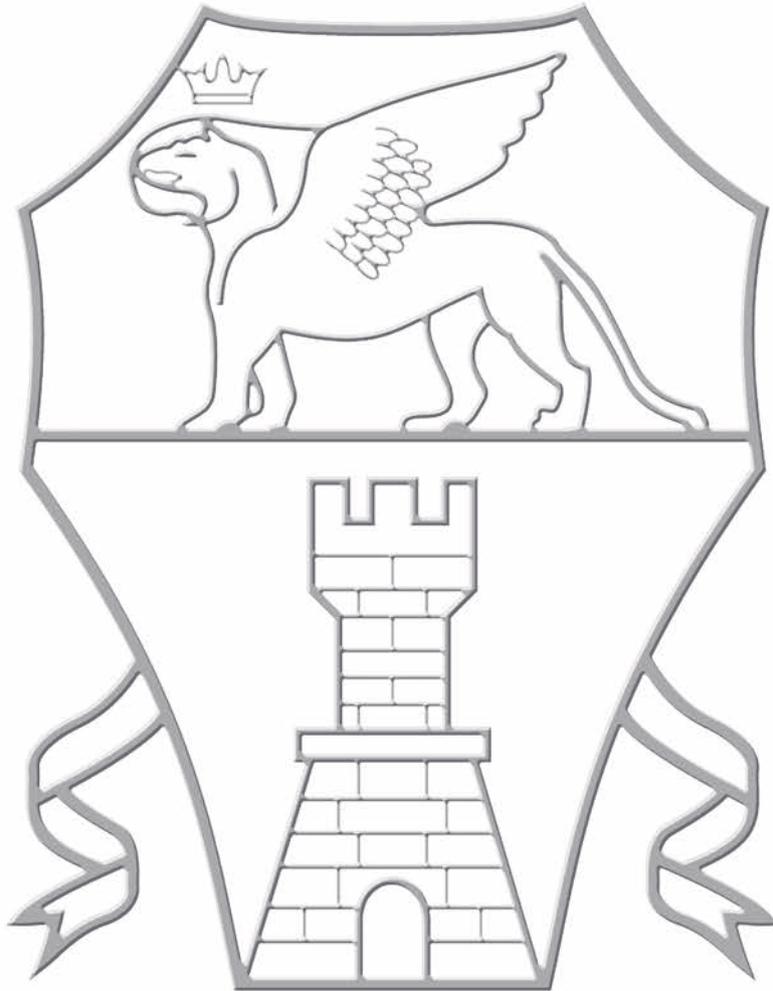




BRUNELLO CUCINELLI



CONSOLIDATED NON-FINANCIAL STATEMENT
PURSUANT TO ARTICLES 3 AND 4 OF LEGISLATIVE DECREE NO. 254 OF 2017



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1. INTRODUCTION

This consolidated non-financial statement (hereinafter also “CNFS”) has been prepared in accordance with the requirements of articles 3 and 4 of Legislative Decree no. 254 of 30th December 2016, issued to implement Law no. 114 of 9th July 2015 on the delegation given to the Italian government to enact European directives and implement other legislation introduced by the European Union (the 2014 European delegation law).

By way of Legislative Decree no. 254/2016 the Italian legislator recognized in Italian law the provisions of Directive 2014/95/EU of the European Parliament and of the Council of 22nd October 2014 (the “Barrier Directive”) as regards to disclosure of non-financial and diversity information by certain large undertakings and groups. More specifically, from the financial year starting on 1st January 2017 public-interest entities (as defined in article 16, paragraph 1 of Legislative Decree no. 39 of 27th January 2010) having a size as established by article 2, paragraph 1 of Legislative Decree no. 254/2016, which include Brunello Cucinelli S.p.A. (hereinafter the “Company”) must prepare for each financial year a non-financial statement containing the information required to ensure that an understanding may be gained of the entity’s activities, its performance, its results and the effect produced by such, in connection with environmental matters, social matters, employee-related matters, respect for human rights and combatting corruption where relevant considering the entity’s activities and characteristics. Pursuant to article 2, paragraph 2 of Legislative Decree no. 254/2016, in the case of public-interest entities which are the parent company of large groups, such as the Brunello Cucinelli Group (hereinafter also the “Group”), the non-financial statement must be prepared on a consolidated basis in accordance with the requirements of article 4 of Legislative Decree no. 254/2016.

The intervention of the EU legislator is motivated by consideration of the importance for an entity to divulge information on sustainability, such as social and environmental factors, with a view to identifying sustainability risks and increasing investor and consumer trust (cf. Recital (3) of the Barrier Directive).

In divulging such information, the entity subject to the requirements of Legislative Decree no. 254/2016 should at the least describe its business model for managing and organizing its activities, its environmental policies, the results it achieves and the relative non-financial performance indicators, its main risks, generated and incurred, in connection with the above matters on the principle of the “materiality” of the information divulged in relation to the entity’s reality and characteristics.

In line with the requirements of Legislative Decree no. 254/2016, the Company has identified the following as material matters: employee management, the promotion of culture, the management of the production process and provisioning and (with the clarifications described below) environmental matters. In this respect it should be emphasized that as things currently stand the Group has considered it unnecessary to introduce any formalized policies for the areas described in Legislative Decree no. 254/2016 in view of the fact that the policies implemented by practice are working well and that there is a high level of control at a central level. The management body will assess the opportunity of establishing formalized Group policies with reference to the most important non-financial aspects.

In accordance with article 5, paragraph 3 of Legislative Decree no. 254/2016 this consolidated non-financial statement is a separate report from the “Report on Operations” prepared on the Company’s 2017 financial statements. Despite this, this CNFS should be considered as integration to the Report on Operations and the documents included as part of the Company’s financial statements for the year ended 31st December 2017.



This statement concerns information relating to the year ended 31st December 2017, but at the same time also provides the reader with the means to make a comparison with the figures for 2016. As this represents the first-time application of the requirements of Legislative Decree no. 254/2016 the comparison provided between the 2017 figures and those of the previous year is of a summarized and qualitative nature as permitted by article 12, paragraph 2 of Legislative Decree no. 254/2016.

EY S.p.A. has performed a limited *review* of this document in accordance with the International Standards on Assurance Engagements (ISAE 3000 *Revised*).

The Board of Directors of Brunello Cucinelli S.p.A. approved this consolidated non-financial statement on 7th March 2018.

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



2. THE HUMANISTIC COMPANY

“In my life I have always cherished a dream: work useful for achieving an important objective. I felt that a company’s profit alone was not enough to realize my dream and that a higher goal had to be sought”

The Group operates in the absolute luxury goods sector, specializing in the design, production and distribution of clothing and accessories, for men and women characterized by the highest level of craftsmanship and rigorously “Made in Italy”. Deserving particular mention among the products bearing the “Brunello Cucinelli” name are those produced in cashmere.

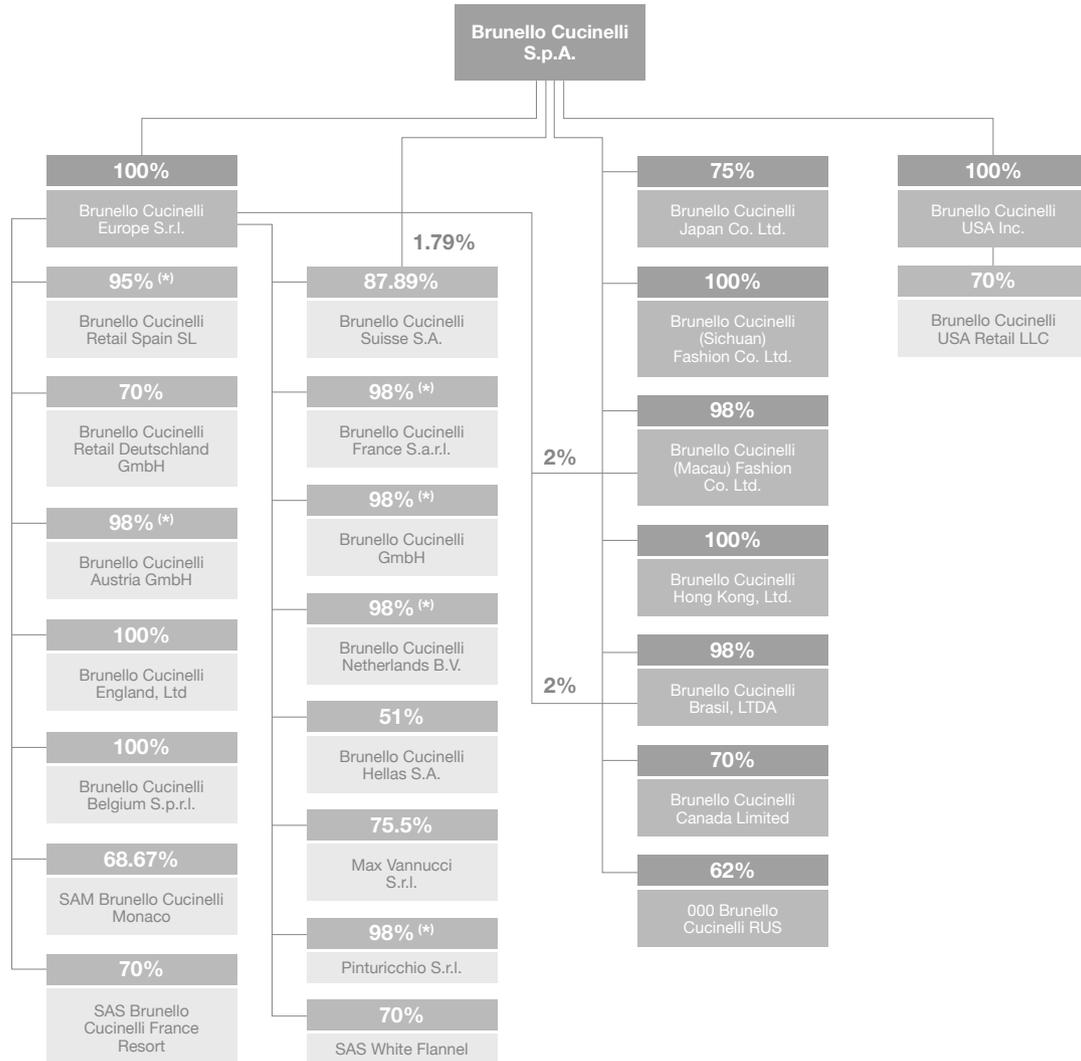
The Group operates in several countries through companies directly or indirectly controlled by the parent Brunello Cucinelli S.p.A., located in Europa, USA, China, Japan, Russia, Canada and Brazil.

In particular, the “Brunello Cucinelli” brand can be found in the luxury streets of leading cities and resorts, where it has prestigious monobrand boutiques, as well as in the most exclusive spaces of multibrand stores and luxury department stores.

At an organizational level the Group consists of 24 companies controlled by Brunello Cucinelli S.p.A., which issues the guidelines to be followed for coordinating administration services, determining and making investments and carrying out commercial relations. The Company has a system for organizing its activities that assumes common product and communication strategies so that these may be consistent with the brand image and the Brunello Cucinelli style.



THE BRUNELLO CUCINELLI GROUP AT 31ST DECEMBER 2017



(*) The remaining percentage is held by BRUNELLO CUCINELLI S.p.A.



2.1 VALUES AND PHILOSOPHY

Brunello Cucinelli has given life to a new business dimension in the medieval hamlet of Solomeo : a reality which places man at the heart of the business and sees work as being one of the most noble expressions of human value. In this setting profit becomes a means of achieving the higher goal of the true good: improving the life of workers, guarding the beauties of the world and carrying out projects directed at future generations.

The Company is based on a business model linked to a number of distinct elements that identify and position the brand at the very top of the international luxury market:

- **Italian craftsmanship**, the synonym of care in the selection of raw materials and the search for the utmost quality, which firstly depends on the attention given to providing the best possible conditions for fostering creativity at every step along the production chain, which avails itself of over 300 Italian artisan workshops (mostly in Umbria) which carry out each stage of production;
- **exclusivity**, a fundamental characteristic of the Company’s positioning at the very top of the luxury scale, which the end customer attributes to the contemporary taste, craftsmanship and raw material quality which represent the corner-stones of Brunello Cucinelli style, supported by a carefully selected distribution presence;
- **gracious growth**, meant as sustainable development aiming to improve business conditions harmonically and in the right time; the objective is to create an innovative dimension directed towards the wellbeing of the people that work and collaborate with the Company.

Over the years business growth has followed natural and sustainable rates which have led the Company to reaching “healthy profitability”, according to which earning profits should not be separated from the need to make the organization increasingly solid and the constant care given to working conditions, with respect for the surrounding area.

This “humanistic company” model has enabled the Group to develop a highly intense sense of participation, developed both internally among employees and externally in relations with third-party artisanal laboratories (hereinafter named “*façonisti*”), suppliers, commercial partners and customers.

