

**Market Rules:** Rules of the Markets Organized and Managed by Borsa Italiana S.p.A..

**Related Parties Regulation:** the Regulation issued by Consob by way of Resolution no. 17221 of 2010 (as amended) on related party transactions.

**Report:** the report on corporate governance and ownership structures which companies must prepare pursuant to article 123-bis of the TUF.

**TUF:** Legislative Decree no. 58 of 24th February 1998: "Consolidated law on financial intermediation".

**Year:** the fiscal year ended 31st December 2013, to which the Report relates.

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## 1. PROFILE OF THE ISSUER

Brunello Cucinelli S.p.A. is a company heading a group doing business on the domestic and international market in the luxury sector whose activity is the design, production and distribution of articles of clothing and accessories.

Brunello Cucinelli is organized on the traditional organizational model with a shareholders' meeting, a board of directors and a board of statutory auditors.

The corporate governance system adopted by the Issuer is represented by a set of legal and technical rules that are designed to ensure stakeholder protection and the maximum transparency through the proper management of the Company in terms of governance and control. This system is broken down into a set of rules and procedures which must undergo constant checking and revision to respond effectively to developments in legislation and best practices.

The Board of Directors has set up two internal committees having consulting, propositional and control functions, the Remuneration Committee and the Control and Risks Committee, in accordance with the requirements of the Corporate Governance Code.

On a voluntary basis, the Company has also set up the following inter-business committees having coordination functions: Management Committee, Human Resources Committee, Architectural Design Committee, Board of the 50.

On 27th January 2012, on the proposal of Board of Statutory Auditors the Company's ordinary shareholders' meeting appointed Reconta Ernst & Young S.p.A. to perform the legal audit for fiscal years 2012-2020 pursuant to Legislative Decree no. 39/2010.

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

At the date of this report, Brunello Cucinelli is controlled within the meaning of article 93 of the TUF by Cav. Lav. Brunello Cucinelli, who through Fedone s.r.l. ("**Fedone**"), holds the legal control of the Company..

The Company's corporate governance system is essentially directed towards the objective of creating shareholder value in the medium-long term, in the knowledge of the social importance of the activities in which the Company and the Group are involved and the resulting need to give adequate consideration in performing these activities to all the interests involved.

The Company exercises management and control activities over its subsidiaries.

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## **2. INFORMATION ON OWNERSHIP STRUCTURES**

**(art. 123-bis, para. 1, TUF)**

**As of 10th March 2014**

### **a) Capital structure (art. 123-bis, para. 1a), TUF)**

The Issuer has subscribed and paid-up share capital of €13,600,000.00 consisting of 68,000,000 ordinary shares with no nominal value.

At the date of this Report no classes of shares have been issued with voting rights or having a different nature other than ordinary shares.

At the date of this Report no other financial instruments have been issued which grant holders the right to subscribe to newly-issued shares.

Details of the structure of Brunello Cucinelli's share capital are provided in Table 1 presented in the annex to this Report.

At the date of this Report there are no outstanding share-based incentive plans nor are any planned.

### **b) Restriction on the transfer of securities (art. 123-bis, para. 1b), TUF)**

There are no restrictions on the transfer of the Company's shares.

### **c) Significant holdings in capital (art. 123-bis, para. 1c), TUF)**

Significant holdings in Brunello Cucinelli's capital are provided in Table 1 presented in the annex to this Report on the basis of the notifications made pursuant to article 120 of the TUF and the other information in Brunello Cucinelli's possession.

### **d) Securities with special rights (art. 123-bis, para. 1d), TUF)**

At the date of this Report no securities which grant special control rights had been issued.

### **e) Employee share schemes: mechanisms for the exercising of voting rights (art. 123-bis, para. 1e), TUF)**

At the date of this Report there were no employee share schemes.

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**f) Restrictions on voting rights (art. 123-bis, para. 1f), TUF)**

There are no restrictions on voting rights.

**g) Agreements between shareholders (art. 123-bis, para. 1g), TUF)**

At the date of this Report the Issuer is not aware of any agreement between shareholders pursuant to article 122 of the TUF other than the lock-up pact between Fedone, Fundita s.r.l. and Giovanna Manfredi, published on 1st May 2012, an extract of which may be consulted in the “Issuers” section of the Consob website ([www.consob.it](http://www.consob.it)).

**h) Change of control clauses (art. 123-bis, para. 1h), TUF) and bylaw provisions regarding public tender offers (art. 104, para. 1-ter and art. 104-bis, para.1)**

On 16th December 2009, the Brunello Cucinelli Group entered into a loan agreement with a syndicate of banks consisting of Intesa San Paolo S.p.A., Banca Nazionale del Lavoro S.p.A., Banca IMI S.p.A. (as “Agent Bank”), UniCredit Corporate Banking S.p.A., Banca Monte dei Paschi di Siena S.p.A., Banca delle Marche S.p.A, Banca Popolare dell’Etruria e del Lazio S.c.a.r.l., Mediocredito Italiano S.p.A., Cassa di Risparmio di Città di Castello S.p.A. and Banca Popolare di Ancona S.p.A. to refinance part of its short- and medium-term debt and to support its commercial development. Article 7.2 of this agreement provides for the early repayment of the outstanding balance of the loan plus interest, expenses and commissions relating to the principal repaid in advance if Cav. Lav. Brunello Cucinelli should cease to hold (or if his legitimate heirs cease to hold), directly or indirectly, at least 100% of the share capital of Fedone or if Fedone should cease to hold, directly or indirectly, at least 51% of the share capital of the Issuer (or of Parmenide S.r.l., a subsidiary of Fedone S.r.l., which does not form part of the Group).

The Issuer’s bylaws contain no provisions that derogate from the passivity rule provided by article 104, paras. 1 and 2 of the TUF.

The Issuer’s bylaws do not provide for the application of the neutralization rules contemplated by article 104-bis, paras. 2 and 3 of the TUF.

**i) Delegated powers regarding share capital increases and authorization for the purchase of own shares (art. 123-bis, para. 1m), TUF)**

At the date of this report the Board of Directors of Brunello Cucinelli has not been delegated to increase the Issuer’s share capital pursuant to article 2443 of the Civil Code nor to issue participating financial instruments or financial instruments of any other nature.

The Company has no outstanding treasury share purchase programs and held no treasury shares at 31st December 2013 (nor did it hold any at the date of this Report).

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**I) Management and coordination activities (art. 2497 et seq. civil code)**

The Company is not subject to the management and control activities of its parent Fedone, as (i) the main decisions regarding the management of the business of the Company and that of its subsidiaries are taken within the Company's own bodies; (ii) the Company's Board of Directors has the responsibility, among other things, to review and approve the strategic, business and financial plan of the Company and the Group, to review and approve the financial policies and credit access policies of the Company and the Group, to review and approve the Group's organizational structure and to assess the adequacy of the organizational, administrative and accounting structure of the Company and the Group; (iii) the Issuer works fully autonomously in conducting its relationships with its customers and suppliers and there is no interference by parties outside the Company; (iv) Fedone exercises no centralized treasury function for the Issuer.

The Issuer carries out management and control activities within the meaning of article 2497 of the Civil Code over Brunello Cucinelli Europe S.r.l. (a sub-holding whose business is the purchase and management of direct stores and showrooms in Italy and in Europe) and, more generally, over the strategic direction and coordination of the structure and the activities performed by the companies it controls.

In addition, the Company supplies Group companies with secretarial, administration and general accounting services (including the preparation of the separate and consolidated financial statements and related tax formalities) and conducts internal activities within the Group.

The Issuer also coordinates and directs Group companies in determining the investments to be made, in commercial and financial administration relations, in management control and in relation to information systems.

\* \* \*

The Issuer notes that:

- the information required by article 123-bis, para. 1i) of the TUF (*"agreements between companies and directors ... which envisage indemnities in the event of resignation or dismissal without just cause or if their employment contract should terminate as the result of a takeover bid"*) is provided in the Remuneration Report prepared pursuant to article 123-ter TUF;
- the information required by article 123-bis, para. 1I) of the TUF (*"rules applying to the appointment and replacement of directors ... and to amendments to the bylaws if different from legislative and regulatory rules applied as a supplementary measure"*) is provided in the section of the Report relating to the Board of Directors (§ 4).

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### **3. COMPLIANCE**

**(art. 123-bis, para. 2a), TUF)**

The Issuer complies with the Corporate Governance Code drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A. and this is available for public access on the website of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)). In certain cases the Company has not followed the recommendations contained in the Code. Details of the differences are given in the following paragraphs together with the underlying reasons.

A number of the Company's subsidiaries are governed by non-Italian legislation, although this does not affect the corporate governance structure of Brunello Cucinelli and the Group.

### **4. BOARD OF DIRECTORS**

#### **4.1 APPOINTMENT AND REPLACEMENT OF DIRECTORS**

**(art. 123-bis, para. 1l), TUF)**

In accordance with the requirements of article 147-ter of the TUF, the Company's bylaws require directors and statutory auditors to be appointed by means of a list vote mechanism.

This mechanism will be applied on the first post-listing renewal of the Issuer's Board of Directors and therefore at the shareholders' meeting which has been called for 23rd April 2014 on first call and, if needed, for 29th April 2014 on second call, to approve the financial statements for the year ending 31st December 2013 (the date of the end of the term of the present Board of Directors). Article 14 of the bylaws requires directors to be elected on the basis of lists presented by shareholders (on which the candidates are assigned a sequential number) who own, individually or jointly, an interest that is at least that issued by Consob pursuant to article 147-ter para. 1 of Legislative Decree no. 58/1998 and in compliance with the provisions of Consob Regulation no. 11971/1999 (Issuers' Regulations) as amended. In this respect it is noted that the interest threshold established for the Issuer by Consob pursuant to article 144-quarter of the Issuers' Regulations, by way of Resolution no. 18775 of 29th January 2014, is 1%.

The lists, which must be signed by the shareholders presenting them, must be lodged at the Company's registered office at least 25 days before the date set for the shareholders' meeting in first call, together with (i) a statement in which the individual candidates agree to stand and attest, under their own responsibility, that there are no reasons why they may be considered ineligible or incompatible and that they hold the prerequisites prescribed by applicable law and, if it be the case, that they hold the independence

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prerequisites, (ii) a *curriculum vitae* for each candidate which includes a description of the management and control positions held in other companies, (iii) an attestation providing evidence that at the time the list is lodged at the Company they are the owner of the minimum interest specified for presenting lists (in accordance with the requirements of article 147-ter para. 1-bis of the TUF, this attestation may also be produced after the lodging of the list provided this takes place within the term set for the publication of the lists).

The clause specifies that the names all the directors but one to be elected shall be taken from the list resulting first regarding the number of votes it receives, with the name of the remaining director taken from the minority list which obtained the second highest number of votes and is not in any way associated, even indirectly, with the shareholders who presented or voted in favor of the majority list. This ensures that a minority director is appointed in accordance with article 147-ter, para. 3 of the TUF.

The regulation in the bylaws, to which reference should be made, also governs the situation in which two or more lists receive the same number of votes.

The Company's bylaws do not set a minimum number of votes for a list to participate in the allocation of the directors to be elected.

In the case that the number of independent directors required by article 147-ter, para. 4 of the TUF is not ensured with the candidates elected in the above manner, article 14 of the Company's bylaws provides for a specific mechanism. In further detail the following is envisaged: (i) first and foremost that each list must contain a minimum number of candidates having the independence prerequisites established by applicable laws and regulations, and then (ii) that if the number of independent directors required by current legislation is not reached with the candidates elected the following procedure shall be followed:

- a) if a majority list has been presented, the non-independent candidates (equal to the number of independent directors missing) elected as last in sequential order in the majority list shall be replaced by independent directors on the same list who have not been elected following the sequential order;
- b) if a majority list has not been presented, the non-independent candidates (equal to the number of independent directors missing) elected as last in the lists from which an independent director has not been taken shall be replaced by independent directors on the same lists who have not been elected following the sequential order.

The Shareholders' Meeting of 18th April 2013 approved the amendments to the Bylaws regarding the appointment of the Board of Directors aimed at ensuring gender balance, in compliance with Italian Law no. 120/2011. Through these changes it was decided to: (i) include the principle according to which the voting list election mechanism of the directors should result in compliance with the legislation currently in force in the ambit of the "gender balance"; (ii) provide that the lists containing at least three names, must be composed of candidates belonging to both genders, so that at least one-third (rounded upwards) of the candidates on the list will belong to the less represented gender and to ensure the election and the presence in the Board of Directors of the less represented gender, in accordance with the prevailing legislation in the ambit of the "gender balance"; (iii) also provide that if the mechanism described under (ii) is not sufficient to achieve the

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above goal, the last candidate in progressive order of the most represented gender elected from the list that obtained the highest number of votes will be replaced with the first non-elected candidate of the less represented gender of the same list (and, in case of failure of such last remedy, the replacement will be applied by way of a shareholders' meeting's resolution after application of persons belonging to the less represented gender); and finally (iv) establish that the compliance to the provisions of "gender balance" shall be ensured even in case of replacement of ceased directors.

The same shareholders' meeting of 18th April 2013 also approved the following changes in the election mechanism:

(a) insertion of a clause according to which the loss of the independence requirements implies the removal from the office of director, unless the requirements of independence are still held by the minimum number of directors who must meet these requirements in accordance with applicable law;

(b) provision that, in case of submission of one list only of candidates for the election of the Board of Directors, the directors will be drawn from such list. The shareholders' meeting convened for 23rd April 2014 on first call and, if needed, on 29th April 2014 on second call, to approve the financial statements for the Year has also been called to renew the Board of Directors and the Board of Statutory Auditors.

The Company's bylaws do not specify the need for any independence requirements in addition to those provided in article 148, para. 3 of the TUF nor for any integrity requirements other than those provided by applicable legislation. There are no professionalism requirements needed to hold a position as director.

