



BRUNELLO CUCINELLI



CONSOLIDATED NON-FINANCIAL STATEMENT 2019  
PURSUANT TO ARTICLES 3 AND 4 OF LEGISLATIVE DECREE NO. 254 OF 2016  
COURTESY TRANSLATION FOR INTERNATIONAL READERS ONLY



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## LETTER FROM THE PRESIDENT

### *On Harmony with Creation and Human Sustainability*

Dear employees and partners,

The only intent of this writing is to provide you with an overview of our vision of the world in which we would like to act together, for the benefit of Creation.

We must see to it that our action on the environment does not harm it at all or as little as possible: **“harmonious equals sustainable”**. A fair and harmonious concept of time, farming, restoration of ancient cities and hamlets, design of new settlements, redevelopment of peripheries is feasible; the commitment to implement all this is huge but sustainable. Fair means relevant, innovative, timely, forward-looking, respectful, harmonious.

Harmony is a key feature of **humanistic capitalism**, whose aim is for all external possessions to be in friendly harmony with what is within. **“The world should not be consumed, but rather used with moderation”**; the ongoing wish to take care of Creation is a natural one. «There is no love that does not imply the care to preserve the object of love». This is how the English writer Bernard de Mandeville, in the twelfth century, summed up the charming concept of guardianship.

Guardianship is the tool of care. Each of us is the guardian of the part of Creation assigned to them, and we all know that tending to the flowerbed in front of our house means tending to the entire city; we also know that in order to properly look after the flowers it is not enough to water them: they need to be replaced when their petals start to wither.

It is not enough to use Creation in a forward-looking manner: we also need to regenerate it. There is no preservation without change, such as a good compost, rich in humus, making the soil fertile. However, unlike fertilizers, compost does not dry out the soil, it regenerates it and is conducive to new life.

The key purposes of humanistic capitalism include the harmonisation of profit and giving back, use and benefit. International directives are excellent guidelines to adopt a harmonious behaviour towards nature and as far as saving, regenerating and protecting are concerned.

Just think of man-made buildings. Not all of them share the same destiny. Some, like monuments, are designed to last forever, others, like cities, will be there for centuries; the life of others, namely industrial facilities, is subject to the changes in economic and market conditions. Being aware of all this and maintaining a lively relations with people and things is the forward-looking attitude that adjusts to change with timeliness, thus reducing waste.



The traditional family has been the core of human society for centuries. Today it is experiencing some difficulties, but we have to take into account a wider human family. Cybernetics gathers people in some sort of planetary family, where brotherhood can be experienced first-hand. The relationships binding the members of the universal family, through the Internet, are necessarily true.

To be true is noble, to be honest makes everything easier: as in the family, in the company too solidarity and subsidiarity balance out strictness with indulgence and make it more credible. When truth shows some human shortcomings, it is just natural to resort to courage and honesty to fix mistakes, also in the most advanced technology.

For centuries craftsmanship has been one of the cornerstones of humanistic technology all over the world. Today we are all convinced that this asset - halfway between art and technique - needs to be preserved. How can we do it? This new age has changed lifestyles and circumstances. However, in Solomeo we have set up schools of craftsmanship to train the masters of several disciplines, first and foremost in the art of textile. This challenge has been very successful, the reason being that we focus on the humanistic essence of craftsmanship, fully aware of its endless creative value.

How can you call “manual” a job where hands are just a tool for the artisan’s mind and creativity? We need to win over young people and restore confidence in them. We should pass down to them hope and the dream of a bright future awaiting them. a force that will love creation spontaneously and probably won’t need any laws to protect it and live with it in harmony.

Here follow our 4 sets of rules concerning:

- 1) Our Ideals for Life and Work;***
- 2) Our Mother Earth;***
- 3) To our gracious co-workers;***
- 4) To our esteemed partners;***



## **Our Ideals for Life and Work**

### ***Ten Rules***

- I. We love and respect Mother Earth: we cultivate our land according to nature and we welcome its fruits as its greatest gift.
- II. We do not use more resources than it is necessary or natural. We make careful use of the universe.
- III. We always act as loyal and affectionate guardians of creation.
- IV. We believe in the moral and economic dignity of human beings.
- V. During work we support fair profitability and harmony between profit and giving back to the community.
- VI. We seek harmony between fair work and human privacy.
- VII. We commemorate our forefathers. They taught us to respect the law, and our story is written in their words.
- VIII. We believe in universalism and we act displaying great respect for all civilisations.
- IX. We welcome fair change in order to experience the best from our time.
- X. We are fond of young people and pass down to them hope and the dream of a bright future awaiting them.

## **Our Mother Earth**

- I. We have always pursued a fair profit achieved with ethics, dignity and morals, manufacturing highly artisanal products that wouldn't damage Creation, or as little as possible.
- II. We fully acknowledge the responsibility we have for what we build on the planet hosting us. For this reason we build our factories in keeping with the spirit of the place, refurbishing and adjusting existing facilities and sparing the Earth instead of further consuming it.
- III. Any revamping plan for our factories always contains a landscape plan, an architectural plan, a maintenance plan and a plan to promote the facilities' duration over time. No man-made intervention is acceptable unless it is compatible with the regeneration of the land.
- IV. It is a moral duty to use the resources of Creation pursuant to the ancient laws of nature. For this reason a healthy use of waters and their recovery takes centre-stage in our life and work project. The same also goes for all the other resources, which we use with grace and the utmost focus on climate change.
- V. Everywhere in the world the ancients worshipped Mother Earth as a main divinity, each according to their traditions. Its value has not decreased over the centuries: for this reason, our crops - olives, grapes, wheat, fruit - are grown according to nature. Similarly, our natural produce is used to prepare food that is then served in our company canteen.



- VI. From the very start of our business we have wanted our cashmere products to be made exclusively in our wonderful country, Italy, to be passed down to the next generations. We wanted them to be crafted artisanally with top-notch quality raw materials.
- VII. Our mothers taught us that the art of darning and mending highlights the value of things. John Ruskin used to say that we must necessarily accept the end of the objects we use, still we must do our best to make them last longer. This is precisely the purpose of mending and in our company we have a specific department devoted to it.
- VIII. Heritage has taught us from the very beginning to use natural fibers for our products. This choice, like the one for quality, enables us to do our part to spare Creation.
- IX. We like to do our best to support our raw material suppliers to grant them moral and economic dignity. We are keen to tell our customers that the products they purchase are the result of a mindful process that respects all stakeholders contributing to their making.
- X. Like Pericles in Athens, we too were taught to “respect the magistrates and the law, and to remember that we must protect the victims of offence». We were also taught to “respect the unwritten laws that reside in the universal feeling of what is right and common sense».

### **To Our Gracious Co-Workers**

- I. We have always seen to it that our workplaces were well-tended and welcoming, providing all workers with the possibility to look up and see the sky.
- II. We all work a fair amount of hours and share the same working times; nobody is online for business reasons on Saturdays or Sundays.
- III. We have always seen to it that wages were on average a bit higher for everybody, without any distinction.
- IV. In our company we want everyone to enjoy equal opportunities, fully aware of the value of one’s knowledge.
- V. We have striven to promote healthy relationships of esteem and trust among workers, whom we call “thinking souls”.
- VI. We believe in the relevance of culture as a way to improve human beings. That’s why we try to gently foster it.
- VII. We are aware that the passing down of knowledge develops talent. That’s why we have set up the School of Arts and Crafts in Solomeo.
- VIII. If our company lasts for centuries, as we hope, this will be the result of the generation turnover that we have always promoted over time.
- IX. It is our custom to meet on a regular basis during the year to discuss things, so that everyone is up to date as to how the business is evolving.
- X. We never stop looking for genius in people, and when we find it we go out of our way to enhance it.



**To Our Esteemed Partners**

- I. We would like your workplaces to be pleasant and welcoming.
- II. It would be great if the relationship with your co-workers were always as genuine and smooth as it is now.
- III. We believe in the key value called equal pay, without any distinction.
- IV. When carrying out work for our company, we would like your co-workers to devote a fair amount of hours to these tasks without overworking.
- V. It would be commendable if you too favoured an ongoing generation turnover, like we do.
- VI. We would appreciate it if - in everything you do - you always took into proper account the development and respect of the local area.
- VII. We strongly wish that our attitude towards you continued to be loyal and authentic.
- VIII. We find it valuable to always cooperate very closely together - as it is the case with us - fully aware of our full and mutual independence.
- IX. We would be glad to keep supporting the planet together, using the resources of Creation according to the ancient laws of nature.
- X. We would like to maintain the commendable tradition of our annual meetings where, whilst discussing the future and our plans, we strengthen the pleasant relationship we have shared for so long.

Wholehearted thanks

30 March 2020

**Brunello Cucinelli**  
Chairman of the Board of Directors  
and Chief Executive Officer



## INTRODUCTION

This consolidated non-financial statement (hereinafter also referred to as “CNFS”) of Brunello Cucinelli S.p.A. (hereinafter also the “Company” or the “Issuer”) has been prepared in compliance with the provisions of articles 3 and 4 of Italian Legislative Decree no. 254/2016 (hereinafter the “Decree”) - in implementation of Directive 2014/95/EU (the “Barnier Directive”) - and subsequent additions, on the obligation for large organizations of public interest to report non-financial information. This document constitutes the third edition of the CNFS for the Company and relates to the reporting period from 1 January 2019 to 31 December 2019. At the same time, this document provides the reader with the tools for comparison with data for 2017 and 2018. Any data for which it is not possible to provide a comparison with previous years are indicated with a note in the text.

By Legislative Decree no. 254/2016, the Italian legislature transposed into national law the provisions of the Barnier Directive concerning the disclosure of non-financial information and information on diversity on behalf of certain companies and large groups. In particular, starting from the financial year 2017, public interest entities (as defined in Article 16, paragraph 1, of Legislative Decree no. 39 of 27 January 2010) which reflect the sizes established in Article 2, paragraph 1, of Legislative Decree no. 39 of 27 January 2010, including the Company, are required to draw up a non-financial statement for each financial year containing information necessary to ensure an understanding of the company’s operations, performance, results and impact, with regard to environmental, social and staff-related issues and any issues regarding the respect of human rights and the fight against active and passive corruption which are considered relevant in view of the activities and characteristics of the company. Pursuant to Article 2, paragraph 2, of Legislative Decree no. 254/2016, in the case of public interest entities that



are parent companies of a large group, such as the group headed by the Company (hereinafter also referred to as the “Brunello Cucinelli Group” or the “Group”), the non-financial statement must be prepared on a consolidated basis in accordance with Article 4 of Legislative Decree no. 254/2016.

The intervention of the Community legislator is based on the consideration of the importance of transparency and disclosure on behalf of companies, in view of identifying any risks to sustainability and enhancing investors’ and consumers’ confidence (see Recital (3) of the Barnier Directive).

In accordance with the provisions of Articles 3-4 of the Decree, the purpose of this CNFS is therefore to ensure an understanding of the organizational model, activities, main risks (and related management methods) and performance indicators of the Brunello Cucinelli Group with regard to environmental and social issues as well as issues concerning the company’s personnel, the respect for human rights, and the fight against active and passive corruption, inasmuch as they are relevant given the activities and characteristics of the Group. With the exception of the fight against active and passive corruption for which, on 14 March 2019, the Board of Directors (hereinafter also “BoD”) of the Company approved a specific policy, to date, the Company has not deemed it necessary to adopt official policies relating to the areas referred to in Legislative Decree no. 254/2016, also in view of the good functioning of the policies regularly adopted within the Company and of the high centralized control. It will be the administrative body’s responsibility to assess the appropriateness of formalizing other corporate policies with reference to the non-financial aspects it considers most relevant.

In accordance with the provisions of Article 5, paragraph 3 of the Decree, this CNFS is a separate report from the “Report on Operations” in the Issuer’s Annual Financial Report - Consolidated Financial Statements 2019. Nevertheless, the CNFS is to be considered as an addition to the Report on Operations and the Issuer’s Financial Statements as at 31 December 2019.

In line with the requirements of the Decree and according to the principle of relevance of the information disclosed in relation to the situation and characteristics of the company, the Company has enriched the CNFS of 2019 by renewing the materiality analysis, in order to provide information that is more focused on issues that are central to the Brunello Cucinelli Group. The analysis is proposed in the form of a list of 6 macro-themes, referable to the areas of the Decree, which introduce 23 sub-themes - for a synopsis, see table 1 below (the description of the individual issues, the methodology for conducting the materiality analysis and the guide to reading the document are given in the Appendix).

**Table 1: Material topics and relevant sub-topics**

Material topic	Sub-topics
SUSTAINABLE GROWTH AND HEALTHY PROFIT	Human relations
	Sustainable growth project
	Brand identity
	Combating corruption
HUMAN RESOURCES: ETHICS, DIGNITY, MORALITY	Dignity and responsibility: promoting well-being
	Enhancement and development of “thinking souls”: selection, training and development
	Health and Safety
LIVING AND WORKING IN HARMONY WITH THE UNIVERSE	Raw material management
	Packaging and distribution
	Energy consumption
	Emissions
	Water disposal and withdrawal
THE HAMLET OF SOLOMEO, THE COMMUNITY AND TERRITORY, PLEASANT SUBURBS	Waste
	Solomeo: The Hamlet of the Spirit
	Community and territory
	Pleasant Suburbs
	Workplace design and architecture
AMIABLE RELATIONSHIPS WITH SUPPLIERS	Raw material procurement
	Craftsmanship, Made in Italy and local purchases
CUSTOMERS: A SPECIAL AND AUTHENTIC RELATIONSHIP	Product craftsmanship and safety
	Garment repairs
	Space Contemporaneity: boutique and showroom design and renovation
	Human privacy

In accordance with the International Standard on Assurance Engagement (ISAE 3000 Revised), this document has been subjected to limited review by the Independent Auditors EY S.p.A.

The BoD of Brunello Cucinelli S.p.A. approved the present CNFS 2019 on 11 March 2020.

This non-financial statement is published in the “Non-financial Disclosure” section of the Issuer’s website: <http://investor.brunellocucinelli.com/it>.

## CHAPTER 1 – HUMANISTIC CAPITALISM

*“I have embraced humanistic capitalism as a guideline for my entrepreneurial behavior since day one, and I conceived and coined this term for my Company. Some experiences from my youth have helped shape my personality; of these, the most significant one was perhaps seeing my father being offended and treated unfairly at work, as well as the not always benevolent jokes played on weaker students by other kids at school. But also, the way our schoolmates who lived in the city treated my brothers and I who came from the countryside truly baffled me. And it was actually my rural life that shaped my values of commitment to life, assistance and respect for others, as well as my spiritual approach to nature. The only coffee bar in town, where I used to hang out later on, during the years of my youth, was also key; this place of different, intense, rich and amiable human relationships became my university of the soul. That’s where my origins, personality and experiences started dialoguing with one other. What fascinated me about university in the true sense of the word, that I attended as an engineering student although with poor results, were the social aspects of student gatherings, where different topics were addressed with respect to those tackled at our coffee bar, or perhaps, rather than different, they were just treated differently, but in any case this is what pushed me to place priority on respect for other people and the Universe. This laid the foundations for **my humanistic capitalism**, which focuses on social aspects and is clearly based on the idea of the **primary value of human beings**, while giving **moral and economic dignity to people**”.*

*Brunello Cucinelli*





*GRI content index in the appendix*

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## PROFIT AND GIFT

*“But what does humanistic capitalism really mean? We’ve had some great teachers who have guided us, who have been and still are our role models, and who have told us something magical: **we have to live in harmony and without harming the Universe.** A fair and righteous idea that was born also thanks to them: a contemporary idea.*

*Well, what I mean by **humanistic capitalism is this idea or concept of “fairness”.** **Fair profit or sustainable profit, which is proportioned to and harmonized by the gift,** this is the first big issue: I imagine a great balance between profit and gift; giving to the world while feeling like the custodians of the Universe, creating a legacy for the generations to come, by leaving the world a better and more amiable place than we found it.*

*The second big issue: **making profit based on ethics, dignity and morality.** I don’t know if I was able to do it, but that was my goal. I wanted to do so without harming humanity, or at least by minimizing our impact as much as possible”.*

The idea of Humanistic Capitalism has always been the guiding principle and the foundation for our Company, where profit, gift, custodianship, human dignity and the ethics of the truth flourish and mutually enrich one another.



## OUR LIFE AND WORK PRINCIPLES

The building blocks of the idea of Humanistic Capitalism are our life and work principles, which guide our daily lives and actions.

### *Our life and work principles*

- I. We love and respect Mother Earth, cultivating the land naturally and welcoming its fruits as the greatest of gifts.*
- II. We only use what is necessary and natural. We use the Universe with amiability.*
- III. We always act like faithful and loving custodians of the Universe.*
- IV. We believe in the moral and economic dignity of human beings.*
- V. We work to pursue fair gains and harmony between profit and gift.*
- VI. We seek harmony between fair labor and human privacy.*
- VII. We remember our fathers. They taught us to uphold the law and, with their words, they have written our history.*
- VIII. We believe in the universalism of the world and act with great respect for all peoples.*
- IX. We accept fair change to live the best side of present-day life.*
- X. We love young people and share with them our hope and our dream for a bright future that lies ahead for them.*



## COMPANY VALUES AND PHILOSOPHY

In the hamlet of Solomeo, Brunello Cucinelli has created a new business dimension where labor is one of the noblest forms of expression of human value, and profit is considered a means to a higher aim: improving the life of workers, safeguarding the beauties of the world, and implementing projects for future generations.

Our business and philosophic model is based on the following distinctive elements:

- **Sustainable growth** in the sense of sustainable development that can ensure the progressive improvement of company performances at the right time and conditions.
- **Italian craftsmanship and creativity**, on which our corporate culture and identity are based, are expressed through the careful selection of raw materials, the premium quality of our products, our great attention to detail, our quest for innovation and our desire to enhance creativity throughout the entire manufacturing process, by rewarding our talented people and skillful artisans who contribute to the creation of the collections.
- **Exclusivity** is an essential feature for brand positioning in the highest-end luxury segment that we try to share with our customers through a contemporary style, starting from our premium-quality skillfully handcrafted techniques to the selection of spaces and locations designed to enhance the uniqueness of our products.

Promoting **human dignity and well-being** is another fundamental element aimed at ensuring the health and safety of all our people anywhere Brunello Cucinelli Group operates, as well as workplace beauty and health and safety compliance, while valuing every person's "*time of the spirit*" which is an essential complement to and a source of enrichment of professional life.

We value the concept of **human privacy**, to protect our intimacy and that of all the people we come in contact with. We believe that humanity needs a fair level of privacy and that the harmony between our public and private lives, which are both necessary, benefits our well-being. At the same time, this approach also ensures the protection of sensitive data and information about anyone who interacts with the Group's companies, as well as that of intellectual and industrial property – to safeguard the Company's technical heritage and know-how – while monitoring the use of the brand's image.







## COMPANY ORIGINS AND BUSINESS MODEL

### OUR ORIGINS

*“My wife Federica was born in Solomeo. When we were engaged, in 1978, another love blossomed within me, my passion for her beautiful hometown. Federica owned a small clothing shop in town; here, I came up with the idea of embarking on a new venture, the knitwear business. And I immediately had an intuition that I believed was innovative: colored cashmere for women”.*

The Company was born in Solomeo in 1978 from Brunello Cucinelli’s intuition to dye cashmere and use it for women’s knitwear, which until then had only been offered in natural or neutral colors and almost exclusively for menswear.

Solomeo has always been at the heart of Brunello Cucinelli’s family, business and spiritual life, and in 1985 he purchased a run-down 14th century Castle in town, which served as the corporate headquarters for several years.

In the mid-1990s, the Company strengthened its productive and commercial presence by launching a new total look and the first menswear collection, thus entering some of the largest foreign markets.

With the advent of the new millennium, due to the Company’s great expansion, more space was required; in order to meet such need, a number of preexisting buildings were renovated, with a view to enhancing the facilities located in the Solomeo Valley that had fallen into disuse, through a skillful restoration and embellishment process aimed at harmonizing the town with its suburbs (please see section “*Workplace design and architecture*”).

In 2012 the Company was listed on the Milan Stock Exchange, thus helping spread and share the idea of *Humanistic Capitalism* with the world, at a presentation where “*no figures or economic formulas were discussed, but only human beings, labor dignity, old traditions and ideals*”.





## OUR BUSINESS MODEL

The offer of handcrafted products that are exclusively made in Italy, and principally in Umbria, in proximity of the Company's Solomeo headquarters, is closely connected with the distinctive elements that identify and position the brand in the highest-end luxury segment. Starting from the use of raw materials of the highest quality and the constant search for a balance between artisan tradition and innovation, we strive to develop a ready-to-wear offer that is always exclusive, an authentic symbol of "Made in Italy".

The creation of apparel and accessories collections under the "Brunello Cucinelli" label comprises various stages and at the same time involves many stakeholders, both internal and external to the Company.

This process ranges from the stylistic design of the products to their manufacturing and sales up to customer relationship, that we always try to make "special" by sharing our corporate philosophy with our clientele.

The first stage of the process is **Creativity and Collection Design** (1)<sup>1</sup>, which starts from market analysis and new trend research conducted by our Style and Design Department, comprising 10 qualified professionals for the women's collections and 10 for the men's collections; they participate in international fashion fairs and events held at prestigious venues worldwide and analyze trends in the luxury fashion capitals of the world.

The creative process continues through in-house dialogue with our staff in order to define and share the stylistic guidelines of the collections, as well as draw the sketches. At the same time, materials and colors are selected. Once they have been approved by our Style and Design Department, the patterns are then forwarded to our in-house Prototype Department, which comprises over 100 highly specialized and qualified master artisans and technicians, most of whom are women. This enables us to internally develop a very significant number of prototypes.

The prototypes approved form the basis for the **creation of collection samples** (2), which are presented both **internally** and **externally** at **fashion events** (3), such as Pitti Uomo and the Milan Fashion Week.

The next steps are **order taking** (3) and **raw material procurement** (4), which reflects our desire to offer exclusive and unique garments, while respecting the environmental and social conditions of the area where the materials come from.

The Company performs specific raw material quality controls, thanks to the strong relationships with our raw material suppliers, most of which are Italian companies (please see Chapter 6 "Amiable relationships *with suppliers*").

The next stage is **product manufacturing** (5), which is carried out by first-class small- and medium-size third-party artisan workshops (the so-called *façonisti* or outside contractors), some of which are specialized in individual techniques; they are all Italian and most of them are located in Umbria. The entire manufacturing process is characterized by rigorous quality controls (5) performed by the Company on a regular basis along the value chain to ensure the quality of the semi-finished products at every step of the way, up to the finished products. The knitwear also undergoes "fulling", an extremely important and delicate step in the manufacturing process that is exclusively carried out at the Brunello Cucinelli Company.

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<sup>1</sup> The numbers in brackets refer to the figures contained in Infographic 1 – *Our business model*.



For its **market presence** (6), in both physical and digital terms, the brand relies on retail and wholesale mono-brand as well as wholesale multibrand channels, trying to build **special and authentic customer relationships** (7) based on brand experience and on sharing the Company's values (please see Chapter 7 "*Customers: a special and authentic relationship*").





Infographic I – Our business model





## EXCLUSIVE PRESENCE

Our brand graces the high-end shopping streets and districts of the largest cities and resort destinations worldwide, with 106 exclusive directly operated monobrand stores, 30 wholesale monobrand boutiques and approximately 500 select multibrand shops, including the most prestigious Luxury Department Stores.



### Box 1: Multibrand customers

The multibrand channel is key for us, and so is our presence in these stores, as we believe that they can help maintain our collections **modern and contemporary**.

This role is favored by the close relationship that we have built with the world's greatest *Luxury Department Stores* over the past several years, and by the great attention paid to the spaces dedicated to our brand, through valuable Visual Merchandising collaborations and effective sales team training.

These special and amiable mutual respect-based relationships lay the foundations for the channel's growing performance and for the great value it has for us, driven by the continuous dialogue that enables us to consider the multibrand channel as the "grand jury" of the collections; in fact, before viewing our collection, the buying teams of the world's greatest multibrand stores and luxury retailers have already viewed a multitude of other collections and their opinion – if you're a good listener – may help the Company understand if the collection reflects the latest trends.



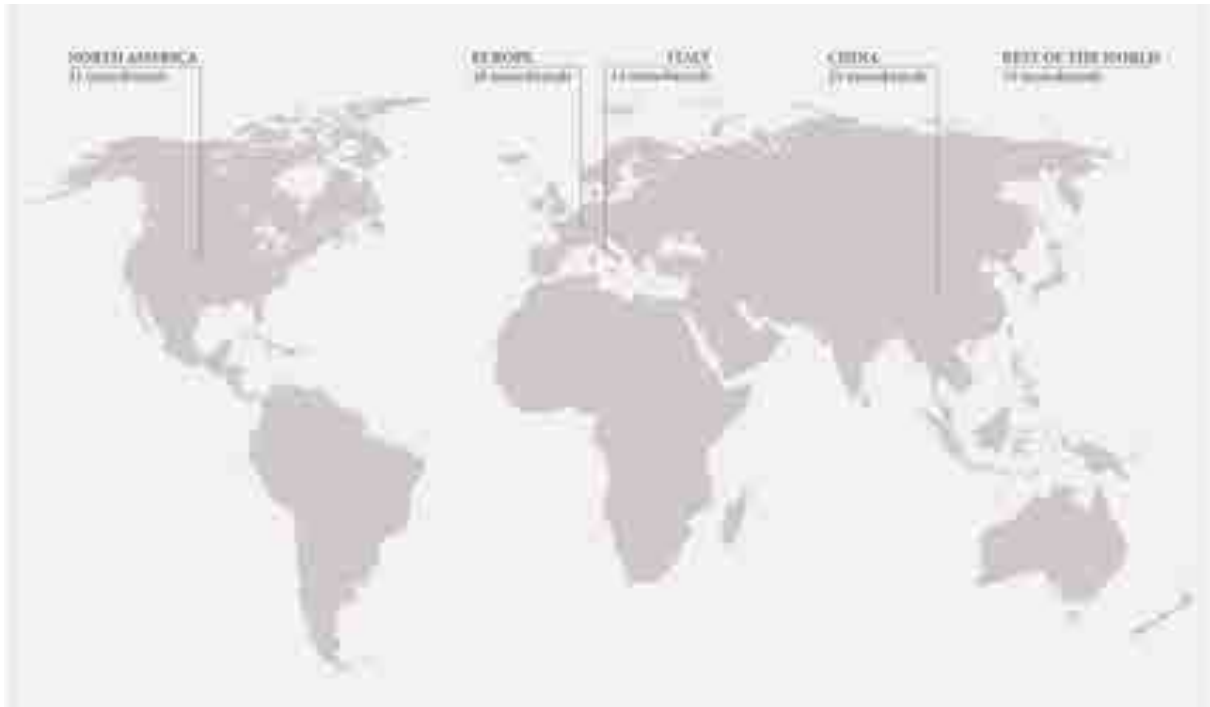
Like in the physical world, also in the digital one we strive to maintain the highest standards in terms of the brand's allure, while sharing and conveying the values we believe in, as well as the beauty of our native land and of the places we live in.

We would like to face the web like “humanist and contemporary artisans with a global view”; that is the reason why Solomeo also plays a particularly important role in directly running our Online Boutique, thanks to the special attention paid to customer service, packaging and visual merchandising: these elements are key to conveying the style of the collections and the brand's lifestyle





*Infographic II – The brand's presence in the world*





## CHAPTER 2 – SUSTAINABLE GROWTH AND HEALTHY PROFIT

*“I believed in precious things created **without harming the Universe** or at least by minimizing our footprint as much as possible. I imagined products that would be gratifying for their users and manufacturers alike, and **beautiful workplaces** to work in: places where workers could take pleasant and relaxing rest breaks and where the workshop dimension would reign supreme.*

*I envisaged human relations based on humanity and truthfulness, and respectable **wages** that would be sufficient for **living in dignity and serenity**. I imagined a peaceful **atmosphere in the workplace**, where creativity could be unleashed. I believed in **making profit**, indeed, but **based on ethics, dignity and morality**, while trying to give life to that fascinating relationship between **“profit and gift”** that, in my own small way, made me feel like a custodian of the Universe”.*

Sustainability of growth and healthy profitability which, over the past several years have been achieved at a natural and sustainable pace, are two distinctive features of our strategic and operations business management that characterize every step along the value chain.

The Company’s strategy stems from the belief that *“corporate profit alone is not enough, and we should pursue a higher aim”*: our goal is to pursue profit that can contribute to human well-being and dignity, without harming anything or anyone, while increasingly fostering reliability and transparency, and constantly building and strengthening trust-based customer relationships.







## INTRODUCTION

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**Table I: “Sustainable growth and healthy profit” - Non-financial risks and opportunities regarding the topics and relevant sub-topics.** The table below provides an overview of the risk types identified and the relevant risk management methods. The table also illustrates the key opportunities for the Group, arising from effective and efficient topic management.

TOPIC	RISK	RISK DESCRIPTION	RISK MANAGEMENT	OPPORTUNITIES
SUSTAINABLE GROWTH PROJECT	Risk of reduced economic value generated and distributed to stakeholders, due to negative social and environmental impacts.	The Group could experience a reduction in the economic value generated, should it fail to manage the sustainable growth process in a timely manner (from a social and environmental standpoint).	The growth project aims to ensure sustainable and constant growth. By doubling its turnover in the next ten years, the Company wishes to constantly increase its overall well-being and that of its stakeholders.	Gradual growth, which is one of the pillars of the Company’s business model, is at the service of sustainability itself, as it enables us to adapt our business processes in order to better meet stakeholder needs on the issue.
	Risk of failing to identify stakeholder needs in terms of the relevant issues pertaining to social, environmental and financial corporate responsibility.	The lack of formal and continuous dialogue with the Company’s different stakeholder categories could result in misalignment and in the failure to meet their expectations.	The Company interacts with its stakeholders during specific dialogue sessions dedicated to individual stakeholder categories. The Company is aware of the importance of further increasing the involvement of its key stakeholders in order to better understand their interests and expectations and meet them through its corporate strategy and operations.	Ability to identify and effectively respond to needs and trends, preventing potential short-, medium- and long-term risks in terms of relations and reputation.



TOPIC	RISK	RISK DESCRIPTION	RISK MANAGEMENT	OPPORTUNITIES
BRAND IDENTITY	Reputational risk due to the failure to comply with corporate values and to harmful communications.	The misalignment between our corporate culture and the behavior of individual collaborators, as well as social media misuse – e.g. setting up fake corporate profiles – could harm brand image and reputation.	The Company has full control over the messages conveyed via the different communication channels and supports corporate culture internalization through active collaborator participation. The Company has also decided to set up official corporate social media profiles (e.g. Instagram, Facebook and Twitter) to prevent the creation of fake digital brand identities.	Promoting the brand's exclusivity and allure, while reducing its exposure to counterfeit product issues.
COMBATING CORRUPTION	Potential risk of incidents of corruption or bribery (active and passive).	Risk of non-compliance with the regulations or with Model 231: potential commission of unethical acts by internal and external collaborators.	In early 2019, the Company updated and released the new version of its Code of Ethics and implemented its anti-corruption policy.	Raising awareness of rightful conduct among our collaborators and developing an ethical corporate culture based on the values of lawfulness, fairness and honesty, and aimed at preventing the risk of unlawful conduct.