The Group fosters a culture based on legality – no illegal conduct, even if carried out in the interest or to the benefit of the Company, is considered to be in line with business policy – and control, which must govern all the decision-making and operational phases of corporate activity. Reaching these objectives manifests itself in a consistent system of principles, organizational, management and control procedures and regulations whose aim is to ensure that business activities comply with applicable legislation.

In accordance with Legislative Decree no. 231/2001 the Company ensures that there is proper dissemination of the contents and principles of its organizational model both inside and outside its structure in accordance with the will of the founder and under the supervision of the Supervisory Body. The means of communication and training depend on the recipients to whom the model is directed, but these are in any case based on principles of completeness, clarity, accessibility and continuity to ensure that the various recipients become fully aware of the dispositions of the Company with which they are required to comply and the ethical rules that must underlie their conduct.



2.2 ETHICS AND CORPORATE GOVERNANCE

2.2.1 CODE OF ETHICS

In Solomeo's "*Humanistic Company*", relations with employees, external collaborators, suppliers, commercial partners and customers are based on the centrality of human values. Each of these parties must feel themselves responsible for their own work without penalizing their personality. Freedom is enhanced and a united group is created where everyone has a role to perform for the good of all.

These values are expressed in the Code of Ethics, in which the Company emphasizes the responsibilities that have always distinguished its business culture.

Alongside the fundamental values of compliance with the law, honesty, transparency, propriety and good faith the Code of Ethics puts sustainable growth objectives in the foreground, meaning the wellbeing of the people that work and collaborate with the Company and the business's responsibility towards the local area. The adoption and application of the Code of Ethics is an essential for achieving the Company's primary objective, which consists in the creation of value for shareholders, employees, *façonisti* and suppliers, customers and the community as a whole.

The Code of Ethics is shared with all the Company's employees and the third parties that collaborate in the development, production, promotion, distribution and sale of its products. The Company fosters awareness of this by various means (online publication and/or direct communication) and requires compliance with the Code for any supply contract, setting it as a precondition for the establishment of a contractual relationship.

A detailed description of the contents of the Code of Ethics may be found via the following link: <http://investor.brunellocucinelli.com/yep-content/media/codice-etico.pdf>.

2.2.2 CORPORATE GOVERNANCE

The Company has been listed on the Italian electronic stock exchange ("MTA") organized and managed by Borsa Italiana S.p.A. since 27th April 2012 and follows the recommendations contained in the Corporate Governance Code for listed companies.

More specifically, the Company's corporate governance system is based on the "traditional model", consisting of the Shareholders' General Meeting, the Board of Directors and the Board of Statutory Auditors. In accordance with Legislative Decree no. 39/2010 the Shareholders' General Meeting has engaged EY S.p.A. to perform the legal audit of the Company's financial statements for financial years 2012/2020.

The Board of Directors is responsible for managing the Company and has set up two internal committees within the board having advisory, propositional and control functions: the Control and Risks Committee and the Remuneration Committee.

The Control and Risks Committee supports, with appropriate audit procedures, the assessments made and the decisions taken by the Board of Directors concerning the internal control and risk management system as well as those relating to the approval of periodic financial reports.



The Remuneration Committee on the other hand submits proposals to the Board of Directors for establishing the policy for the remuneration of directors and key management personnel.

On a voluntary basis the Company has also set up intercompany committees with functions that mainly regard operational coordination. Among these the following may be mentioned:

- the **Steering Committee**, consisting of executive directors and managers in charge of the Company's production, sales, communication, marketing, financial and legal functions, having the principal duty of acting in support of the management body in implementing business and strategic plans. The heads of the digital function have recently become members of this committee given the increasing emphasis on the Company's image in the digital world;
- the **Human Resources Committee**, which establishes the guidelines and principles for hiring personnel, career paths, remuneration and the Company's policy for employee relationships;
- the **Architectural Design Committee**, whose task is to determine the concept of the monobrand stores and display spaces (e.g. showrooms) and the architectural planning of the Company's locations;
- the **IT Security Committee**, whose duty is to coordinate the business functions concerned for the purpose of assessing and mitigating the risks arising from the use of the Group's information systems.

Running alongside these moments of coordination are the biennial meetings of the "Council of 50" which are held over two days outside the Company's premises in a convivial environment. On this occasion the strategies drawn up by the management body (and agreed during the corporate assemblies: see Chapter 3, paragraph 3.3) and developed using the guidelines of the above-mentioned committees are discussed and enhanced by way of an exchange of views with a wide-ranging audience of parties who in various capacities implement these strategies. The participants represent all the Company's departments and act as a vehicle for the requests and sentiment of the base, with whom the matters arriving from the Council are immediately shared afterwards.

The corporate governance system is essentially directed towards the objective of creating value for shareholders in a medium- to long-term time frame, in the awareness of the social importance of the activities in which the Group is involved and the resulting need to give adequate consideration to all the interests concerned.

A more detailed description of the Company's corporate governance system may be found in the *Report on corporate governance and ownership structures* for 2017 via the following link: <http://investor.brunellocucinelli.com/it/governo-societario/assemblea-azionisti>.

2.3 THE MAIN RISKS OF A NON-FINANCIAL NATURE

A risk assessment process has been implemented as part of the internal control and risk management system relating to business risks arising both internally and externally, which is based on a self-assessment of the risk by the heads of the various core and non-core business areas. Given that certain risks are inevitable in attempting to reach business objectives the purpose of the risk assessment process is to determine the likelihood of risks occurring and the Company's tolerance to risks.

The Company's Management Committee also performs a suitability assessment of the objectives in relation to the nature and ability of the Company, as a first step in limiting risks, thereby avoiding unnecessary risks.



The principal risks identified by the Company in connection with the matters material to the business as stated in Legislative Decree no. 254/2016 are as follows:

Personnel management

The principal risks relating to personnel management consist of the risk of being unable to find personnel in the future who are suitably specialized in craftsmanship, such as for example tailors or designers, as well as the reputational and administrative responsibility risk pursuant to Legislative Decree no. 231/2001 resulting from any violation by employees of the rules of legality, transparency and propriety, which must constantly underlie the Company's organization and operations. The Group's control and monitoring procedures are designed to mitigate these risks.

In addition, in accordance with current legislation, the Group constantly monitors the potential risks relating to its employees' health and safety.

Management of the production and provisioning process

The principal risks relating to the production and provisioning process consist of the following:

- reputational risk resulting from any violation by suppliers and *façonisti* of human rights and the principles contained in the Company's Code of Ethics. The existence of forms of control (even at the third level) by the Company on the way in which its suppliers and *façonisti* work contributes to mitigating this risk;
- strategic risk arising from a possible future reduction in the number of people specialized in craftwork techniques and the lack of the generational turnover required for production;
- operational risk arising from the possible termination (over a short time period) of relations with a significant number of *façonisti*, or the failure of several *façonisti* to comply with production programs however much these may have been agreed with the Company. However the existence of a large number of *façonisti* who have been working with the Company for several years ensures that this risk is low.

Environment

In terms of environmental matters the main risk arises from a failure to comply with laws and regulations with which the Company is required to comply due to the evolution of the Italian and European legislative framework. In particular, this risk is connected with the legal restrictions/obligations that may be imposed in relation to the emission of greenhouse gases into the atmosphere, as well as to disposal and waste management. This latter aspect takes on particular importance in the Company's laundry department, given that this is the only activity that presents a potential risk of an environmental nature. However given the activities performed by the Company and the Group and the limited relevance of environmental matters, the Company believes that the risk in question is low.



3. HUMAN RESOURCES

3.1 INTRODUCTION

In the Brunello Cucinelli Group's philosophy human being is at the center of every process: care for wellbeing, attention to safety and the enhancement of human resources – or rather humane resources (stressing the prevalence of the 'humanistic' over the economic) – represent the pillars of the Company's philosophy.

The Group had a workforce of 1,670 people at 31st December 2017 (an increase of 13.4% over 2016), of whom 965 work at the Italian sites.

The following tables show that there was an appreciable rise in the number of employees between 2016 and 2017 in all the geographical areas in which the Group operates through its companies.

Table 1: GRI 102-8 Information on employees

Type of contract	2016		2017	
	Men	Women	Men	Women
Open-term	439	761	473	871
Fixed-term	74	199	104	222
Sub-total	513	960	577	1,093
Total year	1,473		1,670	
Full-time	501	907	563	1,040
Part-time	12	53	14	53
Sub-total	513	960	577	1,093
Total year	1,473		1,670	

Table 2: GRI 102-8 Information on employees

Type of contract	2016			2017		
	Italy	Rest of Europe	Non-UE	Italy	Rest of Europe	Non-UE
Open-term	849	157	194	874	159	311
Fixed-term	63	13	197	91	17	218
Sub-total	912	170	391	965	176	529
Total year	1,473			1,670		
Full-time	886	152	370	935	158	510
Part-time	26	18	21	30	18	19
Sub-total	912	170	391	965	176	529
Total year	1,473			1,670		

**Table 3: GRI 102-8 Information on employees**

Type of contract	2016						2017					
	Italy		Rest of Europe		Non-UE		Italy		Rest of Europe		Non-UE	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Open-term	310	539	58	99	71	123	320	554	54	105	99	212
Fixed-term	25	38	4	9	45	152	45	46	9	8	50	168
Sub-total	335	577	62	108	116	275	365	600	63	113	149	380
Total			1,473						1,670			
Full-time	328	558	59	93	114	256	355	580	60	98	148	362
Part-time	7	19	3	15	2	19	10	20	3	15	1	18
Sub-total	335	577	62	108	116	275	365	600	63	113	149	380
Total			1,473						1,670			

It should be emphasized that 1,344 employees (80.5% of the total) have an permanent contract¹ and that fixed-term contracts essentially relate to new-hires. In addition, 96% of the workforce were full-time employees at 31st December 2017.

The Group's employees can be separated into three categories: 1) managers and middle managers; 2) white-collar workers (office and sales staff); 3) blue-collar workers (manual workers).

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 employees are covered by the National Collective Bargaining Agreement for the garment and clothing sector. In countries other than Italy in which the Group operates the labor legislation of reference is observed and, for the aspects of the employment relationship not expressly governed at a legislative level, a set of business rules (the "Employee Handbook") is applied which supplements national legislation and individual contracts.

As the best means of managing the differences in the various national bodies of legislation an HR manager has been appointed for each of the main geographical areas in which the Group works, namely Italy, the USA, China and Japan. The HR managers are in particular involved in selecting, training, developing, managing and appraising personnel; an activity that requires the constant involvement of the heads of the various business's offices and departments. These people have the task of monitoring and coordinating the activities of the employees for whom they are responsible, except for the need to report regularly to the HR managers and the Human Resources Committee set up within the Company². The Committee meets on a regular basis to determine the reference policies and guidelines for the local HR managers (taking into account the decisions taken by the delegated bodies and business plans), as well as to establish the promotion and development of professional skill programs on the basis of the appraisals received from the various area heads.

¹ Apprenticeship contracts are included as open-term contracts.

² See also Chapter 2, paragraph 2.2.2.



The Human Resources Committee consists of five of the Company's managers, of different genders and ages, and additionally offers its capacity to listen to employee requests; more specifically, it carries out a rapid review of requests concerning proposals to improve working activities and personal needs. The work performed by the Human Resources Committee in this sphere has contributed to developing a strong feeling of attachment in employees towards the Company in the awareness that their requests will always quickly listened.

The table below sets out the composition of the Group's management as well as the various categories of Group employees on the basis of gender and age. The rise in sales personnel should be noted (in particular in the 30-50 age band), in line with the Group's decision to extend its boutiques network (DOS).

Worthy of note is the fact that the average age of the Group's employees at 31st December 2017 was 38.

Table 4: GRI 405-1 Diversity of governance bodies and employees

Composition of the workforce and governance bodies	2016			2017		
	Men	Women	Sub-total Year	Men	Women	Sub-total Year
BOARD OF DIRECTORS (Brunello Cucinelli S.p.A.)						
< 30 years	0	0	0	0	1	1
30 ≤ x ≤ 50	3	2	5	2	2	4
> 50 years	4	1	5	5	1	6
Work force - Group						
Managers and middle managers						
< 30 years	1	0	1	1	0	1
30 ≤ x ≤ 50	26	19	45	28	21	49
> 50 years	5	5	10	4	6	10
White-collar						
< 30 years	93	145	238	115	180	295
30 ≤ x ≤ 50	198	399	597	234	489	723
> 50 years	20	79	99	23	88	111
of whom sales						
< 30 years	44	74	118	65	98	163
30 ≤ x ≤ 50	97	235	332	113	292	405
> 50 years	9	56	65	10	59	69
Blue-collar						
< 30 years	71	48	119	61	42	103
30 ≤ x ≤ 50	72	156	228	84	155	239
> 50 years	26	110	136	27	112	139

**Table 5: GRI 405-1 Diversity of governance bodies and employees**

Composition of the workforce and governance bodies	2016						2017					
	ITALY		NON-UE		EXTRA-UE		ITALY		NON-UE		EXTRA-UE	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Managers and middle-managers												
< 30 years	1	0	0	0	0	0	0	0	0	0	1	0
30 ≤ x ≤ 50	19	11	1	4	6	4	23	9	1	4	4	8
> 50 years	5	5	0	0	0	0	4	6	0	0	0	0
White-collar												
< 30 years	40	62	20	20	33	63	49	68	21	21	45	91
30 ≤ x ≤ 50	94	168	39	69	65	162	109	187	39	75	86	227
> 50 years	7	17	2	15	11	47	8	21	2	13	13	54
Sales												
< 30 years	2	9	19	19	23	46	8	6	20	21	37	71
30 ≤ x ≤ 50	10	25	39	67	48	143	13	29	39	74	61	189
> 50 years	0	1	2	15	7	40	0	2	2	13	8	44
Blue-collar												
< 30 years	71	48	0	0	0	0	61	42	0	0	0	0
30 ≤ x ≤ 50	72	156	0	0	0	0	84	155	0	0	0	0
> 50 years	26	110	0	0	0	0	27	112	0	0	0	0

3.2 SKILL DEVELOPMENT AND ENHANCEMENT

Each employee within the Group represents a “thinking soul”, someone who makes available and shares his or her human and creative qualities and experience, consistent with a feeling of collective responsibility towards the business, the brand and the product.