If it the requirement to replace one or more directors arises, the Board of Directors uses a co-opting procedure pursuant to article 2386 of the Civil Code.

The Issuer is not bound by any other provisions concerning the composition of the Board of Directors with respect to the requirements of the TUF.

The Board of Directors at its meeting of 13th December 2013 approved the guidelines of a plan, called "Generational Transition", 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, through the selection, induction and formation of a new generation of managers.

The program aims at training young employees, capable and highly motivated, also realizing the objectives of preservation of corporate know-how and continuity in the management of the Company. The program requires that each employee of the Company in charge of an office participates in training and tutoring programs for the workers of her/his office; one of these workers may be selected as the "second in charge", who, for formation, capabilities, technical skills, etc. , may become in the future the person in charge of the office. However, it is possible to become "second in charge" only after a trial period of three years, during which she/he shall give proof of their skills and capabilities to assume the role of first in charge of the office. The designation of an employee as "second in charge" does not guarantee his future appointment as "first in charge". The program provides that the succession at the head of an office applies when the person in charge reaches the age of 60 years.

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The mechanisms for choosing the “second in charge” shall also apply to the selection of candidates to the positions of CEO (Chief Executive Officer), CFO (Chief Financial Officer) and COO (Chief Operating Officer).

In particular, without prejudice to the competence of the Board of Directors in delegating its powers, the candidate to the position of CEO will be selected among the Company's top management at the end of a trial period during which the abilities and the skills of the candidate for an office of such high responsibility could be properly tested. Differently from the other offices, the mandatory handover at the reaching of the age of 60 years does not apply to the position of CEO.

## **4.2 COMPOSITION**

**(art. 123-bis, para. 2d), TUF)**

Pursuant to article 13 of the bylaws, Brunello Cucinelli may be managed by a Board of Directors consisting of no less than five and no more than twenty members, elected by an ordinary shareholders' meeting. Directors do not have to be shareholders.

The present members of the Board of Directors are the following:

- Brunello Cucinelli, executive director, Chairman of the Board of Directors and Managing Director, appointed on 16/06/2011;
- Moreno Ciarapica, executive director, Chief Financial Officer and Manager in charge of preparing the corporate accounting documents, appointed on 16/06/2011;
- Riccardo Stefanelli, executive director, Chief Commercial Officer, appointed on 16/06/2011;
- Giovanna Manfredi, non-executive director, appointed on 16/06/2011;
- Giuseppe Labianca, non-executive director, co-opted by the Board of Directors on 14/12/2012 and confirmed by the shareholders' meeting of 18th April 2013;
- Candice Koo, independent director, appointed on 16/03/2012;
- Andrea Pontremoli, independent director, appointed on 16/03/2012;
- Matteo Marzotto, independent director, appointed on 16/03/2012;
- Cassian Folsom (Father Cassiano), independent director, appointed on 16/03/2012.

The directors hold office for a period not exceeding three fiscal years and up until the approval of the financial statements for the final year of that term, in accordance with the provisions established by the shareholders' meeting on their appointment, and may be re-elected.

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The Issuer's Board of Directors, appointed by the ordinary shareholders' meeting on 16th June 2011 and supplemented by means of a resolution adopted by shareholders on 16th March 2012, remains in office until the 23rd April 2014, date of the shareholders' meeting called to approve the financial statements for the Year.

Reference should be made to Table 2 in the annex for information regarding the composition of the Board of Directors.

The *curricula vitae* of the Issuer's directors may be found in the Investor Relations section of the Company's institutional website at: <http://investor.brunellocucinelli.com/ita/governance/consiglio-di-amministrazione/>

No member of the Board of Directors has ceased to hold office after the end of the Year nor have there been any changes in the composition of the Board after that date.

### **Maximum number of positions held in other companies**

The Board has not established any general criteria for the maximum number of management and control positions in other companies which may be considered compatible with an effective performance of the role as director of the Issuer, without altering the duty of each director to assess the extent to which positions as director or statutory auditor held in other companies listed on regulated markets, in financial, banking or insurance companies and in companies of a significant size are compatible with a diligent performance of the duties assumed as director of the Issuer.

### **Induction Program**

No specific induction program has been drawn up. Despite this, the Chairman of the Issuer's Board of Directors has ensured that directors may acquire adequate knowledge of the Company's business and the specific market in which the Company operates. This in order to enable all the directors to be more fully involved in the Company's crucial decisional processes. In this sense the Company's characteristics and changes and trends in its specific sector have been analyzed during Board meetings and the main features of the commercial strategy that the Company intends to adopt have been discussed there. In addition, the matter of the Company's governance has often been discussed to ensure that everyone is more aware of the means by which it works, and naturally also the economic and financial data regarding the Company's activities have been reviewed, including in this an analysis by channel and geographical area.

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### 4.3 ROLE OF THE BOARD OF DIRECTORS

(art. 123- bis, para. 2d), TUF)

The Company's Board of Directors met on 8 occasions during the Year. On average Board meetings lasted 2 hours.

Six meetings of the Board of Directors are planned for the current year.

The Board of Directors has met on 2 occasions since the end of the Year on 31st December 2013, namely on 16th January 2014 and 10th March 2014.

To ensure that directors receive pre-meeting information in a timely and complete manner the relevant documentation regarding the matters on the agenda is sent on a regular basis to the directors with reasonable notice before the date of the meeting. Notice of four days before the date of the meeting of the Board of Directors is usually considered reasonable for the sending of documentation. This notice period has normally been satisfied.

At Board meetings the Chairman of the Board of Directors encourages intervention by directors and any other people who may be attending in order to obtain a constructive and accurate analysis of all the matters on the agenda, dedicating the right time to a review of the various subjects. In particular, a reasonable amount of time is dedicated to illustrating the main features of the market in which the Company works and also the specific characteristics of the Brunello Cucinelli Group, including those of an organizational nature.

Certain directors are also executives of the Issuer; when taking part in Board meetings, therefore, these people illustrate the matters on the agenda for the areas for which they are respectively responsible.

The Board of Directors plays a central role as part of the Company's organization and is in charge of establishing and pursuing the strategic objectives of the Company and the Group, as well as verifying the existence of the controls required to monitor the performance of the Company and other Group companies.

In addition to the powers which the law and the Company's bylaws reserve for the collegiate management body, including the duties stated in the fourth paragraph of article 2381 of the Civil Code, the following responsibilities are reserved for the Board of Directors:

- review and approval of the strategic plans, business plans and financial plans of the Company and the Group, the corporate governance system of the Company and the structure of the Group;
- review and approval of the Company's budget, also on a consolidated basis;
- review and approval of the interim management report and the half-year financial report of the Company, also on a consolidated basis;
- an assessment of the adequacy of the organizational, administrative and general accounting structure of the Company and its subsidiaries with strategic relevance drawn up by the Managing Director, with specific reference to the internal control system and the management of conflicts of interest;

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- regular review of the income statement, balance sheet, cash flows and financial position of the Company and the Group;
- review and approval of the disposal and acquisition, in whatever capacity and under whatever legal form, of controlling holdings in companies or other bodies which are not included in the budget and are carried out for amounts exceeding € 5,000,000;
- the setting up of committees within the Board and the establishment of the regulations they must follow, together with the appointment of their members and the determination of the remuneration committee members will receive;
- granting and revoking powers to the directors, with the specification of any limits to these powers and the means by which they may be exercised, establishing the relative remuneration;
- review and approval of the operations carried out by the Company and its subsidiaries when these operations have an important significance for the Company from an income statement, balance sheet, cash flow or financial standpoint, such as by way of mere example but not limited to: (i) loans to parties other than subsidiaries or associates; (ii) the pledging of personal guarantees or collateral in favor of subsidiaries or in favor of third parties for amounts exceeding a total of €5,000,000 for each fiscal year; (iii) and the disposal or acquisition of patents, trademarks and brand names, distinctive signs, copyrights and similar items. To this end, the following do not form part of operations having an important significance for the Company from an income statement, balance sheet, cash flow or financial standpoint: lease contracts for commercial spaces and the related agreements, including guarantee deposits or the recognition of amounts as key money, franchising agreements and agreements with wholesale customers, distributors or agents. These operations accordingly fall under the competence of the Managing Director;
- signing consultancy contracts whose amount exceeds a total of €500,000 or whose term exceeds 36 months whatever the amount;
- decisions, on the proposal of the Managing Director, on the exercising of voting rights in the extraordinary shareholders' meetings of subsidiaries having strategic relevance.

Pursuant to article 16 of the Company's bylaws, meetings are valid if the majority of directors holding office are present and resolutions are adopted with the favorable vote of the majority of those attending.

At its meeting of 10th March 2014, the Board of Directors assessed the adequacy of the Issuer's organizational, administrative and accounting structure as drawn up by the Managing Director, with specific reference to the internal control system and the management of conflicts of interest. This assessment, which had a favorable outcome, was carried out on the basis of the information provided by the Managing Director to directors during the meeting in question.

With regard to directors' remuneration, directors have received a reimbursement of the expenses they incurred in performing their duties together with an annual fee resolved by the Board of Directors pursuant to article 2389, paragraph 1 of the Civil Code, taking into account the total amount established by shareholders

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in their general meeting of 16th March 2012. Further details may be found in the Remuneration Report published at the same time as this Report.

The Board also assessed the general performance of operations on a quarterly basis, taking into account the information received from the delegated bodies and comparing actual and budgeted amounts on a regular basis.

As stated above, one of the Board's duties is the review and approval of the operations carried out by the Company and its subsidiaries when these operations have key importance for the Company from an income statement, balance sheet, cash flow or financial standpoint. In this respect, at its meeting of 10th March 2014 the Board of Directors confirmed that the subsidiaries BC USA, Inc. and Cucinelli Holding Co., LLC. have the characteristics of companies having strategic importance.

In accordance with the Regulation adopted by Consob by way of Resolution no. 17221 of 12th March 2010 ("Regulation no. 17221/2010"), the Company currently has a Procedure for Managing Related Party Operations (as further described in § 12 to which reference should be made) which requires *inter alia* that the approval of Transactions of Greater Importance (as defined in the procedure on the basis of the requirements of Regulation no. 17221/2010) should be reserved for the Company's Board of Directors.

At the meeting of 18th July 2013, the Board of Directors adopted - after a positive opinion of the Audit and Risk Committee - four framework- resolutions through which it has previously authorized a series of recurring transactions with four related parties, providing a limit of expenditure over the annual validity of the resolutions.

The Board gave a positive assessment to its structure and the way it works on the basis of considerations regarding, among other things, the adequacy of the number of Board members and, in particular, the number of independent directors, the existence of directors on the Board who, taken as a whole, hold all the skills required by the Issuer, and the adequacy of the powers entrusted to the Chairman and Managing Director and the directors Moreno Ciarapica and Riccardo Stefanelli.

As regards an assessment of the size, composition and working of the committees set up within the Board, the Board considered the number of members on the Control and Risks Committee and the Remuneration Committee and their composition to be adequate. The Board of Directors also decided that these committees have made an effective contribution to the Board in terms of analysis and contents. The independent directors agreed with that assessment.

The shareholders' meeting of Brunello Cucinelli S.p.A. has not authorized any exemption from the non-competition requirements of article 2390 of the Civil Code.

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#### 4.4 DELEGATED BODIES

##### Managing Directors

Pursuant to article 17 of the bylaws, the Board of Directors can delegate its duties, excluding those specifically reserved for the Board by law, to an executive committee and/or one or more members of the Board of Directors, and can appoint authorized representatives, including on a permanent basis for single acts or operations or for classes of acts or operations.

On 20th June 2011 the Issuer's Board of Directors appointed Cav. Lav. Brunello Cucinelli as Managing Director, granting him all the powers of ordinary and extraordinary management of the Company which can be exercised as a single signatory inside and outside of Italy, with the exclusion of the powers reserved for the exclusive competence of the Board of Directors, as listed in § 4.3 above (and the powers that laws and regulations and the bylaws grant to the Board of Directors, including the duties stated in the fourth paragraph of article 2381 of the Civil Code). The director and Managing Director Cav. Lav. Brunello Cucinelli may also be considered to be the Chief Executive Officer and does not hold a position as director in any other issuer in which a director of the Issuer is Chief Executive Officer.