## SUSTAINABLE GROWTH PROJECT

We believe that our sustainable growth project has guided – from a financial and a human moral dignity standpoint – our strategy, operations and results also in 2019, which was a year of excellence for us.

We continue to pursue our beloved idea of Humanistic Capitalism, in the hope of doing our share by somewhat contributing to the improvement, although marginal but nonetheless extremely important to us, of the economic and moral conditions of all human beings and of all those who collaborate with us.

We believe that our economic growth and 2019 figures were achieved in accordance with our corporate values, on which we continue to build our future growth, giving value to people, the places we live in, our shareholders and all our stakeholders in general.

Net revenues for 2019 amounted to 607.8 million Euros, with a +9.9% increase at current exchange rates (+8.6% at constant exchange rates), compared to 553 million Euros as at 31 December 2018.

International sales increased by +11.5%, with Europe up +12.9%, North America +9%, China +14.6%, and the Rest of the World +12.4%; domestic Italian market performance was also positive, with a +1.7% increase.

All the distribution channels reported revenue growth, with retail up +14.6%, wholesale monobrand +8%, and, lastly, wholesale multibrand +4.1%.



In 2019, we have continued to place priority on investments, with 52.6 million Euros of investments as at 31 December 2019 (versus 45 million Euros as at 31 December 2018). We are strongly committed to “safeguarding the brand’s allure” in all our daily activities, i.e. in the quest for excellent raw materials, in the extremely skillful manufacturing techniques that are exclusively performed at Italian-based artisan workshops, in the creation of new collections and in our search for spaces where the brand can fully express its DNA and live up to its reputation.

The prerequisite for achieving these goals remains corporate modernity, which we pursue with significant multi-annual investment plans aimed at supporting our market presence and the use of state-of-the-art manufacturing and logistics facilities and IT infrastructure, but always with a view to ensuring workplace beauty.

Commercial investments thus supported select new store openings and the expansion works of certain exclusive boutiques, contributing to the increase of the brand’s sales space inside Luxury Department Stores and to showroom restoration and expansion.

As regards production, logistics and IT digital investments, the focus was on supporting IT infrastructure development, digital presence and the constant renovation of manufacturing and logistics facilities.

**Table 2: Summary data**

	2019	2019 under IFRS 16
Number of collaborators	2,022	
Net revenues	Euro 607.8 million	Euro 607.8 million
EBITDA	169.6	106.1
Net income	53.1	49.3 <sup>2</sup>
Net Financial Position	481.2	30.1
CAPEX	52.6	52.6
Offer	87% apparel, 13% accessories	
Capitalization	Euro 2.146 billion	

102-7 *Scale of the organization*

As illustrated above, the creation of fair profit goes hand in hand with our commitment to adequately remunerate our stakeholders, making sure that they reap the benefits of the results achieved by the Issuer. The table below shows the economic value generated by the Company and distributed to its major stakeholders in the three-year reporting period<sup>3</sup>; the chart highlights the breakdown of the economic value distributed in 2019.

As shown by the figures presented below, there was an increase in the economic value generated in 2019 compared to the previous two-year period numbers: the Group distributed 82% of the economic value generated (90% according to the “under IFRS 16” column), retaining 18% (10% according to the “under IFRS 16” column). Specifically, compared to 2018, the only decreasing figure was the economic value distributed to suppliers, who remained, nonetheless, the stakeholders who received the largest share. The amount allocated to other stakeholder classes was, instead, on the rise.

<sup>2</sup> The Net Profit for the period was normalized by the effects of the tax benefit deriving from the so-called “Patent Box”, which reduced direct taxes by Euro 5.6 million as at 31 December 2019 (Euro 5.0 million as at 31 December 2018).

<sup>3</sup> The economic value generated and distributed was calculated on an accrual basis.

**Table 3: Economic value generated and distributed**

<i>Euro/000</i>	2019 <sup>4</sup>	2019 under IFRS 16	2018	2017
Net revenues	607,761	607,761	552,996	503,571
Other operating income	826	1,019	1,448	2,113
Financial income	27,201	25,527	22,074	18,197
Other operating costs* (credit losses)	0	0	-26	-1
<b>Economic value generated</b>	<b>635,788</b>	<b>634,307</b>	<b>576,492</b>	<b>523,880</b>
Costs of raw materials and consumables	72,279	72,279	88,056	82,901
Service costs	248,067	311,828	268,328	240,328
<b>Economic value distributed to suppliers</b>	<b>320,346</b>	<b>384,107</b>	<b>356,384</b>	<b>323,229</b>
Personnel cost	112,199	112,199	98,329	89,061
<b>Economic value distributed to human resources</b>	<b>112,199</b>	<b>112,199</b>	<b>98,329</b>	<b>89,061</b>
Dividend distribution <sup>5</sup>	23,800	23,800	20,400	18,360
Financial expenses	41,401	30,938	26,330	23,504
<b>Economic value distributed to shareholders and investors</b>	<b>65,201</b>	<b>54,738</b>	<b>46,730</b>	<b>41,864</b>
Income taxes	16,093	16,447	14,240	6,929
Other operating costs (taxes and duties)	4,059	4,059	2,790	2,272
<b>Economic value distributed to the public administration</b>	<b>20,152</b>	<b>20,506</b>	<b>17,030</b>	<b>9,201</b>
Investments for the area and the community <sup>6</sup>	1,335	1,335	1,290	756
<b>Economic value distributed to the local community</b>	<b>1,335</b>	<b>1,335</b>	<b>1,290</b>	<b>756</b>
<b>Economic value distributed</b>	<b>519,233</b>	<b>572,885</b>	<b>519,763</b>	<b>464,111</b>
<b>Economic value retained</b> (Economic value generated – economic value distributed)	<b>116,555</b>	<b>61,422</b>	<b>56,729</b>	<b>59,769</b>
Direct economic value generated and distributed				

**Graph I - Economic value distributed in 2019 (excluding IFRS)**

4 Please note that 2019 figures were restated (under IFRS 16) to eliminate the effect arising from implementing the new accounting standard IFRS 16, effective from January 1, 2019, and thus enabling a comparison to be made with previous periods; please also note that for lease arrangements falling within the scope of IFRS 16, from an accounting standpoint the application of the standard leads to the non-linear replacement of lease costs by the recognition of an amortization charge for rights of use and interest expense on lease liabilities.

5 This figure refers to the 2019 dividend distribution decided by the Board of Directors of the Issuer during the meeting held on March 11, 2020.

6 Excluding investments made by the Foundation.



## HUMAN RELATIONS

Human sustainability inspires our moments of dialogue, communication and involvement, with the aim of making each and every stakeholder feel part of Brunello Cucinelli Group. We believe that listening and precipitating are essential values; this is why we strive to build stable and long-term human relations.

We believe that building healthy respect - and trust - based relationships and collaborations with our stakeholders is key, as we recognize the potential significant contribution that each of them can make to our strategy.

Just as important is the management of risks and opportunities in terms of environmental, social and financial corporate responsibility.







Infographic III – Human Relations: Stakeholders and dialogue channels

## HUMAN RELATIONS

Stakeholders and Dialogue Channels

<p><b>Human Resources</b></p> <ul style="list-style-type: none"> <li>Day-to-day dialogue with the Human Resources department</li> <li>Institutional business update meetings</li> <li>Corporate Intranet</li> <li>Annual performance assessment and future goal-setting meetings</li> <li>The "Hirtas Simpliciter" training project</li> <li>Brand Ambassador Schools</li> <li>The Traditions project</li> </ul>	<p><b>End Customers</b></p> <ul style="list-style-type: none"> <li>Interaction with our ambassador network (people)</li> <li>Select communication on values and products</li> <li>Customer Care</li> <li>Personalized experiences in boutiques, boutiques and sales spaces</li> <li>Trunk Shows</li> <li>Repairing service</li> </ul>	<p><b>Wholesale Customers</b></p> <ul style="list-style-type: none"> <li>Meetings on sales and training</li> <li>Visits in Bergamo aimed at sharing our philosophy and values</li> <li>The Traditions project</li> <li>Milano Uomo</li> <li>Milan Fashion Week</li> <li>Order taking and feedback sharing</li> </ul>
<p><b>Media</b></p> <ul style="list-style-type: none"> <li>Institutional Website and Social Media</li> <li>Visit to the Museum and the Factory</li> <li>Collection presentation</li> <li>Interview with the Chairman and top executives</li> <li>Press conferences and Media Film</li> <li>Ongoing dialogue</li> </ul>	<p><b>Schools and Universities</b></p> <ul style="list-style-type: none"> <li>Orientation days</li> <li>Lectures and speeches</li> <li>Training internships and Company visits</li> <li>The School of Art and Crafts</li> <li>Collaboration with "Sistema Formativo Confindustria Umbria" (SFCU)</li> <li>The "Institutes of Excellence in the fashion industry" project</li> </ul>	<p><b>Public Administration, Regulatory Bodies, Trade Associations</b></p> <ul style="list-style-type: none"> <li>Meetings with representatives from the local Public Administration</li> <li>Meetings with representatives from Trade Associations</li> </ul>
<p><b>Façonisti and Suppliers</b></p> <ul style="list-style-type: none"> <li>Crisis-time support through a dedicated team</li> <li>The Factor Information Division</li> <li>The Supply Chain Program</li> <li>The Contracting Program</li> <li>Dedicated Extrasnet</li> <li>Trade fairs and collective promotion</li> <li>Company visits</li> <li>Sharing values at one-on-one and group meetings</li> <li>Annual results and expectations sharing meeting</li> </ul>	<p><b>Shareholders and Investors</b></p> <ul style="list-style-type: none"> <li>Day-to-day dialogue</li> <li>Conferences and schools meetings</li> <li>Episodes and initiatives on the website</li> <li>Press releases (Milano and Bergamo)</li> <li>Top Management Report</li> <li>Shareholders meeting</li> <li>Price sensitive communication and information</li> <li>Institutional website and Investor Relations</li> </ul>	<p><b>Community and Territory</b></p> <ul style="list-style-type: none"> <li>Brunello and Federica Cucinelli Foundation Activities</li> <li>Planning and carrying out initiatives in the territory</li> <li>Meetings with representatives from Associations</li> </ul>





We place priority on continuous dialogue over all the aspects that guide and influence human life, including the relationship with the digital world and how we can try to “humanize the web”. That is why we were honored to welcome, here in Solomeo, in May 2019, our “amiable friends” from the Silicon Valley, including Jeff Bezos, Drew Houston, Reid Hoffman, Ruzwana Bashir, Marc Benioff (who attended via a beautiful letter addressed to the whole group), Nirav Tolia and Sarah O’Leary; we are grateful of the special relationship that we believe we have built with these young talents, whom we consider the “Young Leonardos of the Third Millennium”.

In the days spent together, we devoted our time to the soul, discussing the big issues in life, such as our responsibility towards humanity and our desire to feel like custodians of the world, planning the future for the generations to come and trying to share our vision of the world for the next millennia; with these words from Brunello Cucinelli, we greeted them upon their arrival in Solomeo.

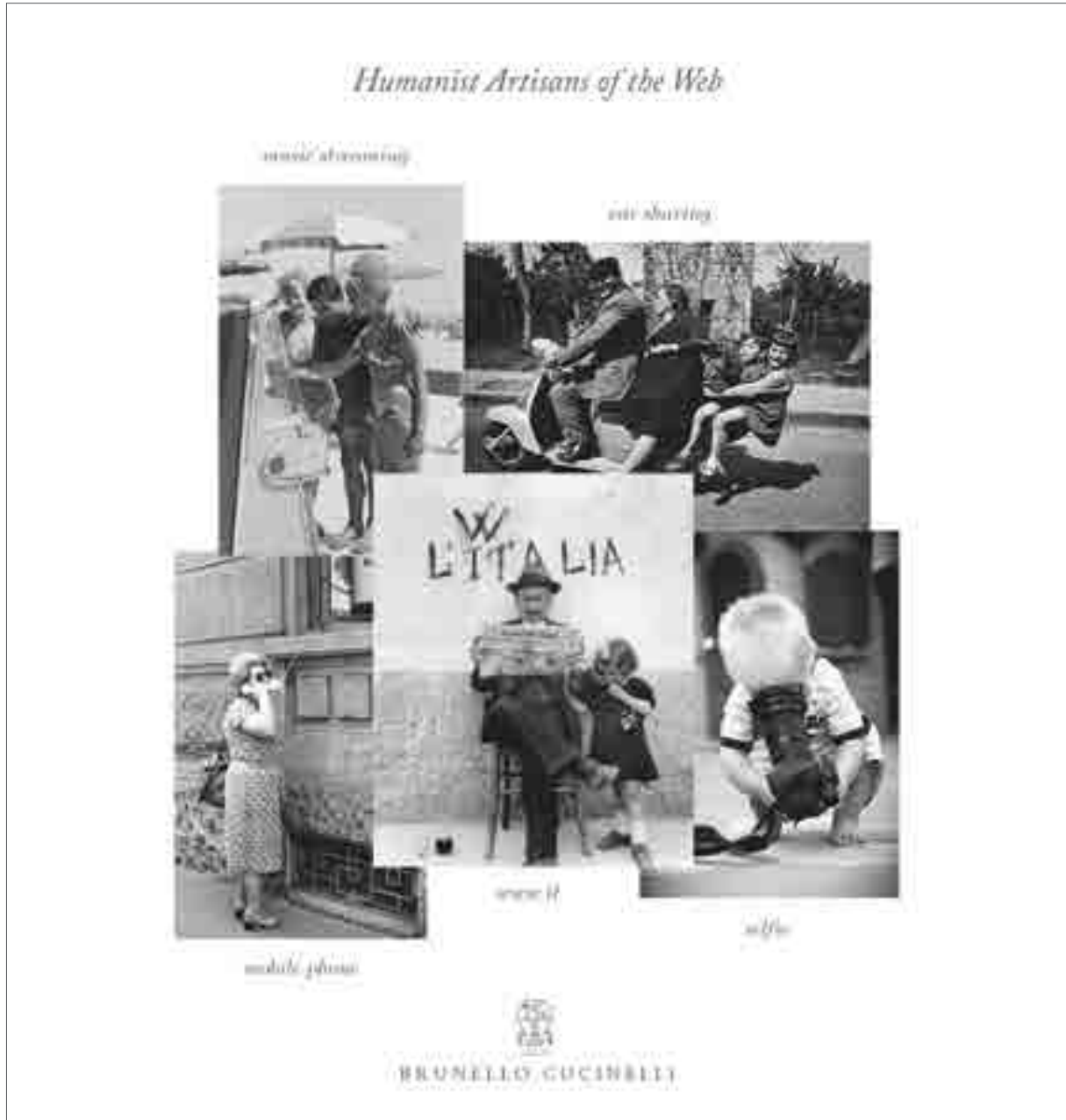
*“My dear friends, I am delighted to have you here in Solomeo. I was invited to your homes and workplaces. I saw the greatness of America and the beauty of your Genius at first hand. If New Humanism has ever been reborn since the time of the Medici Family in Florence, it has found its cradle in the Silicon Valley, where you are shaping tomorrow with a view to the good of humanity, for centuries on end. Your brilliant thoughts fascinated me, so I compared them to mine, in my previous rural and current small-town life, and I realized how these two worlds can significantly enrich one another. It has been a long time since I last visited you, however my heart and mind have just one desire: to meet you again soon. I would like to talk and discuss with you once again, just like we did back then, in America. You opened your hearts to the beauty of the highest humanistic ideals, and I opened mine to the beauty of technology and to the ingenious ideas stemming from your creativity.*

*You are the geniuses of our time, the new Leonardos of the Third Millennium; Leonardo was a “great humanist” and it’s your turn now to pursue the high ideals of times gone by. Our sense of history makes us feel we belong to our time, and the value of memory tells us that we must give our children memories of who we are and of the things we do; these memories are eternal monuments, symbols erected all over the world that teach virtues and remind us of the words of our fathers.*

*We can relive those days here, in my home in Solomeo. We can discuss once again about philosophy, the soul, about projects for the here and now or for a long time to come, as we take a walk among the cherry trees of the Agrarian Park or the old oaks overlooking the Monument to Human Dignity. I dedicated this monument to mankind, to all of you, as it speaks of universalism. There are many ideas, many useful things that we can do together for the future!*



*I would like to talk to you about all this; for these reasons, I invite you here and if you accept my invitation, I will be grateful and honored for this beautiful gift of yours”.*





## BRAND IDENTITY

In perfect balance between tradition and innovation, brand identity and its protection are the pillars of our business, as through brand identity we have tried to communicate, convey and share all the values that embody the spirit and essence of Humanistic Capitalism.

For this reason, the cornerstones of the Company's life and communications approach are designed to protect the brand's identity, philosophy, allure and Italian lifestyle. All the mediums used to express our brand image globally – e.g. stores, medias or digital channels – are constantly evolving, thus tracing new paths and ways to convey our philosophy and the values we embrace, as well as everyday life in Solomeo.

We therefore wish to build special **trust**-based customer relationships, which focus on communicating our key messages so as to protect the human privacy of our customers.

The speed of technological progress and communication does not affect the Company's approach to communication itself but provides ample food for thought about the need to promote graceful and measured forms of communication.

In our relationship with individual customers and in our comprehensive communications plan, the concept of "**protection**" is always stronger than that of "promotion".

Over the past several years, our principles have guided our corporate image and communication, through messages where ethical principles and elements specifically linked to the Umbrian and Italian territory and culture are naturally mixed together with the aesthetic vision of the Company. Thanks to this approach, all the forms of communication are channeled to a single direction: the spirit of sharing intangible values. The quest for exclusivity guides our understated approach to the use of our logo, where the customers themselves recognize the distinctive features of the brand, such as the style of the collections and the quality and skillful craftsmanship that characterize the products.

Advertising **campaign images** are a useful tool to communicate the identity, vision, philosophy, and values of the Company, such as art, creativity, harmony and the sense of beauty.

Our understated and never ostentatious communication activity is highly innovative and powerful; our ad campaigns have a principally evocative rather than a merely commercial value, as they touch on cultural and philosophical topics.

Our **institutional catalogs**, which are released on a biannual basis and are distributed globally, are a key point of reference for the communication and enrichment of the Brunello Cucinelli identity, while providing reflections and brief articles on culture and art, specifically with respect to the Mediterranean area, Italy and Umbria.

Our **newsletters**, which are released only a few times a year, take the form of *Thoughts on the contemporary world*. In 2019, in accordance with data protection and the confidentiality of communications, only 3 corporate and a few product newsletters were released, in line with the requests of individual customers.



Newsletter "Time for Spirit, Time for Harmony", August 2019

Our other communication channels of choice are our corporate and e-commerce websites and official social media accounts, specifically Instagram.

In 2019, we launched our "*Human Nature*" campaign, dedicated to promoting a healthy relationship between mankind and nature, based on respect for the Universe and the Earth as a place that must be protected and nourished, in accordance with the principles that must be passed on to future generations.

Our "*Moments to Treasure*" campaign, set against the breathtaking backdrop of the Umbrian town of Bevagna, focuses on the value and quality of life in these small old medieval villages, which convey, to present and future generations alike, an idea of timeless beauty and harmony.



Image from the “Moments to Treasure” campaign

The Company also communicates its corporate messages and values through the brand’s presence in **high-end locations**, which are constantly and comprehensively renovated to represent the Italian lifestyle and philosophy. Our boutiques are designed as true *Italian homes*, where customers can clearly perceive the value of hospitality as a distinctive trait of the Company’s identity (please see section “*Space contemporaneity: boutique and showroom design and renovation*”). The furnishings express a convivial atmosphere, with natural materials and the brand’s signature colors, evoking the Umbrian countryside and nature. The focus is on Solomeo specifically, where safeguarding nature and the importance of a more humane dimension are key.

The Company’s online presence and approach to the web – in terms both of our philosophy and **online boutique** – are reflected in the ideal figure of the “*Humanist Artisans of the Web*”, in order to transpose onto the digital world, the great care, quality and grace characterizing the brand’s customer relationships (please see Chapter 7 “*Customers: a special and authentic relationship*”). We are also well aware of the dominating role of social media in the present-day society, but we strategically opt for an understated and non-invasive deployment of such channels that can consistently highlight the fruits of our responsible approach to labor and to the quality of life.



## ETHICS AND CORPORATE GOVERNANCE



### CODE OF ETHICS

The Code of Ethics<sup>7</sup> expresses the centrality of human values that characterizes the relations with our personnel, external collaborators, suppliers, commercial partners and customers, where each and every one of them must feel responsible for their own work, without hindering their individuality.

The Code of Ethics sets the rules, values and principles based on which the Company and its subsidiaries run their business, becoming a guideline for the behavior and actions of all the key stakeholders of the Brunello Cucinelli Company (please see section “*Human Relations*”).

On March 14, 2019, the Company’s Board of Directors approved an updated version of the Code of Ethics, which further focuses on the principles of human privacy and the enhancement of human resources and of their well-being, as well as on the values of responsibility towards the community and support for the territory.

Alongside the fundamental values of **compliance with the law, honesty, transparency, rightness and good faith**, the Code of Ethics brings **sustainable growth objectives** to the fore. The adoption and implementation of the Code of Ethics are essential to achieving the Company’s primary goal, i.e. creating value for its shareholders, collaborators, *façonisti* and suppliers, as well as customers and the community as a whole.

The Code of Ethics is shared with all our collaborators and third parties who collaborate on the development, production, distribution and sale of our products, and is made available by various means (online publication and/or direct communication); compliance with the Code is required for any supply contract, as it is a prerequisite for the establishment of any contractual relationship.

<sup>7</sup> The Code of Ethics is an integral part of the organization and management model (Model 231) of the Brunello Cucinelli Company, as set forth by Legislative Decree no. 231/2001. The Code is available in Italian and English at the following link: [http://investor.brunellocucinelli.com/yep-content/media/Codice\\_Etico\\_3.4.19.pdf](http://investor.brunellocucinelli.com/yep-content/media/Codice_Etico_3.4.19.pdf)





The Code of Ethics sets out the rules of conduct that must be followed by suppliers and external collaborators, who are required to show professionalism and reliability as well as to share and preserve the principles expressed in the Code in order to promote the development of long-term relationships.

## CORPORATE GOVERNANCE

In accordance with the above-mentioned principles, corporate governance defines the operating context in which the Company can pursue its progressive long-term growth objectives.

The corporate governance system<sup>8</sup> of the Brunello Cucinelli Company is based on the so-called “traditional model”, consisting of the Shareholders’ General Meeting, the Board of Directors and the Board of Statutory Auditors. Corporate Governance plays a key role in running the business in a proper and responsible manner and in ensuring the creation of sustainable and shared value in the long term.

The Company was listed on the Italian electronic stock exchange (“MTA”) organized and managed by Borsa Italiana S.p.A. on April 27, 2012 and follows the recommendations contained in the Corporate Governance Code for listed companies.

The Board of Directors (BoD)<sup>9</sup> is responsible for the management of the Company and currently consists of 11 members – who shall be in office for no longer than three years, until the approval of the third year’s financial report, and are eligible for reappointment. Directors are appointed by means of the list vote system, in accordance with the principles of gender balance, competence and independence. The composition of the Board of Directors is illustrated in the table below.

**Table 4: BoD composition**

<b>Total BoD members</b>		<b>11</b>
<30 years		<b>1</b>
	men	0
	women	1
30 ≤ x ≤ 50 years		<b>4</b>
	men	2
	women	2
>50 years		<b>6</b>
	men	5
	women	1
<b>GRI 405-1 Diversity of governance bodies and employees</b>		

In 2019, the Board of Directors held 6 meetings and the attendance rate was 94%.

<sup>8</sup> For more information on corporate governance, please see the Report on corporate governance and proprietary assets for 2019, which is available at the following link: [http://investor.brunellocucinelli.com/yep-content/media/BC\\_-\\_Assemblea\\_2020\\_-\\_Relazione\\_Corporate\\_Governance\\_con\\_tabelle\\_e\\_allegati.pdf](http://investor.brunellocucinelli.com/yep-content/media/BC_-_Assemblea_2020_-_Relazione_Corporate_Governance_con_tabelle_e_allegati.pdf)

<sup>9</sup> As regards the composition of the Board of Directors of the companies Pinturicchio Srl and Max Vannucci Srl, in both cases there are 3 male members aged 30 to 50 years.



Entrepreneur and *Cavaliere del Lavoro* (Knight of the Order of Merit for Labor) Brunello Cucinelli is the Chairman and CEO of the Company. So far, the combined CEO-Chairman role has been justified by the Company's current organizational structure. Brunello Cucinelli holds a coordinating role with respect to the Board's activities, which includes calling and chairing the Board's meetings and creating their Agendas. He is also in charge of verifying the implementation of the Board's decisions, of chairing the Shareholders' General Meeting and is vested with the legal representation powers of the Company. Lastly, the Chairman encourages discussion and debate during the Board of Directors' meetings, in order to promote, among Board members, a better understanding of the Company's internal dynamics and of the reference market.

The Board's role includes defining and pursuing strategic objectives, including the sustainability goals of the Company and its subsidiaries. It is also in charge of verifying the presence of control mechanisms for corporate performance monitoring purposes.

The Board is assisted by two internal committees which have been set up within the Board itself, having advisory, propositional and control functions. The **Control and Risks Committee** supports, with appropriate audit procedures, the assessments and decisions made by the Board of Directors regarding the internal control and – financial and non-financial – risk management system, as well as those relating to the approval of periodic financial reports.

As part of the internal control and risk management system, *risk assessment* activities are carried out with respect to the identification of potential business risks deriving from external or internal sources. Such mechanism is essentially based on risk self-assessment by the heads of the various corporate departments in terms both of *financial and non-financial* risks. Since certain risks are indefectible with respect to the achievement of corporate objectives, *risk assessment* is useful to identify the Company's risk appetite and tolerance.

The **Remuneration Committee** is an advisory and propositional body whose key role is to submit proposals to the Board of Directors for establishing the remuneration policy for directors and key management personnel.

Specifically, the Remuneration Committee has the following functions: assessing, on a regular basis, the adequacy, overall consistency and actual implementation of the remuneration policy for directors and key management personnel, by also relying, for such latter purpose, on the information provided by CEOs; submitting proposals to the Board of Directors on the issue; submitting proposals or opinions to the Board of Directors concerning the remuneration of executive directors and other directors who hold special positions.

The Company's remuneration policy is based on the principle of fair remuneration, which shall be proportionate to the commitment required from the directors and key management personnel. Special attention is paid to fixed remuneration, as it fully reflects the principle of healthy and prudent company management that is the cornerstone of the actions taken by executives in the fulfillment of their work and that is consistent with the objective of long-term value creation<sup>10</sup>.

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<sup>10</sup> For more information on the remuneration policy, please see the Remuneration Report that is approved, on an annual basis, by the Board of Directors of Brunello Cucinelli Spa. The Report, approved on March 14, 2019, is available at the following link: <http://investor.brunellocucinelli.com/yep-content/media/BC%20-%20Assemblea%202019%20-%20Relazione%20Remunerazione%20e%20tabelle3.pdf>





It was not deemed necessary to set up an Appointment Committee, as its duties are carried out by the Board, and specifically by the directors collectively, under the direction of the Chairman.

The Company has also set up, on a voluntary basis, a number of intercompany committees with functions that mainly regard operations coordination.

The **Steering Committee** – consisting of executive directors and managers in charge of the Company’s production, sales, communication and marketing, digital, financial and legal functions – is principally tasked with supporting the management body in implementing business and strategic plans. The Steering Committee also has the duty of assessing the suitability of strategic and management objectives in terms of risk prevention and containment, thus avoiding the most significant ones from the start.

The **Human Resources Committee** establishes the guidelines and principles for hiring personnel, career paths, remuneration and the Company’s employee relations policy, by developing strategic guidelines for training and contributing to the care and well-being of our people, perfectly in line with our corporate values and philosophy (please see Chapter 3 “*Human Resources: Ethics, dignity, morality*”).

The **Architectural Design Committee** defines the design concept of monobrand stores and display spaces (e.g. showrooms) and the architectural design of the Company’s locations (please see Chapter 7 “*Customers: a special and authentic relationship*”).

The **IT Security Committee** coordinates business functions in order to assess and mitigate the risks arising from the use of the Group’s IT systems. .





## COMBATING CORRUPTION

The Company's commitment to combating corruption is another cornerstone of our business philosophy aimed at creating a harmonious workplace that can ensure the implementation of the general principles highlighted in the Code of Ethics.

As we confirm the primary importance of the value of lawfulness as a key element of the way we run our business, we are committed to combating any form of corruption and bribery, both active and passive. We aim to promote and guide the implementation of virtuous conduct by our human resources and external collaborators, in order to ensure dignity of labor to all of them, in accordance with a fair and honest conduct that reflects the Company's fundamental values. Risk prevention is also performed through the shared management and implementation of business processes: over the past several years, the Company has ascertained the effectiveness of team work, both internally and externally, also with respect to minimizing the risk of potential conflicts of interest and corrupt practices.

Such objective is also achieved through the implementation of preventive control mechanisms, such as the Code of Ethics and the **Anti-corruption Policy**<sup>11</sup> that was approved by the Board of Directors at the meeting held on March 14, 2019.

On the matter, the Code of Ethics states that *"the Group prohibits and prosecutes corruption, inappropriate favors, collusion, solicitation of advantages, the receipt of tangible and intangible benefits and other advantages aimed at influencing and/or compensating exponents of institutions or Group employees"*. The Policy aims to provide a reference framework for the rules laid down by the Company to combat corrupt practices, promoting a responsible and conscious corporate culture while preventing and discouraging such conduct at all levels. The Policy is addressed to all our collaborators, to the members of the corporate bodies of our subsidiaries and to all those who work, even on an occasional basis, in the name of and/or on behalf of and/or in the interest of the Group, as well as to those who have professional or collaborative relationships with the Group.

The Policy governs a variety of cases: conflicts of interest and the relevant reporting procedures; relationships with the public authorities; the conduct of wholesale customers, suppliers and *façonisti* with respect to the Group and in their capacity as privates; human resource management and conduct; sponsorships (e.g. philanthropic activities); gifts and entertainment expenses; and accounting entries.

As regards contracts and the interaction with suppliers and *façonisti*, the policy establishes the proper conduct for their selection process, which must be carried out in accordance with the principle of transparency and with the requirements of professionalism, quality, reliability and integrity. The same applies to human resources, whose selection and recruitment processes must be based on fairness, merit, impartiality, transparency and competence.

The business areas that are potentially at risk of corruption or bribery are production material procurement, the entrustment of work to *façonisti* and the hiring of consultants of all kinds. There have been no cases of corruption in 2019, in line with the previous years.

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<sup>11</sup> For a detailed overview of the Anti-corruption Policy please see the "General Archive" section of the Company's Investor Relations website at the following link: <http://investor.brunellocucinelli.com/it/servizi/archivio-generale/governance/documenti>. The policy is also available in Italian and English on the corporate intranet portal.