Respect, equality and valuation of merit are fundamental values for the Group which makes use of several initiatives to attract highly professionally skilled people and retain them, reducing the turnover rate as much as possible.

More specifically, the Company participates in the orientation days arranged by various Italian universities and often provides young new graduates the opportunity to gain work experience in the Company by way of internships (which frequently become employment contracts). The Company also collaborates with a number of high schools in Umbria in order to offer young students the opportunity of experiencing alternating periods of school and work.

As regards the training of sales personnel, induction courses are provided among other things during which new sales staff can visit the Company’s headquarters, the hamlet of Solomeo, Perugia and other neighboring places so that they can make personal contact with the Company’s philosophy, whose tradition and the Umbrian territory represent the important cultural and social substratum. The purpose of this path is to provide sales personnel with the tools required to make an appropriate presentation of the Brunello Cucinelli brand and all it represents to the end customer.



Moments of training and professional updating are also scheduled for the other employees; a more intense form of training is given as part of the apprenticeship contract scheme which regards the young, who work alongside experts in the field.

The Group provides a prospect of stability for its employees: the evidence for this can be seen in the high percentage of employees who are hired under an permanent contract. With specific reference to the Company in 2016-2017, the employment relationship was converted to an permanent contract at the end of the apprenticeship term in 285 out of 296 cases (representing a conversion rate of 96.3%), confirming the importance of training along the personnel professional development path.

In addition merit is encouraged by means of programs that foster professional development; employees are subject to performance appraisals on a regular basis that effectively take into account criteria of a qualitative nature. Career advances are then established on the basis of these appraisals.

The Company has long awarded a “responsibility” prize to its employees, the amount of which is determined in the same way for everyone, regardless of their level. A significant increase in the worth of the prize was made in 2017.

It is then worth noting that at its meeting on 13rd December 2013 the parent company’s Board of Directors approved the guidelines of a program, the “Generation Pact”, 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. This program sets itself the objective of training young, prepared and highly motivated youngsters, additionally achieving the goal of preserving the business’s know-how and obtaining continuity in the way the Company is managed. The program provides that each of the Company’s employees who is in charge of an office should take part in training initiatives and tutoring programs involving the employees of their office, amongst whom they select a person (for ease of reference the “second head”) who due to his or her training, skills, technical abilities, etc. can take over the office. A person can only become a second head after a three-year trial period, during which this person must demonstrate his or her abilities and attitude to take over as office head, the role which it is intended to assign to this person in the future when the turnover with the current head becomes operative. The designation of the young employee as second head does not guarantee that he or she will be appointed. The program envisages that a person may take over from the head of an office when the current head reaches 60 years of age; at that point, the former head continues to work alongside the new head as an expert advisor.



The following table sets out the Group's new employee hires and leavers by gender and geographical area³.

Table 6: GRI 401-1 New employee hires and employee turnover

New employee hires and leavers by age ⁴	2016					
	Men			Women		
	Italy	Rest of Europe	Non-EU	Italy	Rest of Europe	Non-EU
New employee hires						
< 30 years	12	12	16	30	11	30
	1%	7%	4%	3%	6%	8%
30 ≤ x ≤ 50	15	10	26	18	12	54
	2%	6%	7%	2%	7%	14%
> 50 years	0	0	1	7	4	16
	0%	0%	0%	1%	2%	4%
Total	27	22	43	55	27	100
	3%	13%	11%	6%	16%	26%
Leavers						
< 30 years	1	3	22	4	8	29
	0%	2%	6%	0%	5%	7%
30 ≤ x ≤ 50	10	3	27	10	13	35
	1%	2%	7%	1%	8%	9%
> 50 years	3	0	4	8	1	17
	0%	0%	1%	1%	1%	4%
Total	14	6	53	22	22	81
	8%	4%	31%	13%	13%	48%

³ 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.

⁴ The starting and leaving rates for each geographical area are calculated as a percentage of the population by area at 31st December.

**Table 7: GRI 401-1 New employee hires and employee turnover**

New employee hires and leavers by age	2017					
	Men			Women		
	Italy	Rest of Europe	Non-EU	Italy	Rest of Europe	Non-EU
New employee hires						
< 30 years	13	9	35	35	12	58
	1%	5%	9%	4%	7%	15%
30 ≤ x ≤ 50	20	9	35	11	15	80
	2%	5%	9%	1%	9%	20%
> 50 years	2	0	6	0	0	19
	0%	0%	2%	0%	0%	5%
Total	35	18	76	46	27	157
	4%	11%	19%	5%	16%	40%
Leavers						
< 30 years	5	5	16	4	3	18
	1%	3%	4%	0%	2%	5%
30 ≤ x ≤ 50	6	11	25	9	11	36
	1%	6%	6%	1%	6%	9%
> 50 years	1	0	5	8	1	13
	0%	0%	1%	1%	1%	3%
Total	12	16	46	21	15	67
	7%	9%	27%	12%	9%	39%

The table indicates a high starting rate for both 2016 and 2017 (274 and 359 new-hires respectively), in line with the growth trend experienced over the past few years; in this respect there was a significant number of hirings in the under 30 age band.

Conversely a total of 177 employees left in 2017, a decrease over the 198 leavers in 2016.

3.3 WELLBEING AND RESPECT FOR PEOPLE

Alongside the recognition given to merit and the development of skills there are two values that underlie the Group's human resource management policy, namely wellbeing and respect for people.

The business has a strong belief that the diversity of its employees in terms of gender, culture and professional background represents an irreplaceable source of enrichment and mutual stimulation for its resources. The Group takes steps to combat all forms of discrimination in the workplace, giving equal opportunities to all its employees. In this respect it is noted that over the past two years no case of discrimination has been reported.



The heterogeneity of the composition of the Company's personnel is further fostered by the fact that the Group operates at an international level. Employees of 47 different nationalities work for the Group.

The Company's policy in terms of personnel management is driven by the conviction that in order to foster people's wellbeing and as a consequence obtain a high level of productivity from them it is essential to ensure that there is the right balance between the time spent at work and the time dedicated to private life. Working hours at the Solomeo site are from 8.00 am to 5.30 pm with an hour and a half lunch break which enables employees living in the neighborhood to spend the time with their families, thereby renewing a tradition much-felt locally. The Company discourages employees from working when it is officially closed and recommends them not to send emails relating to work in their free time.

Worthy of note among the initiatives designed to increase a sense of belonging to the Group are the Company's assemblies arranged at least four times a year when employees are updated on business performance by the Chairman and CEO himself.

An important initiative taken on by the Company for its people is the "*So that culture may bloom*" program, whose aim is to enhance and promote the time dedicated to cultural and recreational activities, these being the natural and indispensable completion of professional life. The project provides for the establishment of an annual budget thanks to which every employee can buy books and tickets for shows, attend training courses, etc..

The initiatives envisaged for employees benefit those hired on a full-time basis and (proportionately) those who work part-time.

In line with its objective of fostering and guaranteeing the dignity and wellbeing of its people, the Group places emphasis on ensuring that not only does the working environment comply with the health and safety standards imposed at a legislative level but that it also provides a high level of comfort.

Particular care is dedicated to the aesthetics of both internal and external spaces.

The workshops and offices at the Solomeo site are surrounded by a park having an area of over 60,000 m² (see also Chapter 4, paragraph 4.1.2); employees can exploit these large and carefully looked-after green spaces during their lunch break and immerse themselves in this natural environment, relax by strolling along the tree-lined avenues and enjoy the special atmosphere that the rose garden and orchard provide.

3.4 ATTENTION TO THE HEALTH AND SAFETY OF PEOPLE

The Brunello Cucinelli Group complies with health and safety in the workplace legislation (and in particular with Legislative Decree no. 81/2008).

All employees are guaranteed suitable training and information on the proper use of the devices and equipment that are made available to them.

Worthy of note is the fact that in conjunction with the universities of Bologna and Florence in 2015 the Company carried out the "Ergonomy Project" with the aim of identifying controls to be introduced at each of the Company's sites to increase the level of health and comfort of certain jobs which according to the literature are more highly exposed to developing occupational diseases.



This study, carried out in a preventative manner (given that no occupational diseases have occurred in the Company to date), led to the adoption of additional precautions for those jobs, such as for example the purchase of more highly ergonomic chairs and the improvement of work stations so that they may be adapted to each person's needs.

In addition, in 2017 the Inter-University Pollution and Environment Research Centre in Perugia (the CIRIAF) performed a study of the internal micro-climate and wellbeing conditions of the Company's working environments, concluding that these provide excellent conditions of comfort and comply with the objectives set by current legislation and that workers have a very positive perception of their working environment.

Particular attention is given to employees who work in the laundry department where perchloroethylene is used, a solvent which could lead to negative effects on the environment and workers' health if not handled properly. For this reason, in addition to the constant monitoring and control carried out on the use of the solvent both upstream and downstream all employees involved in the dry cleaning process are provided with special protective clothing and undergo regular tests.

The main performance indicators for employee health and safety are set out below, including the injury rate, the severity rate, the occupational disease rate and the absentee rate.

Table 8: GRI 403-2 Health and safety indicators

	2016					
	Italy		Europe		Non-EU	
	Men	Women	Men	Women	Men	Women
All employees						
Number of workplace injuries	2	2	1	3	0	0
Injuries en route to and from the workplace	3	6	1	2	0	0
Total number of work-related fatalities	0	0	0	0	0	0
Injury rate	0.003	0.002	0.009	0.015	0.000	0.000
Occupational disease rate	0	0	0	0	0	0
Severity rate	0.20	0.03	0.03	0.21	0.00	0.00
Absentee rate	0.02	0.03	0.01	0.04	0.01	0.01
	2017					
	Italy		Europe		Non-EU	
	Men	Women	Men	Women	Men	Women
All employees						
Number of workplace injuries	2	4	2	3	0	0
Injuries en route to and from the workplace	2	3	2	1	0	0
Total number of work-related fatalities	0	0	0	0	0	0
Injury rate	0.003	0.004	0.019	0.015	0.000	0.000
Occupational disease rate	0	0	0	0	0	0
Severity rate	0.12	0.05	0.87	0.41	0.00	0.00
Absentee rate	0.03	0.04	0.02	0.04	0.01	0.02



The number of injuries recorded during the years in question is at an extremely low level (and more often relate to injuries en route to and from the workplace), due also to the precautions and controls adopted by the Company and more generally to the attention placed on safety in the work environment.

In addition it should be emphasized that the absentee rate is extremely contained and that there have been no cases of occupational disease.

The Group is equally attentive to the need for its *façonisti* to comply with health and safety legislation, and all parties operating in the name of and/or on behalf of the Company are required to perform their activities in accordance with procedures designed to guarantee health and safety in the workplace (reference should be made to Chapter 5, paragraph 5.3 for further details).

4. THE PROMOTION OF CULTURE

4.1 THE PRESERVATION OF UMBRIAN AND ITALIAN CULTURE

The Company's reality and image express values rooted in the Umbrian territory.

The landscape consisting of hills, hamlets, castles and medieval churches, the attention given to keeping a natural rhythm in work and life and the preservation of traditions are all elements making up the identity of the humanistic company of Solomeo.

4.1.1 THE RESTAURATION AND NEW LIFE OF THE HAMLET

The history of the business is inextricably linked to that of the hamlet of Solomeo.

In 1985, seven years after producing its first collection, the Company took steps to acquire the first spaces in the fourteenth century hamlet of Solomeo in order to establish its headquarters there. After two years' work the Company settled in the spaces that had been restored through the intervention of local craftsmen using materials obtained from the surrounding area. Immediately afterwards the work to restore the hamlet continued in parallel with the growth of the Group's activities and was completed in 1999.