On 26th March 2012 the Issuer's Board of Directors granted Moreno Ciarapica in his capacity as the Company's Chief Financial Officer the powers indicated below, as well as the related power of representation before third parties, which may be exercised as a single signatory within the limits of the budget and jointly with the Managing Director and the other directors:

- a. Raw materials and semi-finished goods: to buy sell and exchange raw materials and semi-finished goods required for production purposes for an amount not exceeding €3,000,000 for each single contract or transaction;
- b. Contracts: negotiate, to sign and rescind contracts: purchase contracts with the suppliers of goods and services, signing on the Company's behalf the relative orders and contracts by the means, with the clauses and for the contracted amounts considered most appropriate, as well as any deed relating to the purchase, sale or exchange of registered moveable assets; contracts for the hiring, licensing, transportation, insurance, deposit, leasing and rental of moveable assets, real estate and registered moveable assets; and agreements for recognizing amounts as key money, in all cases for a payment not exceeding €3,000,000 for each single contract or transaction;
- c. Contracts for telephone usage etc.: to enter and rescind contracts for the installation of telephone, lighting, electricity and water supply lines;
- d. Bank transactions: (i) to open, maintain and close current accounts and overdrafts at any bank or post office, to carry out the sale of receivables; (ii) to sign debit instructions and transfer orders to be charged against current accounts held in the Company's name, including overdrafts, within the limits of the facilities provided to the Company, for amounts not exceeding €3,000,000 for each single contract or transaction; (iii) to sign checks, request the issue of bankers' drafts, rent safety deposit boxes, sell receivables, request sureties, open export credit facilities, request the opening of accounts for advances in euro or foreign currency, make transfers of sums of money between bank

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accounts, also without funds, in all cases for amounts not exceeding €3,000,000 for each single contract or transaction;

- e. Loans: to enter loan, lease and cash facility contracts for a principal amount not exceeding €3,000,000 for each single contract or transaction;
- f. Endorsements and quittances: to endorse and issue receipt for bank checks, promissory notes, warehouse receipts, postal and telegraphic orders and credit instruments in general at banks, lending institutions, postal offices, railway offices, maritime offices and airline offices;
- g. Bills and drafts: to issue bills on debtors, accept bills, negotiate them and discount them with banks or lending institutions, protest bills;
- h. Collection: to make claim for everything due to the Company, for any amount or reason, from any person, issuing a valid receipt and a release from responsibility;
- i. Insurance: to enter and sign insurance contracts when the annual premium for each individual policy does not exceed €500,000 and collect the relative indemnity on behalf of the Company, issuing a valid and releasing receipt;
- j. Import and export transactions: to represent the Company in relation to any import or export transaction and any procedure with customs and the Bank of Italy, especially regarding bank clearance, and with the Ministry of Foreign Trade; to represent the Company in any operation with public and private carriers and shippers, with post offices, railway offices and public service offices, collecting goods, valuables, packages, letters, including registered and insured letters, ordinary and telegraphic postal orders, as well as collecting deposits and settling claims, appointing special agents for these operations;
- k. Payment of tax liabilities: to give instruction to make payment for any amount relating to VAT, withholding tax, tax and social security liabilities;
- l. Certificates and statements regarding income tax returns: to issue certificates and statements for employees' income tax returns, extracts from the payroll and attestations regarding the personnel to the persons concerned, public offices and insurance, pension, illness and accident and health benefit institutes; to sign statements regarding the remuneration paid to employed staff;
- m. Income tax, VAT and INTRASTAT returns: to sign the Company's income tax, VAT and INTRASTAT returns;
- n. Representation of the Company in industry associations and organizations: to represent the Company in sectorial economic organizations, associations and consortia and also in business organizations and workers' associations;
- o. Representation before judicial authorities: in relation to contracts arranged or action taken during the year in exercising the powers granted to him, to represent the Company before any ordinary or special judicial, administrative or fiscal authority in any proceeding at any level and in any place, as well as before mediation bodies, with the power to sign applications, appeals, applications to adhere pursuant to Legislative Decree no. 218/1997, requests for exemption refunds, orally or in writing, on any subject, proposing and supporting action, including administrative action and judicial action of a cognizance, enforcement, bankruptcy procedure, insolvency, standstill and special administration

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nature, carrying out the relative formalities and hence also the issue of special powers of attorney and mandates to lawyers and representatives involved in litigation; to elect domicile; to refer to arbitration each and every dispute in which the Company has an interest or agree to an amicable settlement; to validly propose and sign judicial and extrajudicial settlements and settlement reports including those as per article 48 of Legislative Decree no. 546/1992;

- p. Representation of the Company at public and private offices: to represent the Company at any public or private office, the public debt office, the state investment bank (*cassa depositi e prestiti*) and the issuing institute in respect of any transaction;
- q. Notices and attestations to public and private bodies: to sign applications to public and private bodies for notices, information, documents, certificates and attestations;
- r. Ordinary correspondence of the Company: to sign the Company's ordinary correspondence for the operations included in this list;
- s. Delegation of powers: to delegate the powers included at the points above to the Company's employees or persons with special powers of attorney for individual acts and classes of acts.

The director Moreno Ciarapica promptly informs the Managing Director Cav. Lav. Brunello Cucinelli of the contracts, deeds and operations entered into or arranged.

At the same meeting on 26th March 2012 the Issuer's Board of Directors granted the director Riccardo Stefanelli, in his capacity as the Company's Chief Commercial Officer, the powers indicated below as well as the connected power of representation before third parties, which may be exercised as a single signatory within the limits of the budget and jointly with the powers held by the Managing Director and the other directors:

- a. Contracts: to conclude, amend and terminate agency, distribution, sales, export, franchising and commercial space leasing contracts, guarantee deposit agreements, agreements for recognizing amounts as key money and agreements with wholesale customers for an amount not exceeding €1,000,000 for each single contract or transaction;
- b. Collection: in respect of contracts or transactions arranged in exercising the powers granted to him, to make claim for everything due to the Company, for any amount or reason, from any person, issuing a valid receipt and release from responsibility;
- c. Representation before judicial authorities: in relation to contracts arranged or action taken during the year in exercising the powers granted to him, to represent the Company before any ordinary or special judicial or administrative authority in any proceeding at any level and in any place, as well as before mediation bodies, with the power to sign applications, appeals, requests for exemption refunds, orally or in writing, on any subject, proposing and supporting action, including administrative action and judicial action of a cognizance, enforcement, bankruptcy procedure, insolvency, standstill and special administration nature, carrying out the relative formalities and hence also the issue of special powers of attorney and mandates to lawyers and representatives involved in litigation; to elect domicile;
- d. Correspondence: to sign the Company's ordinary correspondence for the operations included in the

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subject list;

- e. Delegation of powers: to delegate the powers included at the points above to the Company's employees or persons with special powers of attorney for individual acts and classes of acts.

The director Riccardo Stefanelli promptly informs the Managing Director Cav. Lav. Brunello Cucinelli of the contracts, deeds and operations entered into or arranged.

At the meeting of 12th November 2013, the Board of Directors resolved to grant to the directors Moreno Ciarapica and Riccardo Stefanelli the powers already attributed to the Chief Executive Officer, Cav. Lav. Brunello Cucinelli according to the resolution of 20th June 2011 and in accordance with the limits set out therein, to be exercised jointly and then with double signature, only in case of impossibility or serious impediment of the CEO, and providing immediate notice to the Board of Directors in the first following meeting thereof.

### **Chairman of the Board of Directors**

The Chairman of the Board of Directors coordinates the activities of the Board of Directors, calls board meetings, establishes the agenda and leads the discussion on the agenda, ensuring that directors are provided on a timely basis with the documentation and information required by the law and under the bylaws. He additionally checks that board resolutions are implemented, chairs the shareholders' meeting and has powers as a legal representative of the Company.

The Chairman of the Company's Board of Directors, Cav. Lav. Brunello Cucinelli, also holds the position as Managing Director, having the powers granted to him by a resolution of the Board of Directors of 20th June 2011 (see above), and accordingly is the leading person in charge of the Issuer's operations. In the Board's opinion the fact that the same person holds the two positions may be justified by the organizational structure of the Company and the Group to which it belongs.

To deal with the above-mentioned concentration of positions, the Board of Directors has taken the following action:

- it has applied the recommendation contained in application criterion 2.C.3. of the Corporate Governance Code, designating Andrea Pontremoli as lead independent director (see § 4.7);
- it has established a Remuneration Committee consisting of three independent directors (see § 8);
- it has established a Control and Risks Committee consisting of three independent directors (see § 10);
- it reserves the functions of the Appointments Committee to the Board of Directors as a whole (see § 7);
- it has assigned operational powers to the directors Moreno Ciarapica and Riccardo Stefanelli in their respective areas (see § 4.5).

In consideration of the above, the Board of Directors believes that the fact that the positions of Chairman and Managing Director are held by the same person does not in the specific case lead to any critical situations

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and on the other hand believes that this can respond to the need to impose unity of direction in the management of the operating companies forming part of the Group.

In conclusion, it is noted that the Chairman Cav. Lav. Brunello Cucinelli holds the legal control of the Company through Fedone S.r.l..

#### **Executive committee**

No Executive Committee had been established at the date of this Report.

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#### **Disclosures to the Board**

During the course of the Year the Chairman of the Board of Directors and Managing Director Cav. Lav. Brunello Cucinelli constantly reported to the Board on the activities he performed in exercising the delegated powers granted to him, on at least a quarterly basis, and in general informed the directors and statutory auditors about the projects in progress and the more significant operations, even when their approval did not form part of the Board's competence.

#### **4.5 OTHER EXECUTIVE DIRECTORS**

In addition to the Chairman of the Board of Directors and Managing Director, there are two members of the board who are to be considered executive directors, Moreno Ciarapica and Riccardo Stefanelli. Moreno Ciarapica is the Company's Chief Financial Officer and manager in charge of preparing the corporate accounting documents (as defined by art. 154-*bis* of the TUF) and Chairman of Brunello Cucinelli USA Inc., a subsidiary of the Issuer of strategic importance (see § 4.3). Mr. Stefanelli is the Company's Chief Commercial Officer.

The executive directors attend meetings of the Board of Directors.

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#### **4.6 INDEPENDENT DIRECTORS**

There are four independent directors on the Company's Board of Directors: Candice Koo, Andrea Pontremoli, Matteo Marzotto and Cassian Folsom (Father Cassiano).

At the first possible meeting after their appointment, held on 26th March 2012, the Board ascertained that these persons hold the independence requirements as per the applications criteria of article 3 of the Corporate Governance Code and as per the criteria stated in article 147-ter, paragraph 4 of the TUF (which refers to the criteria in article 148 of the TUF).

The Board of Statutory Auditors has checked and come to a positive conclusion on the proper application of the assessment criteria and procedures used by the Board to evaluate the independence of its members, establishing at the meetings of the Board of Directors of 12th March 2013 and of 10th March 2014 that the independence requirements continue to be met.

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No meetings of the independent directors were held in fiscal year 2013. Despite this the independent directors received extensive information on the Issuer's operations, from time to time providing a free and constructive contribution at the board meetings held during the Year.

Furthermore, three out of four Independent Directors of the Company are part of the Audit and Risk Committee and of the Remuneration Committee (see below § 6) and therefore they have many opportunities for discussion, in addition to attending meetings of the Board of Directors.

All the independent directors constantly undertake to maintain their independence.

#### **4.7 LEAD INDEPENDENT DIRECTOR**

In accordance with the recommendations of the Corporate Governance Code, at its meeting on 26th March 2012 the Board of Directors appointed the independent director Andrea Pontremoli as lead independent director for the period until the approval of the Company's financial statements for the year ending 31 December 2013.

At the meeting on 26th March 2012 the lead independent director was granted the right to call meetings, autonomously or at the request of one or more directors, consisting solely of the independent directors to discuss matters considered of interest regarding the way in which the Board of Directors works or the Issuer's corporate management.

During fiscal year 2013 the lead independent director attended seven of the eight meetings of the Board of Directors and all the committee meetings in his capacity as Chairman of the Control and Risks Committee and member of the Remuneration Committee, and had access to all the information pertaining to the

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Company and the Group, acting as a point of reference and coordination for the requests and contributions of the non-executive and independent directors.

## **5. HANDLING CORPORATE INFORMATION**

Pursuant to article 181 of the TUF at its meeting on 27th January 2012 the Company's Board of Directors adopted a procedure for managing internally and communicating externally documents and information regarding the Company, with specific reference to inside information handled by directors and other persons having access by virtue of their position or function in the Company, in order to ensure that these documents and this information is properly managed, also in respect of the market communication requirements as per the Consolidated Law on Financial Intermediation.

The purpose of the "Regulation for Handling Inside Information" is to regulate the obligations that the relevant parties and individuals of the Company are required to follow as far as handling the Company's inside information is concerned, and the precautions that the Company must take and the market communication requirements it is required to satisfy.

The Regulation firstly regulates the means of assessing the "inside" nature of the information, continues with the means by which information defined as "inside information" should be communicated to the public and then states that it is forbidden for relevant persons and employees of the Company to disseminate inside information externally. The Regulation ends with details of the penalties which may be inflicted on directors and employees who disseminate inside information to the public in the absence of suitable authorization.

At its meeting of 27th January 2012 the Board adopted a procedure for managing internal dealing disclosure requirements in connection with the internal dealing requirements specified in article 114, paragraph 7 of the Consolidated Law and articles 152-sexies, 152-septies and 152-octies of the Issuers' Regulations. In particular, this procedure governs the transactions carried out by the directors or other relevant persons in the financial instruments issued by the Company, with specific reference to disclosure requirements.

Finally, a procedure was also approved at the meeting of 27th January 2012 for managing the Group's register of persons having access to inside information, in accordance with article 115-bis of the TUF, effective from the date of filing the application for the admission of the Company's shares to trading on the Electronic Stock Exchange with Borsa Italiana.

## **6. BOARD COMMITTEES**

**(art. 123- bis, para. 2d), TUF)**

In order to ensure that its corporate governance model complies with the recommendations of the Corporate Governance Code, following up the resolutions adopted on 27th January 2012, at its meeting of 26th March 2012 the Company's Board of Directors resolved to set up a remuneration committee (the "Remuneration Committee") and a control and risks committee (the "Control and Risks Committee"), both having propositional and consulting functions. The committees were set up to become effective from the start of trading in the Issuer's shares on the Electronic Stock Exchange and accordingly both became operative on 27th April 2012.

At its meeting of 26th March 2012 the Board of Directors also resolved that the functions of the Appointments Committee as per article 5 of the Corporate Governance Code should be reserved for the Board of Directors as a whole, in this respect undertaking to dedicate suitable space at board meetings for performing those functions.

The composition of the Remuneration Committee and a the Control and Risks Committee complies with the requirements of the Corporate Governance Code.

At the date of this Report the Issuer has no committees other than those specified in the Corporate Governance Code, except for those described in § 17 (Other corporate governance practices).

## **7. APPOINTMENTS COMMITTEE**

At its meeting of 26th March 2012 the Board resolved to avail itself of the faculty provided by article 4, applications criterion 4.C.2 of the Corporate Governance Code, reserving the function of the Appointments Committee to the Board as a whole under the coordination of the Chairman, undertaking to ensure that suitable space is given at board meetings to carrying out the functions that the Corporate Governance Code assigns to the Appointments Committee.

As of the date of this Report, the Company's Board of Directors has not yet carried out its functions as the Appointments Committee, given that the Company was only recently listed (on 27th April 2012) and given that the management body will remain in office until the approval of the 2013 financial statements.