In compliance with Legislative Decree no. 231/2001 (hereafter “Model 231”), the Company ensures the appropriate disclosure of the contents and principles of Model 231 both inside and outside its organization, in accordance with the will of the founder and under the supervision of the Supervisory Body. The means of communication and training of Model 231 vary depending on the recipients to whom the model is directed, in order to ensure that the various recipients become fully aware of the Company regulations they must comply with and the ethical rules that must underlie their conduct. Periodic training sessions are organized by the Supervisory Body with those collaborators of the Company who are concerned, on a case-by-case basis, with the specific type of predicate offence at hand. The contents of these sessions are accessible to all the collaborators via the corporate Intranet portal.

In particular, a training event on the anti-corruption policy, dedicated to a group of the Company’s Managers and Middle Managers, was organized in collaboration with the Supervisory Body in 2019; specifically, an esteemed professor from the University of Perugia gave a lecture on Model 231. The different potential cases of corruption or bribery were illustrated at the event, with real-world business examples, including those concerning the relationship with the Public Administration.

Lastly, the Company established a specific whistleblowing procedure (in compliance with Law no. 179/2017) governing the reporting mechanism to the Supervisory Body of any misconduct or violation of Model 231 or of the Code of Ethics, as well as of any violation, in general, of the procedures and provisions implemented internally by the Company<sup>12</sup>. As regards the disciplinary measures implemented in case of the commission of predicate offences, the Group ensures that these shall be adequate and proportioned to the gravity of the individual violations of the rules: the dismissal of the employee involved and the failure to enter into a contract with the external collaborator involved or the termination of such contract, are the maximum penalties applicable for the more serious offences.

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<sup>12</sup> The whistleblowing procedure (in compliance with Law no. 179/2017) is an integral part of Model 231, and as such applies to all the subsidiaries. For further details on the procedure, please see the “General Archive” section of the Company’s Investor Relations website. The link is the following [http://investor.brunellocucinelli.com/yep-content/media/MOGC%20ex%20231-2001%20\(Parte%20Generale%20e%20Procedura%20ex%20L.%20179-2017\)3.pdf](http://investor.brunellocucinelli.com/yep-content/media/MOGC%20ex%20231-2001%20(Parte%20Generale%20e%20Procedura%20ex%20L.%20179-2017)3.pdf)

## FUTURE COMMITMENTS

An overview of the organization’s medium-term objectives on the issue is provided below.

Areas of intervention	Objectives
SUSTAINABLE GROWTH	Setting up a Committee for Ethics and Harmony
	Establishing a sustainability policy
	Preparing a medium to long-term Sustainability Plan
	Implementing an induction and training program for the BoD on key environmental, social and governance sustainability trends
RISK MANAGEMENT	Appointing a person in charge
	Developing an ERM system that integrates sustainability risks with the relevant opportunities
	Implementing the ERM system across the entire Brunello Cucinelli Group



## CHAPTER 3 – HUMAN RESOURCES: ETHICS, DIGNITY, MORALITY

The Company's business philosophy puts the **human being at the center of everything**, of every single production process and daily interpersonal relationship.

Such essential centrality of the human being is consistent with human values, as suggested by illustrious German philosopher Kant, who invited individuals to always consider – in their actions – humanity, within themselves and others, as an end and never exclusively as a means to an end. This notion leads to respect for the dignity of individuals, care for human well-being and the enhancement of human resources, by valuing the “humanist” component over the strictly economic one and by focusing on safety.

The following points, which are addressed to our amiable collaborators, show our commitment towards them, in all its aspects:



### *To Our Amiable Employees*

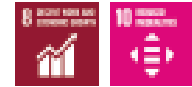
- I. *We have always striven to create **well-maintained and welcoming workplaces** where workers could at any time raise their eyes to the sky above.*
- II. *We **all** work **fair hours** and share the **same working time**; but nobody works on Saturday and Sunday.*

- III. *We have always striven to grant **slightly higher than average wages to all our people, without exception.***
- IV. *At our Company, we want to ensure **equal opportunities** for all, as we are fully aware of the value of our people's knowledge.*
- V. *We have paid **utmost attention to promoting healthy, respect- and trust-based relationships** among our workers, whom we consider "**thinking souls**".*
- VI. *We believe in the great **importance of culture** as a way to human improvement. That is why we amiably promote culture.*
- VII. *We are aware of the fact that passing on knowledge fosters creativity and talent. That is why we set up the **School of Arts and Crafts** of Solomeo.*
- VIII. *If our Company will last for centuries on end, as we hope, this will partly be the result of the **generational turnover** that we have always promoted over the past years.*
- IX. *It is our habit to **meet on a regular basis during the year to discuss issues with our people**, in order to inform them of how the Company is evolving.*
- X. *We never stop looking for the **genius** in others and when we find it, we make our best efforts to **enhance it.***





## INTRODUCTION



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403-1	403-2	403-3	403-4	403-5	403-6
403-7	403-9	404-2	405-1	406-1	

**Table II: “Human Resources: ethics, dignity, morality” - Non-financial risks and opportunities regarding the topics and relevant sub-topics.** The table below provides an overview of the risk types identified and the relevant risk management methods. The table also illustrates the key opportunities for the Group, arising from effective and efficient topic management.

TOPIC	POTENTIAL RISK	RISK DESCRIPTION	MANAGEMENT METHOD	OPPORTUNITIES
DIGNITY AND RESPONSIBILITY: PROMOTING WELL-BEING	Potential noncompliance with the laws and/or regulations on diversity.	The presence of a diversity policy that has not yet been formalized in a corporate document could generate non-compliance risks (e.g. should the rules on the matter be tightened).	In performing its business activities, the Group takes action to combat all forms of discrimination in the workplace, giving equal opportunities to all its collaborators. The Company's executives carefully follow the evolution of the regulations in order to assess whether further steps or measures should be taken in the future.	The Company has a strong belief that the diversity of its collaborators, in terms of gender, culture, religion, nationality and professional background, represents an irreplaceable source of personal and professional enrichment and mutual stimulation.
	Discriminatory conduct by our collaborators.	The Group shall be exposed to reputational risks should there be cases of discrimination or violation of universally recognized human rights and of the principles of lawfulness, transparency and rightness underlying the Group's organization and business.	Personnel management is inspired by the values of respect, equality and meritocracy. All forms of discrimination are prohibited, and everyone is given equal opportunities, without distinction.	Banning discriminatory conduct and child labor helps create a healthy and positive workplace that is based on the values of lawfulness and mutual respect.
	Child labor	Potential risk related to the effective presence of child labor cases along the supply chain.	The Company requires that its <i>façonisti</i> comply with a number of obligations and prohibitions regarding the relationships with their personnel, including the prohibition of child labor. Furthermore, as regards the newly introduced kids collection for girls/boys, the Company pays great attention to the participation of minors in photo shoots, requiring the mandatory presence of their parents.	



TOPIC	POTENTIAL RISK	RISK DESCRIPTION	MANAGEMENT METHOD	OPPORTUNITIES
ENHANCEMENT AND DEVELOPMENT OF <i>THINKING SOULS</i>	Disruption of the continuity in craftsmanship and artisanal skills.	One of the distinctive features of Brunello Cucinelli products is the high level of craftsmanship involved in the production process, made possible thanks to constant training conducted by the Company and to the extensive know-how it has acquired. Although the Company promotes and supports the development of handcrafted manufacturing techniques, it cannot be ruled out that the number of people specializing in this type of production may decrease in the future.	The Company takes action to attract and retain highly skilled people, reducing the turnover rate as much as possible. The Company's specialized workers are assisted by young staff members, thanks to our internship and training programs of new hires. The School of Arts and Crafts of Solomeo, which has been up and running since 2013, aims to provide high quality, human and technical training to young students wishing to learn the basic arts of fashion.	Attracting and training new talents to ensure continuity in the techniques and knowledge required for manufacturing Brunello Cucinelli products.
HEALTH AND SAFETY	Detriment to collaborator health and safety.	These risks, although structurally limited due to the nature of the operations internally carried out by the Company, are linked to health and safety conditions in the facilities and offices, with a special focus on the warehouse and laundry departments.	The Company complies with Italian national legislation and with the regulations of the countries in which it operates, regarding the management of workplace health and safety (in particular, the Company and its Italian subsidiaries conform to Legislative Decree no. 81/2008 and subsequent amendments). Please note that, as the Company performs a non-hazardous type of production activity, there is by definition a very low level of risk regarding safety.	The Company has the opportunity to focus its efforts on the analysis and development of business processes that can further reduce the risk at hand.





## DIGNITY AND RESPONSIBILITY: PROMOTING WELL-BEING

The **centrality of the human being** in every process and context has always ensured the full respect and **promotion of human rights** both inside and outside the Company. For entrepreneur Brunello Cucinelli, his choice of developing Humanistic Capitalism stems from his awareness of a valuable tenet, by which *“All my experiences have contributed to consolidate the idea of **placing priority on respect for other people and the Universe**. This laid the foundations for my Humanistic Capitalism, which focuses on social aspects and is clearly based on the idea of the primary value of human beings, while giving moral and economic dignity to people”*.

Such ideal has become a true creed: *“In my Company, I have put **human beings at the center of every single production process**, because I am convinced that human dignity may be restored only by rediscovering our conscience”*.

As expressly laid down in the Code of Ethics, the Company’s internal dynamics – with specific reference to human resource relationship management – are strongly oriented towards preventing all forms of discrimination, harassment or abuse of all kinds. There have been zero cases of discrimination confirmed in 2019, in line with the previous two years.

The promotion of the principle of diversity and, especially, of the correlated values of equity and inclusion, takes center stage within the Company’s organization, and is associated with valuing meritocracy and providing fair remuneration based on the definition of roles, responsibilities and mandates.

We believe that the Company’s daily business and the way several aspects of corporate life are managed significantly contribute to human dignity and well-being. Human resource management stems from the belief that, in order to promote human well-being, we must necessarily ensure the right balance between work and leisure time, which entrepreneur Brunello Cucinelli defines as *time of the spirit*, meaning time that people can devote to themselves.

None of our collaborators have to clock in or out. We have created – since day one – a strong sense of belonging among our workers, where everybody feels like a “custodian” of their workplace. Business hours at the Solomeo headquarters are 8:00 a.m. to 5:30 p.m., with an hour and a half lunch break that collaborators can spend at the Company’s dining hall or enjoying the outdoor spaces; those who live nearby can also opt to go home and spend their time with their families (please see box “Lunch break at the Company’s dining hall” provided below). Thanks to the sense of responsibility that is created, everyone usually gets to work on time and tries to stay focused for 8 hours straight and then, at the end of the work day, at 5:30 p.m. sharp, the factory lights are turned off and we can all go home to cultivate our interests and passions.

We like to think that interpersonal relations are always stronger than electronic ones; that is why we hope that our people will prefer discussing issues with their colleagues who work in the same department in person or on the phone rather than by e-mail. And on the matter, we ask our collaborators to avoid copying too many people on their e-mails. We want e-mails to be “directly addressed” to the person in question. This will make the recipient feel more responsible and pay greater attention to the message.

Workplaces must not only comply with the hygiene and safety standards imposed by the current regulations, they must also provide a high level of comfort in terms of personal well-being, including indoor air quality, temperature and natural light. Special attention is paid to the aesthetics of outdoor and indoor spaces, making sure that all the collaborators can, as they work, raise their eyes and see the Company’s park outside. The Solomeo headquarters

is surrounded by a lush park of over 60,000 sqm, which is part of the “**Project for Beauty**” (please see sections “*Pleasant Suburbs*” and “*Workplace design and architecture*”). Our collaborators have access to these large and well-tended green areas during their lunch break, so as to immerse themselves in this natural setting, take a relaxing stroll along the tree-lined walkways or practice sports in our sports complex.

### **Box 2: Lunch break at the Company’s dining hall**

At the Solomeo headquarters, our employees can avail themselves, for a nominal fee, of the dining hall, where the food served is exclusively produced with zero food-miles products. The high quality of the meals – thanks to the use of fresh, local and seasonal produce – and the offer of a menu ensuring food variety and respect for the raw materials that the land gives us at specific times of the year, are two essential elements for the Company and a prerequisite for the care and well-being of all its collaborators.

Special attention is paid to leftover food management. Although we try to properly plan our weekly menus and purchases, the **Company** has entered into an agreement with the municipality of Corciano to ensure that leftover food is collected immediately after lunch, re-portioned and distributed to local families in need: in 2019, thanks to our leftover food donations, 3300 meals were served.





## HUMAN RESOURCES

The *Human Resources Committee* is entrusted with the strategic coordination of the relationship between the Company and its collaborators. The Committee consists of five Company managers, of different genders (2 women and 3 men) and ages; it meets periodically and has the key function of listening to collaborators, reviewing their professional as well as personal requests, and responding to them in a timely manner, together with the Human Resources Department.

Personnel involvement – in the various offices and via the appropriate channels – is key across all the company-employee relationships. The sharing of the corporate mission and vision by all our human resources stems from their genuine adherence to our values.

For such purposes, since the Company's early years, a *corporate meeting*, chaired by Brunello Cucinelli himself, has been held at least on a quarterly basis, where the general business performance and future prospects are presented to all the collaborators of the Solomeo Headquarters.

Sharing the company's business performance and creating a sense of belonging among collaborators that goes beyond a mere professional relationship, have always increased collaborator involvement in company life and have contributed to setting common goals for the creation of shared value.

The so-called *Council of 50*, instead, meets on a biannual basis and involves the Company's top executives; it initially had 50 members and then grew to 70 over time, due to corporate development. The Council, which comprises the heads of the various corporate departments, discusses and delves into the Company's future prospects and the trends that the business will face in the years to come. The outcomes of the Council's meetings are then promptly shared with all our collaborators. The last meeting was held in 2018, and the next one is scheduled for 2020.

Regarding the moments of dialogue and of "Corporate Culture" creation, special attention is paid to the *Retail Meeting*, which is usually organized in Solomeo on a biannual basis (the last was held in 2018) and which involves our *amiable advisors* – our sales and stores staff – and the sales associates of the key Multibrand and Specialty Stores that the Group collaborates with. The Meeting strongly focuses on sharing our values and principles to enable our *amiable advisors* to become true ambassadors of the brand's allure, communicating our corporate philosophy and associated values to our customers. Moreover, *Store Manager Meetings* are held with the participation of our store or area managers.

Just as important are the many moments of conviviality and gatherings organized by the Company, particularly at the Solomeo headquarters. These events are a way to strengthen human relations among collaborators, thus creating harmony and synergy.



At the operations level, *Human Resources* managers are entrusted with process management and supervision in order to implement the guidelines provided by the Human Resources Committee. Such activity is carried out by the Personnel Administration office (which is part of the Administration, Finance and Control Department) together with the Human Resources department (which is part of the General Management).

An HR Manager has been appointed in the geographical areas where the company operates, who, from a functional standpoint, reports to the Human Resources Department of the Solomeo headquarters and, from a hierarchical standpoint, to the Chairman or Managing Director of the various local offices. Through continuous dialogue with the heads of the departments, constant coordination with the headquarters and always considering the peculiar features of the different national regulatory frameworks, local HR Managers respond to the daily working needs of collaborators, consistently with our corporate culture.

For those aspects of the employment relationship not expressly regulated by the legislation, a set of business rules is applied, the so-called “*Employee Handbook*”, which supplements national regulations and individual contracts. *Employee Handbooks* are implemented in our companies in the UK, China, Japan, the US and Russia, setting out the rules on vacation time, leaves, working hours, sick leave and any measure that may be required. In general, the provisions contained in such handbooks aim to establish the same rules that are usually laid down in Italian collective agreements or labor regulations. These handbooks are gradually amended and updated to adapt them to the local regulatory framework as it evolves, but also to reflect the Company’s desire to manage its personnel in accordance with the highest international standards available at any given time, and to harmonize collaborator rights and conduct at the corporate level, in line with the brand’s founding principles and values.

With specific reference to Italian law, it should be noted that sales staff fall under the National Collective Bargaining Agreement for the service sector. All other collaborators are covered by the National Collective Bargaining Agreement for the garment and clothing sector.



Within this context, in 2019 we confirm the strong workplace positivity that has always characterized the Company, thanks to the significant external interest shown in our Company, which is considered the ideal working environment for professional and personal growth.

As at 31 December 2019, the total number of collaborators was 2,022 (up approximately 11% versus 2018), of whom 65% were women and 35% men.

**Table 5: Human resources**

	2019			2018			2017		
	Italy	Europe	Non-EU	Italy	Europe	Non-EU	Italy	Europe	Non-EU
<b>Open-ended</b>	<b>990</b>	<b>265</b>	<b>327</b>	<b>929</b>	<b>240</b>	<b>282</b>	<b>874</b>	<b>215</b>	<b>255</b>
of whom men	362	86	111	341	74	95	320	69	84
of whom women	628	179	216	588	166	187	554	146	171
<b>Fixed-term</b>	<b>126</b>	<b>18</b>	<b>296</b>	<b>89</b>	<b>17</b>	<b>269</b>	<b>91</b>	<b>17</b>	<b>218</b>
of whom men	61	8	75	35	6	63	45	9	50
of whom women	65	10	221	54	11	206	46	8	168
<b>Full time</b>	<b>1080</b>	<b>261</b>	<b>593</b>	<b>981</b>	<b>230</b>	<b>519</b>	<b>935</b>	<b>214</b>	<b>452</b>
of whom men	410	89	182	365	75	155	355	75	131
of whom women	670	172	411	616	155	364	580	139	321
<b>Part time</b>	<b>36</b>	<b>22</b>	<b>30</b>	<b>37</b>	<b>27</b>	<b>32</b>	<b>30</b>	<b>18</b>	<b>19</b>
of whom men	13	5	4	11	5	2	10	3	1
of whom women	23	17	26	26	22	30	20	15	18

**GRI 102-8 Information on employees**

Thanks to its current global expansion, Brunello Cucinelli Group has the privilege of dealing with people of approximately 47 different nationalities. On the matter, the Company has always preferred hiring local collaborators, in order to operate as a true melting pot of cultures, where the brand develops hand in hand with local tradition. Consistently with this view, when selecting the directors and managers of key operational offices abroad, the Company always prefers recruiting human resources locally, who naturally have local knowledge of the market, culture and tradition. In 2019, all the senior managers of the key operational offices abroad were hired locally (100%)<sup>13</sup>.

As shown below, the growth trend mainly regarded offices in non-EU countries, with a 13% increase, followed by Italy and Europe, up 10% versus 2018. This increase was mainly due to the higher number of White-Collar workers (non-sales and sales).

Moreover, the figures substantially show homogeneity in the different professional categories, in terms both of gender and age group. As at 31 December 2019, the average age of the Group's collaborators was 38 years.

<sup>13</sup> Data on the geographical origin of senior managers were collected for the first time in 2019, therefore the comparison with previous years is not available.



**Table 6: Diversity as wealth**

	2019			2018			2017		
	Italy	Europe	Non-EU	Italy	Europe	Non-EU	Italy	Europe	Non-EU
<b>Managers and Middle Managers</b>	<b>48</b>	<b>4</b>	<b>13</b>	<b>46</b>	<b>5</b>	<b>12</b>	<b>42</b>	<b>6</b>	<b>12</b>
of whom <30 years	0	0	0	0	0	0	0	1	0
men	0	0	0	0	0	0	0	1	0
women	0	0	0	0	0	0	0	0	0
of whom $30 \leq x \leq 50$	32	4	13	35	5	12	32	5	12
men	22	0	8	24	1	6	23	1	4
women	10	4	5	11	4	6	9	4	8
of whom >50 years	16	0	0	11	0	0	10	0	0
men	8	0	0	4	0	0	4	0	0
women	8	0	0	7	0	0	6	0	0
<b>White Collar - non-sales</b>	<b>463</b>	<b>26</b>	<b>127</b>	<b>422</b>	<b>23</b>	<b>93</b>	<b>384</b>	<b>16</b>	<b>93</b>
of whom <30 years	97	2	32	109	1	22	103	1	28
men	17	1	8	34	0	6	41	1	8
women	80	1	24	75	1	16	62	0	20
of whom $30 \leq x \leq 50$	318	18	88	273	16	67	254	11	53
men	133	4	33	105	3	24	96	1	24
women	185	14	55	168	13	43	158	10	29
of whom >50 years	48	6	7	40	6	4	27	4	12
men	14	1	2	13	1	3	8	1	5
women	34	5	5	27	5	1	19	3	7
<b>White Collar - sales</b>	<b>94</b>	<b>253</b>	<b>483</b>	<b>86</b>	<b>229</b>	<b>446</b>	<b>87</b>	<b>211</b>	<b>368</b>
of whom <30 years	18	48	88	17	42	74	17	51	98
men	8	23	26	9	20	34	9	25	32
women	10	25	62	8	22	40	8	26	66
of whom $30 \leq x \leq 50$	62	176	317	55	167	299	56	144	219
men	29	60	88	23	53	72	21	47	53
women	33	116	229	32	114	227	35	97	166
of whom >50 years	14	29	78	14	20	73	14	16	51
men	8	5	19	9	2	12	9	2	8
women	6	24	59	5	18	61	5	14	43
<b>Blue Collar - non-sales</b>	<b>511</b>	<b>0</b>	<b>0</b>	<b>464</b>	<b>0</b>	<b>0</b>	<b>452</b>	<b>0</b>	<b>0</b>
of whom <30 years	127	0	0	109	0	0	100	0	0
men	76			59			60		
women	51			50			40		
of whom $30 \leq x \leq 50$	239	0	0	226	0	0	225	0	0
men	86			78			76		
women	153			148			149		
of whom >50 years	145	0	0	129	0	0	127	0	0
men	22			18			18		
women	123			111			109		

**GRI 405-1 Diversity of governance bodies and employees**

The minimum wage and retribution (defined as the sum of the minimum wage and additional amounts granted to the workers) are based on the principle of equity, merit, as well as on the skills and professionalism of each





individual. An overview of the female to male average wage and retribution ratios is provided below. It should be noted that the figures have remained basically stable over the three-year reporting period.

**Table 7: Ratio of basic salary and remuneration of women to men<sup>14</sup>**

Employee category	Italy			Europe			Non-EU		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
<b>Managers &amp; middle managers</b>									
basic salary ratio	108%	104%	115%	-	87%	-	45%	77%	70%
remuneration	106%	106%	113%	-	94%	-	47%	85%	69%
<b>White collars - non-sales</b>									
basic salary ratio	91%	90%	95%	108%	114%	153%	88%	92%	81%
remuneration	91%	91%	95%	103%	109%	170%	87%	90%	80%
<b>White collars - sales</b>									
basic salary ratio	99%	101%	88%	118%	115%	103%	105%	114%	107%
remuneration	102%	104%	89%	105%	109%	103%	106%	113%	110%
<b>Blue collar - no sales</b>									
basic salary ratio	103%	105%	105%	-	-	-	-	-	-
remuneration	103%	104%	103%	-	-	-	-	-	-

The Company shall comply with existing employee data protection regulations and shall take all necessary measures or actions or make amendments in order to ensure data protection and the exercise of rights by interested parties<sup>15</sup> (for a more detailed overview of customer data protection, please see Chapter 7, section “*Human privacy*”).

The Group is also committed to protecting the freedom of association and collective bargaining of its collaborators: in 2019, the percentage of collaborators covered by collective bargaining agreements was 100% in Italy and approximately 50% in Europe. There are no collective bargaining agreements in non-EU countries.

The Company also provides a multitude of fringe benefits to its collaborators: initiatives are, in the majority of cases, addressed to both full-time and part-time collaborators (on a proportional basis). They include additional work and non-work-related injury insurance, life insurance (for executives), and health insurance; thanks to the latter, workers can avail themselves of a variety of medical assistance services, at special terms. The Company has also entered into agreements with different kinds of health centers.

Moreover, as a testament to Brunello Cucinelli Group’s devotion to culture as an essential way to nourish the soul, for several years the Company has provided a bonus called “So that culture may bloom” to its people in Italy; it includes the reimbursement, to the Company’s collaborators and children (under 26 years of age), of expenses for magazine subscriptions, movie and theater show tickets, books, education courses, as well as kindergarten fees for the little ones. The bonus is worth € 500.00 on a yearly basis and is doubled in case of households with dependent children.

<sup>14</sup> Please note that the table below only takes into account the offices where there was at least one collaborator per gender. With respect to the figures of the Non-EU Region, this Consolidated Non-Financial Statement includes Japan and the US as the key operational offices; the figures regarding China and Hong Kong will be made available starting from the next financial reporting period.

<sup>15</sup> Special protection is also granted with respect to human resource health data. Such personal information shall not be disclosed to the Company, which shall only be informed of specific needs, if any, arising from medical judgments of ability to work but with restrictions and permanent inability to work. In such cases, the Company shall take action in order to find the best solutions in terms of employee protection.



## ENHANCEMENT AND DEVELOPMENT OF “THINKING SOULS”

Human resource management places priority on the contribution of each person as a **“thinking soul”**, striving to ensure that business activities are performed in a positive, collaborative and stimulating working environment.

The Company values the **proactive** and **innovative** spirit of every individual, and is committed to offering **courses designed to broaden and improve knowledge, skills, and professional experiences**, while recognizing fair **economic dignity**, which has always been one of the highest aims of the Humanistic Enterprise.

Just like philosophic research, corporate labor has its cornerstone in the definition and implementation of a method. Considering Brunello Cucinelli’s business philosophy, such method cannot but reflect the utmost importance and value of **teamwork**, which enables the personal fulfillment of the individual as a “thinking soul”.

Teamwork treasures that enrichment that can only result from embracing an attitude of full, transparent and collaborative sharing, and as such, is fruitful in two ways. If, on the one hand, it increases production efficiency, thanks to dialogue on the strategies to be shared and on the challenges to overcome together, on the other hand it is an extremely valuable asset that favors and stimulates co-evolution, in the sense of the personal and professional growth of each and every member of the team.

In company life, every team shall therefore be responsible for constantly renewing and strengthening interaction and for sharing common values and objectives. But that’s not all: every work team is naturally encouraged to develop internal cooperation and solidarity practices, supporting teammates who are having difficulties or promoting mutual trust among team members.







## SELECTION

We consider the **attraction** of highly qualified and specialized people strategically important and attribute great value to the **retention** of such resources inside the organization, with a view to building stable working relationships based on mutual trust.

The Company relies on a variety of different channels and procedures for the selection of new talents. On the matter, special attention is paid to the dialogue with younger generations, which is an integral part of our corporate vision and philosophy, as we strongly believe in their passion, determination and courage. At the same time, the Company feels responsible for passing on our hope for the future to the generations of tomorrow, as it is aware that their skills can significantly contribute to the progressive evolution of society, whilst never forgetting “*past lessons learned*”.

As usual, the Company participated in the **orientation days** organized by various Italian universities also in 2019, including those held at the Luiss Guido Carli University in Rome and the University of Perugia. The Company often gives young recent graduates the opportunity to do an **internship**: in line with the principle of respect for the economic dignity of human resources, the Company provides for a significant internship allowance to cover expenses incurred. These internships give trainees the opportunity to find out firsthand how processes work and gain hands-on experience in the Company, with a view to becoming a part of it in the future. Specifically, 32 internships were organized in 2019, of which 10 curricular and 22 extra-curricular.

Another virtuous channel is our **collaboration** with a number of **high schools in the area** in order to offer young students the opportunity to participate in **alternating school-work programs**: this enables us to teach teenagers, in a stage of life where they still have no idea of how to orient themselves in the workplace, the meaning of and the sense of responsibility inherent to working, as well as the importance of sharing common values. In 2019, 7 high school students participated in our alternating school-work program.

Moreover, the Company is one the promoters and organizers of the “**Institutes of Excellence in the fashion industry**” **project**, organized in collaboration with Confindustria Umbria – i.e. the General Confederation of Italian Industry in Umbria – and with the Regional Education Office. It aims to train qualified professionals –who will then be hired by Umbrian companies in the sector – through crafts education and training courses held at Fashion Schools, thus shaping the artisans and craftsmen of tomorrow and favoring the turnover of specialized professionals, while offering students real job opportunities.

In Italy, in addition to the abovementioned talent attraction methods, the Company receives a multitude of resumes via the relevant section on the corporate website, where applicants can fill out the specific application form, as well as via other channels, such as our *human resources* e-mail address and the relevant social media accounts (i.e. LinkedIn); we reply to all the applicants, whether to inform them that they have been hired or that there are no open positions available at the time of the application.

As regards **internal career paths**, whenever the Company seeks specific skills for open positions, the Human Resources Department first assesses if there are any collaborators who are suited to the position. Similarly, should collaborators express the desire to apply for another position within the Company, the Human Resources Department shall examine their requests, by engaging in constructive dialogue with the applicant, with a view to maintaining and strengthening amiable long-term relationships with our collaborators.



In those countries where the Company operates physical locations, it shall also rely on specialized staffing agencies for the selection process, each with a special focus on a specific area of interest and operating in accordance with the same principles that characterize the Company's in-house selection process.

The tables below show the 2019 trend in new hires, leavers and relevant rates<sup>16</sup> in the countries where the Company operates.

**Table 8: New hires and new hire rate**

	2019			2018			2017		
	Italy	Europe	Non-EU	Italy	Europe	Non-EU	Italy	Europe	Non-EU
<b>&lt;30 years</b>	<b>39</b>	<b>24</b>	<b>102</b>	<b>73</b>	<b>19</b>	<b>72</b>	<b>48</b>	<b>26</b>	<b>88</b>
of which men	11	13	28	23	10	35	13	10	34
rate	1%	5%	4%	2%	4%	6%	1%	4%	7%
of which women	28	11	74	50	9	37	35	16	54
rate	3%	4%	12%	5%	4%	7%	4%	7%	11%
<b>30 ≤ x ≤ 50 years</b>	<b>35</b>	<b>40</b>	<b>132</b>	<b>29</b>	<b>52</b>	<b>152</b>	<b>31</b>	<b>40</b>	<b>99</b>
of which men	16	15	47	11	18	47	20	12	32
rate	1%	5%	8%	1%	7%	9%	2%	5%	7%
of which women	19	25	85	18	34	105	11	28	67
rate	2%	9%	14%	2%	13%	19%	1%	12%	14%
<b>&gt;50 years</b>	<b>9</b>	<b>4</b>	<b>15</b>	<b>8</b>	<b>4</b>	<b>15</b>	<b>2</b>	<b>3</b>	<b>22</b>
of which men	1	0	9	2	0	4	2	0	6
rate	0%	0%	1%	0,20%	0%	1%	0,21%	0%	1%
of which women	8	4	6	6	4	11	0	3	16
rate	1%	1%	1%	1%	2%	2%	0%	1%	3%
<b>Total new hires</b>	<b>83</b>	<b>68</b>	<b>249</b>	<b>110</b>	<b>75</b>	<b>239</b>	<b>81</b>	<b>69</b>	<b>209</b>

**GRI 401-1 Standard: Employment**

<sup>16</sup> Workers employed under fixed-term contracts to fill positions and needs of a temporary nature, such as during production peaks, or to act as substitutes (illness, maternity leave, etc.), are not included.