Solomeo, Piazza della Pace



From the start the Company's main intention was to restructure rather than build as new, with the aim of preserving local values. All the restoration work was performed by keeping the original shapes and proportions, taking into account the "genius loci" and equipping the premises with modern infrastructure to encourage its development over time. In this way Solomeo rediscovered its old production vocation; the objective was to realize a form of harmonic cohesion between working life and private life inside the hamlet in order to integrate the economic hub of the business with the human presence. In this sense a synthesis has been achieved between profit and humanity, tradition and evolution, the local economy and the global economy.

The work involved in restoring and enhancing Solomeo was completed by means of the next steps taken by the Company, which restructured additional buildings in the hamlet and built the Cucinelli Theatre (opened on 3rd September 2008) from scratch to create what is now called the "Forum of the Arts".

Subsequently, in 2010, the Brunello and Federica Cucinelli Foundation was set up, continuing the activity that had been performed up until then by the Company, providing financial support to the scheduling of an intense theatrical and musical season and organizing a highly appreciated summer music festival.

The Foundation is a non-profit body separate from the Company and the Brunello Cucinelli Group which has the scope of fostering solidarity and social utility in culture and the arts as well as in education, teaching and the enhancement of the cultural heritage and activities and the environmental heritage; its objective is to support all initiatives that enhance the value of knowledge, the protection of the territory and monuments, the values of tradition and the spiritual and everyday values of man.



Cucinelli Theatre and Forum of the Arts

4.1.2 THE NEW SITE: PLEASANT PERIPHERY AND ENVIRONMENTAL IMPACT

The features of the Company's expansion outside the borders of the ancient hamlet respond to the very same philosophy that has accompanied the business from the first moment it settled in Solomeo: the concept of "pleasant periphery" amplifies the terms at stake in the restructuring of the hamlet, as expressed on several occasions in the Company's communications and the speeches made by its founder Brunello Cucinelli (who has been awarded the Order of Merit for Labor). The main objective is to maintain a basic continuity with the more noble values in the context, in this case the Umbrian countryside.

Since the first decade of this century the Company's growth has led to the need for new spaces for production and offices. Consistent with the project that has involved the fourteenth century hamlet, an existing industrial plant was bought at the foot of the hill on which Solomeo is situated. The building was radically restructured with the use of local materials and labor, with careful attention being given to color, consistency with the surrounding environment and the deployment of large glass windows having the objective of creating luminous environments with wide-ranging views of the outside world.

Starting in 2013 the Company has increased its spaces with two new pavilions being built in structural and aesthetic continuity with the first one.

The new horseshoe-shaped structure now surrounds a central garden, inspired by the historical concept of "*hortus conclusus*".



Central garden



In addition, at the end of 2016 a new pavilion was opened which was designed to support the development of the digital world in view of the start-up of direct management of the online boutique, with the desire to make the Company's presence in the digital world of an increasingly exclusive and "artisan-based" nature.

The large windows on all sides of the pavilions enable employees to cast a glance on a cared-for natural environment at any moment they choose. All the Company's buildings are today surrounded by a park which fits harmoniously into the countryside (see below).

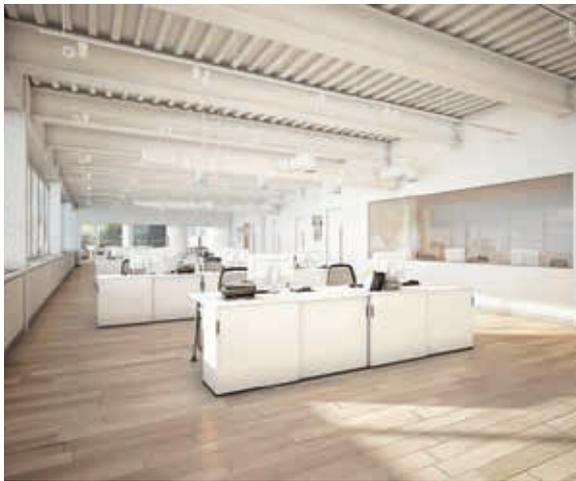
In this case too the projects supported by the Brunello and Federica Cucinelli Foundation should be added to the initiatives fostered by the Company. More specifically, the "Project for Beauty" was initiated in 2014, completing the enhancement of the industrial periphery of the hamlet of Solomeo through the creation of three recreational, sports and agronomic parks, thereby contributing to Solomeo's working and private life: the "Industrial Park" which borders that of the Company, the "Agrarian Park" and the "Secular Oratory Park". Further details of these can be found at: <http://www.brunellocucinelli.com/it/beauty-project.html>.



New e-commerce pavilion



The same care and attention given to the workplaces of the Company's headquarters have also been dedicated in realizing those of its subsidiaries. In particular, the new administrative and logistical headquarters of the American subsidiaries situated in Ardsley, NY were opened in September 2017 while the restructuring work on the factory of the production company Pinturicchio S.r.l., in Avenza, Carrara continued in 2017; in this respect the intervention involved the creation of a company restaurant, the restructuring of production spaces and the reworking of the surrounding green area.



Ardsley – NY



Avenza, Carrara



4.1.3 THE SOLOMEO SCHOOL OF ARTS AND CRAFTS AND PROSPECTS FOR THE FUTURE

The restoration work and the hamlet's new life culminated in the foundation of the Solomeo School of Arts and Crafts in 2013.

The objective of the school is to provide training of a high human and technical quality to young students wishing to learn the basic arts of fashion.

The ethical context has special importance for the business's philosophy: its aim is to return a proper value to the passion and dignity of work, especially that of a manual nature, to young people. From a broader standpoint, therefore, with the opening of the school the Company wanted to contribute to the preservation of the artisan tradition related to clothing, one of the excellences of Italian manufacturing.

The school provides different courses, organized by the Company and held in the ancient hamlet: mending and darning for the knitting discipline, cutting and assembly for the creation of fabric clothing and finally tailoring for the creation of menswear.

Inspired by the ancient renaissance boutiques where young pupils were assisted by expert masters, the courses are attended by no more than six students at a time who are followed by "special teachers": the masters are in fact the craftsmen of the Company itself (and in some cases retired former employees) who make their experience and passion available for assisting students in learning the various crafts. All students receive a monthly grant and at the end of the course are free to continue with their training or capitalize on the know-how they have acquired in the working environment.

The school has introduced courses for various other activities including masonry, fostered and supported by the Brunello and Federica Cucinelli Foundation.

Further details may be found on the website <http://www.brunellocucinelli.com/it/solomeo-school.html>.



Solomeo School of Arts and Crafts

4.2 ACTIVITIES IN SUPPORT OF THE LOCAL AREA

4.2.1 “SUPPLY CHAIN PROGRAM”

The “supply chain program” was set up in 2015 as an initiative developed in conjunction with a leading Italian bank and dedicated to small and medium businesses working on the Company’s behalf as suppliers or *façonisti*.

As project leader the Company has the possibility of adding to the bank’s assessment of the creditworthiness of its suppliers/ *façonisti* by providing information of a business nature, thus enabling its partners to be provided with more highly customized services and more advantageous economic conditions than the average to be found on the market.

The final objective of this program is to facilitate the launch and development of Made in Italy production in the relevant sector and enable businesses to obtain flexible support for their operating needs, banking services and credit requirements.

4.2.2 RESTORATION ACTIVITY IN THE LOCAL AREA

The Company displays a constant interest in supporting local cultural activities and the action taken by local voluntary associations.

Worthy of specific mention is the intervention project in support of the village of Norcia. Following the earthquake that hit the village in October 2016, the Company, together with its employees and the many friends (including



The central square of Norcia from right to left: St. Benedict’s Basilica, the adjacent Monastery and the Civic Tower of the Municipality Building



important foreign businessmen) of Mr. Cucinelli, immediately got into action and provided their support for the restoration of the damaged buildings, including the very beautiful Civic Tower, the secular symbol of the Municipality of Norcia. The Brunello and Federica Cucinelli Foundation also took part in this initiative.

Mr. Cucinelli has always emphasized a special spiritual and cultural link with this magnificent medieval hamlet which he often refers to as “the city of the soul”.

We are waiting for the technical time needed to pass before the Civic Tower can be restored, a monument that forms part of the municipal palace and central square complex of the medieval hamlet.

4.3 PHILANTHROPIC ACTIVITY

The Company has always been involved in a wide variety of activities of a philanthropic nature.

Especially significant among these was the initiative in support of Malawi. In 2008 the Cucinelli Group signed a Memorandum of Understanding with the Region of Umbria, the Archdiocese of Perugia-Città della Pieve and “Friends of Malawi”, a non-profit voluntary association, for the restructuring of a hospital building in Pirimiti in the Zomba district. The SOLOMEO RURAL HOSPITAL complex was opened on 28th April 2011 and since that date all the signatories to the agreement have been involved in providing assistance, maintenance, supplies and employee training for the hospital. Previously the construction of a nursery building adjacent to the hospital was also carried out.

Since 2011, the year before the Company was listed on the stock exchange, the Brunello and Federica Cucinelli Foundation has been in charge of these activities with the commitment to continue with the work that has been started, consolidating and fostering the values that have always inspired the Company in all of its activities.

At the same time the Company and its subsidiaries have continued to perform charitable works. These regard intervention having a marginal effect on the consolidated financial statements (Euro 776 thousand in 2016, equivalent to 0.17% of consolidated turnover, and Euro 756 thousand in 2017, equivalent to 0.15% of consolidated turnover) which should be added to that of a more sizable nature carried out by the Foundation.

4.4 COMMUNICATION OF THE CULTURAL IDENTITY

Over the years the Company’s image has developed and elaborated the forms and messages of communication in line with the values which have been perceived as belonging to its very nature and identity right from the start; immaterial values which include ethical and aesthetic themes besides items specifically connected with Umbrian and Italian culture. This approach, a constituent element of the “humanistic company”, has put the commercial character of the brand and the presence of the product into the background, if not excluding them altogether, in order to concentrate on a level of communication which is felt as being “higher” and includes universal themes and specifically local communicative elements.

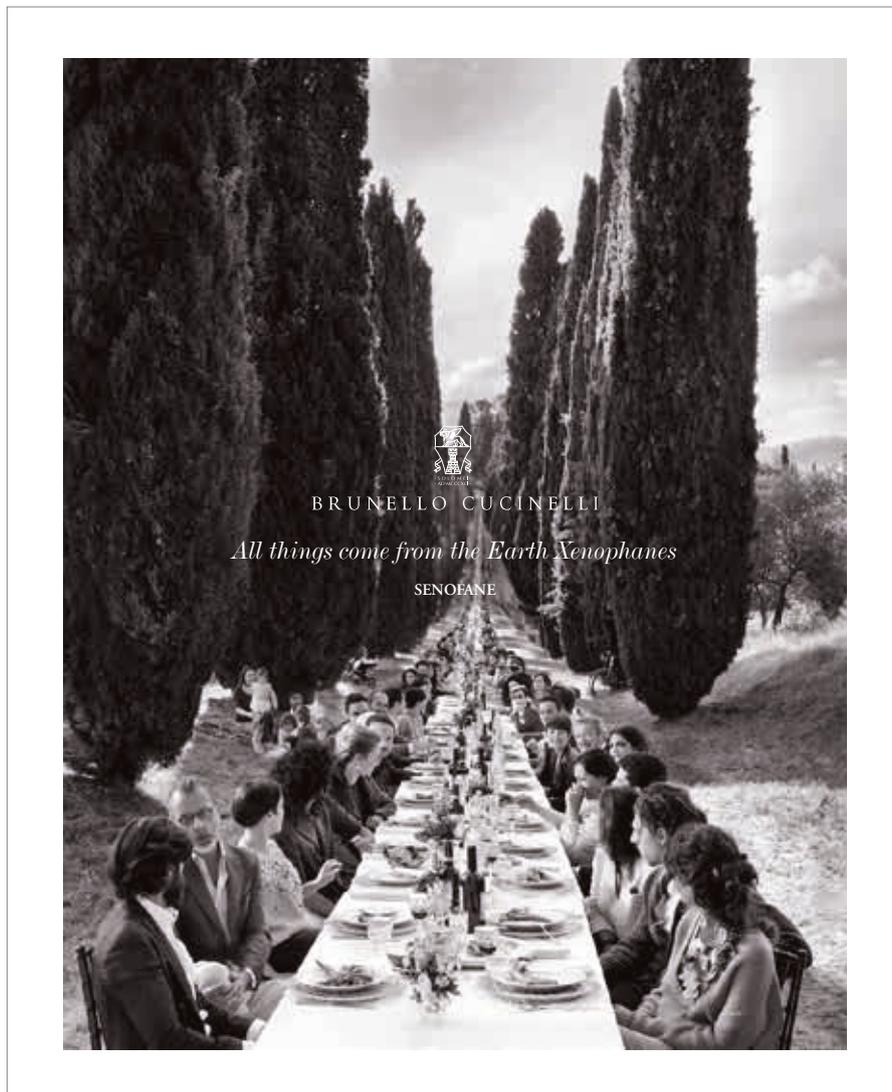
From the campaign images to the furnishing and aesthetics of the boutique, from the contents of the website to the direct relationship with customers, all forms of the Company’s communications are characterized by the very same spirit of the sharing of immaterial values.