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## **8. REMUNERATION COMMITTEE**

In accordance with principle 6.P.3 of the Corporate Governance Code, the Board of Directors of Brunello Cucinelli has established a Remuneration Committee.

For all the information relating to the Company's Remuneration Committee reference should be made to the Remuneration Report prepared by the Issuer pursuant to article 123-ter of the TUF.

## **9. DIRECTORS' REMUNERATION**

For all the information relating to the remuneration of the Company's directors reference should be made to the Remuneration Report prepared by the Issuer pursuant to article 123-ter of the TUF.

## **10. CONTROL AND RISKS COMMITTEE**

At its meeting of 26th March 2012, the Board of Directors of Brunello Cucinelli established a Control and Risks Committee (see § 6), which became operative from the start of trading in the Issuer's shares on the MTA and accordingly on 27th April 2012.

### **Composition and working of the Control and Risks Committee (art. 123-bis, para. 2d), TUF)**

The work performed by the Control and Risks Committee is coordinated by the committee's chairman Andrea Pontremoli.

The Control and Risks Committee met three times during the Year, on 7th March, 17th July and 28th August 2013. The meetings of the Control and Risks Committee lasted on average 1 hour and 15 minutes and were properly minuted.

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

Further details of the composition of the Control and Risks Committee and its work may be found in Table 2 in the annex.

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On 26th March 2012 the following people were appointed as members of the Control and Risks Committee until the approval of the Company's financial statements for the year ending 31 December 2013: Andrea

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Pontremoli, being the Chairman of the Control and Risks Committee, Candice Koo and Matteo Marzotto. All the committee's members are non-executive and independent directors.

Also during the year ended 31st December 2013 the composition of the Control and Risks Committee complied with the recommendations of the Corporate Governance Code, under which the committee must consist of at least three members (article 4, application criterion 4.C.1) who are non-executive directors and the majority of whom are independent (article 7, principle 7.P.4).

The necessary independence requirements and, also in consideration of their relative professional profile, a suitable knowledge and experience in accounting and financial matters and risk management matters of all the members of the Control and Risks Committee, have been checked and ascertained by the Board of Directors at the meeting on 10th March 2014.

From time to time on the invitation of the committee members of the Board of Statutory Auditors, representatives of the external auditors, the general counsel and the Head of the Internal Audit Function attended meetings of the Control and Risks Committee, together with in general the executives of the Issuer in charge of the business functions involved in the matters on the agenda.

#### **Functions assigned to the Control and Risks Committee**

On the basis of the recommendations of the Corporate Governance Code and in accordance with the requirements of the "Guidelines for the Internal Control and Risk Management System of the Brunello Cucinelli S.p.A. Group" (see § 11), the Control and Risks Committee:

- a) issues opinions to the Board of Directors on identifying and updating the principles and recommendations contained in the above-mentioned Guideline;
- b) issues opinions to the Board of Directors on an evaluation of the adequacy of the Internal Control and Risk Management System with respect to the characteristics of the business and the risk profile assumed, together with its effectiveness, for the purpose of ensuring that the main business risks are properly identified and adequately managed;
- c) issues opinions to the Board of Directors on the approval of the work program prepared by the Head of Internal Audit;
- d) issues opinions to the Board of Directors on the description of the main features of the Internal Control and Risk Management System, as part of the annual corporate governance report;
- e) issues opinions to the Board of Directors on an evaluation of the findings reported by the legal auditor in any management letter and in the report on the basic matters arising during the legal audit;
- f) issues opinions to the Board of Directors on the appointment and dismissal of the Head of Internal Audit, the establishment of his remuneration consistent with the business's policies and a check that this person has adequate resources for carrying out his responsibilities;
- g) evaluates, together with the Manager in charge of preparing the corporate accounting documents and after consulting with the legal auditor and the Board of Statutory Auditors, the correct use of accounting principles and their consistency for preparing the consolidated financial statements;

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- h) if it be the case, expresses opinions on the identification on the principal business risks;
- i) reviews, among other things, the periodic reports, and those of specific importance prepared by the Internal Audit Function;
- l) monitors the autonomy, the adequacy and the efficiency of the Internal Audit Function;
- m) may request the Internal Audit Function to carry out tests on specific operating areas, at the same time informing the Chairman of the Board of Statutory Auditors of this;
- n) may at any time invite the Head of Internal Audit to report on the activities performed and on the status of the Internal Control and Risk Management System; the Control and Risks Committee may also request from the Head of Internal Audit a copy of the documentation he holds pursuant to the above-mentioned Guidelines;
- o) performs the duties which, in accordance with regulatory legislation in force from time to time, have been assigned to it pursuant to the procedure for the approval of related party transactions;
- p) performs the additional duties that have been assigned by the Board of Directors. At least the Chairman of the Board of Statutory Auditors or another statutory auditor designated by him must attend the proceedings of the Control and Risks Committee; other statutory auditors may in any case attend.

During the Year the Committee expressed an opinion about the proposal of the Board of Directors to adopt framework-resolutions to authorize some recurrent related party transactions within certain limits of expenditure over the annual validity of the resolutions. It expressed a favorable opinion.

In performing its duties the Control and Risks Committee is entitled to have access to the information and business functions necessary for it to carry out its work.

No specific funds were allocated to the Control and Risks Committee, as in order to perform its duties - as mentioned above - it avails itself of the Issuer's resources and business structures and external consultants, whose costs are incurred by the Company.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

In line with article 7 of the Corporate Governance Code, the Issuer believes that it has adopted an internal control and risk management system that is suitable for ensuring that the main risks can be identified, measured, managed and monitored in accordance with national and international best practice.

More specifically, the following are involved in the internal control and risk management system: (a) the Board of Directors, which is responsible for the functions stated in application criterion 7.C.1. of the Corporate Governance Code, which include among other things establishing guidelines for the internal control and risk management system; (b) the Control and Risks Committee, having the duty to support, with suitable investigative activities, the evaluations and decisions of the Board of Directors regarding the internal control and risk management system and to which are assigned the duties included in application criterion

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7.C.2. of the Corporate Governance Code; (c) the director charged with the responsibility for the internal control and risk management system Cav. Lav. Brunello Cucinelli, to whom, by way of a resolution adopted by the Board of Directors on 27th January 2012, are assigned the duties included in application criterion 7.C.4. of the Corporate Governance Code; (d) the Head of Internal Audit with the duties included in application criterion 7.C.5. of the Corporate Governance Code; and (e) the Board of Statutory Auditors which supervises the effectiveness of the internal control and risk management system.

During the year 2012 the Company drew up a document "Guidelines for the Internal Control and Risk Management System of the Brunello Cucinelli S.p.A. Group", which was brought to the attention of the Supervisory Body as per Legislative Decree no. 231/2001, the Board of Statutory Auditors and the Control and Risks Committee, and approved by the Issuer's Board of Directors at its meeting of 12 March 2013. This document sets out the principles and structure and the processes designed to monitor the efficiency of business operations, the reliability of financial information, compliance with laws and regulations and the safeguarding of business assets.

The Board (i) looks after the prevention and management of the business risks pertaining to the Issuer and the Group by establishing guidelines for the control system that are suitable for ensuring that these risks are properly identified and suitably measured, monitored, managed and evaluated, also in relation to the safeguarding of business assets and a healthy and proper management of the business, establishing the nature and level of risk that is compatible with the Issuer's strategic objectives; (ii) carries out a check on a regular basis and at least annually of the adequacy and effectiveness of the internal control system and that it is effectively working. More specifically, through the management and coordination of its subsidiaries (see § 21) above), the Issuer establishes the general principles of the Group's internal control system, with respect to the jurisdictions concerned, and draws up operational and organizational procedures suitable for the specific situation, according to a principle of proportionality.

In exercising those functions the Board avails itself of the executive director in charge of supervising the working of the internal control system - identified in the person of the Managing Director, Cav. Lav. Brunello Cucinelli - and the Control and Risks Committee; it also takes into consideration the organizational and management model adopted by the Issuer and the Group pursuant to Legislative Decree no. 231/2001.

On the proposal of the executive director in charge of supervising the working of the internal control system and after consulting with the Control and Risks Committee, on 27th January 2012 the Board appointed a Head of Internal Audit, ensuring that this person is provided with means adequate for performing his duties, also from the standpoint of an operating structure and internal organization procedures for accessing the information required by him to perform his work.

The Internal Control System of the Company has a three level structure:

- on the first level there are the "line checks " carried out directly by the managers of the various operational areas. These managers have a duty to identify, monitor, mitigate and report, in first instance, the risks arising from ordinary business activities (i.e. the activity of production and the activity of sales and distribution);

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- the second level checks are carried out by the business functions responsible for management of risks inherent to the activity of the Issuer;
- the third level controls are reserved to leading business functions included in the Internal Control System of the Company. In this context, the Internal Audit Function plays a central role since it is called to verify, among the others, the adequacy of the controls of the first two levels, through a constant activity of assessment and testing.

The Company's Internal Control System, in conclusion, is based on the segregation of duties, on a system of traceability of the transactions, on a management control system that is suitably structured in relation to the business's characteristics, on wide-ranging checks and tests pursuant to Law no. 262/2005 and on the application of the Company's Code of Ethics and Model 231 as per Legislative Decree no. 231/2001.

### **The main features of the current risk management and internal control systems in respect of the financial reporting process pursuant to article 123-bis, para. 2b), TUF**

#### **Introduction**

The risk management and internal control system of the Brunello Cucinelli Group regarding the risks pertaining to the financial statements and financial reporting process is an integral part of the broader internal control system of the Company and the Group and forms part of that overall context.

The aim of the system of internal control over financial reporting is to provide reasonable certainty as to the soundness, accuracy, reliability and timeliness of the financial disclosures and as to the ability of the process for preparing the financial statements to produce financial information in accordance with international generally accepted accounting standards.

The approach followed in planning the construction of the control model is based on international standards and best industry practice, as well as on the guidelines issued by various reference bodies and associations.

During the Year the Company initiated a process to establish an integrated risk management model, developed in accordance with the international generally accepted reference model on internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as the CoSO Report).

#### **Description of the main features of the system**

The current risk management and internal control system for the financial reporting process is the set of accounting and administrative procedures and internal control tools set up to ensure that the objectives of soundness, accuracy, reliability and timeliness are achieved in preparing the separate and consolidated financial statements and other reports and communications of an economic nature or regarding assets and liabilities, cash flows and the financial position drawn up in accordance with laws and regulations.

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The Group initiated, during year 2012 yet, corresponding with the listing process, a process to adapt the system to the requirements of Law no. 262/05 which is designed to document the accounting and administrative model adopted and to carry out certain tests on the controls identified to support the process leading to certification by the Manager in charge of preparing the corporate accounting documents.

**a) Stages of the current risk management and internal control system relating to the financial reporting process.**

The current risk management and internal control system for the financial reporting process is based first and foremost on an initial risk assessment designed to identify and assess the areas of risk where the occurrence of specific events could potentially impair reaching the objectives of the current risk management and internal control system for the financial reporting process.

The following paragraphs set out the main details regarding the stages in the current risk management and internal control system for the financial reporting process.

**Identification of the perimeter of the companies involved and of the significant administrative and accounting processes.**

This activity envisages the identification of the Group companies and the processes of the individual companies for which detailed work must be carried out into the risks and administrative and accounting controls by means of both quantitative parameters and elements of a qualitative nature. More specifically, the Group companies and main business processes which feed the income statements and balance sheets of those companies are identified by carrying out quantitative analyses (numeric significance of each company) and qualitative analyses (specific, potential and past risks connected with a company's activity).

The analysis of the perimeter is regularly reviewed by the Company which specifies the need for changes or additions as may be the case.

**Analysis of processes, risks and administrative and accounting controls**

In order to effectively mitigate the possible risk that business events are not properly represented, the analysis of the financial reporting control system is carried out at an individual company (or entity) level and at a process level.

More specifically, the analysis of the administrative and accounting processes includes an assessment of the risks associated with the failure to achieve the control objectives designed to ensure a true and fair representation of financial disclosures and to minimize the likelihood they may occur and their possible effect. These objectives consist of financial statement assertions (typically: existence and occurrence, completeness, rights and obligations, valuation, presentation and disclosure) and other elements that

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characterize the organization's internal control environment (such as for example respecting approval limits, segregation of duties, controls on the physical security and existence of assets, the documentation and traceability of transactions).

The analysis of financial reporting risks provides for a regular review to identify the main changes that have taken place in the structure of the administrative and accounting processes as the result of the natural evolution of the business and the organization.

### **Setting up the administrative and accounting control system**

On the basis of the results arising from the identification and assessment of the financial reporting process risks at an "intrinsic" level (by assessing risk regardless of the related controls) the Company set up the structure of the administrative and accounting controls considered appropriate for ensuring that risks are contained and reduced to a residual, acceptable level and the means by which these controls are carried out.

The approach adopted takes into account controls of a manual nature and those included in the information systems supporting the administrative and accounting processes, meaning automatic controls at an application systems level, as well as IT general controls, meaning the controls presiding over the systems pertaining to the access environment, developments and changes to the systems and, in general, the adequacy of the computer structures.

### **Testing administrative and accounting controls.**

As in the risk analysis, the control system set up to ensure that risks are contained is monitored on a regular basis to ensure that the risk coverage requirements determined by the internal control system and the relative control structure are adequate and consistent over time, despite any changes which may occur in the Group's business, organization and processes. The systematic checking of the effectiveness of the administrative and accounting controls is also provided for, meaning the performance of specific tests to ensure that the planned controls are being properly carried out by the business functions, as well as the implementation of established corrective action. Monitoring and testing of the financial reporting control system is also carried out through the consultancy activity granted by the Internal Audit Function. To this end the Head of Internal Audit reports to the management body on a regular basis on the design, structure and functioning of the system, and also provides an assessment of its adequacy and effectiveness.