New hire and turnover rates for each geographical area are calculated as a percentage of the population by area as at 31 December.

**Table 9: Leavers and turnover rate**

	2019			2018			2017		
	Italy	Europe	Non-EU	Italy	Europe	Non-EU	Italy	Europe	Non-EU
<b>&lt;30 years</b>	<b>14</b>	<b>10</b>	<b>58</b>	<b>21</b>	<b>15</b>	<b>34</b>	<b>9</b>	<b>13</b>	<b>29</b>
of which men	8	9	28	14	8	11	5	7	14
rate	1%	3%	4%	1%	3%	2%	1%	3%	3%
of which women	6	1	30	7	7	23	4	6	15
rate	1%	0,35%	5%	1%	3%	4%	0,41%	3%	3%
<b>30 ≤ x ≤ 50 years</b>	<b>17</b>	<b>36</b>	<b>112</b>	<b>18</b>	<b>33</b>	<b>117</b>	<b>15</b>	<b>30</b>	<b>53</b>
of which men	10	12	30	6	16	33	6	14	22
rate	1%	4%	5%	1%	6%	6%	1%	6%	5%
of which women	7	24	82	12	17	84	9	16	31
rate	1%	8%	13%	1%	7%	15%	1%	7%	7%
<b>&gt;50 years</b>	<b>14</b>	<b>2</b>	<b>13</b>	<b>19</b>	<b>2</b>	<b>8</b>	<b>9</b>	<b>3</b>	<b>16</b>
of which men	2	0	5	2	0	2	1	0	5
rate	0,18%	0%	1%	0,20%	0%	0,36%	0,10%	0%	1%
of which women	12	2	8	17	2	6	8	3	11
rate	1%	1%	1%	2%	1%	1%	0,8%	1%	2%
<b>Total leavers</b>	<b>45</b>	<b>48</b>	<b>183</b>	<b>58</b>	<b>50</b>	<b>159</b>	<b>33</b>	<b>46</b>	<b>98</b>

GRI 401-1 Standard: *Employment*



## TRAINING AND DEVELOPMENT



Given its business and the vision of the world on which it is built, the Company places a high priority on training. From a relational perspective, the latter is considered as personal growth and is closely associated with the value of human dignity.

Everyone has the right and duty to training, in order to achieve personal growth while optimizing teamwork; that is why the Company offers specific training courses that focus on improving the skills of our artisans and amiable advisors (our sales staff), and the specific activities associated with each collaborator's day-to-day job responsibilities ("Compliance training"); it also provides courses as part of the "**Generation Pact**" program.

The first point focuses on the **training of our artisans** through internship and training programs of new hires, where young staff members are assisted by the Group's specialized workers, and through the **School of Arts and Crafts**. The School, established in Solomeo in 2013, aims to provide high quality, human and technical training to young students wishing to learn the basic arts of fashion.



### Box 3: The School of Arts and Crafts of Solomeo

Drawing inspiration from Italian renaissance workshops, the School of Arts and Crafts is a place where technical knowledge, craftsmanship, mastery, as well as ethics, dignity and a sense of responsibility, are passed on from generation to generation.

We are aware of the fact that “Italy has the richest and most valuable of treasures in its creative hands: Craftsmanship. Our Craftsmanship is recognized and appreciated worldwide: we must not let it get swallowed up by the rapacious speed of today’s fast-paced technological world. If we lose it, we lose our memory and ourselves”.

The main objective of the School of Arts and Crafts of Solomeo is to train human beings; it wishes to restore the dignity and nobility of manual labor, speaking to the student as a whole person.

By attending these courses and receiving their monthly allowances, young students can understand and appreciate the true value of craftsmanship as an art form, showing enthusiasm for their job, rather than trying to avoid talking about it, as they have now learned to love it. And the benefit is not only theirs to enjoy, as it goes hand in hand with the glorious rebirth of our craftsmanship. After completing their studies, students can decide to continue their education or put their knowledge into practice at the Company or in the world of work.

The **Company** is the key manager of the School of Arts and Crafts of Solomeo, which is recognized as a vocational training institute for the Umbria Region. Every year, a program for students aged 18 to 26 years and whose duration may vary from one to three years, is organized in collaboration with “Sistemi Formativi Confindustria Umbria” (SFCU).

Around 32/34 students are trained at the School on an annual basis; some of them are hired directly by the Company (approximately 22%), **while the rest are recruited by the companies we collaborate with or start their own business.** This year, in addition to pattern making, **fashion masters and men’s tailoring**, mending, knitwear, horticulture, landscaping and masonry courses, the School curriculum also covered subjects as ironing and packaging. Lessons are based on the “company workshop” education model and are taught by “masters” in the sector. Courses attracted great interest also in 2019: 33 students aged 19 to 25 years attended them.





Another focus of attention is the **training of all our “amiable advisors”**, as we like to call our sales staff who directly interact with customers. Among such training activities, worthy of note are the **“Traditions”** project, **“Team Building”** activities, the **“Hortus Simplicium”** project, and the **“Brand Ambassador School”**, which aims to train all our customer reception staff.

Just like every year, several vocational training activities were organized internally also in 2019, as part of the **“Traditions”** project, which was initially only addressed to the sales staff of our company-owned boutiques in Europe, and whose scope was broadened this year to include the sales staff of our franchise stores, boutiques worldwide and wholesale customers.

Our colleagues, especially those who come from our locations in faraway countries, shall therefore have the opportunity to experience life at the Solomeo headquarters firsthand, immersing themselves in the beauty of this old medieval town and Umbria; they can thus acquire the necessary knowledge and skills associated with the Company and its business model, but most importantly, they can interiorize the philosophy, values and culture that form the pillars of our Company.

Training activities are thus divided into two parts: firstly, classroom sessions, where our business model is presented to our sales staff and all the production stages are first illustrated and then seen firsthand during company visits.

The second part, instead, represents a convivial and experiential moment, as our sales staff have the chance to visit the hamlet of Solomeo and the Umbria region, and perceive the fundamental role that our tradition and native land play in the brand’s philosophy.

The project also offers the opportunity to share and improve their own professional skills and personal values, thanks to the presence of people from all over the globe, who share their experiences and knowledge, thus laying the foundations for the creation of a sound network of inner connection.

In addition to the training sessions carried out at the Solomeo headquarters, several other initiatives are implemented at our international offices, such as, for example, **team building** activities, as we are convinced that teamwork enables the fulfillment of human resources, while contributing to the development of Brunello Cucinelli Group.

#### **Box 4: Team Building in China**

In China, we built a very structured Chinese-only local team that helps us understand, on a daily basis, the culture of this great country and whose members travel frequently to Italy and Solomeo, in order to assimilate our culture and values and communicate them to customers. As part of this program, structured team building activities were organized in July 2019 for all the staff of our offices in Shanghai and Hong Kong. These moments of sharing and debate meet the need of building in-house dialogue among the various departments, which usually tend to work independently, so that each and every collaborator can have an overall picture of every department’s responsibilities. During these training days, simulation methods were used in various contexts, including complex ones, such as problem solving, business development or conflict resolution, and a number of activities were conducted, including brainstorming, collaboration, creativity, mutual trust building and feedback exchange. At the same time, key soft aspects were also addressed: leadership, public speaking and negotiation.

This led to an improvement in internal communication and interdepartmental relations, thus laying the foundations for an increasingly positive and integrated working environment.



The “*Hortus Simplicium*” project, which is also addressed to our retail staff, was launched in 2019 with the aim of teaching our amiable advisors to best express the brand’s values when interacting with customers. The project evokes the idea of the medieval “*garden of simples*”, meaning a cloister where medicinal and aromatic plants were grown to make balm and ointments used as herbal remedies for ailments, for the good of the community. Similarly, the project aims to provide our sales staff with all the elements needed to build strong and authentic customer relationships. As protecting the beauty of the Universe is one of the core values of the Company, we believe that we should take it upon ourselves to act as ambassadors of the value and beauty of our job, of our creations of the mind and of our skillful craftsmanship. The first trial of the project was conducted in Russia, then in London, Paris and Italy. At the end of 2019, we achieved our objective, training the majority of our sales staff in the EU area.

In line with this philosophy, we set up our “**Brand Ambassador Schools**” in 2019: when customers enter our beautiful and welcoming sales spaces, they shall be greeted in a “special” way, with a fine blend of beauty and a warm welcoming atmosphere, where product presentation is key to conveying the fascination of our items of excellent quality. That is why all those who are in charge of presenting the shapes, fabrics, manufacture and manufacturing techniques of our garments have a big responsibility: they are both the custodians and ambassadors of such beauty, elegance and exquisite craftsmanship.

Another focus of attention stems from the concept of “**compliance**” training, which is essential to performing specific activities associated with day-to-day job responsibilities, and to offering a full set of the technical skills needed to do one’s job properly.

Among the managers and middle managers development activities, it is worth noting the “*Generation Pact*”, approved by the Board of Directors and designed to facilitate a turnover of the positions of responsibility in the key offices and departments into which the Company’s structure is organized, through the selection, inclusion and training of a new generation of managers. The program has the objective of training young, prepared and highly motivated collaborators, additionally achieving the goal of preserving the business’s know-how and obtaining continuity in the way the Company is managed. It provides that each person in charge of an office at the Company shall take part in training initiatives and tutoring programs involving the employees of their department, amongst whom they shall select a person who, due to his or her background, skills, technical and personal abilities, can take over the department in the future. Once selected, such person shall have the role of a sort of “second in command”, he/she may be appointed “co-manager” of the head of the department and shall assist the latter in their day-to-day activities. This *mentoring* approach will enable him/her to learn from the experience and knowledge of their supervisor, contributing to capitalizing their competencies with a view to ensuring continuity in the human capital of the Company.

Moreover, all the corporate areas have internal career paths designed to enhance and motivate human resources, encouraging professional development. Certain seasonal contracts are particularly suited to this career path, in accordance with the Company’s intention to employ such personnel under fixed-term or open-ended contracts.

As regards production, this path enables the personnel involved to hold positions in different corporate areas and departments (e.g. yarn and fabric storage warehouses, raw material procurement department) thus favoring their individual professional growth and skill improvement.





Training sessions and professional refresher courses are also held for the entire company staff (an overview of such activities is provided in table 10). It should be noted that training activities also include lessons on specific topics (e.g. cybersecurity) available on our e-learning platform that was launched in 2018. Special attention is also paid to improving IT and English language skills.

**Table 10: Training activities**

Training activity	Activity description	Personnel involved
Health and Safety	General and specific training activity (for more information, please see section “ <i>Health and safety</i> ”).	All our collaborators
Data protection and compliance with the EU <i>General Data Protection Regulation</i> (GDPR)	A classroom training course on GDPR (for more information, please see section “ <i>Human privacy</i> ”).	Various corporate departments and offices; amiable advisors.
Combating corruption	A training event on the anti-corruption policy was organized in collaboration with the Supervisory Body (for more information on this activity, please see section “ <i>Combating corruption</i> ”).	Managers and Middle Managers

403-5 *Worker training on occupational health and safety*  
 404-2 *Programs for upgrading employee skills and transition assistance programs*

**Personnel assessment** is an integral part of vocational training and professional development. It aims to ensure goal alignment, employee training and encouragement and internal career development, and implies continuous interaction and dialogue between managers and collaborators with respect to the activities performed and all the aspects of company life that involve human resources; thanks to these day-to-day relationships, personnel assessment becomes a way to build medium-term relations.

Regarding personnel performance appraisal, such activity is contextualized to the geographical areas where the Group operates. At the global level, our retail personnel are evaluated based on their annual performance, also envisaging the possibility of offering a variable performance bonus in exchange for targets met. Specifically, *local store managers*, supported by the Human Resources department, engage in moments of *One-on-one dialogue* with employees, discussing about the activities performed during the year and sharing results, targets met and long-term objectives. These appraisals, which can be either quantitative or qualitative, also take into account respect for the core values of the Company<sup>17</sup>.

Performance appraisal in Solomeo is an ongoing and direct process, which includes frequent feedback and continuous dialogue between the Human Resources department and all the collaborators of the Company.

<sup>17</sup> Specifically, the following ten attributes are evaluated: Human skills; Courtesy and straightforwardness; Thinking souls; Teamwork; Attention to customers; Reliability; Charisma; Distinctiveness; Propensity to evolve; Attention to style.



## HEALTH AND SAFETY

The management and promotion of workplace health and safety comply with the applicable regulations in the different countries where the Group operates (e.g. Legislative Decree no. 81/2008 in Italy). Broadly speaking, thanks to the preventive measures and control mechanisms implemented by the Company, and, in general, to the great attention paid to workplace safety, the Company is a low-risk workplace.

In Italy, which accounts for 55% of our people, the hazards and risk factors that can potentially cause injuries are assessed, monitored and reported in the Risk Assessment Report (RAR), which is updated on a regular basis. In order to detect potential risks in the workplace, the Prevention & Protection Service Manager (PPSM) is in charge of periodically inspecting manufacturing departments. In case of accidents or “quasi-accidents”, the potential causes are evaluated, together with the managers and employees in charge of production. Such assessments enable us to look for preventive and improvement solutions, regarding either the organization or training sphere; if necessary, the Company shall purchase other tools and/or equipment in order to prevent such hazards. Workers shall also have the opportunity to directly contact the PPSM or the heads of the departments who can be found every day at the company<sup>18</sup>. This allows for direct and timely reporting of any issue, injury and/or accident<sup>19</sup>.

Special attention is paid to the health and safety of the personnel of the laundry department, where *perchloroethylene* is used, a chemical that can cause adverse health effects or environmental impacts, if not handled properly. In order to ensure compliance with the highest workplace safety standards, all the laundry employees undergo regular health check-ups, mostly as a preventive measure, given that the toxicity values regarding the solvent used in the work cycle are well below the threshold limit values imposed by the regulations and that, moreover, the dry cleaning machine uses a closed-loop system.

The Company also ensures that warehouses are arranged in such a way to prevent injuries caused by the use of equipment, such as forklifts or electric lift trucks. In fact, to avoid high-reach lifting activities, racks are designed to be accessible to all the workers without requiring the use of potentially hazardous equipment, as well as to ensure that the windows are not obscured and the space is lit by natural light.

Moreover, every collaborator receives adequate education and training in the safe use of work equipment and devices: in particular, general and specific training activities were performed in Italy<sup>20</sup> this year, according to need and in compliance with the regulations. Specific training topics included forklifts, category III Personal Protective Equipment (PPE), first aid, fire safety, the use of defibrillators, as well as a specific course for workers in charge of programming power looms.

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<sup>18</sup> In case of health issues, workers shall also be in direct contact with the appropriate medical specialist.

<sup>19</sup> Such procedures refer to the Italian offices of Brunello Cucinelli Spa, and to the companies Pinturicchio Srl and Max Vannucci Srl.

<sup>20</sup> This refers to the companies Brunello Cucinelli Spa and Max Vannucci Srl. As regards Pinturicchio Srl, no training activities were conducted in the reference year, since all the courses are still valid. A defibrillator was installed, but no training was performed due to the presence of Croce Bianca first aid volunteers at the company. However, the integration of other team members following specific training is scheduled for 2020.



Lastly, collaborators can avail themselves of occupational medical services. Given its large size, the Company provides for the presence, on a weekly basis, of three qualified doctors<sup>21</sup>, who examine patients in dedicated spaces in the Solomeo headquarters. Their constant presence enables the Company to conduct an effective workplace assessment and evaluate ergonomics, PPEs and potential issues that could derive from such topics. It should also be noted that employee health check-ups are performed on a biannual basis, despite the fact that, given the median employee age of approximately 39 years, they could be performed every five years. In accordance with our business conduct and regulatory requirements, the Company ensures the confidentiality of sensitive medical data.

There was a decrease in the number of injuries in Italy in 2019 compared to the previous years. All of such injuries were minimal and the majority of them occurred in the workplace but were not directly attributable to manufacturing activities. In our European and non-EU offices, instead, there were no workplace injuries or injuries en route to and from the workplace. In such locations, the Company, in collaboration with local advisors, has been closely monitoring the working environment to ensure that local workplace health and safety regulations are complied with, specifically regarding the workplace health of our boutiques and sales and administration departments.



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21 They include a doctor coordinator and two coordinated doctors.

**Table 11: Work-related injuries<sup>22</sup>**

	Italy			Europe			Non-EU		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
<b>Total hours worked</b>	1,968,042	1,819,707	1,724,369	464,848	141,363	284,869	1,086,391	991,587	829,250
<b>Total number of work-related fatalities</b>	0	0	0	0	0	0	0	0	0
<b>Total number of high consequence work-related injuries (excluding fatalities)</b>	0	0	0	0	0	0	0	0	0
<b>Total number of recordable work-related injuries</b>	5	9	6	0	0	1	0	1	0
<b>Work-related fatality rate</b>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>High consequence work-related injuries rate (excluding fatalities)</b>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>Recordable work-related injuries rate</b>	0.003	0.005	0.003	0.000	0.000	0.004	0.000	0.001	0.000
<b>GRI 403-9: Work-related injuries</b>									

The “*Ergonomics Project*”, which was launched in 2015 and is still operational, aims to identify measures to be taken at each of the corporate sites to enhance the standard of health and comfort of certain jobs which, according to literature, pose an increased risk of developing an occupational disease. The study focuses on prevention, thus on the implementation of preventive measures (e.g. purchasing more effective ergonomic office chairs and improving workstations) that not only meet the needs of specific corporate departments, but also those of individual workers.

## FUTURE COMMITMENTS

An overview of the organization’s medium-term objectives on the issue is provided below.

Areas of intervention	Objectives
HUMAN RESOURCE WELL-BEING AND ENHANCEMENT	Developing structured training plans by collaborator category and by Region Extending training on Anti-Corruption, Whistleblowing and Model 231 to the entire staff

<sup>22</sup> They include a doctor coordinator and two coordinated doctors.



## CHAPTER 4 - LIVING AND WORKING IN HARMONY WITH THE UNIVERSE



We believe that, in order to achieve constant, sustainable and graceful growth, we must ensure that the Company's activities are conducted in a flourishing and dignified context for the local community.

The principles that guide us every step of the way are our desire and constant commitment to doing business without harming the environment, or at least by minimizing our footprint as much as possible, since we are fully aware that: *"harmony means sustainability"*.

*"Harmony is an essential feature of humanistic capitalism, which is based on the conscious desire that its external aspects be in concord with its internal ones. The world must not be depleted, it must be used with temperance; the urge to take care of the Universe is only natural. «There is no Love but what implies a Care to preserve the thing beloved». This is how Anglo-Dutch writer Bernard de Mandeville exquisitely illustrated the concept of custodianship in the 17th century.*

*Custodianship is a tool of Care. Each and every one of us is the custodian of their own portion of the Universe, knowing that by efficiently maintaining the flowerbed in front of our homes we can efficiently maintain the city as a whole. But we also know that there's more to maintaining a flowerbed than just watering its flowers, as they need to be replaced when their petals start to wither.*

*Prudently using the Universe is not enough, we must ensure its renewal. There is no preservation without change. What is required is something similar to humus-rich organic fertilizer, which nourishes the soil. But, unlike fertilizer, it must not cause desertification, it shall constantly regenerate the land and breathe new life into it.*



*The key purposes of humanistic capitalism include the harmonization of profit and gift, of use and benefit. International guidelines are an excellent tool that can guide our behavior towards living in harmony with nature as well as towards preservation, renewal and protection”.*

This, in a nutshell, is our commitment to protecting the Universe and its resources:

### ***Our Mother Earth***

- I. We have always pursued fair profit based on ethics, dignity and morality, making **skillfully handcrafted products without harming the Universe**, or at least by minimizing our footprint as much as possible.*
- II. We strongly feel **responsible for the things we build on this planet that hosts us**. That is why we always design our factories by respecting the spirit of the place, renovating and restoring old preexisting industrial facilities and preserving rather than further depleting the land.*
- III. Every **renovation plan of our factories** includes a landscape plan, an architectural plan, and a long-term maintenance plan. No human action is acceptable unless it is compatible with land regeneration.*
- IV. To use **the resources of the Universe according to the ancient rules of nature** is a moral imperative. That is why responsible water use and reuse are at the center of our life and work project. The same applies to other resources, as we utilize them with moderation and by paying utmost attention to climate change.*
- V. Ancient civilizations worldwide worshipped Mother Earth as a primordial deity, each according to their own tradition. Its meaning and importance have not diminished over the centuries, and that is why **our crops and plantations** – olives, wine, wheat, fruit – are cultivated naturally, and their fruits are used naturally, to prepare the food that is served at the restaurant of our corporate dining hall.*
- VI. Since day one, we have imagined our **cashmere items as products that would be exclusively made in our beautiful country that is Italy**, and that could somehow represent a legacy to be passed on. We wished them to be carefully handcrafted using only raw materials of the highest quality.*

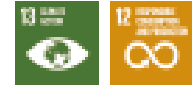
- VII. *From our mothers we learned that **the art of repairing is a sign of the value of things**. John Ruskin used to say that we must necessarily accept the end of all things and that we must do our best to make them last longer. In this concept lies the gift of repairing, and the reason why we have an entire department dedicated to this activity.*
- VIII. *From tradition also stems our primary choice – which goes back to our Company’s origins – of only **using natural fibers for our products and of employing them naturally**. This choice of ours, along with that of quality, enables us to do our share in preserving the Universe.*
- IX. *We like to do our best to support **raw material producers, in order to ensure their fair moral and economic dignity**, and we make it a point to let our customers know that we constantly strive to make our products based on respect for all those who have contributed to their creation.*
- X. *Just like Pericles in Athens, we also have been taught to **«respect the magistrates and to respect the law, and never forget that we must protect those who receive offense»**. We have also been taught to **«respect those unwritten laws that reside in the universal feeling of what is right and what is common sense»**.*







## INTRODUCTION



102-15	102-43	102-44	103-2	103-3
301-1	302-1	303-1	303-2	303-3
303-4	305-1	305-2	306-2	307-1

**Table III: “Living and working in harmony with the Universe” - Non-financial risks and opportunities regarding the topics and relevant sub-topics.** *The table below provides an overview of the risk types identified and the relevant risk management methods. The table also illustrates the key opportunities for the Group, arising from effective and efficient topic management.*

TOPIC	POTENTIAL RISK	RISK DESCRIPTION	MANAGEMENT METHOD	OPPORTUNITIES
RAW MATERIAL MANAGEMENT	Impacts on animal welfare	The Company uses raw materials of animal origin, the supply of which could have a negative impact on animal welfare; as a consequence, potential reputational risks could arise should the Company fail to equip itself with tools capable of assessing and (where possible) mitigating such impact.	The Company places emphasis on national and international regulations on the procurement, importation and exportation of raw materials and specifically those coming from endangered animal species. We use natural raw materials; on the matter, the rigorous control process performed by the Company when procuring goose feathers is worthy of note.	The proper management of this risk enables the Company to meet the expectations of those stakeholders who are more sensitive to animal welfare issues.
PACKAGING AND DISTRIBUTION	Potential non-compliance of packaging material use and distribution with existing regulations.	The Company is aware of the potential environmental impacts arising from the selection and production of packaging materials and from waste generated. The potential impact on the health and safety of customers and workers should also be taken into account.	The Company is currently studying and testing the use of alternatives to virgin raw materials for packaging. As regards the distribution of finished products, instead, given the Company's decision to outsource shipping, indirect impacts could arise from this phase.	
ENERGY CONSUMPTION	Limited control over energy consumption management	Although this risk is not particularly relevant to the Group, without an adequate energy consumption management and monitoring system the Group would be unable to define and implement energy efficiency measures, which could result in savings and a reduced impact on the environment (e.g. consumption of natural resources and emissions).	It is worth noting that the Group has decided to favor renewable energy sources in order to improve energy efficiency in its offices in Italy and abroad and to reduce their potential and actual negative impacts.	Paying more attention to the energy footprint of individual stores will increase the efficiency of the Company's boutique network, as well as significantly reduce the relevant costs.





TOPIC	POTENTIAL RISK	RISK DESCRIPTION	MANAGEMENT METHOD	OPPORTUNITIES
WATER DISPOSAL AND WITHDRAWAL	Potential negative impacts associated with laundry activities	Laundry work is an activity that can potentially affect the environment due to the need of disposing of industrial wastewater containing potentially harmful substances. The lack of an adequate management and monitoring system for the water discharges connected to this activity could lead to a non-compliance risk arising.	A water treatment system is in operation which collects and treats the majority of water discharges at the Company, specifically wastewater from the laundry department before it is channeled to a surface water body.	Responsible water usage and effective monitoring, in view of water resource depletion.
EMISSIONS	Lack of management systems and programs for the reduction of greenhouse gas emissions	The Group's greenhouse gas emissions mainly relate to energy consumption. Although this risk is not particularly relevant to the Group, should stricter requirements be introduced, the risk of non-compliance cannot be ruled out. It is also necessary to take into account the impact of emissions generated at every step along the value chain, from raw material procurement to the use of the products by customers.	The Company has recently decided to change its electricity supplier for its offices in Italy, to one that generates green energy from renewable sources. Management is reviewing other improvement measures, such as switching company cars to greener models.	These measures will not only enable the Group to increase efficiency and cut costs but, most importantly, they will allow it to gradually align to the commitment imposed on all the companies by the Paris Agreement – COP21.
WASTE	Environmental impacts associated with the waste disposal process	Should inadequate waste disposal methods be used with respect to specific types of waste, the day-to-day business of the Brunello Cucinelli Company in terms both of production and office work could have negative environmental impacts in the area.	As regards waste management, the Company relies on authorized partners. The Company launched the Green Project to promote the digitization of its processes and raise employee awareness of paper use and printing; it complies with existing local regulations on municipal solid waste (please see section "Waste").	Shifting our collaborators and customers towards pro-environmental behavior to promote recycling and the sustainable use of resources and products.



Protecting the environment and the local territory is one of the cornerstones of our corporate philosophy, which is based on the values of *Humanistic Capitalism* and, as such, considers man as a “loyal and harmonious custodian of the Universe”, who is called upon to stand before nature and its resources respectfully and responsibly. This translates into a comprehensive, timely, prudent, respectful and structured long-term commitment to the environment designed to ensure that our activities are carried out in a sustainable manner and without harming the environment or, at least by minimizing their impact as much as possible.

As illustrated in the **Decalogue** “*Our Mother Earth*”, the Company contributes to safeguarding the Universe by planning its activities in such a way as to ensure a balance between economic initiatives and fundamental environmental needs, while respecting the Earth that hosts us. We are well aware of the topicality and urgency of the ongoing environmental issues and of their importance for the community as a whole, as acknowledged by the 2015 Paris Agreement<sup>23</sup>, and we therefore embrace a preventive approach.

Our **responsibility** for promoting harmony with the Universe and developing human sustainability must, however, be shared by all the different stakeholders of the Company. For such purpose, interacting with our raw material suppliers becomes key: procurement is, in fact, based on supply contracts with large companies in the industry (please see Chapter 6 “*Amiable relationships with suppliers*”), as well as on ongoing day-to-day dialogue with our *façonisti*. Our shared objective is to raise awareness among them of the importance of complying with and of promoting good environmental practices with respect to their subcontractors. The leaderships thus achieved are highly functional to the continuous improvement – in terms of shared commitment – of mindful behavior devoted to the care of the Universe and to encouraging positive conduct at every step along the supply chain, up to its most upstream part.

In 2019, the Company established a Framework Agreement – which is an integral part of the contractual documents – and shared it with its *façonisti*, as it requires them to comply with the same national and international environmental regulations and standards that the Company complies with (for more information, please see Chapter 6 “*Amiable relationships with suppliers*”).

A similar kind of interaction also constantly characterizes the sober dialogue with our customers, aimed at presenting our products as timeless garments that, thanks to their high-quality materials and skillful craftsmanship, we hope may be cherished and passed on from generation to generation (please see section “*Garment repairs*”). Our customers, who are very sensitive to sustainability issues, including post-use waste generation – which is key in the fashion industry – fully endorsed this approach.

Lastly, protecting and living in harmony with the Universe are two extremely valuable teachings that we strive to pursue in our daily lives and business and that we pass on to the generations of tomorrow at the School of Arts and Crafts (please see box 3 “*The School of Arts and Crafts of Solomeo*”): training wishes to ensure the spontaneous care for the Universe by individuals and, thus, by the company in the future.

The Company runs its business in compliance with the main national and international regulations on the issue, such as the 1973 **Washington Convention**, i.e. the Convention on International Trade in Endangered Species of Wild Flora and Fauna (**CITES**), with specific reference to the selection of raw materials. The environmental issue is also addressed in the “*Principles for the adoption of the Organizational, Management and Control Model in accordance with Legislative Decree no. 231/2001*”. In particular, environmental offences are among the predicate

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23 At the Climate Change Conference (COP21) held in Paris in December 2015, 195 countries adopted the first-ever universal, legally binding global climate deal.



offences provided for in the Company's management model, while protocols and controls are implemented with respect to the business processes where such offences may occur.

Similarly, great attention is paid at every step along the process: from carefully selecting raw materials to minimizing scraps and waste, using only what is necessary for production and consumption purposes, to engaging in mindful behaviors and favoring renewable energy, to sustainable water usage and CO<sub>2</sub> emissions monitoring (Scope 1 and 2), up to the architectural design of our factories and facilities and the selection of their locations, which shall be in harmony with the territory.

As regards the Company's organizational structure, the *Facility Management* office is responsible for the environmental protection and management of our operational facilities, stores and wholesale customers.

Given its organizational model and the nature of its business, the Brunello Cucinelli Company's environmental impacts are for the most part of an indirect type.

The key direct impacts are the following:

- For the stages of **raw material purchasing and production**, they regard energy consumption for the functioning of the reception and storage warehouses and the production stages, including product quality control. Other impacts in terms of water disposal, withdrawal and consumption, are associated with the presence of a laundry at the Solomeo headquarters, where the so-called “fulling” stage of the garments is carried out.
- For the **transport of garments to and from the Company and its *façonisti* by our drivers** – who are among our collaborators – fuel consumption is taken into account (petrol and diesel).
- For the stages concerning **distribution and storage at the stores**, the main item is the energy consumption associated with the functioning of the storage centers, the dispatch of finished goods and the activities of the boutiques managed by the Group (DOS).

Moreover, it should be noted that there have been no cases of non-compliance with the environmental law and regulations within Brunello Cucinelli Group over the past three years.

## RAW MATERIAL MANAGEMENT



Brunello Cucinelli's Made in Italy products stem from two essential elements: the utmost care and attention paid at every step along the garment manufacturing process and, before that, the careful selection of raw materials.

The quality of natural raw materials is a top priority for us and the starting point for the complex production process that gives life to Cucinelli pieces: only thanks to such quality can exquisite craftsmanship, the creativity of skillful gestures and the elegance of design find their utmost expression. It all comes down to the Company's choice of valuing *human sustainability* over profit: this is the commitment that the Company feels fully and directly responsible for in the fundamental yet delicate stage of raw material selection, in accordance with the solemn pact of mutual trust established with farmers and suppliers alike.