4.4.1 BUSINESS VALUES THROUGH THE USE OF CAMPAIGN IMAGES AND CATALOGUES

The campaign image acts as one of the main vehicles for the business's identity and thought. Disseminated globally and renewed with the coming and going of the seasons, the images selected and produced by the Company have always emphasized the importance of universal values, amplified by natural scenarios or focused on significant settings of Umbrian and Italian culture.

The themes dealt with by the images reflect the main values which the Company supports: the importance of ideals as a form of union and universal brotherhood, culture as artistic legacy, tradition as a form of knowledge handed down by our fathers.





One special theme which on several occasions has acted as the subject of campaigns over the years is the respect for nature and the earth as a place to be cared for and nourished. The basic idea, supported by images, press releases and interviews given by Mr. Brunello Cucinelli, is that of the “custody of the Created” as a common objective, designed to leave as a legacy a world that is more beautiful than when we received it.



In addition to the campaign images of particular importance are the institutional catalogs, distributed throughout the world as an official publication of the seasonal fashion collections.

Opening the sections dedicated to fashion, the introductory pages deal with cultural, historical or ethical matters. Over the seasons subjects such as the following have been discussed: the tradition of the mediaval tradition of Saint Ubaldo Day in Gubbio *the Two Worlds Festival* in Spoleto, St. Peter's Abbey in Valle, the University for Foreigners in Perugia, Assisi, Spello, the ecumenical vision of Federico II, Mediterranean culture and the value of safekeeping Umbrian culture following the 2016 earthquake.



BRUNELLO CUCINELLI

We love Codices, the ancient messengers of Art and Culture.

Illuminated page from "Pantheon" by Godfrey of Viterbo, Italy, 1331



4.4.2 THE IMAGE AND CULTURE OF SOLOMEO THROUGH THE COMPANY'S BOUTIQUES

The presence of boutiques in the leading capitals and resort destinations represents a means of channeling the Company's messages.

The concept of the boutiques reflects the business's main aesthetic and ethical values: convivial furnishing of the environments and materials that are natural and of the same tonalities that characterize the business in the natural context of the Umbrian countryside. The aim is to provide a relaxed and confidential atmosphere through these environments in order to concentrate attention not only on the collections but also on Italian lifestyle and culture – in particular on the variation realized in Solomeo, where the safekeeping of nature and the value of “human” time are fundamental aspects.





In exactly the same way as for the collections all the furnishing is conceived and designed in Solomeo and accordingly responds to a philosophy of attributing value to natural elements and an approach dedicated to the quality of time. Where possible, for example, the furniture in the directly operated monobrand stores and in certain multibrand boutiques is produced by the same Umbrian companies that work with the Company in creating the furnishing.



“Italian Cuisine” shop window,
Monte Napoleone, Milan

The lay-out of the shop windows, a commercial presentation channel par excellence in the world's leading fashion streets, is an important tool for channeling the Company's ethical themes. In particular the characteristic feature of the windows is the constant presence of natural materials, created and designed in Solomeo and mostly produced in Umbria. Over the seasons the shop-windows have mainly been inspired by three themes that are fundamental for the Company: the value of nature, Italian lifestyle and the cultural and literary world.



“Christmas Crib” shop window,
inspired by the tradition of cribs



Series dedicated to the 2015 Milan expo
(theme “Feeding the Plant, Energy for Life!”) and nature



“Windmills” shop window,
after the work of Miguel de Cervantes



4.4.3 THE COMPANY'S PHILOSOPHY AND IDENTITY VIA THE WEB

By means of the web the Company has molded a distinctive form of digital presence which respects the very same identity canons of the “humanistic company”, detailed in accordance with forms of innovative and modern fruition. The heritage, the philosophy and the business culture linked to the brand and Italian lifestyle are the cornerstone for any development and publication on the Company’s website.



The main feature of the Company's website is that access is gained through one single portal having two separate sections: "Philosophy", corresponding to the corporate site, and "Boutique", corresponding to the e-commerce site. The part of the site dedicated to philosophy has been set up to relate the story of the business and spread its ideals: humanistic capitalism, the moral and economic dignity of work, the quality of an artisanal product and the link with the local area. In particular, one whole section of the site that goes under the name of "Thoughts on the Contemporary World" is dedicated to elaborations on current themes that are important for the business's culture.

THOUGHTS ON THE CONTEMPORARY WORLD



2017 "Address to My Worthy Masters of Labour"



2017, "Toward the Universalism of Man"
Lectio held for the Global Economy Prize
at the Kiel Institute for the World Economy



2017, "A Capitalism of Man for Man"
An Edifying Letter for Young People all Over the World
TEDx Padua



2016, Humanist Artisans of the Web

<http://www.brunellocucinelli.com/en/home.html>

The Company's presence and approach on the web - in terms of both philosophy and e-commerce - are reflected in the ideal figure of the "Humanistic Artisans of the Web", described in the short publication of the same name that represents a sort of "manifesto" for transposing the care, quality and grace that distinguish the brand into the digital world. The significant continuity that links the product to the Company's philosophy is therefore also expressed through the digital world, where the concept of "protection" has greater importance than that of "promotion". Its potential based on the dissemination permitted by the internet does not affect the criteria adopted to define the brand's image, which remain based on a form of communication that is driven by business values and the perception of the product's exclusivity.



4.5 CUSTOMER RELATIONS

The Company's relations with its customers are inspired by principles of respect and discretion.

The approach that is followed derives from the scale of values inherent in the Company's philosophy which places the utmost emphasis on respect for private time – of employees as well as of customers – and care for the quality of life. Contacts, via post, telephone or the internet, are therefore extremely limited as it is preferred to establish a relationship of trust based on the interest directly shown by customers.

As a natural complement to this discreet approach an invitation is sent to our most loyal customers to spend a short stay in Umbria where they have the possibility of personally visiting the Company as well as the cultural centers in the area - including Perugia, Assisi and Spello – which have a special connection with the history of the business. In this way customers are invited to discover the culture and traditions of the local area that becomes a complementary part of the Brunello Cucinelli brand.



5. THE RESPONSIBLE MANAGEMENT OF THE PRODUCTION AND PROVISIONING PROCESS

5.1 A FEW WORDS ON THE PRODUCTION PROCESS

The production of “Brunello Cucinelli” clothes and accessories is a complicated process which can be broken down into various stages and involves a whole variety of people both inside and outside the Group.

The product strategies and communications activities are closely connected, thus being consistent with the brand’s image and the Brunello Cucinelli style.

Conception of the collections

The process starts with an analysis of the market and a search for new trends, carried out by the men’s and women’s styling office.

The styling office team visits the leading international localities of the fashion world, taking part in fashion and textile sector fairs with the aim of understanding and anticipating new trends as well as market demands.

The creative process subsequently gets under way, preceded by discussions which see the involvement of all the members of the creation team who determine and agree the stylistic guidelines of the collection.

The styling office prepares a draft of the designs to be used for producing the items of apparel and accessories for the collection. At the same time the materials are selected (yarns, fabrics, hides) as well as the various shades of color. In particular, thanks to a long relationship of loyalty and trust, the Company works closely with its suppliers in the constant search for materials, if possible innovative, to be used in producing its clothes and accessories.

Making the prototype

Once approved by the styling office the models created are passed to the Company’s product development department (or prototype department) which, in close collaboration with the styling office, prepares the prototypes.

Prototypes are prepared at the Company and only to a marginal extent, for certain specific products, at a limited number of craft workshops of proven experience and trust.

The prototype development department consists of a team of highly specialized master craftsmen and technicians (more than 100, for the most part women) who in real time translate the ideas of the styling office into prototypes; the styling office is therefore able to immediately assess the value of each idea, not just the design, and modify it, validate it or possibly cancel it.

The set of prototypes validated by the styling office constitutes the basis for the development of collection samples.



Prototype department

Raw materials provisioning and production

At the same time that the collection and the sales campaign are presented the provisioning of top quality raw materials (mainly yarns, fabrics and hides) begins at companies of proven reliability (almost exclusively Italian), following which production starts.

For the direct stages production is passed to the *façonisti* who work with the Company: these are top quality small and medium artisanal firms and workshops, all Italian and prevalently concentrated in Umbria, which in December 2017 employed a total of around 4,200 staff. The Company provides active and continuous support to these workshops, with whom relations have been established that are based on mutual appreciation and respect.

Rigorous and constant quality controls are carried out along the whole of the value chain. The Company's personnel perform careful controls of the processing stages of all Brunello Cucinelli items of clothing passed to the specialized workshops to ensure the quality of the semi-finished item as it progresses and finally the finished product itself.

More specifically, for knitted items, which represent approximately 23%⁵ of production, the semi-finished goods return to the Company at the end of each of the various processing stages (which can reach as many as eight) to undergo, one by one, scrupulous quality controls carried out by specialized staff. At the end of each single intermediate control the semi-finished product is returned to the *façonista* who then moves on to the next stage of production. Knitted garments are subjected to a “fulling” treatment, an extremely important and delicate step performed exclusively in the Company itself and consisting of bestowing the item with the highest degree of softness and compactness.

⁵ The figure refers to 2017.



Distribution

Following completion of the production process the products complying with the Company's quality standards go through the final packing process procedures and are then distributed to customers by carriers engaged on the basis of commercial agreements with these customers.

In this respect it is worth noting that the Company complies with the highest safety standards (and requires the whole chain to do the same) to protect the people directly involved in the processes and to achieve a more efficient delivery, with savings of time and costs. Thanks to these safety standards the Company has been awarded the "Recognized Dispatcher" qualification by ENAC (the National Civil Aviation Authority) and accordingly uses exclusively carriers accredited as "Regulated Agents" or in any case those who work in compliance with ENAC regulations.

With specific regard to the provisioning and production process, the Group has always put the greatest emphasis on ensuring respect of human rights and workers' rights, not only in the Company itself but also all along the supply chain. More specifically, the Company concentrates its attention mainly on its *façonisti*, with whom it has long-standing relations based on mutual trust, and its raw materials suppliers; everyone is required to comply with current legislation as well as abide by top quality standards.

Although it has no specific policies for selecting and assessing suppliers in relation to social matters, the Company sets out rules of conduct in its Code of Ethics which must be followed by its suppliers and external collaborators, who in addition to the need for professionalism and reliability are required to agree to and preserve the principles expressed in the Code in order to foster the development of a long-term relationship.

The Code of Ethics is the document that sanctifies the founding and inspirational values of the Group's activity, among which an essential role is performed by the centrality of the human being and the importance of interpersonal relationships, constantly characterized by legality, honesty, transparency, propriety and good faith. In addition, the Code of Ethics states that "*suppliers, consultants, façonisti, agents and business procurers are selected in accordance with procedures that comply with applicable law and are constantly based on transparency, competitiveness and efficiency*". In addition, in this respect managers and heads of business functions who participate in these processes are recommended to monitor compliance with labor legislation, including laws and regulations on child labor and worker health and safety.

The following paragraphs describe the practices adopted by the Company for managing the raw materials supply process and relations with *façonisti*.



5.2 THE MATERIALS USED IN THE PRODUCTION PROCESS

For the realization of the finished product the Group procures the following types of material:

- materials for producing products;
- materials for packing products;
- materials for the laundry department.

To these are added consumables used in operations by the production and logistics departments and those for office activities.

In 2017 total spending for procuring raw, ancillary and consumable materials amounted to Euro 82.6 million; spending on procurement from Italian suppliers represented 95.5% of the total.

Table 9: GRI 204-1 Proportion of spending on local suppliers

Spending on raw, ancillary and consumable materials by geographical area (purchased by the Company)	2016 €	2017 €
Italia	75,603 thousand	78,858 thousand
of which Umbria	8,568 thousand	9,770 thousand
Other EU countries	2,534 thousand	2,778 thousand
Non-EU countries	398 thousand	957 thousand
Sub-total	78,535 thousand	82,593 thousand
of which:		
- Raw materials and merchandising	75,016 thousand	79,181 thousand
- Other consumable materials	3,519 thousand	3,412 thousand
Raw materials purchased by the Company	78,535 thousand	82,593 thousand
Raw materials purchased by other Group companies	3,268 thousand	4,618 thousand
Total Group purchases	81,803 thousand	87,211 thousand

5.2.1 RAW MATERIALS FOR MAKING THE PRODUCT

The Company's priority is to provide the end customer with a top quality crafted product made from the finest, suitably selected raw materials.

In manufacturing its products the Company deploys yarns (mainly cashmere), fabrics and hides. Cashmere, the Group's iconic raw material, selected from the finest quality items coming from Mongolia and China, is spun and woven by leading Italian businesses in the sector. On purchase the raw materials are quality tested in the Company and only afterwards sent to *façonisti* for production.

In addition to being performed on machinery and technical instruments, quality controls also systemically involve a wearability test. In this way it is possible to immediately check the aesthetic result of each single prototype and the success of the materials employed, then proceeding if necessary to the "no-defect" test, meaning the stage at which the imperfections in the prototype are eliminated.