### **b) Role and functions involved.**

The Manager in charge of preparing the corporate accounting documents appointed by the Board of Directors in accordance with the current provisions of the bylaws is responsible for the risk management and internal control system for financial reporting.

In performing his duties, the Manager in charge:

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- avails himself of the Head of the Internal Audit Function for testing the performance of the control system and monitoring the system;
- is supported by the heads of function involved, who, in respect of the areas for which they are responsible, ensure the completeness and reliance of the information flows to the Manager in charge for the purpose of preparing accounting disclosures;
- coordinates the activities carried out by the administrative heads of significant subsidiaries;
- sets up a mutual exchange of information with the Control and Risks Committee and with the Board of directors regarding the work performed and the adequacy of the internal control system with specific reference to the risks pertaining to financial disclosures.

The Manager in charge of preparing the corporate accounting documents informs the Board of Statutory Auditors as to the adequacy of the administrative and accounting system, including the adequacy of the organization, and its reliability.

The monitoring of the effective application of the system of managing risks relating to financial disclosures and the performance of an assessment of this on a regular basis are carried out on a continuous basis during the year under the supervision of the Manager in charge, who has the direct responsibility for checking that the performance of management activities in an administrative, accounting and financial environment are carried out on a proper and timely basis by Group companies.

No risks or situations which were not already being monitored by the Company emerged from any of the mentioned testing.

Together with the Managing Director, the Manager in charge of preparing the corporate accounting documents provides the certification required by paragraph 5 of article 154-bis of the TUF.

In order to ensure that the risks and controls of the financial reporting process are being adequately managed, on the initiative of the Manager in charge, who is responsible for supervising the whole system, the Chief Financial Officer of significant subsidiaries has been assigned the role as person in charge of ensuring the suitable implementation and maintenance of the internal control system on behalf of the Manager in charge.

Finally, for the purpose of the annual and half-year certifications made by the manager in charge and the Managing Director (pursuant to paragraph 5 of article 154-bis of the TUF), a chain system of certifications has been set up through representation letters issued by the legal representatives and Chief Financial Officers of the significant subsidiaries on the reliability and accuracy of financial reporting systems for preparing the Group's consolidated financial statements.

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During the Year the Control and Risks Committee reported on a regular basis to the Board on the work the Committee had carried out, on the result of the testing performed and on the functioning of the internal control system, noting that this was in substance reasonable compared to the Issuer's size and organizational and operating structure.

On 7th March 2014 the Committee issued an opinion confirming the substantial adequacy, effectiveness and effective functioning of the Company's system of internal control.

On 10th March 2014, having acknowledged the opinion of the Control and Risks Committee, on the basis of the matters reported by the Head of the Internal Audit Function the Board issued an opinion confirming the substantial adequacy, effectiveness and effective functioning of the Company's system of internal control.

### **11.1 EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

As discussed above, on 27th January 2012 the Board of Directors (in accordance with the requirements of the Corporate Governance Code) designated the Chairman and Managing Director Cav. Lav. Brunello Cucinelli as the executive director in charge of supervising the working of the internal control and risk management system.

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The executive director in charge of supervising the working of the internal control system, with the support of the executives from time to time responsible:

- attended to the identification of the principal business risks (strategic, operational, financial and compliance) taking into account the characteristics of the activities carried out by the Issuer and its subsidiaries;
- implemented the guidelines established by the Board, arranging for the design, realization and management of the internal control system, constantly checking their overall adequacy, effectiveness and efficiency;
- ensured that the system was adapted to operating conditions and the legislative and regulatory background.

The executive director in charge of supervising the working of the internal control system has the additional power to require the Internal Audit Function to perform testing in certain specific operating areas to ensure that internal rules and procedures are being followed when performing business operations, keeping the chairman of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors informed.

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## 11.2 HEAD OF THE INTERNAL AUDIT FUNCTION

In order to comply with the requirements of article 150 of the TUF and the recommendation included in Principle 7.P.3b) of the Corporate Governance Code, on 27 January 2012, on the proposal of the director in charge of the internal control system, Brunello Cucinelli's Board of Directors appointed Mr. David Paoletti as head of the internal audit function ("Head of the Internal Audit Function") effective from the issue of the provision by Borsa Italiana that the Company's shares may begin trading on the MTA; Mr. Paoletti's remuneration was set in accordance with the Company's policies. The position as Head of the Internal Audit Function coincides with the head of internal control referred to in article 150 of the TUF.

The Head of the Internal Audit Function, who is not in charge of any operational area, reports directly to the management body and in performing his duties ensures that the Board of Statutory Auditors receives the due information.

The duties of the Head of the Internal Audit Function include checking the adequacy of internal procedures and limiting the risks of the Issuer and the Brunello Cucinelli Group. The Head of the Internal Audit Function also performs his duties by carrying out sample testing on the processes regulating business activities.

The Head of the Internal Audit Function's control activities extend to all of the companies of the Brunello Cucinelli Group, and in particular to the companies identified by the Board of Directors as companies with strategic importance, and he has access to all the documentation regarding their activities. The Head of the Internal Audit Function has direct access to all the information required to perform his duties. If third party consultants are engaged by the Company or other Group companies to perform certain specific controls, the Head of the Internal Audit Function also has access to the documentation produced by the parties engaged.

The Head of the Internal Audit Function:

- had direct access to all the information required to perform his duties;
- reported the results of his work to the Control and Risks Committee and the Board of Statutory Auditors;
- also reported the results of his work to the executive director in charge of supervising the working of the internal control system.

The management body has provided for the allocation of the resources required by the Head of the Internal Audit Function to perform his duties.

During the Year the Head of the Internal Audit Function took part in the project to revise and update the Group's Organizational Model as per Legislative Decree no. 231/2001 and in the management of the adapting process to Law no. 262/2005, and supported the Supervisory Body as per Legislative Decree no. 231/2001; more generally, he carried out tests and controls to ensure that the Code of Ethics was being applied and tests and controls on the issuing/revision of business procedures and standards and gave his assistance in obtaining the certification by ENAC (Italian agency for the civil aviation security) as "Mittente Conosciuto".

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### **11.3 ORGANIZATIONAL MODEL AS PER LEGISLATIVE DECREE NO. 231/2001**

On 7th March 2014 the Control and Risks Committee examined a revised version of the organizational and management model (the “Model”) prepared pursuant to and in accordance with Legislative Decree no. 231/2001 and adopted in the Board meeting of 20th June 2011. The changes to the Model having been previously checked and agreed together with the Supervisory Body.

Brunello Cucinelli's Model consists of a general section, in which following a description of the Company's activities and its organization the objectives, the underlying principles and the recipients of the Model are illustrated.

In accordance with the requirements of Legislative Decree no. 231/2001, the Model regulates the structure, the working and the duties of the Supervisory Body, which has the task of ensuring that the Model is working properly and is being implemented, and of updating the Model. To enable the Supervisory Body to carry out its work, the Model specifies that information flows to the Supervisory Body must be set up by the heads of business functions.

The Model also includes i) a disciplinary system which is applied whenever the measures stated in the Model are not followed, and ii) training of the Company's personnel in the Model's contents together with the provision of information in this respect.

The Model then includes a second special section, which for every area for which there is the risk that one of the offences referred to in Legislative Decree no. 231/2001 may be committed contains a description of the type of offence referred to and the penalty inflicted if the offence is actually committed. The types of offence that the Model intends to prevent concern crimes in relations with the public administration; crimes against public trust; corporate crimes; crimes having as their aim terrorist activity or the subversion of democratic order; market abuse; crimes against the individual; cross-border crimes; crimes against an individual's life and safety; manslaughter and injury through serious or grave negligence, committed in breach of the laws on the protection of health and safety at work; receipt, laundering and deployment of money, goods or benefits having an illegal origin; cyber-crime and the illegal processing of data; crimes against industry and trade; the crime of racketeering; crimes breaching copyright; the inducement not to make statements or to make false statements to the judicial authorities; environmental crimes; the employment of nationals of third party countries whose stay is not in order; private corruption.

The Model is then finally completed by: i) a Code of Ethics describing the fundamental values to which the Company inspires in carrying out its activities, which was adopted with a resolution of the Company's Board of Directors on 20th June 2011; ii) procedures designed to discourage the offences referred to and mitigate the consequences if they should be committed.

The Supervisory Body, which has the duty of ensuring that the Model is working properly and is being implemented and of updating the Model, was appointed on 20th June 2011. The Company's Supervisory Body consists of one single member and is represented by Prof. Paolo Bertoli. The Issuer believed that it was more appropriate to appoint a Supervisory Body rather than assign its duties to the Board of Statutory

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Auditors, in order to ensure a proper allocation of the powers and duties of control, thus implementing the segregation of duties principle in a more incisive manner.

In agreement with the Supervisory Body, during the first few months of 2013 the Company brought the principles inspiring the Company's activity, which are contained in its Code of Ethics and which underlie the approach to prevent the offences referred to in the Model being committed, to the attention of the third party producers (*façonisti*) with whom it has a business relationship.

During the year 2014, the Issuer shall extend to their foreign subsidiaries, the contents of the Code of Ethics and will carefully consider the cases in which to implement procedures and/or specific models in compliance with local regulations and in respect of the activities and ordinary management of those subsidiaries.

#### **11.4. EXTERNAL AUDITORS**

Pursuant to article 14 of Legislative Decree no. 39 of 27th January 2010, on 27th January 2012 the ordinary general shareholders' meeting approved a resolution to appoint the firm "Reconta Ernst & Young S.p.A." to audit the Issuer's separate financial statements and the Group's consolidated financial statements for the years 2012-2020, as well as perform a review of the condensed consolidated half-year financial statements relating to the nine-year period and ensure that the accounting books and records have been properly kept and that operations have been properly recognized in those accounting books and records during those years, all in accordance with the terms and conditions included in the engagement letter issued by the firm and held in the Company's records.

#### **11.5. MANAGER IN CHARGE OF PREPARING THE CORPORATE ACCOUNTING DOCUMENTS AND OTHER BUSINESS ROLES AND FUNCTIONS**

In accordance with the requirements of article 154-bis of the TUF and in compliance with the relative means of appointment specified in article 23 of the Issuer's bylaws, on 27th January 2012, after receiving the favorable opinion of the Board of Statutory Auditors, the Issuer's Board of Directors designated Moreno Ciarapica, the Chief Financial Officer (CFO) of Brunello Cucinelli, as the manager in charge of preparing the corporate accounting documents ("Manager in charge of preparing the corporate accounting documents"), effective from the date on which trading started in the Issuer's shares on the MTA (27th April 2012).

Article 23 of the Issuer's bylaws specifies that the Manager in charge of preparing the corporate accounting documents should be appointed by the Board of Directors subject to the mandatory, but not binding, opinion of the Board of Statutory Auditors. If the opinion of the Board of Statutory Auditors should differ from that opinion, the Board must justify its decision. This article of the bylaws also requires the Manager in charge of

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preparing the corporate accounting documents to have experience of at least three years in administration, finance and control matters and to hold the integrity requirements specified for the directors.

On 28th August 2012 the Issuer's Board of Directors approved the "Regulation of the Manager in charge of preparing the corporate accounting documents" which identifies the duties, responsibilities and powers connected with that function, the term of office, the reasons for withdrawal from and loss of office, the resources at his disposal and the relations with corporate governance bodies, other business functions and subsidiaries. The Manager in charge of preparing the corporate accounting documents has the following duties in particular: (i) to draw up suitable administrative and accounting procedures in order to prepare the Company's separate and consolidated financial statements and all other communications of a financial nature; (ii) together with the Managing Director, to certify by means of a suitable report on the Company's separate and consolidated financial statements the adequacy and the effective application of the procedures in point (i) in the period to which the financial statements refer and to check that the financial statements have been prepared in accordance with the international accounting standards approved by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19th July 2002, agree with the balances on the books of account and accounting entries and provide a true and fair view of the assets and liabilities, results and financial position of the Company and the set of companies included in the consolidation.

Additionally, on his appointment the Board granted the Manager in charge of preparing the corporate accounting documents all the powers and means required to perform the duties assigned to him.

As of today's date the Company's Board of Directors has not appointed any heads of internal control and risk management other than those described up to this point.

#### **11.6. COORDINATION BETWEEN THE PARTIES INVOLVED IN THE RISK MANAGEMENT SYSTEM**

The Company has arranged meetings held on at least an annual basis as the means of coordinating the parties involved in the internal control and risk management system; these meetings are attended by all the parties having control functions or in any case duties connected with the internal control and risk management system .

#### **12. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS**

In accordance with the requirements of Consob in Regulation no. 17221/2010 of 12th March 2010, as subsequently amended by Resolution no. 17389 of 23rd June 2010, on related party transactions ("Related

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Party Transactions”), after receiving the favorable opinion of the Control and Risks Committee, the Company’s Board of Directors adopted an internal procedure for the Management of Related Party Transactions (the “Procedure”), which became effective at the date trading started in the Company’s ordinary shares on the MTA, namely 27 April 2012.

The procedure applies to Related Party Transactions (reference should be made to the respective definitions in Regulation no. 17221/2010, explicitly referred to in the Procedure, for the underlying concept) carried out by the Company or through its subsidiaries.

More specifically, the Procedure identifies the discipline applicable to two classes of Related Party Transaction: (i) Related Party Transactions of Greater Importance (identified on the basis of the criteria stated in Regulation no. 17221/2010) and (ii) Related Party Transactions of Lesser Importance (the concept of which is taken from Regulation no. 17221/2010), and provides for specific steps to be taken regarding the initial enquiry into these and their approval.