Closely connected with the selection of natural raw materials is the issue regarding supplier responsibility and the entrepreneurial spirit based on which they run their business. Each and every step along the production process requires special attention as, in order to ensure products of the highest quality and craftsmanship, responsibility must be shared by all those who contribute to their creation.

We believe that Brunello Cucinelli Made in Italy garments owe their fascination, for the most part, to the shared responsibility that the Company and its suppliers have with respect to customers and their legitimate requests in terms of quality, elegance and "longevity", in the sense of durability of the garments.



But that's not all: alongside supplier responsibility, there is another aspect that takes center stage, i.e. the entrepreneurial skills of suppliers that, even if they are inborn, must be in any case nurtured and encouraged. For this reason, the Company gracefully and responsibly promotes the entrepreneurial skills of the suppliers it collaborates with. All this naturally stems from the valuable collaborations based on mutual trust and respect that we have built with them.

As regards materials used by the Company, they are divided into three macro-categories: raw materials for producing garments; products for the functioning of the laundry department; and packaging material.

Specifically, regarding the first type of materials, the Company mostly purchases **yarns**, especially cashmere, and **fabrics**, most of which are of natural origin, as well as **leathers**. For each of them, it has long relied on leading companies in the industry. These well-established long-term partnerships are a symbol of the great trust we place in our suppliers, which is based on sound relationships as well as documentary evidence: the relevant certificates of origin and process certifications are, in fact, available to the Company (please see the **CITES Convention**).

The amount of materials used varies according to the specific stylistic choices made for every collection and is determined after the sales campaign stage. In particular, every year, the Style and Design department is in charge of selecting fabrics and colors, under the direct supervision of entrepreneur Brunello Cucinelli and based on the principles of “*unleashed creativity*” and of paying the utmost attention to the way single materials are worked.

Table 12 below illustrates the types and amounts of key raw materials that have been used for production over the past three years.

**Table 12: Raw materials used in the production process**

Raw material	Unit of measurement	2019	2018	2017
<b>Fabrics</b>	<b>m</b>	<b>2,706,260</b>	<b>1,951,905</b>	<b>2,019,600</b>
of which CITES	%	0.008	-	-
<b>Yarns</b>	<b>kg</b>	<b>160,322</b>	<b>126,660</b>	<b>133,860</b>
of which cashmere	%	38.2	42.5	38.3
of which CITES	%	0.014	-	-
<b>Leathers</b>	<b>m</b>	<b>260,910</b>	<b>211,686</b>	<b>194,200</b>
of which CITES	%	1.8	1.5	2.4

**GRI 301-1 Materials used by weight or volume**

In 2019, there was an increase in the amount of raw materials used versus the previous years, which is attributable to the expansion of the business and the launch of new projects, such as the following: the Kids collection, the Solomeo Tailoring project and digital activities.

As regards the origin of **raw materials used for production**, cashmere deserves special mention. The Company's iconic raw material is selected from the finest cashmere yarns coming from Mongolia's thousand-year-old stock farms; here, fibers are collected by taking into account the region's unique climate as well as the welfare of the Hircus goats..



The procurement of the goose feathers used to make down jackets is subjected to rigorous controls. For this purpose, the Company relies on an Italian supplier who certifies its attention to the environment and to its customers by offering a traceable product that comes from a responsible source<sup>24</sup>.

Therefore, almost all the raw materials are purchased from Italian suppliers: with the exception of denim – which is procured directly from Japanese suppliers who are considered to be the world leaders in the sector – and certain fine hides that come from Spain. The great attention paid to the origin of materials used, most of which are of animal origin, is particularly important not only in terms of the relationship with the individual supplier, but also in terms of the stringent requirements imposed by the sales departments that the Company collaborates with worldwide for the sale of its collections to wholesale customers.

<sup>24</sup> The supplier is a member of the European Down and Feather Association – EDFA – who has received the DOWNPASS certification a long time ago and ensures product traceability in accordance with the Responsible Down Standards (RDS).



The first **in-house raw material quality control** is performed upon delivery of the raw materials and aims to check garment durability and appearance in order to assess wear and tear resistance. The internal control system is also responsible for testing raw materials in terms of hand, texture, weight, brightness, color, elasticity and, lastly, potential shrinkage after washing. In addition to the more technical controls, materials are then checked visually to detect and report any imperfection. All this is done to meet our primary need of ensuring the highest quality of our products while at the same time preventing unnecessary waste.

With reference to products used for the functioning of the laundry, the following should be taken into account: neutral soap (for water-based washing), fabric softener, antifoam agent, perchloroethylene (for dry cleaning) and powder detergent; the amounts used are provided in the table below.

**Table 13: Materials used – laundry**

Material used	Unit of measurement	2019	2018	2017
Neutral soap	kg	720	480	800
Fabric softener	kg	9,720	8,040	6,360
Antifoam agent	kg	- <sup>25</sup>	50	90
Perchloroethylene (dry cleaning)	kg	1512	1350	880
Powder detergent	kg	470	510	480

**GRI 301-1 Materials used by weight or volume**

The amount of materials used for laundry activities varies from year to year according to the specific needs in terms of washing of the garments from the collections. In 2019 there was an increase in consumption of neutral soap, fabric softener and perchloroethylene due to a higher number of garments – from the Menswear, Womenswear and Kidswear collections – requiring water-based washing and dry cleaning.

Lastly, materials used include office materials, specifically paper and cardboard; the amounts used are illustrated in the table below.

**Table 14: Materials used - offices**

Raw material	Unit of measurement	2019	2018	2017
Paper/Cardboard (PEFC)	Kg	36,229	35,801	33,656

**GRI 301-1 Materials used by weight or volume**

With a view to promoting increasingly mindful sustainable behaviors, we decided to use recycled paper towels in the toilets and dining areas of the Solomeo headquarters.

<sup>25</sup> Anti-foam agents were not used in 2019 due to problems with the water treatment system



## PACKAGING AND DISTRIBUTION

Our packaging, just like our garments, conveys the encounter between the choice of simple elements and the quest for exclusivity, thus contributing to communicating the brand's identity and values. We consider this as the primary strategic value of packaging, as we wish to offer our customers a truly compelling and engaging buying experience. Of course, alongside these aspects, there is also a functional one, aimed at ensuring the protection and care of our products – at all the stages where products are transported from the Solomeo headquarters to the workshops of the *façonisti* and back during the manufacturing and quality control phases as well as during distribution to our sales channels.



Materials used are for the most part plastic and paper/cardboard. Moreover, specifically regarding the second stage pertaining to the packing and distribution of finished products, fabric bags (cotton) are sometimes used, as they help protect certain types of products (e.g. shoes, bags or accessories) and can be reused by customers.

With reference to the hangers that come with the products, the Company principally uses wooden and plastic hangers, the latter partly made from *liquid wood*, i.e. a plastic and wood material.

The figures regarding the amounts – and composition – of materials used for packaging and distribution in 2019 are illustrated in the table below. Figures also include the cardboard boxes purchased directly by the Company for subsequent dispatch to the Group's monobrand stores worldwide.



**Table 15: Materials used for packaging and distribution**

Packaging	Unit of measurement	2019	2018	2017
Plastic	t	108.27	102	75
Paper/Cardboard	t	691.58 of which 193 is FSC <sup>26</sup> certified	676 of which 240 is FSC certified	657 of which 83 is FSC certified
of which recycled	%	35.99	34.47	27.25
Hangers	t	106.76	83.20	- <sup>27</sup>
Wood	t	8.03	4.60	-
Plastic	t	62.79	68.50	-
of which recycled	%	40	40	-
Metal material	t	35.94	9.06	-

**GRI 301-1 Materials used by weight or volume**

We are aware of the urgent need to reduce plastic use and we are taking action to replace plastic with its alternatives (e.g. paper rather than plastic packing tape) at every step along the production cycle, from assembly to packaging up to distribution; such alternatives shall, in any case, meet the same standards in terms of quality. With specific reference to the reduction of bubble wrap use, we are experimenting with new materials, which are currently being tested.

<sup>26</sup> Use of *Forest Stewardship Council* certified paper (FSC).

<sup>27</sup> Thanks to the continuous improvement of data collection, since 2018 it has been possible to include the figures pertaining to hangers, which were not available in 2017.



## ENERGY CONSUMPTION

We use only the energy needed, and nothing more: energy consumption is associated with the activities of the production facilities and commercial, logistics, administrative and management departments of the various sites of the Company, of Pinturicchio S.r.l. and of Max Vannucci S.r.l., as well as of the sales offices and departments in the rest of the world and of the DOS<sup>28</sup> operated by subsidiaries. Specifically regarding the production cycle, it should be noted that consumption of natural gas and electricity for the functioning of our key facilities, i.e. the prototype department, reception and storage warehouses and laundry (which are located at the Solomeo headquarters), is taken into account. Moreover, energy consumption for lighting and air conditioning – heating and cooling – in our offices worldwide is also calculated.

As regards utilities, 2019 was the third year in a row that the Company has relied on **renewable energy sources** for the Solomeo headquarters.

For this purpose, we conducted a census of green energy suppliers in Italy and achieved our goal of substantially using 100% renewable energy for our Italian facilities and boutiques. In the rest of the world, instead, such use currently stands at approximately 50%, but we aim to gradually increase this number (on the matter, it is worth noting that the Company can directly select its suppliers only in certain markets)<sup>29</sup>.

Moreover, we were able to install – in line with the specific operational needs and quality requirements of the Company – LED lighting systems in certain locations, including offices, boutiques and showrooms<sup>30</sup>, in order to curb consumption. It should be noted that the Group aims to achieve energy efficiency and obtain overall traceability with respect to the energy performances of its facilities both in Italy and abroad, through the integration of a single centralized management department that – based on the assessment of the energy footprint of individual stores – will enable us to set priorities and measures to be taken.

Lastly, energy consumption includes the fuel (petrol and diesel) consumed by the Company's fleet of cars and industrial vehicles.

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28 Points of sale run by third parties are not relevant to this Consolidated Non-financial Statement.

29 On the issue, it should be noted that our choice in terms of energy suppliers is only limited in our facilities in Russia, China and Japan, as there are government restrictions with respect to the selection of suppliers.

30 Specifically, only LED lighting systems are installed at companies Max Vannucci S.r.l. and Pinturicchio S.r.l.; our showrooms and store in Milan also rely on LED light technology; as regards Solomeo, Building D is 100% LED lighting, while Building A is 80% LED.



The table below illustrates the consumption of natural gas and electricity (with details about green energy from renewable sources), as well as the consumption of fuel by the company fleet in the three-year reporting period.

**Table 16: Energy consumption (the figures contained in this table are expressed in GJ)**

Type of energy consumption	2019	2018	2017
Natural gas	19,921	17,838	15,564
Electricity	37,127	35,637	29,668
<b>Of which from renewable sources</b>	<b>19,453</b>	<b>19,053</b>	<b>15,600</b>
<b>Company fleet</b>	<b>7,814</b>	<b>7,414</b>	<b>7,530</b>
Petrol	-	-	33
Diesel	7,814	7,414	7,497

**GRI 302-1 Energy consumption within the organization**

The reduction in consumption of natural gas and electricity in Italy in 2019 is specifically associated with insulation installation in certain offices and points of sale, and in general with the year's mild climate. The increase in consumption in Europe and Non-EU countries, instead, is mainly due to new openings (specifically, the boutique in Denmark that was opened in mid-2018 and whose consumption was fully included in the figures starting 2019; the boutiques in St. Moritz and Bicester, which were moved to larger locations; and a new store opening in Monaco, in Monte Carlo), as well as to a higher number of business days for the boutiques.

It should be noted, however, that this increase in consumption went hand in hand with an increase in renewable energy use in several European facilities: our facilities in Monaco, Austria, Greece and Denmark were converted to 100% renewable energy; those in the UK reached 49% of energy from renewable sources and those in Belgium 31%.

Lastly, diesel consumption increased due to the purchase of new company vehicles and to more frequent deliveries and pick-ups to and from external workshops.



## EMISSIONS

We are constantly monitoring direct and indirect Greenhouse Gas (GHG) emissions deriving from our energy consumption and from the functioning of our company fleet, meeting Scopes 1 and 2.

The summary data table below provides the total amount of air emissions expressed in tons of CO<sub>2eq</sub>.

**Table 17: Emissions (the figures contained in this table are expressed in tons of CO<sub>2eq</sub>)**

Emissions by type	2019	2018	2017
<b>Direct GHG emissions (Scope 1)</b>	1,845	1,813	1,608
<b>Indirect GHG emissions (Scope 2) - Location-based</b>	3,778	3,626	3,138
<b>Indirect GHG emissions (Scope 2) - Market-based</b>	1,999	1,828	1,800
<b>GRI 305-1 Direct GHG emissions</b>			
<b>GRI 305-2 Indirect GHG emissions</b>			

In 2019, there was an increase in **direct CO<sub>2eq</sub> emissions (Scope 1)** compared to the previous years, mainly due to the more frequent refrigerant charging required during the year.

As regards **indirect CO<sub>2eq</sub> emissions (Scope 2)** there was a slight increase in 2019 mainly associated with the abovementioned new store openings.

Nonetheless, if we consider “market based” CO<sub>2eq</sub> emissions, we see that the Group’s commitment to renewable energy has resulted in a significant reduction in greenhouse gas emissions.



## WATER DISPOSAL AND WITHDRAWAL

We recognize the importance of responsible water consumption, as water is a shared and vital resource and a primary building block of life. Although the Company's water footprint is limited, it pays great attention to managing water **withdrawal, disposal and consumption**.

With respect to **directly generated impacts**, these are mainly associated with the machine washing required during the fulling stage: the laundry department comprises three dry cleaning machines, three water washing machines and five tumble dryers. The washing cycle includes the following processes: knitwear arriving from the *façonisti* is first dry cleaned and then washed in water at a temperature below 40° in order to prevent damage to the cashmere fibers. Lastly, the garments are put into the tumble dryers for the final drying process. This activity is undoubtedly essential, as it lends the desired texture and softness to the garments, however, it can affect the environment due to the presence of potentially harmful substances in the wastewater that can contaminate water resources. In order to identify the type of solvents used and the amount that is strictly required, the Company prepared specific product safety data sheets.

With respect to water withdrawal, the water provided to the Solomeo site comes from the public aqueduct when it is for civil use, while it is drawn from Company-owned wells or rainfall recovery and storage tanks when it is used in production processes. It should be noted that in 2018 the Company repaired the well (located at the Solomeo headquarters) which had collapsed in 2017. Today, the well is properly reported and monitored.

In addition to **water consumption** for laundry activities, figures also include consumption for civil use in offices and stores. It is worth noting that water consumption in our facilities abroad and in our boutiques (worldwide) only refers to civil use purposes.

The data summary table below provides the figures for water withdrawal from the well and aqueduct<sup>31</sup>:

**Table 18: Water withdrawal (the figures contained in this table are expressed in ML)<sup>32</sup>**

Sources	2019		2018		2017	
	Italy	Outside Italy	Italy	Outside Italy	Italy	Outside Italy
Wells	9.343	-	11.018 <sup>33</sup>	-	- <sup>34</sup>	-
Public aqueduct	20.545	20.335	21.802	19.886	24.033	19.266
<b>Total</b>	<b>29.888</b>	<b>20.335</b>	<b>32.820</b>	<b>19.886</b>	<b>24.033</b>	<b>19.266</b>

### GRI 303-3 Water withdrawal

<sup>31</sup> The figures for water withdrawal are estimates for the majority of stores and sales offices abroad. Further details are provided in the Methodological Note.

<sup>32</sup> Water withdrawal only comprises freshwater ( $\leq 1,000$  mg/l dissolved solids).

<sup>33</sup> Please note that the figure for well water withdrawal in the 2018 reporting year was updated due to the fact that certain information was made available after the release of the 2018 Consolidated Non-financial Statement.

<sup>34</sup> This figure was not monitored in 2017 since the well collapsed and therefore the Company filled it in and made the due communications.



As regards **water disposal** – and with specific reference to the Solomeo headquarters – a water treatment system is in operation which collects and treats the majority of water discharges at the company, including wastewater from the laundry department before it is channeled to a surface water body. The Company opted for this solution due to the absence of a public sewer system in the area, which is still lacking. To date, the Company hasn't yet set its water quality standards in terms of discharge<sup>35</sup>. Discharge limits are, in fact, determined in accordance with Legislative Decree no. 156/06 (Table A) regarding water discharges in surface water bodies.

As the Solomeo site is subject to **Unified Environmental Authorization** (*Autorizzazione Unica Ambientale - AUA*), it has a wastewater monitoring system designed to check compliance with the relevant parameters. In this respect, the Company is required to avail itself of qualified technicians who come and conduct periodic sampling and chemical and biological analyses of the wastewater to certify that it complies with the legal limits and that it does not contain any other harmful substances. The analysis certificates must then be submitted to the Umbria Regional Environmental Protection Agency (ARPA) which, if required, may update the conditions for authorization.

The figures regarding the harmful chemicals that have been identified and monitored in the three-year reporting period are illustrated in table 19 – “*Quality of discharged water*”.

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<sup>35</sup> It should be noted that the public sewer system will be made available in 2020, which will enable the Company to further reduce the risks associated with water discharges and wastewater quality.

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**Table 19: Quality of discharged water**

Quality parameter of discharged water	2019	2018	2017
pH	7.62 at 25.0°C	7.60 at 25.0°C	7.92 at 25.0°C
Total Suspended Solids (SST)	12.5 mg/liter	2.5 mg/liter	0.9 mg/liter
Ammoniacal nitrogen (as NH <sub>4</sub> )	0.08 mg/liter	0.06 mg/liter	0.49 mg/liter
Nitrite nitrogen	0.06 mg/liter	0.02 mg/liter	0.14 mg/liter
Nitrate nitrogen	17.6 mg/liter	19.2 mg/liter	15.39 mg/liter
C.O.D (as O <sub>2</sub> )	25.1 mg/liter	17.20 mg/liter	35.0 mg/liter
B.O.D <sub>5</sub> (as O <sub>2</sub> )	4.4 mg/liter	5.0 mg/liter	14.0 mg/liter
Lead	<0.02 mg/liter	<0.01 mg/liter	<0.01 mg/liter
Cadmium	<0.01 mg/liter	<0.01 mg/liter	<0.01 mg/liter
Nickel	<0.02 mg/liter	<0.01 mg/liter	<0.01 mg/liter
Copper	<0.02 mg/liter	<0.02 mg/liter	<0.02 mg/liter
Total chromium	<0.01 mg/liter	<0.02 mg/liter	<0.01 mg/liter
Manganese	N.A.	<0.02 mg/liter	<0.01 mg/liter
Zinc	0.04 mg/liter	<0.03 mg/liter	<0.03 mg/liter
Iron	N.A.	<0.03 mg/liter	<0.02 mg/liter
Chromium VI	<0.01 mg/liter	<0.01 mg/liter	<0.01 mg/liter
Chlorides	340.4 mg/liter	103.32 mg/liter	313.72 mg/liter
Sulfates (as SO <sub>4</sub> )	167.8 mg/liter	82.98 mg/liter	79.44 mg/liter
Total Phosphorus (as P)	3.81 mg/liter	N.A.	N.A.
Animal/vegetable fats and oils	<5.0 mg/liter	N.A.	N.A.
Total hydrocarbons	<1.0 mg/liter	1.3 mg/liter	1.3 mg/liter
Anionic surfactants	0.16 mg/liter	0.201 mg/liter	0.498 mg/liter
Cationic surfactants	0.40 mg/liter	0.36 mg/liter	0.156 mg/liter
Non-ionic surfactants	0.29 mg/liter	0.018 mg/liter	0.017 mg/liter
Total surfactants	0.85 mg/liter	0.58 mg/liter	0.67 mg/liter
Selenium	N.A.	<0.01 mg/liter	<0.01 mg/liter
Phenols	<0.05 mg/liter	0.09 mg/liter	0.11 mg/liter
Aromatic organic solvents	N.A.	<0.01 mg/liter	<0.01 mg/liter
Chlorinated solvents	<0.1 mg/liter	<0.01 mg/liter	<0.01 mg/liter
Total nitrogen (as N)	20.9 mg/liter	N.A.	N.A.
Electrical conductivity	1602 µS/cm	N.A.	N.A.
Persistent mineral oils and hydrocarbons of petroleum origin	<1.0 mg/liter	1.3 mg/liter	1.3 mg/liter

**GRI 303-4 Water discharge**

There were no cases of non-compliance with water discharge limits in 2019.





In line with the abovementioned reduction in water withdrawal, there was also a reduction in water **discharge** in 2019 versus the trend in the previous year.

**Table 20: Water discharge (the figures contained in this table are expressed in ML)**

Water discharge – Italy	2019	2018	2017
To surface water	19,771	23,863 <sup>36</sup>	12,643

**GRI 303-4 Water discharge**

<sup>36</sup> Please note that the figure for water discharge in the 2018 reporting year was updated due to the fact that certain information was made available after the release of the 2018 Consolidated Non-financial Statement.

## WASTE

As one of the cornerstones of our Company is the *graceful* use of available resources in order to reduce waste, special attention is paid to raw material management, so as to minimize waste at every step along the value chain.

Careful planning is the starting point for the entire process, and only those materials that meet the stylistic choices and quality standards of the Company are dispatched to the *façonisti* workshops; given the sound trust-based relationships that we have built with them, excess materials are returned to the Company and then reused and reinserted in the production process.

The dry-cleaning procedure, which is carried out at the Solomeo site, produces three types of waste: **sludge**, contact water and “**lint**”. The operator controls the level of sludge produced, which can be viewed at the back of the dry cleaning machine, and periodically activates the automatic discharge, which channels the sludge into metal drums which are then disposed of as special waste by an authorized firm. The **contact waters**, which derive from the dampness extracted from the clothes during the cycle, are collected in a recipient, subsequently emptied by the operator into a specific container, and are disposed of by an authorized firm. Finally, “**lint**” is collected in the so-called “*button traps*” that are then emptied by the operator into specific containers and also disposed of by an authorized firm.

Waste produced during the manufacturing and storage phases is sorted and collected, and then partly recovered and reused by an authorized firm (please see table 21 “*Waste generated by type and method of disposal*” below).

Lastly, waste generated in our offices during our daily business activities can be considered as municipal solid waste and, as such, for the Solomeo headquarters, the Company shall comply with the existing regulations in force in the municipality of Corciano.



**Box 5: The “Green Project”**

The “*Green Project*”, which was launched in 2018, comprises a number of green initiatives aimed at ensuring the full digitization of the Company’s archives, in terms of both active and passive documents, and raising employee awareness of resource consumption and waste sorting. In 2019, special attention was paid to paper use and printing in our offices. Actions were taken to change printer settings, e.g. introducing personal access passwords for employees.

As mentioned earlier on, in the introduction to this chapter, the same attention is paid to raising awareness of the issue among our customers, and great efforts are made to communicate and convey to them the intrinsic value and durability of the garments purchased.

The table below shows the total amount of waste generated in 2019 and in the previous two years, with figures by waste type and disposal method. There was an increase in hazardous waste versus the previous years, associated with a higher use of dry-cleaning machines due to an increment in production.

**Table 21: Waste generated by type and method of disposal (the figures contained in this table are expressed in tons)**

Waste from the production process	2019		2018		2017	
	hazardous	non-hazardous	hazardous	non-hazardous	hazardous	non-hazardous
<b>Total waste</b>	<b>9.4</b>	<b>997</b>	<b>5.26</b>	<b>851.55</b>	<b>4.5</b>	<b>795</b>
Of which sent for recovery	0.9	425	1.12	378.7	0.4	347
Of which sent to disposal sites	8.5	38	4.15	105.2	4.1	11
<b>Other waste (Solomeo site)</b>						
Of which sent to outside treatment facilities <sup>37</sup>	0	534	0	367.25	0	437
<b>GRI 306-2 Waste by type and method of disposal</b>						

<sup>37</sup> Waste sent to outside treatment facilities falls within the “sludge” category.

## CHAPTER - 5 THE HAMLET OF SOLOMEO, THE COMMUNITY AND TERRITORY, PLEASANT SUBURBS

The **Hamlet of Solomeo** and the uniqueness of Umbria are the founding principles based on which Brunello Cucinelli has built and developed his idea of Humanistic Capitalism, inspiring and creating the Company's essence, image and philosophy, while striving to make it special and exclusive.

The Company's history is closely and inextricably linked to that of the Hamlet of Solomeo and the surrounding area; this concept is recalled and expressed in the Code of Ethics that highlights, among the primary corporate objectives, *"the responsibility towards our territory, its suburbs, and the local community hosting us"*.

Over the past forty years of the Group's life, our business has always been accompanied by our ongoing dedication to supporting, restoring and developing the Hamlet of Solomeo and Umbria, as well as to promoting the development and growth of the local community.





## INTRODUCTION

GRI content index in the appendix



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**Table IV: “The Hamlet of Solomeo, the community and territory, Pleasant Suburbs” - Non-financial risks and opportunities regarding the topics and relevant sub-topics.** *The table below provides an overview of the risk types identified and the relevant risk management methods. The table also illustrates the key opportunities for the Group, arising from effective and efficient topic management.*

TOPIC	POTENTIAL RISK	RISK DESCRIPTION	MANAGEMENT METHOD	OPPORTUNITIES
SOLOMEO: THE HAMLET OF THE SPIRIT	Slow and inadequate development of the area	The flourishing of the Company is inextricably linked to the development of the area where it is based. Should the community and territory not have the elements needed for their economic, environmental, social and cultural development, this would affect the Company in terms of technical skill shortage and natural resource scarcity.	Key actions taken on the issue include projects and initiatives designed to provide support to the community and contribute to its development, which are implemented in collaboration with local universities, associations and bodies; restoring historical monuments in the area; renewal of surrounding areas; favoring local manufacturers.	Raising awareness of social and environmental sustainability issues among the local communities and encouraging behavioral change.
COMMUNITY AND TERRITORY				The restoration works of the Hamlet of the Spirit were conceived as a legacy to be passed on to future generations, in order for them to continue enhancing and protecting the territory.
PLEASANT SUBURBS				Promoting the moral and economic dignity of local communities who live in the suburbs by creating a connection between corporate growth and territorial development.
WORKPLACE DESIGN AND ARCHITECTURE	Environmental, social and economic impacts due to an inaccurate study of the territory, and associated limits and opportunities.	An excessive use of the land in the area where the Company’s activities are carried out could have significant environmental and social impacts in terms of resource scarcity and <i>denaturalization</i> of the territory.	The Company’s business locations are designed and built by paying utmost attention to the land that they are built upon. This was made possible thanks to the restoration of old industrial facilities that had fallen into disuse and to urban renewal projects implemented in the area by fully respecting nature and its resources.	Reducing the environmental and social impacts of the Company’s business through sustainable architectural solutions specifically designed not to harm nature and the territory. Ensuring the well-being of the community and of our collaborators who perceive the value generated by our business.



## SOLOMEO: THE HAMLET OF THE SPIRIT

The Hamlet of Solomeo is at the *“heart of the family, business and spiritual life”* of Entrepreneur Brunello Cucinelli. It has always been our belief that the Company can continue down this path to growth, growing in a sustainable and respectful manner, while respecting the *“spirit of the places”* we live and work in; and we believe that, as part of our key future goals, we must stay true to the unwavering principle of *custodianship*, doing our best to embrace it in our everyday lives and in the Company’s day-to-day business.

The willingness and desire to enhance the dignity and beauty of the places we work and live in as a legacy for the generations to come has guided the extensive renovation process of the Hamlet of Solomeo, which required years of painstaking work. Since day one, our primary intention has been to *restore existing facilities rather than build new ones*, in order to protect the values of the territory and of the past. Works were carried out with a view to respecting the *genius loci*, while at the same time creating contemporary and efficient locations equipped with modern infrastructure and technology.

We tried to turn Solomeo into a sort of **Hamlet of the Spirit**, where people can live and work in harmony with the Universe: all the works were conducted in keeping with our intention to restore the dignity of preexisting places, offering our collaborators workplaces that fully respect human dignity.

The enhancement of Solomeo was further enriched by the construction, from scratch, of the **Cucinelli Theater**, which opened in 2008. The idea behind the creation of the theater stems from the need to give art the opportunity to express itself and from our desire to enhance the Hamlet with a building that could last for the next 500 to 1000 years.

### Box 6: The Theater in Solomeo

*«In his beloved Solomeo, Brunello Cucinelli built this theater for the people, before that of nature to commemorate, at all times, the eternal values of beauty and dream».*

Its structure is modern and versatile, while its shape is inspired by the standards of the Renaissance style. Both the exteriors and the set design evoke classical canons: at the entrance, the curved pronaos is supported by Ionic columns and leads into a foyer that also rests on columns, where visitors are welcomed by the pictures of the artists who have performed here. The inside of the theater is charming and simple at the same time, in soft light colors and displaying the austere line of the noble oak trusses.

**As part of its Theater and Music Calendar, the Cucinelli Theater frequently runs shows for the community as a whole**



Our desire to share the values of spirituality and beauty also led to the creation of the **“Forum of the Arts”**: a harmonious place where production meets creativity, work life meets cultural life, and attention to products meets the protection of human values.





### Box 7: Forum of the Arts

In ancient Rome, the Forum was the main center of the city, whose design reflected Ancient Roman traditional urban planning and where citizens used to meet to discuss the various aspects of social life. The Forum in Solomeo comprises the Theater, an open-air Amphitheater that hosts shows during the summer season, the so-called Garden of Philosophers that is accessible to anyone wishing to meditate and contemplate nature, and the Aurelian Neo-Humanistic Academy.

The latter, which is the area devoted to meetings and conviviality, becomes a symbol of inclusion: the Solomeo Library's ample collection of art, literature, history, spirituality, science and philosophy books in foreign languages underlines Entrepreneur Brunello Cucinelli's desire to make his collaborators, customers and partners who come from different geographical areas feel "at home" and learn the culture and history of the Hamlet. Every year, a multitude of events, gatherings and shows enliven the "Forum of the Arts". Specifically, the Villa Solomei Festival, Seventh Art – Cinema at the Amphitheater, and Renaissance Solomeo were held in 2019<sup>38</sup>.

Solomeo is also a distinctive and recognizable symbol for our customers who, through our products, come in contact with the history, uniqueness and values of our land. The Company logo itself recalls the Hamlet's historical coat of arms and contains the Latin phrase SOLOMEI MCCCXCI. It also refers to the year 1391, when the ancient castle that entrepreneur Brunello Cucinelli renovated and that served as the corporate headquarters in the Company's early years was built.

The project for the renovation and rebirth of the Hamlet continued with the creation, in 2013, of the **School of Arts and Crafts of Solomeo**, whose activities are illustrated in further detail in Chapter 3. The School comprises several renovated buildings – including the medieval castle – where a variety of activities were conducted also in 2019. It continues to set the benchmark in training for ancient crafts and tailoring, offering high-quality human and technical training to young students.