The following table sets out the types and quantities of the principal raw materials purchased in 2016 and 2017.

Table 10: GRI 301-1 Materials used

Raw material	Unit of measurement	Quantity	
		2016	2017
Yarns (of which cashmere)	Kg	131,000 (39.5% in Kg 61.4% in €)	133,860 (38.3% in Kg 62% in €)
Hides	m	181,000, of which 2.3% CITES	194,200, of which 2.4% CITES
Fabrics	m	1,818,000	2,019,600

The Company generally buys its raw materials 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 prize hides supplied by a Spanish producer.

A high percentage of the suppliers from whom raw materials are purchased have long established relationships with the Company and represent a fundamental reference point in the value chain as well as a guarantee in terms of reliability and quality.

The Company places emphasis on national and international legislation on the provisioning, importation and exportation of raw materials and specifically those coming from endangered animal species (see for example the 1973 Washington Convention also known as the “CITES Convention”).

For the procurement of the goose feathers⁶ used in producing duvets the Company obtains its supplies from an Italian vendor who certifies that the feathers have undergone a sanitary treatment and represents that he does not buy from breeders practicing “depluming” (a technique that causes unnecessary suffering to the bird) but rather from Italian breeders who for generations have been breeding geese for alimentary purposes and guarantee that they avoid any form of maltreatment.

5.2.2 PACKAGING

In terms of the packaging of products a distinction should be made between: 1) the stage at which the semi-finished material/product is transported from the Solomeo site to the workshops of the *façonisti* and back during the processing and quality control phases (which, as said, is carried out continuously during the entire production process) and 2) the stage at which the finished product ready for shipping (to dealers and retail customers) is packed.

At the first stage the semi-finished material/product is put into protective plastic bags and then placed in cardboard boxes that are re-used several times until depletion. Alternative solutions having a lower environmental impact are being assessed.

At the second stage, when the finished product is packed, cardboard and occasionally fabric containers are used which can then be re-used by retail customers and are provided to obtain better storage of certain specific products such as for example shoes, bags and accessories.

⁶ Feathers are not a raw material of particular importance for the Company.



The following table provides numerical information on the materials purchased for packaging.

Table 11: GRI 301-1 Materials used

Raw material	Quantity (kg)	
	2016	2017
Paper/cardboard (renewable)	670 t of which 148 t is recycled paper and 50 t is FSC certified	657 t of which 179 t is recycled paper and 83 t is FSC certified
Plastic (not renewable)	88 t	75 t

In respect of the materials stated in the above table it should be pointed out that the paper and cardboard purchased by the Company is not only used to package the end product but also in certain stages of production, at least in part. Moreover, the above quantities include the cardboard containers purchased directly by the Company for subsequent dispatch to the Group's monobrand stores to be found throughout the world.

5.2.3 OTHER MATERIALS

Product fulling is the only production process which is carried out entirely at the Solomeo site (see also paragraph 5.1). This is an extremely important and delicate step given the high quality level of the materials used in making the product.

The following table sets out the materials employed during this phase.

Table 12: GRI 301-1 Materials used

Material used (Laundry)	Quantity (kg)	
	2016	2017
Neutral soap	1,200	800
Softener	6,620	6,360
Antifoam	280	90
Perchloro	825	880
Detergent in powder	380	480

In 2017 the Company used 33,656 kg. of paper (other than for packaging), decreasing compared to 37,185 kg. over 2016.

In order to reduce the environmental impact arising from its activities in 2017 the Company set up an initiative called "Project Green" whose main objective is to optimize the differentiated collection of waste, to increase employee awareness of the need for a careful use of paper and the importance of recycling and to digitalize its archives.



5.3 RELATIONS WITH THIRD PARTIES: SUPPLIERS AND FAÇONISTI

As mentioned the Company produces its products availing itself of the work carried out by companies outside of the Group⁷, *façonisti*, namely small and medium firms that produce items with typically craft-based working techniques.

All the *façonisti* with whom the Group works are Italian and operate in Italy; of these around 80% are located in Umbria.

In addition they distinguish themselves by their specialization. Regarding items of clothing and with particular reference to knitwear, the *façonisti* are not only specialized by product but also, for each individual product, by the single stages of the production process they perform. This enables the Group to obtain quality products and reduce the overall workload of each *façonista*, as well as to facilitate the quality controls performed by the Group. By doing this the Group is also able to reduce the risk of depending on single *façonisti* because there is more than one *façonista* for each stage of production, and the time needed to complete a single contract is shortened.

In selecting its raw materials suppliers and *façonisti* the Company above all seeks a high level of professionalism and reliability, suitable for ensuring compliance with the qualitative standards that characterize products with the Brunello Cucinelli name.

Façonisti and suppliers are without exception required to fully comply with the principles contained in the Company's Code of Ethics, approved by the Board of Directors on 20th June 2011 and considered an integral part of the Organization and Control Model adopted by the Company pursuant to Legislative Decree no. 231/2001.

The following table sets out spending on outsourced processing (*façon*) by geographical area.

Façonisti

Table 13: GRI 204-1 Proportion of spending on local suppliers

Spending on outsourced processing by geographical area	2016 €	2016 No. of workshops	2017 €	2017 No. of workshops
Italy	82,338 thousand	330	87,852 thousand	333
<i>of which Umbria</i>	49,396 thousand	263 (80% of the total)	52,920 thousand	265 (80% of the total)
Other EU countries	0		0	
Non-EU countries	0		0	
Total	82,338 thousand		87,852 thousand	
Processing with materials component	4,649 thousand		4,934 thousand	
<i>of which</i>				
Italy	4,642 thousand		4,927 thousand	
Europe	7 thousand		7 thousand	
Outside Europe	0		0	

⁷ The companies of the Max Vannucci S.r.l. Group and Pinturicchio S.r.l. are an exception, specializing in knitwear and the production of men's jackets respectively.

The following provides a regional analysis of the *façonisti* used by the Group on the basis of product type.



The Company considers developing close personal relations with the individual *façonisti* to be a priority, as well as a necessary condition for building sound and profitable working relationships, as such tending to extend into the long term. In this respect leveraging off its experience and know-how in the sector the Company puts itself at the disposal of its *façonisti*, providing them with supporting advice (when requested) in various spheres: organizational, legal and financial. In this way a *façonista* can feel relaxed about having professional support behind him that goes beyond mere technical aspect and also concerns organizational matters.

For many years it has been customary for the Company to organize a convivial event in December to which all of its *façonisti* are invited, with the aim of sharing the goals achieved together during the year as well as projects and market trends.



The Company carries out continuous controls on the work performed by the *façonisti* based on the technical quality of the commissioned work within a relationship of mutual exchange that leads to the enhancement of professionalism and know-how for both parties.

The conclusion can be drawn that this model of relationships fosters the pursuit of the Company's objective to give its *façonisti* moral and economic dignity.

The controls that the Company performs at its *façonisti*'s premises are also the occasion for ensuring that the rules of conduct laid down in its Code of Ethics are being complied with. Checks are performed to ensure that the activities are carried out in suitable and healthy environments, in compliance with workers' rights. In this respect in accordance with the Code of Ethics *façonisti* and suppliers are selected by assuring them equal opportunities to participate and verifying that they have the means, organizational structures, technical skills and experience, quality systems and suitable resources for the Company's needs and image, but above all by checking that they are complying with labor legislation, including laws and regulations on child labor and worker health and safety (cf. article 5.1 of the Code of Ethics).

If the Company discovers that a *façonista* (or supplier) is failing to comply with the rules of conduct contained in the Code of Ethics it terminates its relationship with the *façonista* (or supplier) concerned.

“The human being at the heart of the Contemporary Factory: *Pro Hominibus dignitatem*”

“We are modern-day artisans, who in the one hand are holding a pair of scissors and in the other an iPad. We want to accept change by learning to govern it and by proposing ourselves as the humanists of the web”

By entering a network agreement with other partners in 2017 the Company initiated a project entitled “The human being at the heart of the Contemporary Factory: *Pro Hominibus dignitatem*”.

This is an experimental research and development project whose immediate aim is to study and implement new technologies that are capable of redefining the entire chain, from conception, planning and creation through to logistics, also integrating with suppliers in order to monitor the production stages from beginning to end: these technologies will be used to support the worker, who relieved of his purely operational jobs will be able to dedicate more time and energy to expressing his creativity and technical ability, all to the benefit of production efficiency and quality.

The final goal is to enhance the wellbeing and dignity of the person, whose contribution in terms of craftsmanship and creativity remains irreplaceable.

Underlying the project, innovative and consistent with the values that have always inspired the Company, is the profound conviction that technology should not be conceived as an end in itself but rather as a tool at the service of man.

The project, which is to be carried out over a long-term timeframe, will see a variety of different bodies working in conjunction with each other such as universities and cutting edge technological research centers (SDA Bocconi, MIT - Massachusetts Institute of Technology, the Engineering Department of the University of Perugia, the Italian Institute of Technology Foundation), as well as suppliers and consultancy firms.



6. ATTENTION TO THE ENVIRONMENT

Love for the environment and the surrounding territory represents an important element in the Company's philosophy which, aware of the values of "*humanistic capitalism*", considers man to be the "keeper of the created", required to stand before nature and its resources respectfully and responsibly.

The Group translates this into a practical commitment in planning its activities so that they may also be sustainable from an environmental standpoint.

As far as the Group's activities are concerned an analysis of the related environmental impacts shows that these are mainly concentrated in the following areas:

- for the stages involving the purchase of raw materials and production, the main impacts regard the consumption of energy for the functioning of the reception and storage warehouses and the production stages, including product quality control. There is also a laundry within these structures that is involved in carrying out the "fulling" stage of the clothes, with which impacts on resources in terms of water consumption and disposal are associated;
- for the stages concerning distribution and warehousing at the stores, the main items of importance are the consumption of energy associated with the functioning of the centers for the storage and dispatch of finished goods as well as of the boutiques managed by the Group (DOS).

While the Group does not have a formalized environmental policy (by virtue of the limited importance of the environmental impacts generated) it is involved in safekeeping and protecting the environment and, as stated in the general principles of its Code of Ethics: "*it makes a constructive contribution to ecological sustainability in all of its activities; this commitment to safeguard the environment materializes through a programming of activities that seek a balance between economic initiatives and imperative environmental needs in compliance with national and international directives on the subject*".

The topic of respect for the environment is also dealt with in the "Principles for the adoption of the Organizational, Management and Control Model pursuant to Legislative Decree no. 231/2001". In particular, environmental offences are listed among the liable offences envisaged by the management model adopted by the Company and for the purposes of prevention the protocols and controls designed specifically to govern the business processes that might lead to the possibility of such offences being committed are contemplated.

6.1 ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

As stated above the main environmental impacts regard the consumption of energy resources, in turn arising from the deployment of the plant and buildings of which the Group avails itself and in which it carries out its work.

More specifically, as far as the production cycle is concerned, the consumption of natural gas and electricity that ensure the operations of the Group's main structures is of importance, namely the production plants, the reception and storage warehouses and the laundry; the consumption of fuel by the Company's fleet of vehicles must also be taken into account.



In addition to these there is also the consumption of natural gas and electricity used by the production departments and the commercial, logistical, administrative and corporate offices of the various sites of the Company, Pinturicchio S.r.l. and Max Vannucci S.r.l., as well as by the offices and sales offices in the rest of the world and by the DOS operated by Group companies⁸; in this respect energy consumption relates to the lighting and heating of the premises.

In accordance with the requirements of Legislative Decree no. 102/2014, in 2015 the Company prepared an “Energy Diagnosis Report” for the Solomeo site to describe the business’s energy system and the relative consumption and determine possible improvements that could be made in terms of energy efficiency, quantifying the resulting savings.

The following tables set out the consumption of natural gas and electricity in 2016 and 2017. Significant use was made of renewable sources in 2017 as the Company changed to a new supplier that uses hydroelectric power stations (hence renewable sources) for the production of electricity.

Table 14: GRI 302-1 (a, b, c, d, e) Energy consumption

	Unit of measurement	2016	2017
Natural gas	GJ	14,451	15,564
Electricity	GJ	27,850	29,668
of which from renewable sources	GJ	1,704	15,600

Table 15: GRI 302-1 (a, b, c, d, e) Energy consumption of the Company’s fleet of vehicles

Company’s fleet of vehicles	Unit of measurement	2016	2017
Petrol	GJ	54	33
Diesel	GJ	6,982	7,497

Table 16: GRI 305-1 and 305-2 Greenhouse gas emissions

	Unit of measurement	2016	2017
Direct emissions (“scope 1”) ⁹	ton CO ₂ eq	1,361	1,608
Indirect emissions (“scope 2”)	ton CO ₂ eq	2,760	3,138

⁸ Sales points operated by third parties (franchisees) are not included in this report.

⁹ These emissions also include the loss of refrigerant gases for Italy.