In accordance with article 8 of Regulation no. 17221/2010 (Procedures for transactions of greater importance in companies adopting traditional or one-tier management and control systems), the approval of Transactions of Greater Importance is reserved for the Company’s Board of Directors, and the involvement of the Control and Risks Committee is also envisaged. More specifically, the Control and Risks Committee is required to issue a binding reasoned opinion on the interest of the Company in carrying out each Transaction of Greater Importance and the convenience and the substantial correctness of the underlying terms.

On the other hand, as far as Transactions of Lesser Importance are concerned, approval is remitted to the body (delegated body, Board of Directors, shareholders’ meeting) having competence in adopting the relevant decision by law or under the bylaws. In addition, before the transaction is approved, the Control and Risks Committee must issue a reasoned (non-binding) opinion on the interest of the Company in carrying out the transaction and the convenience and the substantial correctness of the underlying terms.

If Transactions of Lesser Importance are approved despite the adverse opinion of the Control and Risks Committee, this fact must be publicized by making an information document available to the public, within fifteen days of the end of each quarter, which contains details of the Transactions of Lesser Importance approved in the relevant quarter on which the Related Party Committee expressed a negative opinion, and this opinion must be attached to that document.

The delegated body has specific subsequent quarterly requirements to report to the Board of Directors and the Board of Statutory Auditors on Transactions of Lesser Importance and Transactions of Greater Importance.

In addition, the Board of Directors may adopt framework resolutions regarding a series of homogeneous transactions in relation to (i) transactions for the sale, supply or delivery of items of clothing and accessories or other goods forming part of the ordinary activities of the Company or the Group, (ii) transactions relating to commercial distribution agreements or (iii) transactions for the provision of services, including those of a consulting nature.

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The Procedure envisages certain exemptions from its application, identified on the basis of Regulation no. 17221/2010, of which the following are noted:

- shareholders' resolutions regarding the compensation paid to members of the Board of Directors and resolutions on the compensation paid to directors having specific duties (article 2389, paragraph 3 of the Civil Code and article 19 of the Company's bylaws);
- Transactions for Small Amounts (as defined in the Procedure);
- Regular Transactions that are carried out under Market or Standard Equivalent Terms (as defined in the Procedure on the basis of the provisions of Regulation no. 17221/2010);
- shareholders' resolutions regarding the compensation paid to members of the Board of Statutory Auditors (article 2402 of the Civil Code);
- Related Party Transactions with or between subsidiaries, also jointly, and with associates, if there are no Significant Interests (as defined in the Procedure) in the counterparty subsidiaries or associates.

With respect to the approval of both Transactions of Greater Importance and Transactions of Lesser Importance (for which the Board of Directors has competence), the Procedure requires that the directors be provided with details of any interests (including indirect interests) of the members of the corporate governance bodies in such transactions. Transactions of Lesser Importance for which the Managing Director having competence holds an interest, also on behalf of third parties, remain the competence of the Board of Directors. In addition, if in respect of a Transaction of Greater Importance or a Transaction of Lesser Importance one of the members of the Control and Risks Committee is a related party in respect of a specific transaction, as defined in Regulation no. 17221/2010, the duties for which the Control and Risks Committee is responsible are carried out by the other members of the Committee who are independent directors and not related parties.

As a "recently listed company" pursuant to article 3, paragraph 1g) of Regulation no. 17221/2010, the Company has elected to apply the procedures established for Related Party Transactions of Lesser Importance to Related Party Transactions of Greater Importance until the date of approval of the Company's financial statements for the year ending 31st December 2014, as permitted by article 10 of Regulation no. 17221/2010.

The Company's Procedure for the Management of Related Party Transactions may be consulted on the Issuer's website at:

<http://investor.brunellocucinelli.com/ita/governance/documenti/>

The Issuer does not have a specific procedure designed to identify situations where a director is the holder of an interest on his own behalf or on behalf of third parties, leaving it up to the individual director to report to the Board in order to identify situations of this nature. Details of the Related Party Transactions which were carried out during the Year may be found in the annual financial report.

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### 13. APPOINTMENT OF STATUTORY AUDITORS

The board of statutory auditors ("Board of Statutory Auditors") is appointed by an ordinary shareholders' meeting.

The mechanism for the election of the statutory auditors is regulated by article 21 of the Company's bylaws, in accordance with the provisions of article 148 of the TUF and the relative implementation provisions of article 144-quinquies et seq. of the Issuers' Regulations, which: (i) make a list vote mandatory for the appointment of the statutory auditors and regulate the mechanism for this; (ii) require the Chairman of the Board of Statutory Auditors to be appointed from the statutory auditors elected by the minority and (iii) identify the limits to the number of positions that statutory auditors may hold.

The shareholders' meeting of 18th April 2013 resolved to amend the bylaws in the part of the election mechanism of the Board of Statutory Auditors, with the aim to ensure gender balance in fulfillment of the Italian Law no. 120/2011.

Article 21 of the bylaws of Brunello Cucinelli S.p.A. requires statutory auditors to be appointed on the basis of two separate lists: one for candidates for the position as standing auditor, the other for candidates for the position as substitute auditor, in which the candidates are assigned a sequential number. Lists must be presented by shareholders who on their own or together with other shareholders are holders, at the time the lists are lodged, of an interest that is at least that established by Consob pursuant to article 147-ter, paragraph 1 of Legislative Decree no. 58/1998, and in accordance with the Issuers' Regulations. In addition, the Board of Directors arranges for the minimum shareholding eligible for presenting lists of candidates to be included with the publication of the notice convening the shareholders' meeting called to approve the appointment of the statutory auditors.

The minimum shareholding required to present the lists is calculated with reference to the shares recorded in the shareholder's name on the day on which the lists are lodged with the Company.

Each shareholder may present, or join with others to present, including through an intermediary or a trust company, and vote in favor of one single list. In addition, the following may present, or join with others to present, including through an intermediary or a trust company, and vote in favor of one single list: (i) shareholders belonging to the same group; and (ii) shareholders who are party to the same shareholders' agreement whose object is the Company's shares as per article 122 of the TUF.

Each candidate may only appear on one list, under penalty of inadmissibility.

The lists, signed by those presenting them, are lodged at the Company's registered office at least 25 (twenty five) days prior to the date set for the shareholders' meeting in first call, together with:

- details of the identity of the shareholders who have presented the lists, with a statement as to the total percentage shareholding held and an attestation in which the ownership of the shareholding is confirmed. This attestation must be produced by the different date specified by the applicable legislation and regulations;

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- statements in which the individual candidates accept to stand for the position and attest, under their own responsibility, that there are no reasons why they may be considered incompatible and that they hold the prerequisites prescribed by current law for the specific position;
- a *curriculum vitae* containing the personal and professional characteristics of the candidates, which includes a description of the management and control positions held in other companies; and
- a statement of the shareholders other than those who hold, also jointly, a controlling interest or a relative majority interest, attesting to the absence of the relationships of association specified in article 144-quinquies of the Issuers' Regulations with the latter.

Any list for which the provisions of this paragraph are not observed is considered as not having been presented. The lists that have a total number of candidates equal to or greater than three, must be composed of candidates belonging to both genders, so that at least one-third (rounded upwards) of the candidates for the office of standing statutory auditor and at least one-third (rounded upwards) of the candidates for the office of substitute statutory auditor belong to the less represented gender in list.

In the event that only one list has been lodged at the date on which the term of 25 (twenty five) days for lodging the lists and documents at the Company's registered office expires, or only lists presented by shareholders who are associated with each other within the meaning of article 144-quinquies of the Issuers' Regulations, lists may be presented up the end of the third day following that date. In that case, the percentage thresholds provided in the bylaws are reduced by one half.

The first two candidates on the list obtaining the highest number of votes (the "Majority List") and the first candidate on the list which obtained the second highest number of votes (the "Minority List") and is not associated, even indirectly, with the shareholders who presented or voted in favor of the Majority List are elected as standing statutory auditors; the latter candidate shall also be appointed as the Chairman of the Board of Statutory Auditors.

The first substitute candidate on the Majority List and the first substitute candidate on the Minority List are elected as substitute statutory auditors.

If two or more lists obtain the same number of votes, a ballot is held between those lists in a new round of voting at which all those attending the shareholders' meeting and entitled to vote take part, with the candidates on the list obtaining a simple majority of the votes cast being elected.

If the methods above described do not assure the composition of the Board of Statutory Auditors, in its standing members, in conformity with the regulations currently in force concerning the balance between genders, then the candidates for the office of standing auditor of the Majority List will be replaced as necessary, according to the order in which the candidates are listed.

If a standing auditor ceases to hold office before the end of the term for any reason, the first substitute on the list of the statutory auditor being replaced takes over and holds office until the next shareholders' meeting. If the chairman has to be replaced, the chair is held until the next shareholders' meeting by a substitute member taken from the minority list.

(COURTESY TRANSLATION FOR THE CONVENIENCE OF INTERNATIONAL READERS)

If only one list is presented or if two or more lists obtain the same number of votes, if the Chairman has to be replaced the first standing auditor on the list of the Chairman being replaced takes over the position until the next shareholders' meeting.

If the number of substitute auditors is not sufficient to make up the Board of Statutory Auditors a shareholders' meeting must be called to supplement this number, with resolutions being adopted on the basis of the legal majorities and in compliance with current laws and regulations. More specifically:

- if the auditor being replaced is (i) the standing auditor and/or the Chairman or (ii) the substitute auditor taken from the Minority List, the names are proposed of the unelected candidates who stood for the position as standing auditor for case (i) and as substitute auditor for case (ii) listed in the corresponding sections of the same Minority List, and the person obtaining the highest number of votes in his favor is elected;
- in the absence of names to be proposed pursuant to the preceding paragraph and if it is a question of replacing the standing and/or substitute auditor(s) taken from the Majority List, the provisions of the Civil Code are applied and the shareholders' meeting adopts resolutions on the basis of the majority of votes cast.

It is understood that, at the time of replacement, the composition of the Board of Statutory Auditors shall comply with the rules currently in force concerning the balance between genders.

If only one list is presented, the shareholders' meeting casts its vote on that alone; if the list obtains a relative majority of the votes cast, without counting abstentions, the candidates stated in the respective section of the list are elected as standing auditors and substitute auditors; the person at the top of the list becomes the Chairman of the Board of Statutory Auditors. If no list have been submitted, the shareholders' meeting decides with the majority of law. In any case, the compliance to the law currently in force concerning the balance between genders is required.

The list vote mechanism described above will be applied on the first post-listing renewal of the Issuer's Board of Statutory Auditors and therefore at the shareholders' meeting called on 23rd April 2014 to approve the financial statements for the Year.

The Company's bylaws do not provide for the election of more than one statutory auditor from the minority list.

#### **14. COMPOSITION AND WORKING OF THE BOARD OF STATUTORY AUDITORS**

**(art. 123-bis, para. 2d), TUF)**

In article 20 the Company's bylaws require the Board of Statutory Auditors to consist of 3 standing auditors and 2 substitute auditors, all holding the requirements stated in current provisions.

The statutory auditors hold office for a term of three fiscal years which expires at the date of the shareholders' meeting called to approve the financial statements of the last year of their term.

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

In accordance with applicable laws and regulations, the appointment of statutory auditors is subject to the requirement that the auditors shall respect the limit on the number of positions they may hold, without prejudice to the obligation to provide notification to Consob and to resign from one or more positions if these limits have been exceeded.

The Board of Statutory Auditors in office at 31st December 2013 was appointed, with the exception of the matters stated in the following, by the ordinary shareholders' meeting of 16th June 2011 and will remain in office until the approval of the financial statements for the Year. Since the current Board of Statutory Auditors was elected when the Issuer was not yet a listed company, but a company with a sole shareholder, no lists were presented and instead the names of the statutory auditors were proposed by the chairman of the meeting in his capacity as representative of the sole shareholder Fedone.

Reference should be made to Table 3 in the annex to this Report for the composition of the Board of Statutory Auditors.

In accordance with the requirements of article 144-bis of the Issuers' Regulations, the personal and professional characteristics of each statutory auditor are provided in Annex A to this Report.

There have been no changes in the composition of the Board of Statutory Auditors since 31st December 2013.

The Board of Statutory Auditors met 8 times during the year ended 31st December 2013 and the meetings lasted an average of 3 hours.

The Board of Statutory Auditors met twice during the year 2014, on 5th February and on 10th March.

Since the Board of Statutory Auditors, in its current composition, will expire with the approval of the financial statements for the year end at 31st December 2013, it is deemed that the scheduling of periodic audits relating to the year 2014 shall be responsibility of the Board of Statutory Auditors that will be appointed the next 23rd April 2014.

The Issuer's Board of Statutory Auditors checked the independence of its members, with a positive outcome, on taking office on 22nd June 2011, after being appointed by the shareholders' meeting. The continuation of the independence requirements was also confirmed by the members of the Board of Statutory Auditors on the publication of the "Offering Memorandum" prepared by the Company with a view to the admission of the Issuer's ordinary shares to trading on the MTA, which took place on 27th April 2012 and on 11th March 2013.

In conclusion, at its meeting of 10th March 2014 the Board of Statutory Auditors ascertained that its members still held the above-mentioned independence qualifications required in accordance with the criteria set out in article 148, paragraph 3 of the TUF and article 8, applications criterion 8.C.1 (which cross references to article 3) of the Corporate Governance Code.

At the same meeting of 10th March 2014 the Board of Statutory Auditors assessed the independence of the auditing firm Reconta Ernst & Young S.p.A., concluding that it had not found any situations which may impair its independence up to that date.

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

For the sake of completeness, the Board of Statutory Auditors in any case requested the auditing firm Reconta Ernst & Young S.p.A. to provide a list of the audit and non-audit engagements conferred on Reconta Ernst & Young and the members of its network by the Brunello Cucinelli Group, with details of the number of engagements, the relative fees (distinguishing between those relating to the current year and those relating to the prior year or subsequent years) and the date these engagements expire.

The auditing firm provided a detailed reply to the request made by the Board of Statutory Auditors at its meeting of 10th March 2014, in respect of which the control body did not raise any objections.