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<sup>38</sup> For more information, please see the following link: <https://www.brunellocucinelli.com/it/art-culture.html>

## COMMUNITY AND TERRITORY

The **Brunello and Federica Cucinelli Foundation**<sup>39</sup> was established in 2010 with the aim of supporting the Company's activities and with the desire to spread and pursue the ideals that drive the humanistic aspirations of Solomeo. The Foundation is a non-profit organization that develops programs designed to foster knowledge enhancement, preserve the territory and its monuments, and promote traditional, spiritual and daily human values.

The Foundation is complementary to the Company (although it is separate and independent from the latter), and is inspired by those principles that all the people – particularly young ones and especially now, in the Internet era – have always believed in. The Foundation, in fact, wishes to restore human dignity in personal and work life, by giving utmost importance to the territory, and specifically to suburbs of all kinds; every initiative directly or indirectly aims to promote a happy life in the epicurean sense of the term, meaning a life where the notions of “too much”, on the one hand, and “too little”, on the other hand, are readjusted based on the real material and moral needs of mankind.



<sup>39</sup> Although the activities performed by the Foundation fall outside the reporting scope of this Consolidated Non-financial Statement, as highlighted in the Methodological Note, it was deemed right and proper to report them. This is consistent with the Company's decision, in the period immediately before the listing of the Brunello Cucinelli Company on the stock exchange, to “pass on” the management of many of the activities promoted by the Company in support of the territory and the community to the Foundation, which undertook to carry on such legacy, strengthening and promoting those values that have always inspired the Company in its business activities.



In keeping with these objectives, the Foundation promotes a variety of projects, wishing to help raise the human spirit, also through actions designed to restore the beauty of places. Cultural activities, artistic heritage preservation initiatives and programs aimed at supporting people and improving the towns they live in are at the heart of the Foundation's activities, both in Italy and abroad. The various initiatives carried out in Solomeo and in the surrounding areas are an example of its aspirations.

As part of the many projects that have been implemented over the past years, in 2019 the Foundation made a donation for the restoration of the Norcia Theater, which was heavily damaged in the 2016 earthquake, as well as of La Castellina Museum, which is located in the San Benedetto square in Norcia.

#### **Box 8: Protecting the territory**

*"I've always considered the Universe and its goods as a fascinating form of gift; that is why one of my greatest desires has always been to live like an earnest custodian of the legacy that was bestowed upon me. The event in Norcia is one of the topics that are closest to my heart, so I live for the tangible presence of Benedictine spirituality, which is the most valuable asset that this city has. Due to the earthquake that hit Norcia, I now carry a wound in my heart that will only heal when I will see its life and ancient joy restored; for this reason, I felt the urgency to be amongst those who take action to pursue such a dream, a dream that, I am sure, is shared by all those who love the traditions of their fathers and the Umbrian Mother Earth. I find in this great delight and gratification".*

After the earthquake that hit Norcia in October 2016, the **Company** and the Foundation, together with their collaborators and many friends (including illustrious foreign entrepreneurs) immediately took action, offering their support for the restoration of the monuments that were damaged, such as the breathtaking Civic Tower, which is the laic symbol of the town of Norcia.

Alongside the contribution of Brunello Cucinelli S.p.A. in favor of the reconstruction of the Civic Tower, the Foundation will contribute to the restoration of the Norcia Theater and of the beautiful building that hosts La Castellina Museum.

The Villa Solomei Festival, Renaissance Solomeo and Seventh Art – Cinema at the Amphitheater are held every year.

The ***Villa Solomei Festival*** plays a key role in getting great – mostly classical – music across to people, bringing together, every year, musicians and composers from the Italian and international music scene. Traditional melodies from beautiful ancient faraway places welcome the audience in the town's most iconic locations. The Festival, which is held every year in the first few weeks of summer and is organized by the Foundation, is the natural expression of the humanistic and cultural values that lie behind the Foundation's actions.

***Renaissance Solomeo*** whisks the acropolis back in time. Since 1979, this stunning event has brought back customs and flavors of the past, recalling old traditions. Visitors can enjoy traditional Umbrian dishes, while skillful artisans, jesters, minstrels and cantors liven up downtown Solomeo with their folk songs and games played on the street. Renaissance Solomeo takes place every year in the last ten days of July and is organized by the Solomeo Philharmonic in collaboration with the town's residents.





*Seventh Art – Cinema at the Amphitheater* is the latest cultural project established in the summer of 2019 to bring the art of cinematography to the town's hotspots for culture and dialogue. This year's schedule included some of the greatest cult movies of all time, to relive emotions, memorable lines and images. The Amphitheater – which, together with the Theater and the Aurelian Neo-Humanistic Academy, is part of the Forum of the Arts – serves as the breathtaking backdrop for the night outdoor screenings. The first edition of Seventh Art was held in the summer and screened two movies a week.

The **Company** supports projects that are dedicated to the territory where it operates and that specifically focus on local associations; the selection of projects and the contributions granted – in financial terms and in terms of the competences that are placed at the service of the community – are based on the requests received by the Communications department; information is then collected by the department itself. Also, in this case, the initiatives advocated by the Company stand alongside those supported by the Foundation.

The projects promoted by the Company in 2019 mainly took the form of small to medium-size financial contributions to local associations or larger donations, such as the one granted to the “RONDINE – Città della Pace” Association. The latter promoted the idea – that we believe is truly unique – of bringing young people from conflict-affected areas (Palestine-Israel, India-Pakistan, Russia-Chechnya) together in the small town of Rondine in Tuscany, where they can live side by side for two years; the project aims to guide them towards reconciliation so that they can return to their home countries and bring back the “seed of peace” with them, for it to germinate and grow and give its fruits. In 2019, scholarship funds were allocated for approximately 40 students from conflict-affected areas.

The total amount granted by the Company for the abovementioned initiatives in 2019 was **Euro 1.335 million**.

## PLEASANT SUBURBS



Rediscovering the suburbs, whether industrial or residential, is a great opportunity. Firstly, as it enables us to enhance a place that, in itself, is special and beautiful, but that has perhaps been neglected over time and that therefore deserves renewed attention.

Secondly, such opportunity also lies in the possibility of restoring the dignity of a peripheral area and of the people who live in it: by healing this place, in fact, we heal our souls and our humanity.

That is why one of the pillars of our corporate culture is the significant value we give to the suburbs, a word that, instead, often has a negative connotation. **“Pleasant Suburbs”** is the term that intuitively and best defines our desire to contribute to the enhancement of our territory and suburbs.

From the heart of the Hamlet of Solomeo, therefore, a new idea was born: to design, administer, protect and safeguard the beauty of a suburb that only thus can become “pleasant” and finally free itself from abuse.

A new concept of suburbs and of suburban planning thus emerges, designed to improve quality of life and create seamless harmony between the suburbs and the landscape, where nature meets creativity and productivity.

The **Project for Beauty** stems from this concept, thanks to the desire of Brunello Cucinelli and his family to create a huge park that could bring about the rebirth of the breathtaking landscape of the valley below Solomeo.

This project is the concrete representation of the values that have breathed new life into this old Umbrian town, restoring it to its former glory: it is not only the natural fulfillment of a dream that has its roots among the streets and monuments of Solomeo, it is the physical embodiment of the values of Beauty, Humanity, and Truth. After almost eight years of hard work, the project has now been completed and today covers an area of approximately 100 hectares, divided into three parks.



The **Industrial Park** includes the Company's new headquarters, harmoniously nestled in a large, lush garden in honor of the world of work.

The **Don Alberto Seri Park**, dedicated to the memory of the beloved and unforgettable priest of Solomeo, is surrounded by six hectares of land. It comprises a small stadium, that is the recreational part of the project mostly dedicated to young generations and that serves as a Contemporary Laic Oratory: everyone is given the opportunity to practice sports while harmoniously promoting social and personal growth.

Finally, the **Agrarian Park**, which covers an area of approximately seventy hectares, revolves around three core areas: the olive oil mill, the wine cellar and the monument called "Tribute to Human Dignity". The Agrarian Park and the monument are the last two parts of the project, which were completed in the summer of 2018.

#### **Box 9: The monument to human dignity**

The monument stems from Brunello Cucinelli's desire to leave a legacy behind that will stand the test of time, a symbol of his commitment to mankind.

The monument comprises a travertine exedra crowned by five arches; above them, made from bronze letters, is the wording: "**Tribute to Human Dignity**". To convey the universal meaning of the construction, the names of the world's five continents are written in bronze letters below each arch. A tripod stands in the middle of the exedra. To make sure that it lasted for centuries on end, the monument was built using ancient techniques, based on the texts by Vitruvius, Palladio and Sebastiano Serlio. Its design – as a whole and in each and every detail – perfectly reflects the rules and proportions of classical architecture.





## WORKPLACE DESIGN AND ARCHITECTURE



The design, renovation and expansion of our business locations were a natural evolution of the restoration of the Hamlet of Solomeo and of the suburban renewal projects. Specifically, the spaces housing the new pavilions and offices are designed to offer our human resources the best possible workplace and to ensure that the Company keeps pace with technological advancements. Thanks to these design and renovation works, there was an increase in production capacities, with benefits across the entire value creation chain.

The first off-premises corporate location situated outside the Hamlet is the fruit of the renovation works of a pre-existing industrial facility that was purchased in the 2000s and later restored; local materials and labor were used and great attention was paid to color and to consistency with the surrounding environment, envisaging large windows that amplify natural light and ensure that the indoor spaces are well-lit and bright, thus lending a welcoming and harmonious atmosphere to the workplace.

The Company started to further expand its spaces in 2013 by building two new pavilions designed in structural and aesthetic continuity with the first one. The building and offices form a U-shaped complex surrounding an ample central garden that is inspired by the medieval concept of *hortus conclusus*; thanks to large windows overlooking the garden, our collaborators can cast a glance onto this well-maintained green area of great symbolic value at any time they choose.

As a latest addition to the complex – but always fully respecting the spirit of the places and the places themselves – a new pavilion was created in 2016, designed to support the development of the digital world in view of the start-up of our directly-managed online boutique and to meet our desire to make the Company’s digital presence increasingly exclusive and “artisanal” in nature.



## CHAPTER 6 AMIABLE RELATIONSHIPS WITH SUPPLIERS



We believe that manual skills and craftsmanship are the utmost expression of people's humanity and creativity and, as such, we would like them to shine through the beauty of our creations and through our corporate culture and identity, turning our Lifestyle offer into a bridge between industry and craftsmanship, thus allowing our products to stand the test of time.

The same attention that is paid to all the human resources who collaborate with us is also given to the relationship with all the professionals who supply raw materials and all the artisans from third-party workshops who, with skillful gestures, manufacture our collections. Given the great strategic relevance that our raw material suppliers and *façonisti* have for us, we decided to share our life and work principles with them, in the hope that they can, in turn, share them with the community they live in and the people they work with.



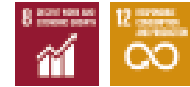
### *To Our Esteemed Partners*

- I. We would like your **workplaces** to be **welcoming and amiable**.*
- II. It would be nice if your **relationship with your collaborators** continued to be **genuine and harmonious**.*
- III. We believe in the primary value of **fair wages, without exception**.*
- IV. We would like your collaborators to **work fair hours** when they work for our Company.*
- V. It would be amiable if you promoted **continuous generational turnover**, just like we do.*
- VI. We believe it would be nice if you always gave due consideration to **respect for the territory and land development**, in every aspect of your business.*
- VII. We fervently want to always keep a **loyal and true attitude** towards you.*
- VIII. We believe it would be amiable if you worked in **close collaboration**, with the **awareness of each other's full and mutual independence**, just like we do.*
- IX. We would be happy to continue to **support the planet together**, using the resources of the Universe according to the ancient rules of nature.*
- X. We would like to stay true to our **traditional annual meetings for many years to come**, where we can discuss about the future and our plans, thus renewing the amiable relationship that has long bound us together.*



## INTRODUCTION

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**Table V: “Amiable relationships with suppliers” - Non-financial risks and opportunities regarding the topics and relevant sub-topics.** The table below provides an overview of the risk types identified and the relevant risk management methods. The table also illustrates the key opportunities for the Group, arising from effective and efficient topic management.

TOPIC	POTENTIAL RISK	RISK DESCRIPTION	MANAGEMENT METHOD	OPPORTUNITIES
RAW MATERIAL PROCUREMENT	Detriment to continuity in our relationships with suppliers	There is a medium level of risk that the Company shall discontinue its relationships with its suppliers of raw materials and labor (the so-called <i>façonisti</i> ). Although the Company maintains long-term relationships with its suppliers, the possibility that some suppliers/ <i>façonisti</i> could in the future fail to fulfill their obligations or terminate the collaboration with the Company cannot be ruled out. This would have significant repercussions on the Company’s business.	The Company maintains direct and well-established relationships with the majority of its suppliers and <i>façonisti</i> ; this mitigates the risk identified. Specifically, regarding raw material suppliers, relationship longevity is ensured by the trust on which such relationship is based and by the continuous dialogue that is made possible thanks to such good relations. As regards <i>façonisti</i> , another key element is the advisory support provided by the Company in order to ensure corporate well-being and generational turnover.	Through stable long-term relations, customer-supplier relationships turn into real partnerships based on shared philosophies, values and challenges.
	Lack of traceability in the supply chain and potential supplier misconduct	The Company’s lack of a comprehensive view of the supply chain (both upstream and downstream) could lead to non-responsible procurement of raw materials and services, and therefore, to associated risks in terms of respect for human rights, environmental protection and the fight against corruption. As a consequence of such lack, the Company could fail to respond properly and/or promptly in case of supplier misconduct.	Suppliers and <i>façonisti</i> are required to comply with the principles laid down in the Group’s Code of Ethics. Our raw material suppliers are for the most part well-structured large companies that meet high standards in terms of compliance and with respect to which the Company performs specific documentary verification regarding the presence of product and process certifications. As regards <i>façonisti</i> , the Company monitors and assesses risks, supports <i>façonisti</i> in their improvement programs, and performs documentary verifications and site inspections. In addition, a Framework Agreement was signed in 2019 that sets out all the commitments, requirements and prohibitions that <i>façonisti</i> shall comply with.	Increasing transparency, in terms of knowledge, along the entire supply chain; improving supply stability and continuity; raising the environmental and social standards applied by suppliers; ensuring more consistency between supplier conduct and the statements made by the Brunello Cucinelli brand, with subsequent strengthening of corporate reputational protection and of mutual trust as an element that can influence relationship quality in terms of shared values, collaboration, communication and development.
	Impacts on animal welfare	Risk of a negative impact on animal welfare in case of improper treatment of animals in the upstream portion of the supply chain. This could lead to a potential reputational risk should the Company fail to equip itself with tools capable of assessing and (where possible) mitigating such risk. Moreover, investors are increasingly sensitive to animal welfare and some of them may, in case of potentially harmful practices, decide to invest elsewhere.	The Company ensures that its raw material suppliers comply with the 1973 <b>Washington</b> Convention, i.e. the Convention on International Trade in Endangered Species of Wild Flora and Fauna ( <b>CITES</b> ). Moreover, as part of the great attention paid to the issue by the Company’s management, it is worth noting that the Company performs rigorous controls on the procurement of goose feathers used to make quilted jackets.	Paying more attention to the use of less invasive techniques, thus protecting and promoting animal welfare; ensuring transparency in terms of sustainable production processes, thus raising awareness of more sustainable consumption, which is associated with a high level of quality.



TOPIC	POTENTIAL RISK	RISK DESCRIPTION	MANAGEMENT METHOD	OPPORTUNITIES
RAW MATERIAL PROCUREMENT	Availability and price of raw materials	Given the high quality of the raw materials used and, thus, also their potential scarcity, there could be a risk of scarcity or limited availability of such raw materials with a subsequent increase in their prices. This risk is associated with external factors that are outside the control of the Company: of these, extreme weather phenomena caused by climate change deserve special mention, as they can affect the places of origin of the raw materials purchased by the Company.	Brunello Cucinelli collections feature products that are made with a variety of raw materials; this reduces the Company's exposure to the risk of scarcity of individual raw materials. In any case, for the procurement of its raw materials (including cashmere) the Company can rely on well-established relationships with its suppliers and on multi-year supply contracts.	Risk management can contribute to research and development in terms of manufacturing techniques and to production process optimization.
	Use of chemicals	The Group is exposed to the risk of losing access to certain markets and of incurring in additional compliance costs due to the need of adhering to local regulations on the use of chemical substances.	The Company can rely on the process and product certifications of its main raw material suppliers. Lists of chemicals banned or severely restricted (the so-called " <i>product restricted substances lists</i> ") have been prepared and provided to our main suppliers.	Effective risk management can help stop the use of harmful chemical substances and in general raise awareness of the issue among suppliers.
CRAFTSMANSHIP, MADE IN ITALY AND LOCAL PURCHASES	Continuity in craftsmanship and artisanal skills	One of the distinctive features of Brunello Cucinelli products is the high level of craftsmanship involved in the production process. However, it cannot be ruled out that the number of people specializing in this type of production may decrease in the future.	The fact that the Company can rely on approximately 350 <i>façonisti</i> enables it to mitigate such risk, while also maintaining the quality of its products, even in case of increasing volume. The Company promotes high-quality training for young students at the School of Arts and Crafts of Solomeo and then often hires them. It is also worth highlighting the special attention and support given to <i>façonisti</i> in order to promote continuity and generational turnover.	Job creation and local economic development in an area that is still characterized by great production potential; protection and enhancement of unique artisanal skills.
	Violation of human rights by suppliers and <i>façonisti</i> in terms of child labor and forced labor	Should suppliers/ <i>façonisti</i> violate human rights in terms of child labor or forced labor, this may have negative repercussions on the Company's image.	Given the great professionalism inherent in all the activities carried out by artisan workshops, the relevance of this risk for the Company is basically zero. In order to minimize this risk, the Group requires that all the suppliers/ <i>façonisti</i> it deals with formally accept general contractual terms and conditions, as well as the principles laid down in its Code of Ethics, as an essential condition for the establishment of business relationships. The Façon Information Division plays a key role on the matter.	Close monitoring of such risk can help strengthen the supply chain, ensuring that it is professionally adequate and conscious in terms of respecting the founding principles of the Brunello Cucinelli Company's philosophy.



The creation of Brunello Cucinelli lifestyle products is a complex process that comprises various stages and at the same time involves many stakeholders, both internal and external to the Company. The entire **collection design** process is carried out **internally by the Company**. Only a residual part of prototyping for a limited number of specific products is performed by artisan workshops of great reliability and experience.

Concurrently with the collection presentation and the sales campaign, the Company starts procuring raw materials of the highest quality (mostly yarns, fabrics and leathers). **Production** then gets under way; direct production stages are **exclusively** carried out **in Italy** by highly specialized **artisan workshops**, which offer a unique mix of manual and artisanal skills that enables us to pass on, through our garments, the essence of Italian craftsmanship and sartorial tradition.

Our collection is thus the fruit of the ongoing, close and durable synergy that we have created with our amiable suppliers of raw materials and labor over the past years.

Our **guarantee of excellence** requires that our strategic partners meet the highest quality, social and environmental standards recognized both nationally and internationally and share the Company's ethical values. On the matter, by requiring that our **suppliers and *façonisti* adhere to the Code of Ethics**, we promote a corporate culture based on lawfulness and good management, which must govern all the decision-making and operational stages, both inside and outside the Company. Thus, the different types of contracts with our suppliers of raw materials and labor also contain specific references to our Anti-corruption Policy.

Our **suppliers of raw materials** are extremely reliable companies with which the Company has built long-term relationships based on complementarity. The Company performs documentary verifications in order to ensure compliance with quality standards and with existing national and international regulations. Given that the Company cannot but lack a direct comprehensive view of the upstream portion of the supply chain, it must rely on the professionalism of all its suppliers and on the mutual trust-based relationships that it has established with them.

Our ***façonisti*** are small- and medium-size artisan workshops with which we engage in dialogue on a day-to-day basis, thanks to respect- and trust-based long-term relationships; as part of such dialogue, we also offer them consulting services on strategic and operational issues. Given the key role that they play, the Company has always performed a variety of periodic quality controls of both an inspective nature, through on-site audits and documentary verifications, and of a collaborative nature, in order to achieve the highest possible quality, with a view to fostering continuous improvement also in light of the increasing complexity of our collections.

The Production Management department is in charge of such controls, operating in close collaboration with the *Façon Information Division*, which is part of the Industrial Accounting department, in order to acquire and examine all the documents regarding compliance with the principles and the rules of conduct laid down in the Code of Ethics, while always maintaining a collaborative approach, in the common interest of the parties. Moreover, as additional protection, a Framework Agreement was implemented in 2019, that is an integral part of the contractual documents and that governs the relationship between the Company and its *façonisti*.

## RAW MATERIAL PROCUREMENT

The **selection of raw material suppliers** is a key step in the entire collection development process in order to maintain **extremely high levels of quality and the contemporaneity of our offer**, also through the **excellence of the raw materials** themselves. That is why our search for suppliers is an ongoing process that is based on painstaking validation and that is inspired by the principles and values laid down in the Code of Ethics, such as **objectivity, competence, fair price, transparency, fairness and quality**, and that, of course, depends on the “aesthetic” requirements set by the creative team on a case-by-case basis; moreover, suppliers are given equal opportunities, in accordance with the provisions set forth in labor regulations. Supplier assessment also takes into account the following elements that are worth mentioning:

- The presence of process and product certifications such as, for instance, the so-called **CITES Certifications**<sup>40</sup>.
- Compliance with the regulations governing the use of certain materials and substances in the textile and tanning industry for the protection of human health and of the environment, such as **REACH** (2007), the EU Regulation on the use of chemical substances.
- Compliance with the “*General Product Safety Directive*” (2001/95/EC).
- Compliance with the regulations on “fire safety” and “mechanical safety”, specifically regarding kids garments. Such compliance monitoring, as mentioned above, is principally performed at the documentary level during frequent on-site visits to the suppliers’ premises.



<sup>40</sup> The certifications established by the 1973 Washington Convention, i.e. the *Convention on International Trade in Endangered Species of Wild Flora and Fauna*.



- Our collection offer comprises 87% apparel and 13% accessories. For such offer, we relied on 236 raw material suppliers in 2019. As regards cashmere, the Company's iconic raw material, over the past twenty years we have established a strong trust-based relationship with our main supplier, which also carries out the dyeing phase, during which cashmere is dyed to achieve the colors decided and indicated by the Company. As regards fabrics, these mainly include 100% cashmere fabrics, fine wool such as mohair and camel, wool/cashmere, linen, light wool and linen/wool/silk fabrics. Leathers are primarily procured from Italian tanneries, most of which are located in Tuscany and others in Campania and Veneto. Lastly, denim is purchased from a Japanese supplier. The choice of materials and, thus, of suppliers, is based on the stylistic needs of the collections, whose determination falls under the responsibility of the Style and Creativity department, of which entrepreneur Brunello Cucinelli himself is the head.

As shown in table 22 below, direct spending for raw material procurement in the reporting period was approximately Euro 106 million; spending for procurement from Italian suppliers accounted for 95%. Compared to the previous two-year period, there was an increase in costs for purchasing raw materials, in line with the increase in the number of garments manufactured.

**Table 22: Spending to raw material suppliers**

Raw material spending by geographical area	2019	2018	2017
Italy	101,854 thousand	84,859 thousand	78,858 thousand
<i>Of which Umbria</i>	12,267 thousand	11,286 thousand	9,770 thousand
Other EU Countries	5,155 thousand	3,333 thousand	2,778 thousand
Non-EU Countries	536 thousand	530 thousand	957 thousand
<b>Total</b>	<b>107,545 thousand</b>	<b>88,722 thousand</b>	<b>82,593 thousand</b>

**GRI 204-1 Portion of spending on local suppliers**

Once the Company has established its relationships with select suppliers, the moments of dialogue strongly focus on the alignment with the corporate philosophy, values and practices in terms of safeguarding the Universe, protecting human and labor rights, combating corruption, and ensuring product safety and quality. For this purpose, compliance with existing national and international regulations is constantly monitored.





## CRAFTSMANSHIP, MADE IN ITALY AND LOCAL PURCHASES



One of the secrets to success of Brunello Cucinelli garments is certainly the **skillful craftsmanship** that is guaranteed by the **careful and painstaking job done by all the *façonisti*** that work for the Company in Solomeo.

Beauty and elegance, resistance and fit are nothing but the fruit of the meticulous work carried out at every step along the supply chain, where the activities carried out by **artisan workshops** are key.

The work done by *façonisti* is just as **special** as the **relationship** that the Company has built with them over the years, in the name of a collaboration that is just as profitable as it is friendly and by virtue of the significant sharing of common values. In this sense, in the **long-term nature** of this illustrious collaboration, that is built in honor of the excellence of Made in Italy items, lies the moral guarantee that is at the basis of the creation and manufacturing of true works of art that belong to the artisanal universe and that are destined to convey Italian style worldwide.

Workshops can thus plan their activities in the long term, supported by the development of production plans that are constantly shared with the Company, while having the opportunity of passing on this precious tradition to one's children, who shall follow in their fathers' footsteps, thanks to the economic dignity that the Company strives to give them by favoring **generational turnover**.



In accordance with the provisions contained in the Code of Ethics, the *façonisti* selection process also entails giving equal opportunities to all of them and trying to make sure, as much as possible, that they have the means, organizational structures, technical skills and experience, as well as the systems and resources needed to meet the Company's strategic and operational needs, while paying special attention to compliance with labor regulations.

The contractual terms and conditions establish the rules of conduct and principles that *façonisti* are required to comply with in their relationship with the Company and with their collaborators. Specifically, as part of such requirements, *façonisti* shall undertake to ensure respect for human rights and freedom in the workplace, properly define personnel roles and positions, grant fair wages and, in general, comply with the rules and regulations regarding health and safety, social security, insurance, social welfare, retribution, fiscal issues and taxes, as well as with those concerning confidentiality, intellectual property, environmental protection and product compliance.

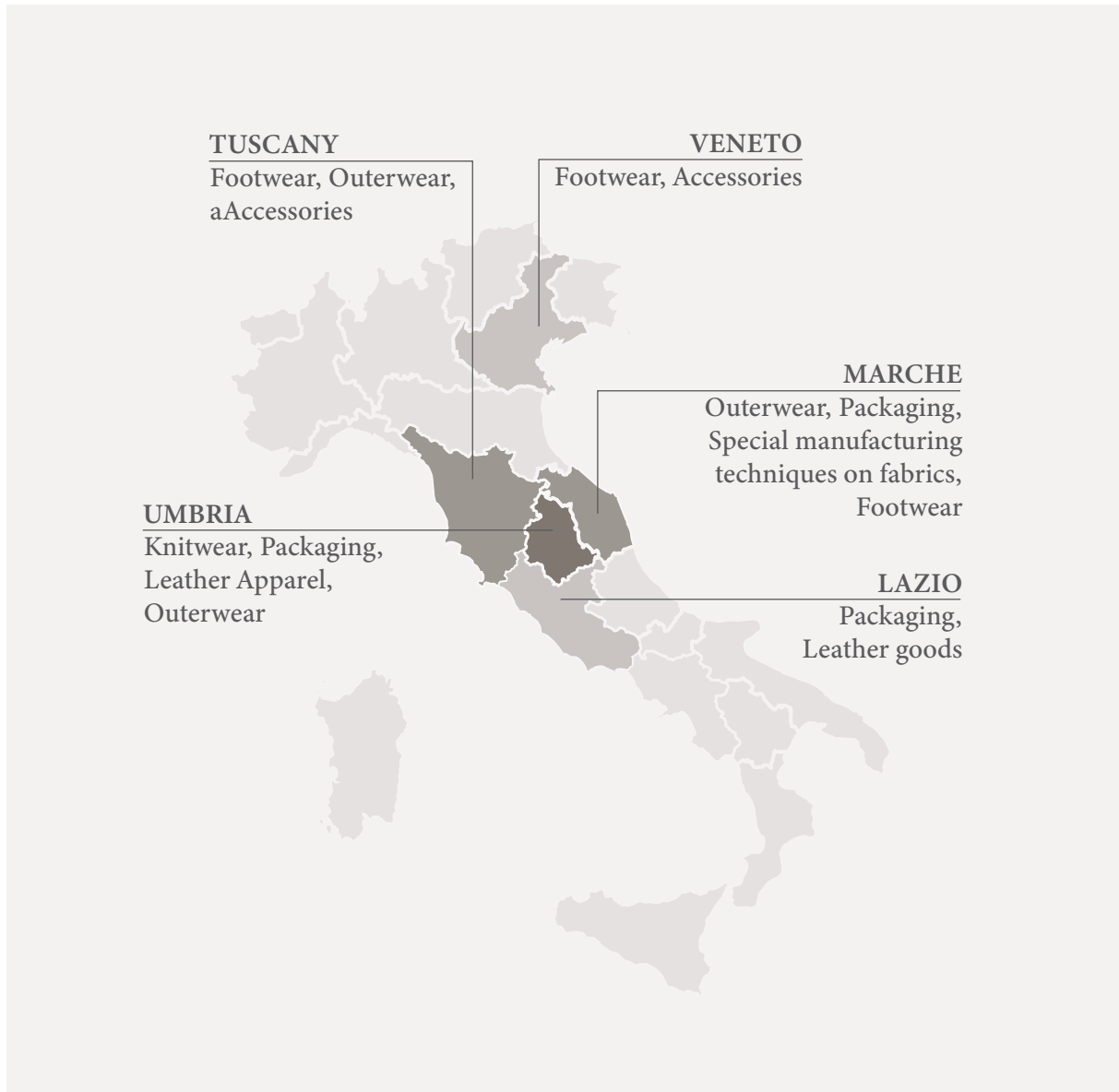
The Company currently collaborates with approximately 355 **artisan workshops**, each employing 10 to 40 people.

They stand out with their **high level of specialization**: in fact, especially regarding knitwear, manufacturing activities may be entrusted to *façonisti* by product or by specific production phase for each garment. This allows for the creation of products of the finest quality, unique garments that are the result of highly specialized techniques, while also ensuring the flexibility of all the activities performed by individual *façonisti* as well as of manufacturing lead time and delivery time to boutiques and points of sale, and also reducing dependence on single workshops, if any.

**80%** of these **workshops** are located in **Umbria**, the cradle of craftsmanship, where artisanal skills are taught and passed on from family to family. The remaining **20%** are situated in **dedicated areas, such as, for example, Tuscany and Veneto**. The chart below provides an overview of the geographical location of our partners in Italy.

Such proximity not only favors the establishment of long-term relations, it also allows for **day-to-day interaction** during the collection development and manufacturing phases, making it possible to conduct audits at every step along the process in order to ensure products of the highest quality.

*Infographic IV – Geographical distribution of artisan workshops*



Lastly, a **Convention** is organized every year at the Lyrick Theater in Assisi, in which all the *façonisti* participate and where Brunello Cucinelli himself illustrates the Company's annual performance and discusses about topics associated with our corporate values and philosophy. This opportunity for dialogue and discussion highlights the importance of transparency, fairness and trust in the *Company-façonisti* relationship, confirming the key principles and rules guiding it.



As shown in table 23 below, spending for the payment of services provided by *façonisti* was approximately Euro 112 million in 2019, up versus the previous years.