Analysis of the carbon footprint of a cashmere sweater

In 28th November 2012, Brunello Cucinelli S.p.A. signed a voluntary agreement with the *Ministry of the Environment and Protection of Land and Sea* on the “fostering of common projects for the analysis, reduction and neutralization of the impact on the climate of the textile, knitwear and fashion industry”. This agreement was part of a more wide-ranging environmental assessment program set up by the *Ministry of the Environment and Protection of Land and Sea* to foster common projects to develop methodologies of analyzing, reducing and neutralizing the impact on the climate of products, services and production processes.

As part of this agreement an analysis was conducted of the carbon footprint of the basic men’s 100% cashmere sweater (in five different versions) that the Company produces; the aim was to provide the Company with a description of the carbon impacts arising from the production and entire life cycle of the sweater, as well as to identify the most significant contributions to its carbon footprint.

The sweater’s carbon footprint (in its five versions) was accounted for in accordance with the requirements and guidelines of the WRI/WBCSD GHG Protocol Product Life Cycle Accounting and Reporting Standard (which follows a “Life Cycle Assessment” approach, meaning that it analyzes the entire life cycle of the product “from the cradle to the grave”) and took into consideration the following five phases:

- material acquisition and pre-processing;
- production;
- distribution and storage;
- use;
- end-of-life.

The greenhouse gas (GHG) emissions were calculated for each phase depending on the specific activity and appropriate emission factors; once the emissions relating to each phase of the product’s life cycle had been determined these were then added together to obtain the sweater’s carbon footprint.

The results of the analysis showed that the most important components of the carbon footprint of the product being considered are the use phase and the material acquisition and pre-processing phase, both life cycle phases on which it is hard to intervene in a direct manner to reduce emissions. On the other hand the production and distribution phases contribute to a lesser extent, together representing around a third of total emissions.

In addition, since April 2016 the Group has been buying electricity in Italy from a supplier who produces green energy in hydroelectric power stations.



6.2 WATER CONSUMPTION AND DISPOSAL

The (albeit limited) importance of the topic of managing water resources concerns the presence at the Solomeo site of a laundry used in the fulling stage of production; during this stage the woolen garments undergo a cleaning treatment so that they can acquire the desired texture and softness (see Chapter 5, paragraph 5.1).

In the laundry there are three dry-cleaning machines, three water washing machines and five tumblers. The “washing” cycle runs as follows: the woolen garments arriving from the *façonisti* firstly pass through the dry-cleaning machines and then move on to the washing machines where they are washed in water not exceeding 40°C to avoid the cashmere fiber from being damaged; at the end, the garments are put into the tumblers for the final drying process.

As mentioned earlier the work performed by the laundry is the only activity that is potentially at risk of having an environmental impact due to the need to dispose of industrial waste water containing potentially harmful substances. However as a means of preventing this risk a purifier is installed which collects and treats the majority of the Company’s waste water, including that of the laundry, before it is channeled to a surface water body.

Being subject to Unified Environmental Authorization (*Autorizzazione Unica Ambientale*) the site has adopted a system to monitor waste water designed to check compliance with waste parameters. In this respect the Company is required to have periodic sampling and chemical and biological analyses of the waste water carried out by a qualified technician to certify that the waste complies with the legal limits and that there are no additional harmful substances. The analysis certificates must then be submitted to the Umbria Regional Environmental Protection Agency (ARPA) which in case of need can update the conditions for authorization.

Finally, as far as water abstraction is concerned, the water withdrawn from within the Solomeo site comes from the public aqueduct when it is for civil use, while it is drawn from wells and storage and rainfall recovery tanks when it is to be used in production processes. The well is properly reported and monitored¹⁰.

The following tables set out water withdrawals and disposals for 2016 and 2017 and the volume of water discharged. In the latter respect these confirm that legal parameters have been complied with. To the consumption of water by the laundry should also be added consumption for civil use in the Company’s offices and stores, which in the majority of cases have been estimated for 2016 and 2017 in the absence of precise data. As far as the related disposals are concerned it is considered reasonable to consider the volume disposed of as being the same as that initially withdrawn.

The increase in consumption between 2016 and 2017 is the natural consequence of the increase in the Group’s operations, the spaces (owned and rented) and the workforce.

¹⁰ The monitored figure is only available for 2016 as the well collapsed at the beginning of 2017. Currently the Company has filled it in and made the due communications. This has led to a decrease in the quantity of waste water disposed of in surface waters.

**Table 17: GRI 303-1 (a) Volume of water withdrawn by source**

Water withdrawal ¹¹	Unit of measurement	2016		2017	
		Italy	Outside Italy	Italy	Outside Italy
Sources					
Wells	m ³	3,963	0	0	0
Rainwater directly collected and stored by the organization	m ³	0	0	0	0
Public aqueducts	m ³	17,946	13,885	24,033	19,266
Other	m ³	0	0	0	0
Total	m³	21,909	13,885	24,033	19,266

Table 18: GRI 306-1 (a) Volume of discharged water by destination

Waste water sent to treatment facilities – Solomeo	Unit of measurement	2016	2017
Discharged to underground waters	m ³	0	0
Discharged to surface waters	m ³	14,773	12,643
Discharged to sewers that lead to rivers, oceans, lakes and wetlands	m ³	0	0
Discharged to ground water	m ³	0	0

Table 19: GRI 306-1 (a) Quality of discharged water

Quality parameter for discharged water	2016	2017
pH	7.33 at 25.0 °C	7.36 at 25.0 °C
Total Suspended Solids (TSS)	1.3 mg/liter	1.5 mg/liter
Sedimentable Solids	0.1 ml/liter	N.D.
Sludge Volume Index (SVI)	76.9 ml/g	N.D.
Dissolved O ₂	4.66 mg/liter	3.79 mg/liter
Ammoniacal nitrogen (as NH ₄)	1.38 mg/liter	0.53 mg/liter
Nitrite nitrogen	0.07 mg/liter	0.21 mg/liter
Nitrate nitrogen	75.05 mg/liter	171.25 mg/liter
C.O.D. (as O ₂)	51 mg/liter	21.8 mg/liter
B.O.D. ₅ (as O ₂)	27 mg/liter	12.5 mg/liter
B.O.D. ₅ / C.O.D.	0.53	0.57
B.O.D. ₅ / N	1.42	0.29
B.O.D. ₅ / P	16.46	10.5
Total surfactants	1.3 mg/liter	0.62 mg/liter
Fats and animal/vegetable oils	4.6 mg/liter	3.3 mg/liter
Total nitrogen (as N)	18.0 mg/liter	42.6 mg/liter
Total phosphorus (as P)	1.64 mg/liter	1.19 mg/liter
Chlorides	84.13 mg/liter	74.62 mg/liter
Sulfates (as SO ₄)	24.49 mg/liter	21.20 mg/liter

¹¹ The figures for water withdrawal are estimates for the majority of stores and sales offices abroad. Further details are provided in the Methodological Note.



6.3 WASTE MANAGEMENT

The topic of the proper management of waste has importance due to the waste generated by the fulling process during which clothes undergo a wet and dry cleaning procedure. Although limited in quantity the waste resulting from this activity is considered as hazardous waste and must accordingly be dealt with in a specific manner.

In particular, the dry cleaning procedure produces three types of waste consisting of sludge, contact water and “lint” or “hairs”. As far as sludge is concerned the operator controls the level 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 the “lint” or “hairs” are collected in “*button traps*” that are then emptied by the operator into plastic bags which are then also disposed of by an authorized firm.

The other waste produced derives mainly from office activities; this is similar to solid urban waste which is managed through differentiated collection. This is fully recovered by an authorized firm and used again until this no longer possible.

Production and storage activities also produce waste, mainly consisting of cardboard and plastic. This too is managed by differentiated collection, fully recovered by a Municipality firm.

The following table provides confirmation that the production of hazardous waste in 2016 and 2017 was actually very limited.

Table 20: GRI 306-2 (a, b) volumes (tonnes) of hazardous and non-hazardous waste produced by the organization in the production process by type of disposal (Italy)

	Unit of measurement	2016		2017	
		Hazardous	Non-hazardous	Hazardous	Non-hazardous
Waste from the production process					
Total waste	tonne	6.7	596	4.5	795
Of which sent for recovery	tonne	0.5	316	0.4	347
Of which sent to waste disposal sites	tonne	6.1	16	4.1	11
Other waste (Solomeo site)					
Of which sent to outside treatment facilities ¹²	tonne	0	264	0	437

¹² The figure relates to waste deriving from the use of bathrooms at the Solomeo site not connected to the sewerage system.



7. COMBATTING BRIBERY AND CORRUPTION AND PROTECTING HUMAN RIGHTS

7.1 COMBATTING CORRUPTION

Among the issues considered by Legislative Decree no. 254/2016 is combatting bribery and corruption.

In this respect it should be noted that as a result of the activities actually carried out by the Group, this issue is not considered relevant for the purposes of this non-financial statement. The spheres in which the Group operates do not provide frequent occasions for contact or relations with the public administration.

The relationships that the Group establishes with third parties generally involve private entities as suppliers of raw materials or services, *façonisti*, commercial distributors, etc.. As a result corruption between private parties takes on a potentially important role (article 2635 of the Italian civil code). Despite this the Group has adopted specific precautionary measures against the risks arising from corruption between private parties which regard the management of relationships with third parties, such as having a system of delegation and responsibility and internal procedures with different authorization levels and performing cross-checks. In addition, the Group requires the third parties with which it comes into contact to abide by the principles of legality and transparency that inspire and govern the conduct established by the Group.

The Group is committed to protecting the dignity of labor and business ethics, combatting corruption in every form, active and passive, recommending virtuous conduct and setting up preventive control mechanisms.

The commitment to foster compliance with high ethical standards is formalized in the Company's Code of Ethics, which sets out the principles that have always distinguished the Group's identity. Although the Group has not adopted a specific policy on combatting corruption its Code of Ethics explicitly states that "*corruption, unlawful favors, collusion, soliciting for advantages, providing tangible and intangible benefits and all other benefits designed to influence or compensate representatives of institutions or Group employees are forbidden and will be pursued*".

Given that corruption is one of the relevant offences within the meaning of Legislative Decree no. 231/2001 the Company has adopted a management model that envisages controls for preventing this kind of offence.

As in previous years no cases of corruption occurred in 2016 and 2017.



7.2 PROTECTING HUMAN RIGHTS

The safeguarding of human rights is one of the principles that acts as a guide for the Group and its work.

This principle underlies the way in which human resources are managed, the production process is organized and relations with suppliers and *façonisti* are handled.

More specifically, the Group considers that protecting safety and respecting people's basic rights in the working environment are essential aspects of its activity.

The Company recommends its suppliers and *façonisti* to be constantly updated on the standards imposed by national and international laws and regulations on these matters.



METHODOLOGICAL NOTE

This CNFS prepared by the Brunello Cucinelli Group responds to the dispositions of Legislative Decree no. 254/2016 which requires large public-interest entities to report non-financial information. The aim of disclosing this information is to provide an understanding of the Group's organizational model, its activities, its main risks and its performance indicators relating to environmental matters, social and employee-related matters, respect for human rights and combatting active and passive corruption to the extent that these are material given the Company's activities and characteristics.

The Board of Directors of Brunello Cucinelli S.p.A. approved this non-financial statement on 7th March 2018.

The process for identifying material topics

In order to identify topics that are material for the business the Company performed a series of analyses designed to understand the main expectations of its stakeholders and the business's priorities with respect to the five areas indicated in Legislative Decree no. 254/2016.

The analyses performed to identify the topics material for the business were as follows:

- **analyses of global sustainability trends:** documentation of the main non-financial aspects taken into consideration by the principal stock exchanges that have published guidelines for sustainability reporting, by sustainability indices (DJSI, MSCI, etc.), by international organizations (GRI, World Economic Forum, etc.) and by governments (EU, UN, etc.);
- **analyses of sector pressure:** documentation of the non-financial aspects indicated for the fashion and clothing industry. In particular, the publications of a number of international organizations (RobecoSam, SASB, etc.) were analyzed as well as selected standards, initiatives and guidelines to be found in the industry ("Sustainability manifesto for Italian fashion"; "Guidelines on eco-toxicological requirements for articles of clothing, leather goods, footwear and accessories", etc.);
- **analyses of the business's priorities:** the main aspects relating to the five areas indicated in Legislative Decree no. 254/2016 in which the business invests resources and places the major emphasis were identified through interviews conducted with management and analyses of the main business documents (Code of Ethics, 231 Model, Bylaws, etc.);
- **analyses of press cuttings and releases:** the articles and press releases of the past two years regarding the Group were reviewed to identify the sustainability topics on which the media and the public concentrated their attention during that period;
- **benchmark analyses:** the documents and sustainability and social responsibility reports of companies belonging to the fashion and luxury sector were analyzed to identify the topics considered to be material by companies comparable to Brunello Cucinelli S.p.A..

The set of results from these analyses led to the definition of the most important non-financial topics required to provide an understanding of the Company's activities, its performance, its results and the effect produced, which was therefore reported in the Brunello Cucinelli Group's CNFS.