\* \* \*

The Chairman of the Issuer's Board of Directors was concerned as to whether the Board of Statutory Auditors had suitable knowledge of the Company's business and the reference market in which it operates. The aim of this concern was to ensure that the Board of Statutory Auditors would be able to perform the duties that are its specific responsibility. In this sense, during the meetings of the Board of Directors held during the Year, the Chairman often provided analyses of trends in the Group's sector and also carried out considerations concerning the commercial strategy that the Company intends to adopt. The Board of Statutory Auditors therefore had the opportunity of obtaining adequate knowledge of the sector in which the Issuer operates. In addition to this it should be noted that three members of the Board of Statutory Auditors have for a long while been performing activities as statutory auditor in companies which work in the same field as the Issuer or in similar fields. This ensures an already advanced knowledge of the basic ways in which the Company works.

\* \* \*

A statutory auditor who on his own behalf or on behalf of third parties has an interest in a specific transaction of the Company must inform the other statutory auditors and the Chairman of the Board of Directors as to the nature, the terms and conditions, the origin and the extent of his interest on a timely and exhaustive basis.

In performing its duties, the Board of Statutory Auditors coordinated regularly with the Internal Audit Function and the Control and Risks Committee. This coordination took place through the participation of these bodies at meetings held for the purpose, as stated in § 11.6.

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

## **15. RELATIONS WITH SHAREHOLDERS**

The Company believes that it is in its specific interest - besides also being a duty towards the market - to establish a constant dialogue with shareholders as a whole and with institutional investors that is based on a reciprocal understanding of each other's roles; a dialogue which in any case is to be carried out in compliance with the procedure for external communications of business documents and information.

The Company has set up a specific section of its website, which is easy to find and access, where the information concerning the Issuer that is likely to be of a certain importance to its shareholders is made available (<http://investor.brunellocucinelli.com/ita/>).

At its meeting of 26th March 2012 the Company's Board of Directors appointed Pietro Arnaboldi as its Investor Relator (being the person in charge of relations with institutional investors and other shareholders), in order to ensure correct, constant and complete communications, without prejudice to the fact that as part of these relations, documents and, in general, information concerning the Company must be communicated in accordance with the Regulation for Handling Inside Information (briefly described in § 5 of this Report). The appointment of the Investor Relator became effective from the start of trading in the Company's shares on the MTA (27th April 2012).

## **16. SHAREHOLDERS' MEETINGS**

**(art. 123-bis, para. 2c), TUF)**

Pursuant to provisions of current law, the shareholders' meeting has competence in ordinary session to approve the financial statements, appoint and dismiss directors, statutory auditors and the Chairman of the Board of Statutory Auditors and establish the remuneration of the Directors and Statutory Auditors, and to adopt resolutions on any other matters that are of its competence under the law. In extraordinary session, the shareholders' meeting adopts resolutions on changes to the Company's bylaws and on any on any other matters that are reserved for its competence under the law.

Company management fully agrees with the recommendations contained in article 9, principles 9.P.1 and 9.P.2 of the Corporate Governance Code aimed at (i) taking initiatives aimed at promoting the broadest participation possible of shareholders in the shareholders' meetings and making the exercise of shareholders' rights easier and (ii) establishing a constant dialogue with shareholders based on an understanding of their reciprocal roles.

As far as the procedures regarding shareholders' meetings are concerned, article 9 of the Company's bylaws specifies that meetings shall be called, pursuant to and within the time stated by law, at the Company's registered office or in any other place, provided this is in Italy, by means of a notice containing the information required by the laws and regulations current from time to time.

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

Ordinary shareholders' meetings must in all cases be called within 120 days of the end of the fiscal year or within 180 days in the case specified by law.

The Company's bylaws do not establish any specific quorums for the valid constitution of meetings of for passing valid resolutions. In this respect article 11 cross references to the quorums for the valid constitution of meetings provided by law.

Shareholders' meetings are competent to adopt resolutions on the matters stated by law. It is appropriate to note that article 15 of the bylaws assigns the Board of Directors with the competence to adopt resolutions on the following: (i) setting up and closing of secondary offices; (ii) indicating which directors, besides those indicated in the bylaws, may represent the Company; (iii) reducing share capital on the withdrawal of a shareholder; (iv) amending the bylaws for changes in legislation; (v) transferring the Company's registered office to another municipality in Italy; (vi) mergers and demergers pursuant to articles 2505, 2505-bis and 2506-ter, final paragraph, of the Civil Code.

The assignment to the management body of areas of responsibility that are due to the shareholders' meeting, as referred to in this article, does not remove the main responsibility of the shareholders' meeting which maintains the powers to adopt resolutions on the matters in question.

Pursuant to article 10 of the Issuer's bylaws, the entitlement to attend a shareholders' meeting and exercise a voting right is attested by a statement sent to the Company by the intermediary on behalf of the person holding the voting right (which must be received by the Issuer by the end of the third open market day prior to the date set for the shareholders' meeting in first call) on the basis of the evidence relating to the end of the accounting day of the seventh open market day prior to the date set for the shareholders' meeting.

More specifically, article 10 states that: *"Anyone entitled to vote may attend a shareholders' meeting. The entitlement to attend a shareholders' meeting and exercise a voting right is attested by a statement sent to the Company by the intermediary on behalf of the person holding the voting right on the basis of the evidence relating to the end of the accounting day of the seventh open market day prior to the date set for the shareholders' meeting in first call (or such other deadline specified from time to time by applicable law). The intermediary's statements as per this article 10 must be received by the Issuer by the end of the third open market day prior to the date set for the shareholders' meeting in first call or by any other deadline specified by the laws and regulations in force from time to time. The entitlement to attend a meeting and exercise a vote shall remain valid for notifications received by the Company after the above deadlines provided they arrive before the start of the proceedings of the shareholders' meeting referred to in the individual call notice."*

*Anyone entitled to attend a shareholders' meeting may be represented by another person through the use of a proxy by the means established by law. Shareholders may notify the Company that they have issued a proxy for attendance at the shareholders' meeting by sending a copy of the proxy form by electronic mail to the address stated in the notice calling the shareholders' meeting."*

(COURTESY TRANSLATION FOR THE CONVENIENCE OF INTERNATIONAL READERS)

The Company's bylaws additionally specify that to make it easier for shareholders to attend meetings and exercise their voting rights, they may also cast their vote by correspondence by the means provided by law (article 11).

The shareholders' meeting is chaired by the Chairman of the Board of Directors and, in default, by the person designated by those attending the meeting.

The chairman of the shareholders' meeting verifies that the meeting has been validly convened, through persons delegated for the purpose as may be necessary, verifies the identity of those attending and their entitlement to attend, manages the proceedings and ascertains the results of the ballots held.

The resolutions adopted by shareholders' meetings must be recorded in a minute drawn up and signed in accordance with the law.

\*\*\*

On 27th January 2012, the ordinary shareholders' meeting of Brunello Cucinelli approved a set of "Rules of Procedure Shareholders' Meetings" in order to permit an orderly and effective conduct of meetings.

The "Rules of Procedure Shareholders' Meetings" may be found on the Company's institutional website at:

<http://investor.brunellocucinelli.com/ita/governance/documenti/>.

In order to ensure that every shareholder has the right to speak on the matters under discussion, in accordance with article 9, applications criterion 9.C.3 of the Corporate Governance Code, article 16 of the Rules of Procedure Shareholders' Meetings requires the shareholders concerned to make a request to the chairman of the meeting by raising their hand or making a request in writing, as established by the latter, after the matter on the agenda to which the question relates has been read out. If questions are proposed by the raising of hands, the chairman of the meeting gives leave to speak to the person who first raised their hand, or when it is not possible to determine with any certainty who was the first he proceeds in the order he decides at his absolute discretion; in the case of written questions leave to speak is granted to applicants in alphabetical order.

\*\*\*

The Issuer's first shareholders' meeting after the stock exchange listing was held on 18th April 2013. Seven directors of the Company have attended the meeting; two independent directors were justified absents.

The Issuer considers the shareholders' meeting as a fundamental occasion of discussion between the shareholders and the directors. For this reason, the Board of Directors has prepared and provided, in a timely manner, adequate documentation to shareholders about the topics of the meeting, in order to ensure

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

adequate information to shareholders and enable them to take informed decisions. In addition, the Issuer has provided during the shareholders' meeting held on 18th April 2013 the main information about the activities carried out during the year 2012 and that at the time scheduled for the Year, and has allowed each shareholder to take the floor and to request additional information.

The full minutes of the meeting of 18th April 2013 is available on the Issuer's website at the following address: <http://investor.brunellocucinelli.com/ita/governance/assemblea-azionisti/>

\*\*\*

There were no significant changes in the Issuer's shareholding structure during the Year. There was a change in the amount of the Issuer's share capital during the Year. Share capital of € 980,480,000 (€13.36 per share) by 31st December 2012 rose to € 1,756,440,000 (€ 25.83 per share) by 31st December 2013, an increase of +79%.

Given the short period for which the Issuer has been listed, the Board of Directors has not assessed the opportunity of making a proposal to the shareholders' meeting for changes to the bylaws concerning the percentages established for exercising the actions or the prerogatives intended to protect minorities.

## **17. OTHER CORPORATE GOVERNANCE PRACTICES**

**(art. 123-bis, para. 2a), TUF)**

As stated in the introduction (§ 1), a number of committees have been set up in the Company on a voluntary, non-institutionalized basis which carry out coordination and support functions for business management: the "Management Committee", whose work mainly consists of checking that the business guidelines established by the management body are being applied; the "Human Resources Committee", which evaluates the hiring of employees and employees' career steps; the "Architectural Design Committee," which has the duty to decide on the concept of the monobrand stores and all the display spaces (e.g. showrooms) and the architectural design of the Company's premises; the "Board of the 50", which acts as a meeting place where guidelines at every level of the business structure can be agreed and introduced.

## **18. CHANGES SINCE THE REPORTING DATE**

There have been no changes in the Issuer's corporate government structure since the end of the Year.

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



## TABLES

**TABLE 1: INFORMATION ON OWNERSHIP STRUCTURES**

<b>SHARE CAPITAL STRUCTURE</b>				
	N° of shares	As a % of share capital	Listed (indicate the markets) / unlisted	Rights and obligations
Ordinary shares	68,000,000	100	Listed, Electronic Stock Exchange (MTA)	Each share is entitled to one vote.  Shareholders' rights and obligations are those stated in article 2346 et seq. of the Civil Code
Shares with restricted voting rights	0	0		
Shares with no voting rights	0	0		

<b>OTHER FINANCIAL INSTRUMENTS</b> <i>(granting the right to subscribe to newly issued shares)</i>				
	Listed (indicate the markets) / unlisted	N° of outstanding instruments	Classes of shares to be used for the conversion/exercise	N° of shares to be used for the conversion/exercise
Convertible bonds		0		
Warrants		0		

<b>SIGNIFICANT CAPITAL HOLDINGS</b>			
Declarant	Direct shareholder	% of ordinary capital	% of voting capital
FMR LLC	FMR LLC	5.785	5.785
CAPITAL RESEARCH AND MANAGEMENT	CAPITAL RESEARCH AND MANAGEMENT	2.050	2.050

COMPANY	COMPANY		
MONTERUBELLO SS	ERMEGILDO ZEGNA HOLDITALIA SPA	3.000	3.000
CUCINELLI BRUNELLO	FEDONE SRL	61.556	61.556
MANFREDI GIOVANNA	FUNDITA SRL	2.515	2.515

**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES**

Board of Directors											Control and Risks Comm.		Remuneration Comm.		Appointments Comm. if any		Executive Comm. if any		Other Comm. if any	
Position	Member	In office since	In office to	List (M/m) *	Exec.	Non-exec.	Ind. as per Code	Ind. as per TUF	(%) **	Number of other positions ***	****	**	****	**	****	**	****	**	****	**
<b>Chairman and MD</b>	Cucinelli Brunello	16/06/2011	Shareholders' meeting app. the fin. stats. at 31/12/2013	n/a	x				100	0										
<b>Director</b>	Ciarapica Moreno	16/06/2011	Shareholders' meeting app. the fin. stats. at 31/12/2013	n/a	x				100	0										
<b>Director</b>	Stefanelli Riccardo	16/06/2011	Shareholders' meeting app. the fin. stats. at 31/12/2013	n/a	x				100	0										
<b>Director</b>	Manfredi Giovanna	16/06/2011	Shareholders' meeting app. the fin. stats. at 31/12/2013	n/a		x			100	0										
<b>Director</b>	Labianca Giuseppe	14/12/2012	Shareholders' meeting app. the fin. stats. at 31/12/2013	n/a		x			100	0										
<b>Director and LID</b>	Pontremoli Andrea	16/03/2012	Shareholders' meeting app. the fin. stats. at 31/12/2013	n/a		x	x	x	87.5	2	x	100	x	100						
<b>Director</b>	Marzotto Matteo	16/03/2012	Shareholders' meeting app. the fin. stats. at 31/12/2013	n/a		x	x	x	100	0	x	100	x	100						

<b>Director</b>	Koo Candice	16/03/2012	Shareholders' meeting app. the fin. stats. at 31/12/2013	n/a		x	x	x	100	0	x	100	x	100						
<b>Director</b>	Folsom Cassian (Father Cassiano)	16/03/2012	Shareholders' meeting app. the fin. stats. at 31/12/2013	n/a		x	x	x	12.5	0										
-----DIRECTORS CEASING TO HOLD THE POSITION IN THE YEAR OF REFERENCE-----																				
Indicate the <i>quorum</i> required to present lists on the most recent appointment: n/a																				
<b>No. of meetings held during the Year of reference:</b>					<i>BoD</i> : 8			<i>CRC</i> : 3			<i>RC</i> : 1			<i>AC</i> : n/a			<i>EC</i> : n/a			<i>Other committees:</i> n/a

#### NOTES

\* This column indicates M or m depending on whether the member was elected by the list voted by the majority (M) or a minority (m).