**Table 23: Spending to *façonisti***

Spending for outside manufacturing	2019	2018	2017
Italy	112,216 thousand	96,706 thousand	87,852 thousand
<i>Of which Umbria</i>	64,031 thousand	58,335 thousand	52,920 thousand
Other EU Countries	0	0	0
Non-EU Countries	0	0	0
<b>Total</b>	<b>112,216 thousand</b>	<b>96,706 thousand</b>	<b>87,852 thousand</b>
<b>GRI 204-1 Proportion of spending on local suppliers</b>			

Compliance with quality standards and with technical and operational aspects is monitored throughout the entire customer-supplier relationship.

*Compliance monitoring* is performed by the *Façon Information Division*, by gathering documents and conducting on-site visits to the workshops. Documents are gathered on a yearly basis, in line with the checklists approved by the top executives on issues such as social security, retribution, fiscal legislation, insurance and accounting<sup>41</sup>. Requests for information may be responded to exclusively through certifications and declarations. In case of non-compliance, different programs/plans/activities are developed based on the severity of such non-compliance and are designed to impose remedies, ranging from the requirement to immediately restore the state of affairs that existed previously to the termination of the contract, in the more severe cases. As such verifications wish to ensure the continuous improvement of these partnerships, their objective is to settle the matter without resorting to the latter solution but, rather, to help *façonisti* take action in order to fully comply with the existing rules.

**On-site visits** help assess the quality of the craftsmanship delivered by *façonisti* as well as the modernity of their facilities, thereby including environmental conditions, workplace safety, production capacity and the proportion between the number of collaborators and of machines and the number of orders taken. By signing the Framework Agreement, *façonisti* acknowledge that the Brunello Cucinelli Company reserves its right to audit and undertake to provide all the necessary information and give permission to access to their facilities. To date, 99% of our *façonisti* have signed the Framework Agreement<sup>42</sup>.

In 2019, 327 audits were conducted, and 24 cases of non-compliance were identified, which were attributable to the following issues: non-fulfillment of the obligations imposed in terms of social security payments and worker retribution. Improvement plans were agreed upon with 17 of these workshops, 11 of which have already resolved the issue. For the remaining 7 workshops, instead, we opted for the termination of the contract.

**Quality controls** deserve special attention, especially those regarding knitwear. Semi-finished products are returned to the Solomeo headquarters upon completion of every manufacturing phase (please see Infographic

41 The documents requested include the following: the Risk Disclosure Document – RDD; fire insurance; workshop facility certifications; information regarding the health and safety of collaborators. For certain specific documents, monitoring is performed on a quarterly basis.

42 *Façonisti* on probation shall sign the Framework Agreement only if the work relationship has been successfully consolidated.



X), where each and every one of them undergoes rigorous controls by specialized personnel: they verify the size of the knit parts, check for imperfections, assess the outcomes of the “linking” and “finishing” phases, as well as product softness and texture after “fulling”, then the result of the “pre-ironing” phase and, lastly, the packaging and overall conditions of the products before they are dispatched to the sales channels. At the end of every verification phase, semi-finished products are returned to the *façonisti* in charge of performing the next stage. Semi-finished products are transported from the corporate facilities to the workshops and back by the Company’s personnel at the expense of the Company itself and by means of its vehicles.

The monitoring activities performed by the *Façon Information Division* also extend to *subfaçonisti*. Certain jobs, in fact, require such levels of specialization that sometimes *façonisti* themselves may have to rely on outsourcing: for example, shoe factories outsource the *upper-binding* phase to Italian workshops that most of the time are located in proximity of the shoe factory and that are often small family-run businesses. Given the trust-based long-term relationships between the Company and its *façonisti*, the latter inform the former of the names of the *subfaçonisti* and let it collaborate in their selection process. The Company thus sets a number of selection criteria requiring, for example, that the entire activity be carried out in Italy and that the business be run in accordance with the values and principles of the Company.

Moreover, the operational evolution of the *façonisti* is constantly monitored in order to verify the presence of the conditions required for business continuity in their companies and, specifically, to assess the companies’ health and their ability to promote and favor generational turnover and the attraction of new talents. Given the centrality and strategic relevance of our relationships with these workshops, we place great importance on the enhancement of the work done by each of them and on the relationships we have built with them.

Additionally, it should be noted that, in line with the past two years, no potential situations of non-compliance with the regulations on forced or child labor were identified in 2019.

The boxes below provide a detailed overview of the financial and technical consulting services offered, specifically focusing on the following: the ***Supply Chain Program***, which kicked off in 2015, and the ***Confirming Program***, which was launched in 2019, as regards the financial sphere; from a technical standpoint, instead, the medium-term project called ***“The human being at the center of the Contemporary Factory: Pro hominibus dignitatem”***, which was funded by the Umbria Region through a call for bids.

#### **Box 10: *The Supply Chain Program and the Confirming Program***

**The Supply Chain Program and the Confirming Program.** *The Supply Chain Program*, developed in cooperation with a leading Italian bank, offers small- and medium-size businesses the opportunity to avail themselves of customized credit services at better than average market conditions. The program’s ultimate goal is to promote the relaunch and development of Made in Italy products. Additionally, thanks to the collaboration with another leading Italian bank, the *Confirming Program* was launched in 2019, with the aim of optimizing payment management within the supply chain. The distinctive feature of both programs is the fact that credit requests are not only assessed based on quantitative elements, such as creditworthiness, but also on qualitative aspects associated with the entrepreneurial profile of the recipient: the Brunello Cucinelli Company itself confirms the positive opinion about individual *façonisti* based on their performance, on the quality of the work done, and on the timeliness of their order management.

### Box 11: The Contemporary Factory

**The Contemporary Factory.** The project was born in 2017; the planning phase was completed in 2018, and the executive phase kicked off in 2019. It aims to put **the human being at the center of the Company**, in order to develop new digital technology that is both useful and consistent with the manufacturing system of the Brunello Cucinelli Company. Within this context, technology is thus considered a multiplier of the effect of human activities and a facilitator of tasks and jobs.

The project is divided into the following application spheres: The Augmented Tailor, Radio-Frequency Identification (RFID), Product Lifecycle Management (PLM) and Extranet. They all have a common goal, i.e. supply chain integration, which is made possible through the digital traceability of production processes and of the products themselves.

**The Augmented Tailor.** The project started in 2017 in collaboration with the *Design Lab* of the prestigious Massachusetts Institute of Technology (MIT) in Boston, together with SDA Bocconi and the University of Perugia. We were the first to develop and present this project, that is a first in the industry and that was conceived as a cutting-edge digital table designed to help tailors perform their activities and increase their productivity. Thanks to the use of highly touch-sensitive wooden materials, tailors will be able to take digital notes directly on the table, thus allowing for faster patternmaking. The table will also feature radio-frequency identification technology (RFID) that will enable tailors to automatically log in to the restricted area in order to share the projects with the team and monitor progress made in the garment making process.



The augmented tailor

**Radio-Frequency Identification (RFID).** RFID aims to eliminate duplicate activities through barcode scanning of single garments, making room for the more creative activities and improving product traceability.

This innovative industry 4.0 technology allows for the improvement of the inventory process, making it faster by uniquely naming each garment and embedding chips into their tags. Following its successful implementation in our finished goods warehouses, in 2019 the project was launched in our showrooms and in a few boutiques in order to test its use across the different phases, from the moment the garment is delivered to the store to its handling, sales and inventory.

**Product Lifecycle Management (PLM).** The PLM project involves the adoption of a product lifecycle management software in addition to the traditional management method. It was initially tested on a number of samples from the women's knitwear and t-shirt collection and, starting Fall-Winter 2020, it will be extended to the entire collection samples of the abovementioned product types.

**Extranet.** The launch of Extranet for *façonisti* promotes and strengthens collaboration between artisan workshops and our departments in Solomeo; its diffusion and integration are currently ongoing. Given that *façonisti* are small businesses and thus often lack digital management systems for their internal and external documents, Extranet gives them access to a software package that is specifically designed for the progressive dematerialization of documents in the exchange of information between *façonisti* and the Company – e.g. in case of delays or reorders – which will also enable them to significantly save time. In 2019, we selected a sample of approximately twelve *façonisti* and conducted a pilot study to achieve full IT system integration and put the portal into operation.





## FUTURE COMMITMENTS

An overview of the organization's medium-term objectives on the issue is provided below.

Areas of intervention	Objectives
STRENGTHENING OUR PARTNERSHIPS WITH SUPPLIERS	Extending and sharing the Framework Agreement with raw material suppliers



## CHAPTER - 7 CUSTOMERS: A SPECIAL AND AUTHENTIC RELATIONSHIP

The relationship that we would like to build with our customers stems from our desire to share the human values of our philosophy, as well as the style and identity of our collections; we therefore strive to establish a **“special”**, human and harmonious **relationship**, as we like to call it, that is based on a balanced and open-minded approach and on the awareness of the uniqueness of each party.

**Care, respect and integrity** are at the center of our customer relationship and are the basis on which we build a **strong values-driven customer experience** and **share our exclusive offer of the finest quality**. The centrality of the human being at every step of the value creation process naturally extends to our customer relations, which go beyond the moment of purchase itself and evolve into an ongoing ever-changing relationship. Through the graceful and understated deployment of the various means of communication, we therefore wish to specifically position our brand in the fashion and luxury market, operating in line with our concept of *“omni-personal client experience”*.

Customers then continue on their journey of brand discovery inside our sales spaces, where our amiable advisors convey the brand’s values and philosophy with a graceful and absolutely respectful attitude and without ever being pushy. The result is an emotional connection that allows us to shift the focus from the products offered to the experience that each and every one of our customers enjoys in all the stages of the interaction process with the Brunello Cucinelli brand.





## INTRODUCTION

GRI content index in the appendix



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417-3	418-1			

**Table VI: “Customers: a special and authentic relationship” - Non-financial risks and opportunities regarding the topics and relevant sub-topics.** *The table below provides an overview of the risk types identified and the relevant risk management methods. The table also illustrates the key opportunities for the Group, arising from effective and efficient topic management.*

TOPIC	POTENTIAL RISK	RISK DESCRIPTION	MANAGEMENT METHOD	OPPORTUNITIES
CUSTOMERS: A SPECIAL AND AUTHENTIC RELATIONSHIP	Overexposure of customers to commercial communication	Our industry today is characterized by increasingly aggressive marketing strategies, and customers often feel overwhelmed by the multitude of messages received and by the many initiatives implemented by all the key players in the sector. Given the amount and pervasiveness of such messages and communication strategies, customers could lose interest in fashion and luxury.	The Company analyzes, plans and customizes its communication and the initiatives dedicated to its customers in such a way as to create unique and targeted forms of communication, thus valuing quality over quantity. For this reason, it provides its sales staff and all those who are in charge of managing customer relations with the right tools needed to do their jobs yet giving them the freedom to choose how and when to use them.	The interpretation of our offer as a symbol of a comprehensive lifestyle experience and the broadening of our range of products, for example with the kids collections and new boutique openings in prestigious locations, will enable the brand to reach a new target audience.
PRODUCT CRAFTSMANSHIP AND SAFETY	Continuity in craftsmanship and artisanal skills	One of the distinctive features of Brunello Cucinelli products is the high level of craftsmanship involved in the production process, made possible thanks to the painstaking work conducted by local artisan workshops. The loss of sartorial and artisan tradition and techniques would lead to the brand’s inability to offer exclusive, handcrafted Made in Italy products to its customers.	The Company pays great attention to the management of such risk, particularly by offering specific training on sartorial and artisanal techniques at the School of Arts and Crafts. Moreover, another key element is the Company’s great interest in communicating to its customers all the hard work that is behind the creation of garments of the highest quality.	Building close, trust-based long-term customer relationships.
	Counterfeit products	Counterfeiting heavily affects companies operating in the fashion and luxury industry.	On the matter, the Company closely monitors the various distribution channels (by also relying on specialized firms) in order to detect any counterfeit attempt in a timely manner.	Protecting brand identity and customer trust.
GARMENT REPAIRS	Excessive consumption associated with the fashion industry	Current dynamics in the fashion industry show an increase in the phenomenon of “excessive consumption”, with potential risks arising from such bad consumption habits.	In response to this risk, the Company offers garment repairing services to its customers worldwide.	Through garment repairing services, the Company can raise customer awareness of the issue, guiding them towards increasingly responsible consumption and helping them feel like custodians of their own things.



TOPIC	POTENTIAL RISK	RISK DESCRIPTION	MANAGEMENT METHOD	OPPORTUNITIES
SPACE CONTEMPORANEITY: BOUTIQUE AND SHOWROOM DESIGN AND RENOVATION	Excessive brand distribution and presence, non-contemporary spaces that limit the perception of the collection's "contemporaneity"	The risk of uncontrolled growth leads to generalized distribution in both physical and digital terms, which would be detrimental to the brand's identity and allure; the same applies to the presence of "non-contemporary" spaces.	Every new boutique opening is designed in keeping with the brand's distinctive features. The "Cucinelli Home Project" meets the need of preserving the brand's allure, the Italian lifestyle and the founding principles of the Company. Similarly, our online boutique is designed to deliver the same customer experience offered in the physical channel.	Offering customers a compelling experience that is constantly evolving, every time they step into the Group's boutiques, thanks to their dream-like yet familiar atmosphere.
HUMAN PRIVACY	Failure to ensure customer data and information protection	Non-compliance with data protection requirements may lead to extremely severe monetary sanctions but, most importantly, may result in reputational damage, and, as a consequence, in customers losing faith in the brand.	A <i>Data Protection Officer</i> has been appointed, who is in charge of monitoring compliance with the existing regulations; moreover, all the other measures imposed by EU Regulation no. 2016/679 have been taken. Additionally, the newly introduced "digital customer cards" ensure a higher level of data protection during processing and storage; in fact, data contained in the paper customer cards no longer need to be entered into the Group's information management systems.	Customers can trust our data management system, thanks to the internal protection measures implemented by the Company. This enables customers to feel that their data are protected and safe, while at the same time improving customer retention.



The Company places great importance on the *Customer Relationship Management* (CRM) department and thus further strengthened its staff with the addition of new people in 2019, contributing to building and developing strong customer relationships. The department is in charge of all the activities associated with *customer experience* in our digital and physical stores worldwide, including local events and sales staff training initiatives; it aims to offer customers a touchpoint that is always operational and capable of responding to any need through a multitude of services, such as our *Customer Care*, which was set up in Solomeo in 2016 and later extended to the US and China. The service is offered in nine different languages, in order to reach out to our customers all over the globe via various channels, such as e-mail, telephone and messaging, e.g. WeChat.

The CRM department directly reports to the (co-)CEOs and operates in close collaboration and through on-going interaction with other departments and executives; this fully shows the centrality of the customer in our business model. Specifically, regarding digital channels, integration with the Digital/E-commerce department is essential in order to ensure the “graceful” deployment of modern technology in every moment of interaction. The *Data Protection Officer* (DPO) also plays a key role in personal data protection (please see section “*Human Privacy*”).

#### **Box 12: Unique customer relations**

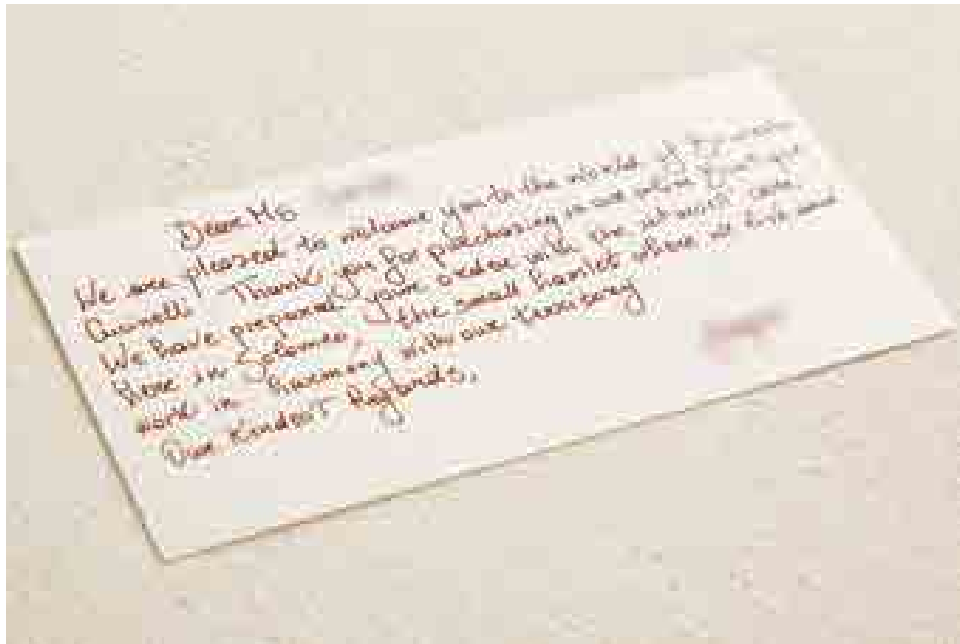
We have the impression that our customers increasingly feel a strong connection with and a sense of belonging to our brand, seeking our lifestyle products as well as the values and philosophy that characterize the Company and Solomeo, values that we wish to share with them and with the increasing number of our brand’s “friends” whom we have the pleasure to have as our guests here in the “Hamlet of the Spirit”.

The shared experience in Solomeo and Umbria is an exclusive moment where we can share our daily lives and business with our customers, communicating our culture and values to them and showing them the creative process of craftsmanship. Such experience is complemented by tours of the cities of art in the region – including Perugia, Assisi and Spello – and by special events designed to focus attention on Italian and European cultural and artistic tradition, combined with the great value of the products from the Brunello Cucinelli collections.

This approach confirms the significant role played by the Umbrian territory and tradition in the **Company’s** creative process.

Our “graceful” approach to customer interaction characterizes the brand’s presence across all the communication channels, with the aim of communicating its identity in both the physical and digital world: we always closely monitor the evolution of the fascinating world of Internet and we believe that our open-minded approach to new technology has enabled us to keep the Company contemporary and modern over the past years, by creating the right balance between technology and humanism. That is why we are present online through the following corporate websites: “*Brunello Cucinelli | Philosophy, the Company and Solomeo*” and “*Brunello Cucinelli | Online Boutique*” – which currently attract approximately 5 million visitors every year.

Our online buying experience was conceived and designed just as carefully and with the same objectives in terms of humanity and interpersonal relations. A great example of this approach is our decision to send a handwritten thank you card in the customer’s language to accompany products purchased online, in order to convey a unique sense of personal and direct engagement.



A handwritten Brunello Cucinelli thank you card

We highly value and appreciate the many letters that we receive from our customers wishing to thank us for our attention, for the special relationship that is created as well as for the compelling experience offered when purchasing online; this is a testament to the fact that we can build human and authentic relations even online.

### Box 13: Our corporate websites

Thanks to the launch of our corporate and e-commerce websites, the *“Humanist Artisans of the Web”* project came to life in 2016; it aims to combine the digital world with the quality of craftsmanship and with our philosophy through our corporate website and online boutique (e-commerce), which are, in form and substance, the soul and body of the Company. Created to enhance the philosophy on which the Company is based, to tell its story and spread its ideals, they are part of those projects designed to breathe new life into the Company’s founding principles: Humanistic Capitalism, moral and economic dignity of labor, quality, manual skills and our connection with the territory, i.e. themes and concepts that grace the pages of our history and the values that guide our daily lives at the Company.

Our online boutique reflects our physical one in both attitude and spirit, through pages where we recount our connection with the territory and the hamlet of Solomeo, show how we present our collections, display our visual merchandising and provide tips for matching garments, but most importantly, where we can create a strong and friendly relationship with our customers. The customer service team in Solomeo thus plays a key role, by offering assistance to customers on their online experience and responding to their questions on style, as well as carefully packing the products and writing customized handwritten notes.

Our **corporate website** was **redesigned in 2019**, placing special emphasis on the **topics related to human sustainability** that have always characterized our business and that give the right visibility to the “product”, while trying to highlight the **balanced** and **graceful** luxury that we believe is a symbol of our Company worldwide. Through our website redesign, we tried to keep our **online presence up-to-date** by offering an attentive and gratifying experience that fully reflects the **Company’s** evolution, just like we do in the physical world.





## PRODUCT CRAFTSMANSHIP AND SAFETY

**Made in Italy excellence, craftsmanship, contemporary style and exclusive distribution** are just a few of the elements that have contributed to the prestige and unique allure that have made the brand recognized and appreciated by our customers, our partners and the specialist press, as well as a symbol of casual chic ready-to-wear fashion in the high-end luxury segment.

The utmost attention is paid to product craftsmanship at every step along the value chain: from the use of carefully selected raw materials that meet specific criteria in terms of quality and uniqueness to the creation of collections featuring garments that we hope will always be exclusive and special, up to our manufacturing process that is carried out by artisan workshops exclusively based in Italy and that relies on the highest level of manual skills and innovation capacity. In keeping with this tradition, we have recently developed the **“Solomeo Tailoring”** project and the **“Opera”** Collection.





#### Box 14: The “Solomeo Tailoring” project and the Opera Collection

The “*Solomeo Tailoring*” project stems from the idea of creating “made-to-measure” suits where the tailor – who is young and knowledgeable about fashion – can give advice on the kinds of fabric, fit and cut that would make the suit youthful and contemporary. The apparently very positive feedback received from our customers was confirmed by the great results achieved in 2019 by the “Solomeo Tailoring” project, which was launched in the second half of last year. We are seeing great interest in this new project, that we imagine is driven by the desire of wearing a suit that features a contemporary fit and fabrics reflecting the latest fashion trends.

The “*Opera*” collection, which premiered in Fall/Winter 2018, has now become a symbol of our brand and of its quality. Each “Opera” sweater is the fruit of over 16 hours of hard work. The collection, whose volume is extremely limited, is made by fifteen Umbrian artisans who, with their expert hands (as we like to call them) and without the aid of machines, give life to these unique and exclusive garments that we believe are akin, in beauty and manufacture, to true works of art.







We think that the concept of brand **protection** is also key in the product creation phase, as it enables us to value the long-term enhancement of the brand's allure over its mere "commercial promotion".

In order to ensure the utmost quality of our collection offer, every phase of the production cycle undergoes specific quality controls (please see infographic "*Our business model*"). These controls, along with the day-to-day interaction with our raw material suppliers and *façonisti*, enable us to constantly monitor compliance with the existing workplace safety requirements and labor standards, both inside the Company and by our collaborators, which is a distinctive feature of our organizational model (please see Chapter 6 "*Amiable relationships with suppliers*").

Moreover, to protect our customers against the potential risk of counterfeiting at the moment of purchase, every garment has a unique identification code and *Radio-Frequency Identification* - RFDI tag (for more information on the matter, please see box "*The Contemporary Factory*", on page xxx), such code also offers garment traceability throughout the phases of production and management in our warehouses and stores.

What makes the Brunello Cucinelli brand, lifestyle offer and collections instantly recognizable is not the logo, it's the style of the collections and the utmost quality of the products that we make (please see section "*Brand identity*"); each garment only features an inside label clearly indicating that the product was *Made in Italy* and a hanging tag providing a brief description of the Hamlet of Solomeo, the place where our stylistic intuition was born.

Lastly, it should be noted that there have been no cases of non-compliance with respect to marketing communications over the past three years.

## GARMENT REPAIRS

We believe that, by sharing those values that characterize our world, we have been somewhat able to create a sense of belonging and a strong connection with our customers, who increasingly feel "**emotional attachment**" to our **garments**.

We have the feeling that for most of our customers owning our garments also means **cherishing** and **passing them on to future generations**, or perhaps just not getting rid of them after one season but keeping them because they are emotionally attached to them.

This concept is associated with the **garment repairing service** – that we have always offered our customers – as garments may get worn out due to wear or accidentally damaged.

We would like our garments to stand the test of time: through the values of the brand and of the products themselves, customers become aware of the fact that their purchases are not necessarily bound to the fast-paced world of fashion; the inherent quality and contemporary style of our garments enable wearers to mix and match our latest pieces with those from past collections, thus promoting a lifetime use.



Just like our products, whose quality and allure are destined to be passed on from generation to generation, our repairing service is also guaranteed without any restrictions of time and is offered worldwide, with the aim of ensuring the **dignity and longevity of Brunello Cucinelli garments**.

We invite our customers to avail themselves of this service even beyond the limitations imposed by the warranty coverage set forth by the Consumer Code, as we wish to always provide the highest level of assistance, also in the post-purchase phase, thus contributing to the protection of and respect for the materials used and the great passion devoted to the creation of each and every product; the same applies to garments purchased from our online boutique. As at 31 December 2019, the total number of refurbished garments was 2,886 worldwide.

## SPACE CONTEMPORANEITY: BOUTIQUE AND SHOWROOM DESIGN AND RENOVATION

Our desire is to always maintain the **excellence of our locations, by constantly renovating** our **showrooms** and all the **spaces that are dedicated to our brand**. That is why Brunello Cucinelli boutiques are located in prestigious venues in the major capital cities and resort destinations all over the globe, thus representing a window on the world that, from Solomeo, enables us to see what happens around us.

**Visual Merchandising** is key in order to fully interpret the style of the collection in all the spaces where the brand is present, from the monobrand to the multibrand physical channels to the digital one.

Our goal is to offer special images and locations, born from our passion and care for communicating the ethics and aesthetics of the Italian lifestyle worldwide. Therefore, each and every boutique is conceived as a familiar and convivial place that is capable of offering customers a peaceful atmosphere where they can relax their minds and fully enjoy the values on which our Company is based.

Boutique design, which is defined by the Architectural Design Committee (please see section “*Corporate governance*”), is inspired by the **genius loci** and becomes a means through which the Company operates in keeping with the ideal of **custodianship of places** and of **tradition**. Recognizability and individuality are among the cornerstones of our business: we do not seek the standardization of beauty, we look for the right balance between product mix and display that allows customers to identify themselves with the brand, but without imposing our Company’s view on them. The selection of colors, materials and spaces thus becomes essential. Window dressing is a key tool for conveying the Company’s ethical themes, through the use of natural materials that are designed in Solomeo and principally manufactured in Umbria.





The furnishings of the interior of the spaces are, where possible, also made by Umbrian companies; otherwise, and especially for our boutiques in non-EU countries, we rely on Italian firms or on local suppliers in case of franchise and multibrand stores, which shall follow the detailed designs executed in Solomeo. The great attention paid to the origin of merchandising is also a symbol of our desire to make sure that customers can always perceive the essence of *Made in Italy*.

As regards interior design and window dressing, a number of actions are taken in order to refresh our product presentation and keep our spaces always fresh and modern, so that the collection may best express itself and its contemporary style.

Garments are rearranged to create new combinations twice a week, while the spaces are reorganized depending on the season and period of the year.

To guarantee the sustainability of this process and given the recurrent and cyclical nature of product displays, we offer our collaborators the opportunity of purchasing the merchandising that is no longer used at specific extraordinary in-house sales: this ensures that furnishings are reused and valued.

With the renovation of our Milan showroom, which was completed in February 2019, we developed “*Cucinelli Home*”, a new concept that is closely linked to the Italian notion of “home” and lifestyle and that is a testament not only to Italian fashion style but also to our “**family-based**” national culture.



The same **attention and care** that we give to our **spaces** is also paid by our partners from the **multibrand** channel, with whom we actively collaborate in order to ensure that the spaces where the brand is presented are consistent with those of the monobrand channel, thus offering a special customer experience in every moment of interaction with our collection offer.



## HUMAN PRIVACY

We strive to build, in the **physical and digital world** alike, **respect- and trust-based relationships** that rely not so much on the amount of data and information that we can gather, but on the **quality** of such **relationships**, which are based on **respect for Human Privacy**; the latter manifests itself in our genuine and understated approach to communication and customer data protection.





Following the implementation of the new European data protection regulation (EU Regulation no. 2016/679, i.e. *General Data Protection Regulation - GDPR*), the Company reviewed its processes and further strengthened its data collection, management and protection systems in order to minimize the exposure of personal data, including those of our customers.

We implemented a data collection system that only requests and processes basic information, so that customers are free to choose the personal data that they wish to share with us, as well as whether or not to be contacted and how frequently. This was initially possible through our paper customer cards, and now through our digital customer cards that, starting 2019, have replaced the paper ones.

The digitization of processes via an appropriate software allows for increased data protection while at the same time making life easier for our amiable advisors who no longer have to pass on the information to the department in charge of data management. This tool is also used by the CRM and Customer Care departments that can thus have a comprehensive, unified and orderly view of our customers worldwide and provide assistance globally (across the global network of boutiques and the online channel).

Customers are always informed of the privacy notice via publication on our website or in store via the digital customer card, in accordance with article 13 of the GDPR.

In 2019, out of the total number of our customers, we received 16 requests for erasure from our corporate database. Such requests were responded to in a prompt and timely manner, in accordance with the existing regulations.

Basically, in line with the past years, there were no non-compliance cases with respect to the Group's communication strategy and ad campaigns this year, both in Italy and in the rest of the world.

Nonetheless, in 2019 the Company suffered a malware (ransomware) cyberattack on some of its servers in the United States. The attack caused a temporary loss of the data involved, but the Company promptly responded, recovering the data and taking all the cybersecurity measures required. Specific digital forensic investigations are currently ongoing, also with the aim of determining the perimeter of the incident and the scope of the attack.

The role of the *Data Protection Officer (DPO)*, i.e. the person in charge of personal data protection, was introduced by the GDPR. The DPO was appointed internally by the Company and was entrusted with the task of coordinating the data protection activities of the entire Group. Specifically, the DPO monitors the Group's compliance with the personal data protection regulations in force and provides assistance in the assessment and minimization of risks associated with personal data processing, in light of the nature, scope of application, context and purposes of such processing. The DPO is assisted, in the fulfillment of his tasks, by the Legal, CRM, Customer Care, Human Resources and IT departments, and in particular by the Cybersecurity Manager.

In order to raise employee awareness of the importance of *human privacy* in the sense of data protection, in 2019 the DPO organized a specific classroom training course on the GDPR for the heads of the corporate departments and offices that deal with data processing in the fulfillment of their activities; the DPO also personally conducted training sessions for individual offices and provided specific support and assistance to the various corporate departments and offices as well as to our amiable advisors, while also envisaging the release of an operations manual specifically dedicated to our boutiques. Targeted training sessions were also dedicated to the CRM and Customer Care departments. The issues addressed mostly regarded customer data collection and processing procedures, the privacy notice and the methods for managing requests from interested parties. Especially regarding the latter, the



Company ascertained the satisfaction of its customers with respect to the timely and comprehensive information received from the Company in response to their requests.

In 2019, no well-grounded complaints for personal data breaches were received from customers, in line with the past two years.

## FUTURE COMMITMENTS

An overview of the organization's medium-term objectives on the issue is provided below.

Areas of intervention	Objectives
ENSURING PRODUCT QUALITY AND SAFETY	Corporate LCA Analyzing repaired garments (wear, defects, non-optimal use) and promoting improved consumer behavior



## ANNEX 1: METHODOLOGICAL NOTE

This document has been prepared in accordance with the GRI- Global Reporting Initiative - Sustainability Reporting Standards: published by the GRI in 2016, according to the “*In accordance - Core*” option.