Reporting scope

Consistent with the requirements of Legislative Decree no. 254/2016, the reporting scope coincides with the scope of the Group's consolidated financial statements for the year ended 31st December 2017, meaning that it includes the companies consolidated on a line-by-line basis in those financial statements with the clarifications that follow. As far as disposal and waste management topics are concerned the report only covers Italian production activities, given their materiality compared to the sales and administrative departments; more specifically, the reported information for water disposal management refers exclusively to the Solomeo site where the industrial laundry is located while the data relating to waste only regards Italian production activities. In addition, the topic regarding the assessment of suppliers according to social criteria mainly relates to the *façonisti* by virtue of their significance with respect to their activities and the importance of the role they play in the Group's production process.

The reporting year to which the information and the data included in this consolidated non-financial statement is 2017.

For greater clarity the following table sets out the material non-financial topics corresponding to the areas described in Legislative Decree no. 254/2016, the topic scope and any limitations on that scope.



Legislative Decree 254 area	Relevant aspect	Topic scope		Scope limitations	
		Internal	External	Internal	External
ENVIRONMENT	Provisioning of raw materials	Group	–	–	–
	Energy consumption	Group	–	–	–
	Provisioning of water	Group	–	-	-
	Disposal and waste management	Production companies	–	–	–
	Atmospheric emissions	Group	–	–	–
HUMAN RIGHTS	Assessment of suppliers using social criteria	Group	–	–	–
	Combatting discrimination	Group	–	–	–
	Condemnation of child labor	Group	<i>Façonisti</i>	–	Reporting not extended to the <i>Façonisti</i>
	Condemnation of forced labor	Group	<i>Façonisti</i>	–	Reporting not extended to the <i>Façonisti</i>
HUMAN RESOURCES	Employment, turnover and benefits	Group	–	–	–
	Worker health and safety	Group	<i>Façonisti</i>	–	Reporting not extended to the <i>Façonisti</i>
	Training and development	Group	–	–	–
	Diversity and equal opportunities	Group	–	–	–
SOCIAL IMPACTS	Involvement of local communities	Group	–	–	–
	Local purchases	Group	–	–	–
COMBATTING BRIBERY AND CORRUPTION	Combatting corruption	Group	–	–	–



Reporting standards

The Group has adopted the GRI Sustainability Reporting Standards issued in 2016 by the GRI – Global Reporting Initiative as its reporting standards. More specifically, in accordance with paragraph 3 of Standard GRI 101: Foundation this statement makes reference to the following Standards (“**GRI-referenced**”):

GRI STANDARD	GRI Disclosure	Description
GRI 102 – General Disclosure	GRI 102-8	<i>Information on employees and other workers</i>
	GRI 102-15	<i>Key impacts, risks, and opportunities</i>
	GRI 102-18	<i>Governance structure</i>
	GRI 102-41	<i>Collective bargaining agreements</i>
	GRI 102-46	<i>Defining report content and topic Boundaries</i>
	GRI 102-47	<i>List of material topics</i>
	GRI 102-55	<i>GRI content index</i>
GRI 103 – Management Approach	GRI 103-1	<i>Explanation of the material topic and its Boundary</i>
	GRI 103-2	<i>The management approach and its components</i>
GRI 204 – Procurement practices	GRI 204-1	<i>Proportion of spending on local suppliers</i>
GRI 205 – Anti-corruption	GRI 205-3	<i>Confirmed incidents of corruption and actions taken</i>
GRI 301 – Materials	GRI 301-1	<i>Materials used by weight or volume</i>
GRI 302 – Energy	GRI 302-1	<i>Energy consumption within the organization</i>
GRI 303 – Water	GRI 303-1	<i>Water withdrawal by source</i>
GRI 305 – Emissions	GRI 305-1	<i>Direct (Scope 1) GHG emissions</i>
	GRI 305-2	<i>Energy indirect (Scope 2) GHG emissions</i>
GRI 306 – Effluents and waste	GRI 306-1	<i>Water discharge by quality and destination</i>
	GRI 306-2	<i>Waste by type and disposal method</i>
GRI 401 – Employment	GRI 401-1	<i>New employee hires and employee turnover</i>
	GRI 401-2	<i>Benefits provided to full-time employees that are not provided to temporary or part-time employees</i>
GRI 403 – Occupational health and safety	GRI 403-2	<i>Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities</i>
GRI 404 – Training and education	GRI 404-2	<i>Programs for upgrading employee skills and transition assistance programs</i>
GRI 405 – Diversity and equal opportunity	GRI 405-1	<i>Diversity of governance bodies and employees</i>
GRI 406 – Non-discrimination	GRI 406-1	<i>Incidents of discrimination and corrective actions taken</i>
GRI 408 – Child Labor	GRI 408-1	<i>Operations and suppliers at significant risk for incidents of child labor</i>
GRI 409 – Forced or Compulsory Labor	GRI 409-1	<i>Operations and suppliers at significant risk for incidents of forced or compulsory labor</i>
GRI 413 – Local Communities	GRI 413-1	<i>Operations with local community engagement, impact assessments, and development programs</i>
GRI 414 – Supplier social assessment	GRI 414-2	<i>Negative social impacts in the supply chain and actions taken</i>



The reporting process and calculation methodologies

The procedure implemented by the Group in complying with the requirements of the Decree with reference to the five areas indicated by the legislator, namely environmental matters, social matters, employee-related matters, respect for human rights and combatting corruption was developed in accordance with the following major steps:

- identification of key issues;
- documentation of the main risks, generated or undergone, arising from the activity of the business and its products, services and commercial relationships, including the supply chain;
- identification of the policies practiced, where applicable, and the governance adopted for managing the five areas;
- definition and implementation of a process (at Group level) for collecting, aggregating and transmitting the data and information required by the basic performance indicators selected on the basis of the material issues and envisaged by the chosen reporting standard.

The process of determining the contents of the 2017 CNFS involved all the key business functions responsible for the topics discussed in the section.

The main calculation methodologies used were as follows:

- the injury rate is the ratio between the total number of accidents while not traveling to or from work and the total number of hours worked multiplied by 1,000;
- the occupational disease rate is the ratio between the total number of occupational diseases and the total number of hours worked multiplied by 1,000;
- the severity rate is the ratio between the total number of working days lost for injury while not traveling to or from work and the total number of hours worked multiplied by 1,000;
- the absentee rate is the ratio between the total number of days of absence during the reporting period and the total number of working days in the same period;
- the emission factors used to calculate the CO₂ emissions reported in this document were the following:
 - Direct emissions (scope 1): the emission factors found in the national standard parameter table prepared by the Ministry of the Environment and Protection of Land and Sea were taken for the consumption of natural gas, petrol and diesel fuel; the GWP factors prepared by DEFRA (Department for Environment Food & Rural Affairs of the United Kingdom) were used for losses of refrigerant gases from air conditioning systems;
 - Indirect energy emissions (scope 2): the emission factor taken from the “Terna International Comparisons on Enerdata data – 2015 data” was used for the electricity purchased from the national electricity grid.

The Group’s water consumption, apart from that relating to Italian sites, was calculated using the average consumption per employee equal to 100 liters/day multiplied by 252 working days in 2016 and by 250 working days in 2017.

**GRI Content Index**

GRI Standard	Disclosure	Page	Omission
General Disclosures			
GRI 102: General Disclosures	Reporting practice		
	102-8 Information on employees and other workers	<i>Pages 11-12</i>	
	102-15 Key impacts, risks, and opportunities	<i>Pages 9-10</i>	
	102-18 Governance structure	<i>Pages 8-9</i>	
	102-41 Collective bargaining agreements	<i>Pages 11-12</i>	
	102-46 Defining report content and topic Boundaries	<i>Pages 55-59</i>	
	102-47 List of material topics	<i>Pages 55-57</i>	
	102-55 GRI content index	<i>Pages 60-63</i>	
Material Topics			
GRI 200 Economic Standard Series			
Procurement Practices			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 38-46; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 38-46</i>	
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	<i>Pages 41; 44</i>	
Anti-corruption			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 53-54; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 53-54</i>	
GRI 205: Anti-corruption	205-3 Confirmed incidents of corruption and actions taken	<i>Page 53</i>	



GRI Standard	Disclosure	Page	Omission
GRI 300 Environmental Standards Series			
Materials			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 38-43; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 38-43</i>	
GRI 301: Materials	301-1 Materials used by weight or volume	<i>Pages 41-43</i>	
Energy			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 47-48; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 47-48</i>	
GRI 302: Energy	302-1 Energy consumption within the organization	<i>Pages 47-48</i>	
Water			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 47; 50-51; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 47; 50-51</i>	
GRI 303: Water	303-1 Water withdrawal by source	<i>Pages 50-51</i>	
Emissions			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 47-49; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 47-49</i>	
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	<i>Page 48</i>	
	305-2 Energy indirect (Scope 2) GHG emissions	<i>Page 48</i>	
Effluents and Waste			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 47; 50-51; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 47; 50-51</i>	
GRI 306: Effluents and Waste	306-1 Water discharge by quality and destination	<i>Pages 50-51</i>	
	306-2 Waste by type and disposal method	<i>Page 52</i>	



GRI Standard	Disclosure	Page	Omission
GRI 400 Social Standards Series			
Employment			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 11-20; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 11-20</i>	
GRI 401: Employment	401-1 New employee hires and employee turnover	<i>Pages 16-17</i>	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	<i>Page 18</i>	
Occupational Health and Safety			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 18-19; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 18-20</i>	
GRI 403: Occupational Health and Safety	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<i>Pages 18-20</i>	
Training and Education			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 14-17; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 14-17</i>	
GRI 404: Training and Education	404-2 Programs for upgrading employee skills and transition assistance programs	<i>Pages 14-17</i>	
Diversity and Equal Opportunity			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 11-14; 17-18; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 11-14; 17-18</i>	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	<i>Pages 13-14</i>	



GRI Standard	Disclosure	Page	Omission
Non-discrimination			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 17-18; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 17-18</i>	
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	<i>Page 17</i>	
Child Labor			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 54; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 8-9; 44-46; 53-54</i>	
GRI 408: Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor		No situations at risk of violating laws and regulations concerning child labor were identified in the Group 2017.
GRI 409: Forced or Compulsory Labor			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 54; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 8-9; 44-46; 53-54</i>	
GRI 409: Forced or Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor		No situations at risk of violating laws and regulations concerning forced or compulsory labor were identified in the Group 2017.
Local Communities			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 21-37; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 21-37</i>	
GRI 413: Local Communities	413-1 Operations with local community engagement, impact assessments, and development programs	<i>Pages 21-37</i>	



GRI Standard	Disclosure	Page	Omission
Supplier Social Assessment			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	<i>Pages 44-46; 55-57</i>	
	103-2 The management approach and its components	<i>Pages 44-46</i>	
GRI 414: Supplier Social Assessment	414-2 Negative social impacts in the supply chain and actions taken	<i>Pages 38-40</i>	The process for assessing suppliers on the basis of social criteria is applied but not formalized and accordingly the indicator is reported qualitatively.



REPORT OF THE EXTERNAL AUDITORS



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Independent auditors' report on the consolidated non-financial statement in accordance with article 3, par. 10, of Legislative Decree 254/2016 and with article 5 of Consob Regulation adopted with Resolution 20267 (Translation from the original Italian text)

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

We have performed a limited assurance engagement pursuant to article 3, paragraph 10, of Legislative Decree 30th December 2016, n. 254 (hereinafter "Decree") and article 5 of Consob Regulation adopted with Resolution 20267, on the consolidated non-financial statement of Brunello Cucinelli S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on 31st December 2017 in accordance with article 4 of the Decree approved by the Board of Directors on 7th March 2018 (hereinafter "NFS").

Responsibilities of Directors and Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI - Global Reporting Initiative ("GRI Standards"), with regards to the selection of GRI Standards specified in the paragraph "Methodological Note" of the NFS, 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 NFS that is free from material misstatements caused by fraud or non-intentional behaviors or events.

The Directors are also responsible for identifying the contents of the NFS 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 NFS, 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,

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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 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 NFS with the requirements of the Decree and of the GRI Standards, with regards to the selection of GRI Standards specified in the paragraph "Methodological Note" of the NFS. 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 standard requires the planning and execution of work in order to obtain a limited assurance that the NFS 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 NFS were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the NFS, 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 topics in relation to the activities and characteristics of the Group reported in the NFS, 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 NFS 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 topics indicated in article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in 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 regards to these aspects, we obtained the documentation supporting the information contained in the NFS 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 NFS.



In particular, we have conducted interviews and discussions with the management of Brunello Cucinelli S.p.A. 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 NFS.

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

- at Group level
 - a) with reference to the qualitative information included in the NFS, 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 activity, 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.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the NFS of the Brunello Cucinelli Group for the year ended on 31st December 2017 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, with regards to the selection of GRI Standards specified in the paragraph "Methodological Note" of the NFS.

Other Information

The comparative information presented in the NFS for the year ended on 31st December 2016 has not been examined.

Perugia, 27th March 2018

EY S.p.A.
Signed by: Dante Valobra, Partner

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