\*\* This column includes the figure for the percentage attendance of directors at meetings of respectively the Board of Directors and the committees (no. of attendances/no. of meetings held during the period when the person concerned actually held office).

\*\*\*This column indicates the number of positions as director or statutory auditor held by the person concerned in other companies listed on regulated markets, including foreign markets, in financial companies, banks and insurance companies or companies of a significant size. A list of those companies must be attached to the Report for each director, stating whether the company in which the position is held is part of the group headed by the Issuer or of which the Issuer is a member. For the purpose of completing this column, the Company considered companies to be of a significant size if on the basis of their most recent approved consolidated financial statements they have revenues exceeding €500 million or total balance sheet assets exceeding €500 million.

\*\*\*\*Members of the Board of Directors who are members of the committee are shown with an "X".

**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

Board of Statutory Auditors							
Position	Member	In office since	In office to	List (M/m)*	Independence as per Code	** (%)	Number of other positions ***
<b>Chairman</b>	Longobardi Gerardo	16/06/2011	Shareholders' meeting app. the fin. stats. at 31/12/2013	n/a	x	87.5	4
<b>Standing auditor</b>	Castaldo Guglielmo	16/06/2011	Shareholders' meeting app. the fin. stats. at 31/12/2013	n/a	x	100	6
<b>Standing auditor</b>	Ravizza Lorenzo	16/06/2011	Shareholders' meeting app. the fin. stats. at 31/12/2013	n/a	x	100	17
<b>Substitute auditor</b>	Galli Alessandro	16/06/2011	Shareholders' meeting app. the fin. stats. at 31/12/2013	n/a	x	-	-
<b>Substitute auditor</b>	Faina Eros	22/12/2011	Shareholders' meeting app. the fin. stats. at 31/12/2013	n/a	x	-	-
-----STATUTORY AUDITORS CEASING TO HOLD THE POSITION IN THE YEAR OF REFERENCE-----							
Indicate the <i>quorum</i> required to present lists on the most recent appointment : n/a							
Number of meetings during the Year of reference: 8							

**NOTES**

\* This column indicates M or m depending on whether the member was elected by the list voted by the majority (M) or a minority (m).

\*\* This column indicates the figure for the percentage attendance of statutory auditors at board meetings (no. of attendances/no. of meetings held during the period when the person concerned actually held office).

\*\*\* This column indicates the number of positions as director or statutory auditor held by the person concerned that are significant pursuant to article 148-bis of the TUF A complete list of positions is attached pursuant to article 144-quinquiesdecies of the Consob Issuers' Regulations to the report on supervisory activities prepared pursuant to article 153, paragraph 1 of the TUF.

### **List of other positions held by members of the Board of Directors**

- **Andrea Pontremoli**

- Director of Barilla S.p.A. (unlisted company of significant size, not part of the Issuer's group);
- Managing director of Dallara Automobili S.p.A. (unlisted company of significant size, not part of the Issuer's group).

## **ANNEX “A”**

### **Curricula Vitae of the members of the Board of Statutory Auditors of Brunello Cucinelli S.p.A.**

#### **Gerardo Longobardi**

A Certified Accountant (*Dottore Commercialista*) since 1984, he is registered in the Roll of Auditors, in the Roll of Technical Consultants and in the Roll of Experts in criminal matters at the Rome Court. Carries out his professional activity as a partner in the legal, tax and international firm “Puoti, Longobardi, Bianchi” with offices in Rome, working mainly as a tax and corporate affairs advisor for companies and public entities, as well as being a representative before Tax Commissions. Has been involved in numerous extraordinary transactions carried out by important public and private groups. Has acted as a technical expert for the court (CTU) and technical expert for one of the parties (CTP) in corporate, tax and criminal cases, and has also been an insolvency administrator and judicial commissioner. Chairman and member of the boards of statutory auditors of public and private companies and entities. Lecturer on numerous courses and seminars organized by public entities, public administrations and companies of important national interest. Has taken part as organizer and speaker in updating seminars at the offices of the Tax Administration. Is a lecturer at the High School for Economic and Finance, holding courses on tax matters at the offices of the Tax Revenue Agency in various regions. Author of numerous articles on subjects of a fiscal and corporate nature in the specialist press. Collaborated with the Accounting Institute of the “La Sapienza” University in Rome from 1987 to 2002 with Prof. Leone Barbieri in respect of the following courses: General and Applied Accounting, Business Economics, Economics of Groups and Business Concentrations. Was President of the Rome Institute of Certified Accountants and Accounting Experts, District of the Rome and Velletri Courts, from 1st January 2008 to 31st December 2012.

#### **Lorenzo Ravizza**

A Certified Accountant (*Dottore Commercialista*) registered in the Roll of Auditors, he is head of the *Corporate Accounting and Corporate Secretarial* department of the Italian branch of TMF Group ([www.tmf-group.com](http://www.tmf-group.com)). A technical expert (CTU) for the Court of Milan. Was a member of the Corporate Law and Corporate Governance Commission of the Milan Institute of Certified Accountants and Accounting Experts. Has been a member of the board of directors and board of statutory auditors in numerous industrial and commercial groups, in listed companies and in subsidiaries of listed companies.

#### **Guglielmo Castaldo**

Graduated in jurisprudence from Perugia University on 30th September 1981. Registered in the Roll of Legal Representatives with the Institute of the Provincial District of Perugia on 7th November 1981. Registered in the Roll of Authorized Officers of Perugia on 30th May 1988. Registered in the Role of Lawyers of the Province of Perugia on 23rd June 1994. Registered in the Roll of the Supreme Court on 26th October 2000. Has performed the role of statutory auditor (and has also held the position as chairman of the board of statutory auditors) in various private and public/private companies on a continuous basis since 1980. Appointed legal auditor by way of the Ministerial Decree of 6th March 1992 published in the Official Journal no. 23 of 20th March 1992, with entry in the respective Roll as per Legislative Decree no. 88/92 kept by the Ministry of Justice. Registered in the Roll of Auditors on 12th April 1995. During his professional activity has held the following positions: Vice-president of the Umbria section of the National Association of Italian Tax Lawyers; observing member, Provincial Sector Studies at the Regional Department of Umbria; member of the Legal Aid Commission at the Regional Tax Commission of Umbria and Provincial Tax Commission of Perugia. Has acted as a lawyer since being registered in the relative Roll, specializing in tax and corporate matters. Has collaborated as partner in various corporate mergers, demergers, capital operations and



business and hereditary restructurings and in drafting appraisals such as for example those regarding the contributions of Buitoni S.p.A. and Perugia S.p.A..

### **Alessandro Galli**

A Certified Accountant (*Dottore Commercialista*) registered in the Roll of Auditors since 1997. After working since 1992 with a professional firm in Milan, from 1996 to 2000 he was a partner in the Studio Tributario Dottori Commercialisti Associati, also in Milan. In 2000, together with other professionals he founded Studio Galli – Persano Adorno – Villa – Dottori Commercialisti Associati (GPAV), a firm which specializes in providing consultancy for joint stock corporations in corporate and tax matters and matters regarding the financial statements, with specific reference to extraordinary operations and tax planning. An expert consultant in the field of direct taxes, and in particular those aspects regarding taxation and the financial markets, and in the field of fiscal profiles in restructuring and business reorganization operations, he also provides advice in drawing up Organizational and Management Models as per Legislative Decree no. 231/01 and carries out due diligence reviews for acquisitions and for operations regarding the admission to trading on markets organized and managed by Borsa Italiana S.p.A.. He additionally holds the position of standing statutory auditor in industrial, commercial and financial companies, is a member of the supervisory body of industrial companies and is also a member of the board and auditor in non-profit organizations.

### **Eros Faina**

A Certified Accountant (*Dottore Commercialista*) since 1993, he has been qualified to practice as an auditor since 1997. Since 1993 he is the owner of a professional firm in Perugia specializing in providing advice of a corporate, operational, tax, management control and economic and financial analysis nature for and at industrial, commercial and financial businesses and drawing up financial business plans, reporting and monitoring and strategic marketing. Is a lecturer, inter alia, at the “Training School for the Profession of Certified Accountant and Auditor” and at workshop seminars at the University of Perugia. As part of his professional activity he has held numerous positions, such as for example: member of Study Commissions of the Institute of Chartered Accountants and Accounting Experts of the Province of Perugia looking into “Public Entities”, member of the Study Commission of the Institute of Chartered Accountants and Accounting Experts of the district covered by the Courts of Perugia and Orvieto looking into “Business Consultancy”, court expert (CTU) and appraiser for the Court of Spoleto, court expert (CTU) for the Court of Perugia, judicial liquidator for the Court of Perugia, judicial commissioner for the Court of Perugia, insolvency administrator for the Court of Perugia, insolvency administrator for the Court of Perugia Spoleto. He currently holds office a statutory auditor and legal auditor in a number of companies.

**LIST OF POSITIONS HELD BY THE STATUTORY AUDITORS**  
**OF BRUNELLO CUCINELLI S.P.A.**

<i>Name</i>	<i>Company</i>	<i>Position</i>
<b>Gerardo Longobardi</b>	<b><u>Brunello Cucinelli S.p.A.</u></b>	<b><u>Chairman of the Board of Statutory Auditors</u></b>
	Bulgari S.p.A.	Chairman of the Board of Statutory Auditors
	Alisarda s.r.l.	Chairman of the Board of Statutory Auditors
	Altran Italia S.p.A.	Chairman of the Board of Statutory Auditors
	H.I.D. S.p.A.	Chairman of the Board of Statutory Auditors
<b>Lorenzo Ravizza</b>	<b><u>Brunello Cucinelli S.p.A.</u></b>	<b><u>Standing Auditor</u></b>
	Emmegi S.p.A.	Chairman of the Board of Statutory Auditors
	Inge S.p.A.	Chairman of the Board of Statutory Auditors
	UCB Metalli S.p.A.	Chairman of the Board of Statutory Auditors
	Caffè Ottolina S.p.A.	Standing Auditor
	Centro Grafico DG S.p.A.	Standing Auditor
	Donati S.r.l.	Standing Auditor
	Framesi S.p.A.	Standing Auditor
	Horefin S.p.A.	Standing Auditor
	Lofarma S.p.A.	Standing Auditor
	Mollificio Lombardo S.p.A.	Standing Auditor
	Capitolo Otto S.p.A.	Standing Auditor
	Capitolo Nove S.p.A.	Standing Auditor
	Capitolo Dieci S.p.A.	Standing Auditor
	Capitolo Undici S.p.A.	Standing Auditor
	Etuno s.r.l.	Director

	Solar Energy Italia 1 s.r.l.	Director
	Solar Services Italia s.r.l.	Director
<b>Guglielmo Castaldo</b>	<b><u>Brunello Cucinelli S.p.A.</u></b>	<b><u>Standing Auditor</u></b>
	Fondazione Forense	Standing Auditor
	Fedone s.r.l.	Standing Auditor (with functions as Chairman of the Board of Statutory Auditors)
	Eos Solutions for Business s.r.l.	Standing Auditor
	Consauto s.r.l.	Standing Auditor
	Siami S.p.A.	Standing Auditor
	Cogepim New Co s.r.l.	Director
<b>Alessandro Galli</b>	<b><u>Brunello Cucinelli S.p.A.</u></b>	<b><u>Substitute Auditor</u></b>
	Castaldi Lighting S.p.A.	Substitute Auditor
	De Martini Bayart & Textifibra S.r.l.	Substitute Auditor
	De Martini S.p.A.	Substitute Auditor
	De Padova s.r.l.	Substitute Auditor
	Diamalteria Italiana s.r.l.	Substitute Auditor
	E.M.A.R.C. S.p.A.	Substitute Auditor
	Eurosai Finanziaria di Partecipazioni s.r.l.	Standing Auditor
	Fi.Fa s.r.l.	Standing Auditor
	Incontra Assicurazioni S.p.A.	Standing Auditor
	L.U.C.A. s.r.l.	Substitute Auditor
	M.L.V. S.p.A.	Substitute Auditor
	News 3.0 S.p.A	Substitute Auditor
	Atlantic Technologies S.p.A.	Standing Auditor

	RCN Finanziaria S.p.A.	Standing Auditor
	Rigoni di Asiago s.r.l.	Substitute Auditor
	Sidermes S.p.A.	Standing Auditor
	Telekom Assist Europe S.p.A.	Standing Auditor
	Tessiture Imperiali S.p.A.	Substitute Auditor
	Tethis S.p.A.	Substitute Auditor
	Trafoitalia S.p.A.	Substitute Auditor
	Zeta Investment s.r.l.	Chairman of the Board of Statutory Auditors
	DBInformation S.p.A.	Substitute Auditor
	N.T.D. S.p.A. (in liquidation)	Standing Auditor
	Farmol S.p.A.	Chairman of the Board of Statutory Auditors
	Capitoloquattordici S.p.A.	Chairman of the Board of Statutory Auditors
	Capitoloquindici S.p.A.	Chairman of the Board of Statutory Auditors
<b>Eros Faina</b>	<b><u>Brunello Cucinelli S.p.A.</u></b>	<b><u>Substitute Auditor</u></b>
	Agricola Polinori s.r.l.	Substitute Auditor
	Casa di cura Villa Aurora S.p.A.	Substitute Auditor
	Iron S.p.A.	Chairman of the Board of Statutory Auditors
	Iso S.p.A. (in liquidation)	Substitute Auditor
	Mericat s.r.l.	Substitute Auditor
	Molino sul Clitunno S.p.A.	Standing Auditor
	P.A.I. Polinori Agricola Industriale S.p.A.	Substitute Auditor
	Terranova Energia S.c.a.r.l.	Substitute Auditor
	Unitekno S.p.A.	Standing Auditor