In order to assist and guide the reader in the use of this document, we chose to name the different sections that make up the CNFS with the title of the themes we identified (Table 24 below provides a brief description). For the same purpose, the Company has decided to explain the risks, how they are managed, and the related opportunities at the beginning of each chapter, in order to make it easier to connect the various issues and related risks – either actual or potential.

With the aim of pursuing continuous improvement, together with our partners, our human resources, and all other stakeholders, we defined our medium-term strategic and management goals, which are reported at the end of each chapter. In addition, the stakeholder map and the identification of existing dialogue channels - infographic X - lay the foundations for further stakeholder engagement activities throughout 2020.

The context analysis performed for the purpose of updating the materiality has also enabled the Company to focus its attention on the challenges internationally recognized by the 2030 Agenda and set out in its 17 Sustainable Development Goals (SDGs)<sup>43</sup>. Considering its current and potential impact, the Company has placed particular emphasis on SDGs 8, 10, 11, 12, 13, and 16. Table 25 shows the relation between the single material issues and the SDGs as well as the relevant areas of Decree 254.

At the beginning of its dedicated section within the NFS, each issue presents the icons of the related Sustainable Development Goals and GRI standards.

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<sup>43</sup> On 25 September 2015, the 193 member states of the United Nations unanimously approved the Global Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs in English), divided into 169 targets to be achieved by 2030. Italy has played a central role in the negotiations and has made concrete commitments for the pursuit of these international objectives. Given the scale of the challenge, every player, whether public or private, is called upon to act within his own sphere of influence and field of action.



**Table 24: Description of sub-topics**

Material topic	Sub-topics	Description
SUSTAINABLE GROWTH AND HEALTHY PROFIT	Human relations	The value of listening and the centrality of dialogue, which are the building blocks of the business model of the Humanistic Enterprise, have the key objective of turning each and every stakeholder into a recipient of the value generated by the Company itself.
	Sustainable growth project	Our business model is based on the principle of Humanistic Capitalism: it considers profit generation as a means to a higher aim. That is why the Company places utmost importance on constantly ensuring the balance between profit and the concept of “gift”.
	Brand identity	The unique and authentic allure that each and every Brunello Cucinelli product conveys lays the foundations for the creation of human relations with customers at every step of the brand experience.
	Combating corruption	Promoting fair and honest behavior, the value of lawfulness and virtuous conduct are key elements in order to ensure labor dignity for all.
HUMAN RESOURCES: ETHICS, DIGNITY, MORALITY	Dignity and responsibility: promoting well-being	Human resource management stems from the belief that, in order to promote the well-being of our people and, thus, their high level of productivity, we must necessarily ensure the right balance between work and leisure time, as well as promote equity and inclusion, while preventing all forms of discrimination or abuse.
	Enhancement and development of “thinking souls”: selection, training and development	Human resources are the driver of the Company, and the element that ensures its business continuity. Each person’s contribution is highly appreciated and valued: that is why personnel management strongly focuses on respecting the peculiarity and the dignity of each and every individual at every step of the way, from selection to internal career paths.
	Health and Safety	The management and promotion of workplace health and safety comply with the existing regulations on the issue (specifically, Legislative Decree no. 81/2008). Thanks to the preventive measures and control mechanisms implemented by the Group, and, in general, to the great attention paid to workplace safety, the Company is a low-risk workplace.
LIVING AND WORKING IN HARMONY WITH THE UNIVERSE	Raw material management	The selection and use of the finest raw materials are essential to ensuring the utmost quality of our products, while at the same time protecting and respecting the Universe.
	Packaging and distribution	Packaging plays a key role for the Company, as it is a means to safeguard and communicate the brand’s image and values. That is why special attention is paid to packaging materials, which are selected with a view to minimizing, as much as possible, our impact on the Universe.
	Energy consumption	Energy consumption is currently the major direct environmental impact produced by the brand and is therefore constantly monitored.
	Emissions	The issue of direct and indirect GHG emissions is crucial across the entire value chain of the Brunello Cucinelli Company.
	Water disposal and withdrawal	Water is a rare and precious shared resource and, as such, it is carefully managed and used with moderation, especially during the washing process carried out at the Solomeo site.
	Waste	Waste management and minimization are key for a company that operates in the fashion and luxury industry. For the Company, this also means raising customer awareness of responsible purchasing and use of garments.



THE HAMLET OF SOLOMEO, THE COMMUNITY AND TERRITORY, PLEASANT SUBURBS	Solomeo: The Hamlet of the Spirit	Since day one, the Hamlet of Solomeo has been at the heart of the life and image of the Company as well as of its founder, entrepreneur Brunello Cucinelli himself.
	Community and territory	The Company runs its business by paying great attention to the needs of the local community and of the territory that hosts it; it contributes to improving quality of life and to promoting economic, social and cultural development and constantly supports cultural and local activities, associations and institutions.
	Pleasant Suburbs	The flourishing of a company and its constant growth over time are virtuously influenced and favored by the local environment: the Company thus believes it is essential to ensure well-being in the territory and its suburbs, in order to give moral and economic dignity to the people who live and work there.
	Workplace design and architecture	Ensuring the best possible workplace conditions and collaborator well-being is possible also thanks to the great attention paid to the design of our indoor and outdoor spaces, which aims to always respect the features and the spirit of the places.
AMIABLE RELATIONSHIPS WITH SUPPLIERS	Raw material procurement	The selection of suppliers is a key step in the entire collection development process. Such activity must, in fact, meet a number of requirements in terms of quality, protection of the Universe, geographical location, and utmost professionalism.
	Craftsmanship, Made in Italy and local purchases	<i>Façonisti</i> are one of the cornerstones of the Company's organizational model. The Company thus values and enhances its relationship and day-to-day dialogue with them in order to ensure continuity of trust, craftsmanship and creativity over time.
CUSTOMERS: A SPECIAL AND AUTHENTIC RELATIONSHIP	Product craftsmanship and safety	Manual skills, craftsmanship and the quality of Italian lifestyle are the founding principles of our trust-based customer relationships, elements that are gradually developed and enhanced during the brand experience.
	Garment repairs	The desire to preserve artisan tradition, keep the art of repairing alive and offer garments that can be cherished and passed on from generation to generation is one of the pillars of our business. This approach meets our commitment to reducing waste, creating value over time and ensuring the continuity of Brunello Cucinelli garments.
	Space Contemporaneity: boutique and showroom design and renovation	The great attention paid to the way customers perceive the relationship with the brand also entails creating a sense of familiarity with the atmosphere of the boutiques of the Group and promoting a "human approach" to managing the digital sales channel (e-commerce).
	Human privacy	The concept of human privacy is one of the building blocks of the business model of the Brunello Cucinelli Company, both inside the Company and in terms of customer relationship.



## ANNEX 2: THE REPORTING PROCESS

### IDENTIFYING THE MATERIAL ISSUES

In order to identify the material issues, the Company performed desktop analyses to understand the main concerns voiced by the stakeholders of the Brunello Cucinelli Group and, consequently, the company's priorities with reference to the five areas outlined in Legislative Decree no. 254/2016. The analysis also included an industry benchmark and a study of the main trends in corporate responsibility in Italy and abroad.

The analytical process performed to identify the stakeholders' point of view was as follows:

- 1) *Documentary analysis within the Company*: this first phase concerned the study of the main corporate documents, including the Code of Conduct, the Articles of Association, Model 231, and the previous versions of the CNFS (CNFS 2018 and 2017).
- 2) *The international community and multistakeholder initiatives*: for this analysis, the Company referred to the indications issued by the relevant internationally acknowledged institutions, i.e. the World Economic Forum, the United Nations Global Compact, the GRI.
- 3) *Investors*: the Company conducted a thorough investigation of reports issued by financial analysts and leading ESG and Corporate Governance research and rating organizations, i.e., MSCI, RepRisk, FTSE Russell, Sustainalytics, Bloomberg, Amundi, RobecoSAM.
- 4) *Peer analysis*: documents and CNFS/Sustainability reports published by companies in the fashion and luxury industry were analyzed in order to identify the issues deemed relevant by them. The benchmark analysis was also extended to leading sustainability reporting companies in Italy in order to establish references regarding the context and main current trends even outside the Company's industry.
- 5) *Media analysis*: the Company's online articles, press releases and social media publications for the past year (January 2019 to date) were reviewed.

The analysis and synthesis of the above data made it possible to draw up a shortlist of 17 potentially material topics, aimed at ensuring a broad understanding of the company's operations, and the performance, results and impact produced by them. Subsequent interviews with company management - 14 interviews covering all areas of the company – further helped establish material issues for the Brunello Cucinelli Group and define strategic and reporting priorities. This led to a re-elaboration of the 17 topics into 6 material macro-issues, which were again discussed with the Company's managers and finally examined by the Executive Directors (including the Co-CEOs).



Table 25 below shows the relation of these issues to the five areas established in Decree 254, and the respective scope and SDGs to which the Company undertakes to contribute.

**Table 25: Relation between material issues, areas of leg. decree 254/2016, sdgs, and the scope**

Material issues	Gri	Area of Leg. Decree 254/2016	Scope of the issue		SDGs of reference
			Internal	External	
SUSTAINABLE GROWTH AND HEALTHY PROFIT	GRI 201 – Economic performance GRI 205 – Anti-corruption	Social impacts; Fight against corruption	Group		8 12 16
HUMAN RESOURCES: ETHICS, DIGNITY, MORALE	GRI 202 – Market presence GRI 401 – Employment GRI 403 – Occupational health and safety GRI 404 – Training and Education GRI 405 – Diversity and equal opportunities GRI 406 – Non-discrimination	Human resource management Human rights	Group	Façonisti	8 10
LIVING AND WORKING IN HARMONY WITH CREATION	GRI 301 – Materials GRI 302 – Energy GRI 303 – Water and effluents GRI 305 – Emissions GRI 306 – Effluents and waste GRI 307 – Environmental Compliance	Environment	Group		13
THE HAMLET OF SOLOMEO, THE COMMUNITY AND THE TERRITORY, THE FRIENDLY PERIPHERY	GRI 413 – Local communities	Social impacts	Group		11
FRIENDLY RELATIONS WITH SUPPLIERS	GRI 204 – Procurement practices GRI 408 – Child labor GRI 409 – Forced or compulsory labor GRI 414 – Supplier social assessment	Environment; Human rights; Social impacts	Group	Façonisti	12 8
THE CLIENT: SPECIAL AND AUTHENTIC RELATIONSHIP	GRI 417 – Marketing and labeling GRI 418 – Customer privacy GRI 419 – Socioeconomic compliance	Social impacts	Group		12

Concerning issues that have significant impacts also outside the Group, the present reporting does not include the external topic boundaries. The Company is committed to covering these aspects in the future.

The collection of information for the purposes of drafting the 2019 CNFS involved all relevant business functions responsible for the aspects covered in the section. The main calculation methods that were employed are presented in the section “Scope of the reporting and calculation methods”.



## SCOPE OF THE REPORTING AND CALCULATION METHODS

In accordance with the requirements of Legislative Decree no. 254/2016, the scope of the reporting coincides with that of the 2019 Consolidated Financial Statements - where it is possible to consult the details of Brunello Cucinelli's corporate organizational chart - i.e. it includes the companies consolidated on a line-by-line basis for financial reporting, with the following clarifications. In particular, we would like to specify that the company "Logistica e Distribuzione Srl", although it falls within the scope of this CNFS, does not contribute to the reporting of the quantitative and qualitative data disclosed in this document, since it has no employees and no relevant environmental impact.

The data are presented in an aggregated form for the following geographical areas:

- **Italy:** includes the parent company Brunello Cucinelli Spa and the companies Pinturicchio Srl and Max Vanucci Srl.
- **Europe:** includes the European branches (excluding Italy) and Russia. Data for 2017 and 2018 have been realigned according to this logic.
- **Outside Europe:** includes Greater China (China, Hong Kong and Macao), Japan, Singapore, US and Canada. The data concerning Singapore is to be considered exclusively for the two-year period 2019-2018. The values for 2018 and 2017 in the tables of Chapter 3, on the other hand, also include Brazil<sup>44</sup>.

In addition, wherever necessary, specific notes have been included to indicate changes in 2017 and 2018 performance data.

Concerning the topic of "*The Hamlet of Solomeo, the community and the territory, the Friendly Periphery* ", it was considered appropriate to include information on the Brunello and Federica Cucinelli Foundation, which, since 2010, has been supporting the Company in its philanthropic activities, in most cases as a separate, non-profit organization pursuing aims of solidarity and social utility in culture and art, as well as in the fields of education, training and the enhancement of cultural and environmental assets and activities.

With regard to effluents and waste management, the reporting exclusively concerns manufacturing activities (carried out in Italy) in view of their significance with respect to the impact of commercial/administrative entities. In particular, with regard to water discharges, the information reported here refers only to the Solomeo site where the industrial laundry is located, while the data relating to waste refers to all production activities performed by the Group on Italian soil. Finally, the issue relating to the evaluation of suppliers according to social criteria mainly concerns the *façonisti*, by virtue of the importance of their operations within the Company's manufacturing process.

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<sup>44</sup> Figures for 2019 do not include Brazil because it is no longer a DOS of the Group, but a franchise store.



Below is a list of the main calculation methods employed:

- The rate of fatalities as a result of work-related injuries is the ratio between the total number of fatalities as a result of work-related injuries and the total number of hours worked, multiplied by 1,000.
- The rate of high-consequence work-related injuries (excluding fatalities) is the ratio between the total number of high-consequence work-related injuries (excluding fatalities) and the total number of hours worked, multiplied by 1,000.
- The rate of recordable work-related injuries is the ratio between the number of recordable work-related injuries, excluding accidents during transit, and the total number of hours worked, multiplied by 1,000.
- Direct emissions Scope 1: for calculations concerning the consumption of natural gas, petrol and diesel, the Company referred to the emission factors listed in the table of national standard parameters issued by the Department for the Environment, and Protection of Land and Marine Resources (2020). To calculate refrigerant gas leaks from air conditioners, on the other hand, we referred to the GWP provided by the DEFRA (UK Department for Environment Food & Rural Affairs).
- Indirect energy emissions Scope 2:
  - Location based: these emissions were calculated by multiplying the electricity purchased from the national electricity network with the emission factor taken from Terna's international comparisons based on data issued by Enerdata – data from 2018 and 2017.
  - Market based: these emissions were calculated by multiplying the amount of non-renewable electricity with the residual mix factors of each country, according to the following source: European Residual Mixes, AIB – data from 2018 and 2017.



## ANNEX 3

### GRI CONTENT INDEX

The following table provides an indication of the GRI indicators used for the drafting of Brunello Cucinelli's 2019 CNFS. In accordance with the latest Italian version of the GRI Standards, the standards and individual indicators are reported with reference to the page of the document where they are treated. Any omissions, and related reasons for them, are reported in the column to the right.

**Table 26: GRI Content Index**

GRI standard Title <sup>45</sup>	GRI Disclosure	Page number	Comments/Omissions
GRI 101: Reporting Principles – 2016			
<b>GENERAL DISCLOSURE</b>			
GRI 102: General Disclosures 2016 – Organizational profile	102-1: Name of the organization	<i>Cover of this CNFS</i>	
GRI 102: General Disclosures 2016 – Organizational profile	102-2: Activities, brands, products and services	P. 10-16	
GRI 102: General Disclosures 2016 – Organizational profile	102-3: Location of headquarters	P. 13	
GRI 102: General Disclosures 2016 – Organizational profile	102-4: Location of operations	P. 13	
GRI 102: General Disclosures 2016 – Organizational profile	102-5: Ownership and legal form		Brunello Cucinelli is a joint stock company listed on the Italian stock market since 2012.
GRI 102: General Disclosures 2016 – Organizational profile	102-6: Markets served	P. 17-19	
GRI 102: General Disclosures 2016 – Organizational profile	102-7: Scale of the organization	P. 25	
GRI 102: General Disclosures 2016 – Organizational profile	102-8: Information on employees and other workers	P. 49	
GRI 102: General Disclosures 2016 – Organizational profile	102-9: Supply chain	P. 16, 72-75, 101-113	
GRI 102: General Disclosures 2016 – Organizational profile	102-10: Significant changes to the organization and its supply chain		
GRI 102: General Disclosures 2016 – Organizational profile	102-11: Precautionary principle or approach	P. 21-22, 43-44, 68-69, 88, 101-102, 115-116	

<sup>45</sup> For more detailed information on the GRI Standards in question, please refer to the following link <https://www.globalreporting.org/standards/gri-standards-translations/gri-standards-italian-translations-download-center/>



GRI standard Title <sup>45</sup>	GRI Disclosure	Page number	Comments/Omissions
GRI 102: General Disclosures 2016 – Organizational profile	102-13: Membership of associations		Since 2017, Brunello Cucinelli has been a member of the National Chamber for Italian Fashion, a non-profit organization in charge of regulating, promoting and developing Italian fashion. In Italy, since 2018, the Company’s Human Resource manager has been participating in the association HR Community Confindustria Umbria, a community of HR managers from multinational companies present in the region of Umbria, which, apart from sharing corporate best practices in human resource management, has the main purpose of preparing “starter kits” about various issues in the field of HR for the region’s small enterprises.
GRI 102: General Disclosures 2016 – Strategy	102-14: Statement from senior decision-maker	P. 1-5	
GRI 102: General Disclosures 2016 – Strategy	102-15: Key impacts, risks and opportunities	P. 21-22, 43-44, 68-69, 88, 101-102, 115-116	
GRI 102: General Disclosures 2016 – Ethics and integrity	102-16: Values, principles, standards and code of conduct	P. 12	
GRI 102: General Disclosures 2016 – Governance	102-18: Governance structure	P. 35-37	
GRI 102: General Disclosures 2016 – Governance	102-23: Chair of the highest governance body	P. 36	
GRI 102: General Disclosures 2016 – Governance	102-32: Highest governance body’s role in sustainability reporting	P. 8, 132	
GRI 102: General Disclosures 2016 – Stakeholder engagement	102-40: List of stakeholder groups	P. 28	
GRI 102: General Disclosures 2016 – Stakeholder engagement	102-41: Collective bargaining agreements	P. 51	
GRI 102: General Disclosures 2016 – Stakeholder engagement	102-42: Identifying and selecting stakeholders	P. 129, 28	
GRI 102: General Disclosures 2016 – Stakeholder engagement	102-43: Approach to stakeholder engagement	P. 28	
GRI 102: General Disclosures 2016 – Stakeholder engagement	102-44: Key topics and concerns raised	P. 132-133	
GRI 102: General Disclosures 2016 – Reporting practice	102-45: Entities included in the consolidated financial statements	P. 134	
GRI 102: General Disclosures 2016 – Reporting practice	102-46: Defining report content and topic boundaries	P. 133-134	
GRI 102: General Disclosures 2016 – Reporting practice	102-47: List of material topics	P. 8, 130-131, 133	
GRI 102: General Disclosures 2016 – Reporting practice	102-48: Restatements of information		The present CNFS includes data for reporting years 2019, 2018 and 2017. Any changes in the calculation methods, sources of references, and scope of the reporting are indicated in the Methodological Note (cf. “Scope of the reporting and calculation methods”).
GRI 102: General Disclosures 2016 – Reporting practice	102-49: Changes in reporting	P. 134-135	
GRI 102: General Disclosures 2016 – Reporting practice	102-50: Reporting period	P. 6	





GRI standard Title <sup>45</sup>	GRI Disclosure	Page number	Comments/Omissions
GRI 102: General Disclosures 2016 – Reporting practice	102-51: Date of most recent report		The date of the most recent report is 2018, with the CNFS approved by the BoD on 14 March 2019.
GRI 102: General Disclosures 2016 – Reporting practice	102-52: Reporting cycle	P. 6	
GRI 102: General Disclosures 2016 – Reporting practice	102-53: Contact point for questions regarding the report	P. 146.	
GRI 102: General Disclosures 2016 – Reporting practice	102-54: Claims of reporting in accordance with the GRI Standards	P. 129	
GRI 102: General Disclosures 2016 – Reporting practice	102-55: GRI content index	P. 136-142	
GRI 102: General Disclosures 2016 – Reporting practice	102-56: External assurance	P. 143	
<b>MATERIAL TOPICS</b>			
<b>Topic: Economic performance</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 25-26, 129-135	
	103-2: The management approach and its components	P. 21-22, 23-26	
	103-3: Evaluation of the management approach	P. 21-22, 23-26, 40	
GRI 201 – Economic performance 2016	201-1: Direct economic value generated and distributed	P. 25-26	
<b>Topic: Procurement practices</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 103-113, 129-135.	
	103-2: The management approach and its components	P. 101-102, 103	
	103-3: Evaluation of the management approach	P. 101-102, 103, 113	
GRI 204 – Procurement practices 2016	204-1: Proportion of spending on local suppliers	P. 105, 109	
<b>Topic: Materials</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 72-77, 129-135	
	103-2: The management approach and its components	P. 68-69, 70-71	
	103-3: Evaluation of the management approach	P. 68-69, 70-71	
GRI 301 – Materials 2016	301-1: Materials used by weight or volume	P. 73, 75, 77	
<b>Topic: Energy</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 78-79, 129-135	
	103-2: The management approach and its components	P. 68-69, 70-71	
	103-3: Evaluation of the management approach	P. 68-69, 70-71	
GRI 302 – Energy 2016	302-1: Energy consumption within the organization	P. 79	
<b>Topic: Water and effluents</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 81-84, 129-135	
	103-2: The management approach and its components	P. 68-69, 70-71	
	103-3: Evaluation of the management approach	P. 68-69, 70-71	



GRI standard Title <sup>45</sup>	GRI Disclosure	Page number	Comments/Omissions
GRI 303 – Water and effluents 2018	303-1: Interactions with water as a shared resource		In the year 2019, the Company began a feasibility study on the recovery of water discharged onto surface water bodies. To date, however, there is no internal system to assess the impacts connected to water resources, but the Company intends to proceed in this direction for the next financial year. There are no current collaborations with stakeholders or suppliers in relation to water management.
GRI 303 – Water and effluents 2018	303-2: Management of water discharge-related impacts	P. 82-83	
GRI 303 – Water and effluents 2018	303-3: Water withdrawal	P. 81	The Company does not perform water withdrawal in areas subject to water stress.
GRI 303 – Water and effluents 2018	303-4: Water discharge	P. 84	The Company does not perform water withdrawal in areas subject to water stress.
<b>Topic: Emissions</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 80, 129-135	
	103-2: The management approach and its components	P. 68-69, 70-71	
	103-3: Evaluation of the management approach	P. 68-69, 70-71	
GRI 305 – Emissions 2016	305-1: Direct (Scope 1) GHG emissions	P. 80	
GRI 305 – Emissions 2016	305-2: Energy indirect (Scope 2) GHG emissions	P. 80	
<b>Topic: Effluents and waste</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 85-86, 129-135	
	103-2: The management approach and its components	P. 68-69, 70-71	
	103-3: Evaluation of the management approach	P. 68-69, 70-71	
GRI 306 – Effluents and waste 2016	306-2: Waste by type and disposal method	P. 86	
<b>Topic: Environmental compliance</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 71, 129-135	
	103-2: The management approach and its components	P. 68-69, 70-71	
	103-3: Evaluation of the management approach	P. 68-69, 70-71	
GRI 307 – Environmental compliance 2016	307-1: Non-compliance with environmental laws and regulations	P. 71	
<b>Topic: Market presence</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 49, 129-135	
	103-2: The management approach and its components	P. 43-44, 49	
	103-3: Evaluation of the management approach	P. 43-44, 49, 64	
GRI 202 – Market presence 2016	202-2: Proportion of senior management hired from the local community	P. 49	
<b>Topic: Anti-corruption</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 38-39, 129-135	
	103-2: The management approach and its components	P. 21-22, 38-39	
	103-3: Evaluation of the management approach	P. 21-22, 38-39	
GRI 205 – Anti-corruption 2016	205-3: Confirmed incidents of corruption and actions taken	P. 38	



GRI standard Title <sup>45</sup>	GRI Disclosure	Page number	Comments/Omissions
<b>Topic: Employment</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 47-55, 129-135	
	103-2: The management approach and its components	P. 43-44, 47-55	
	103-3: Evaluation of the management approach	P. 43-44, 47-55, 64	
GRI 401 – Employment 2016	401-1: New employee hires and employee turnover	P. 54-55	
GRI 401 – Employment 2016	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	P. 51	
<b>Topic: Occupational health and safety</b>			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 51, 62-64, 129-135	
	103-2: The management approach and its components	P. 43-44, 51, 61-64	
	103-3: Evaluation of the management approach	P. 43-44, 51, 61-64	
GRI 403 – Occupational health and safety 2018	403-1: Occupational health and safety management system		The Company does not currently have a management system for health and safety in the workplace.
GRI 403 – Occupational health and safety 2018	403-2: Hazard identification, risk assessment, and incident investigation	P. 62	
GRI 403 – Occupational health and safety 2018	403-3: Occupational health services	P. 51	
GRI 403 – Occupational health and safety 2018	403-4: Worker participation, consultation, and communication on occupational health and safety		Workers have a direct contact person responsible for occupational health and safety whom they can contact in case of need and who is always present in the company. However, there is no formal procedure for workers' engagement and participation.
GRI 403 – Occupational health and safety 2018	403-5: Worker training on occupational health and safety	P. 61	
GRI 403 – Occupational health and safety 2018	403-6: Promotion of worker health	P. 51	
GRI 403 – Occupational health and safety 2018	403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		In the field of commercial relations, the prevention and mitigation of occupational health and safety impacts and the management of related risks derives from the high level of attention placed in all operations, which begins with the procurement of the raw materials used in production and continues along the entire value chain.
GRI 403 – Occupational health and safety 2018	403-9: Work-related injuries	P. 64	
GRI 403 – Occupational health and safety 2018	403-10: Work-related ill health		The Company operates a continuous risk management system, although risk is very low. There were no cases of work-related ill health in 2019.
<b>Topic: Training and education</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 56-61, 129-135	
	103-2: The management approach and its components	P. 43-44, 56-61	
	103-3: Evaluation of the management approach	P. 43-44, 56-61, 64	
GRI 404 – Training and education 2016	404-2: Programs for upgrading employee skills and transition assistance programs	P. 61	



GRI standard Title <sup>45</sup>	GRI Disclosure	Page number	Comments/Omissions
<b>Topic: Diversity and equal opportunities</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 35, 47-51, 129-135	
	103-2: The management approach and its components	P. 21-22, 35, 43-44, 47-51	
	103-3: Evaluation of the management approach	P. 21-22, 35, 43-44, 47-51, 64	
GRI 405 – Diversity and equal opportunities 2016	405-1: Diversity of governance bodies and employees	P. 35, 50	
<b>Topic: Non-discrimination</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 45-46, 129-135	
	103-2: The management approach and its components	P. 43-44, 45-46	
	103-3: Evaluation of the management approach	P. 43-44, 45-46, 64	
GRI 406 – Non-discrimination 2016	406-1: Incidents of discrimination and corrective actions taken	P. 45	
<b>Topic: Child labor</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 106-112, 129-135	
	103-2: The management approach and its components	P. 101-102, 103	
	103-3: Evaluation of the management approach	P. 101-102, 103, 113	
GRI 408 – Child labor 2016	408-1: Operations and suppliers at significant risk for incidents of child labor	P. 110	
<b>Topic: Forced or compulsory labor</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 106-112, 129-135	
	103-2: The management approach and its components	P. 101-102, 103	
	103-3: Evaluation of the management approach	P. 101-102, 103, 113	
GRI 409 – Forced or compulsory labor 2016	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor	P. 110	
<b>Topic: Local communities</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 89-98, 129-135	
	103-2: The management approach and its components	P. 88, 89-98	
	103-3: Evaluation of the management approach	P. 88, 89-98	
GRI 413 – Local communities 2016	413-1: Operations with local community engagement, impact assessments, and development programs	P. 89-98	
<b>Topic: Supplier social assessment</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 106-112, 129-135	
	103-2: The management approach and its components	P. 101-102, 103	
	103-3: Evaluation of the management approach	P. 101-102, 103, 113	
GRI 414 – Supplier social assessment 2016	414-2: Negative social impacts in the supply chain and actions taken	P. 109-110	



GRI standard Title <sup>45</sup>	GRI Disclosure	Page number	Comments/Omissions
<b>Topic: Marketing and labeling</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 120-122, 129-135	
	103-2: The management approach and its components	P. 115-116, 117-119	
	103-3: Evaluation of the management approach	P. 115-116, 117-119, 128	
GRI 417 – Marketing and labeling 2016	417-3: Incidents of non-compliance concerning marketing communications	P. 122	
<b>Topic: Customer privacy</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 126-129, 129-135	
	103-2: The management approach and its components	P. 115-116, 117-119	
	103-3: Evaluation of the management approach	P. 115-116, 117-119, 128	
GRI 418 – Customer privacy 2016	418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	P. 127	
<b>Topic: Socioeconomic compliance</b>			
GRI 103 – Management approach 2016	103-1: Explanation of the material topic and its boundary	P. 38-39, 129-135	
	103-2: The management approach and its components	P. 38-39	
	103-3: Evaluation of the management approach	P. 38-39	
GRI 419 – Socioeconomic compliance 2016	419-1: Non-compliance with laws and regulations in the social and economic area		No cases of non-compliance with national and international laws and regulations on social and economic matters were found, as in the two previous years.
<b>102-55 GRI Content Index</b>			



## REPORT OF THE EXTERNAL AUDITORS



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### Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018

(Translation from the original Italian text)

To the Board of Directors of  
Brunello Cucinelli S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Brunello Cucinelli S.p.A. and its subsidiaries (hereinafter "Brunello Cucinelli Group" or "Group") for the year ended on 31<sup>st</sup> December 2019 in accordance with article 4 of the Decree approved by the Board of Directors on 11<sup>th</sup> March 2020 (hereinafter "DNF").

#### Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI - Global Reporting Initiative ("GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

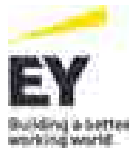
The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

#### Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes

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Consob al progressivo n. 2 delibera n.39831 del 16/7/1997  
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documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

### Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Brunello Cucinelli Group's consolidated financial statements;
4. understanding of the following aspects:
  - o Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
  - o policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
  - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.  
In particular, we have conducted interviews and discussions with the management of Brunello Cucinelli S.p.A. and with the personnel of Max Vannucci S.r.l. and we have performed limited documentary evidence procedures, in order to collect information about the processes and



procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at group level:
  - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for the site of Solomeo of the Brunello Cucinelli S.p.A. and for the site of Corciano of the Max Vannucci S.r.l., that we have selected based on their activities, relevance to the consolidated performance indicators and location, we have carried out site visits during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

#### Conclusions

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Brunello Cucinelli Group for the year ended on 31<sup>st</sup> December 2019 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Perugia, 30<sup>th</sup> March 2020

EY S.p.A.

Signed by: Massimo Antonelli (Statutory Auditor)

*This report has been translated into the English language solely for the convenience of international readers.*





For further information about the contents of this Consolidated Non-Financial Statement, please contact us directly at the following e-mail address:

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