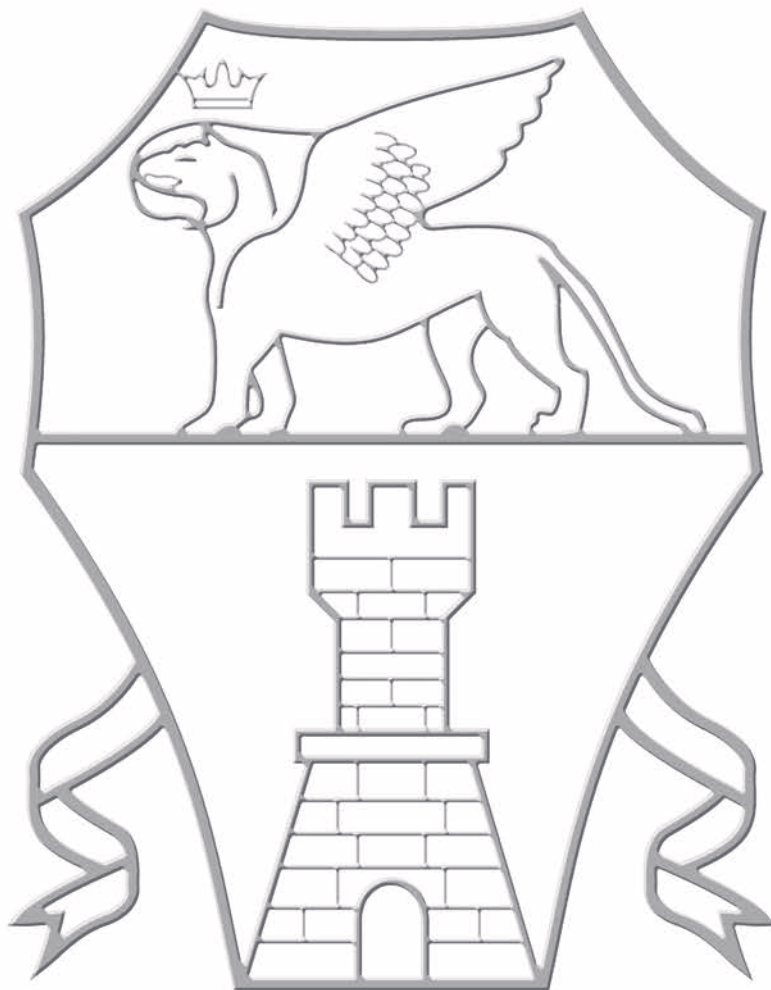




BRUNELLO CUCINELLI



CONSOLIDATED NON-FINANCIAL STATEMENT 2018
PURSUANT TO ARTICLES 3 AND 4 OF LEGISLATIVE DECREE NO. 254 OF 2016
COURTESY TRANSLATION FOR INTERNATIONAL READERS ONLY



CONTENTS

| | |
|---|-----------|
| 1. INTRODUCTION | 3 |
| 2. THE HUMANISTIC COMPANY | 5 |
| 2.1 VALUES AND PHILOSOPHY | 7 |
| 2.2 ETHICS AND CORPORATE GOVERNANCE | 8 |
| 2.2.1 CODE OF ETHICS | 8 |
| 2.2.2 <i>CORPORATE GOVERNANCE</i> | 8 |
| 2.3 PRINCIPAL NON-FINANCIAL RISKS | 10 |
| 3. HUMAN RESOURCES | 14 |
| 3.1 INTRODUCTION | 14 |
| 3.2 SKILL DEVELOPMENT AND ENHANCEMENT | 17 |
| 3.3 WELLBEING AND RESPECT FOR PEOPLE | 21 |
| 3.4 ATTENTION TO THE HEALTH AND SAFETY OF PEOPLE | 23 |
| 4. THE PROMOTION OF CULTURE | 25 |
| 4.1 THE PRESERVATION OF UMBRIAN AND ITALIAN CULTURE | 25 |
| 4.1.1 THE RESTAURATION AND NEW LIFE OF THE HAMLET | 25 |
| 4.1.2 THE NEW SITE: PLEASANT PERIPHERY AND ENVIRONMENTAL IMPACT | 27 |
| 4.1.3 THE SOLOMEO SCHOOL OF ARTS AND CRAFTS AND PROSPECTS FOR THE FUTURE | 29 |
| 4.2 ACTIVITIES IN SUPPORT OF THE LOCAL AREA | 30 |
| 4.2.1 "SUPPLY CHAIN PROGRAM" | 30 |
| 4.2.2 RESTORATION ACTIVITY IN THE LOCAL AREA | 31 |
| 4.2.3 SUPPORT FOR CULTURE | 32 |
| 4.2.4 ARTISAN'S TAILORING WORKSHOP AT PERUGIA'S "LA CAPANNE" CORRECTIONAL FACILITY | 33 |



| | |
|---|-----------|
| 4.3 PHILANTHROPIC ACTIVITY | 33 |
| 4.4 COMMUNICATION OF THE CULTURAL IDENTITY | 34 |
| 4.4.1 BUSINESS VALUES THROUGH THE USE OF CAMPAIGN IMAGES AND CATALOGUES | 34 |
| 4.4.2 THE IMAGE AND CULTURE OF SOLOMEO THROUGH THE COMPANY'S BOUTIQUES AND SHOWROOMS | 38 |
| 4.4.3 THE COMPANY'S PHILOSOPHY AND IDENTITY VIA THE WEB | 40 |
| 4.5 CUSTOMER RELATIONS | 43 |
| 5. THE RESPONSIBLE MANAGEMENT OF THE PRODUCTION AND PROVISIONING PROCESS | 44 |
| 5.1 A FEW WORDS ON THE PRODUCTION PROCESS | 44 |
| 5.2 THE MATERIALS USED IN THE PRODUCTION PROCESS | 47 |
| 5.2.1 RAW MATERIALS FOR MAKING THE PRODUCT | 47 |
| 5.2.2 PACKAGING | 49 |
| 5.2.3 OTHER MATERIALS | 50 |
| 5.3 RELATIONS WITH THIRD PARTIES: SUPPLIERS AND FAÇONISTI | 51 |
| 5.3.1 SUPPLY CHAIN MONITORING | 53 |
| 5.4 THE HUMAN BEING AT THE HEART OF THE CONTEMPORARY FACTORY: PRO HOMINIBUS DIGNITATEM | 54 |
| 6. ATTENTION TO THE ENVIRONMENT | 55 |
| 6.1 ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS | 55 |
| 6.2 WATER CONSUMPTION AND DISPOSAL | 57 |
| 6.3 WASTE MANAGEMENT | 59 |
| 7. COMBATTING BRIBERY AND CORRUPTION AND PROTECTING HUMAN RIGHTS | 60 |
| 7.1 COMBATTING CORRUPTION | 60 |
| 7.2 PROTECTING HUMAN RIGHTS | 61 |
| METHODOLOGICAL NOTE | 62 |
| INDEPENDENT AUDITORS' REPORT | 70 |



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, and subsequent amendments 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 (the “Barnier Directive”) of the European Parliament and of the Council of 22nd October 2014, amending Directive 2013/34/EU, concerning the 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 includes Brunello Cucinelli S.p.A. (hereinafter the “Company”) must prepare a non-financial statement for each financial year. This statement must include the information needed to ensure that an understanding may be gained of the entity’s activities, its performance, its results and the impact produced, in connection with environmental matters, social matters, employee-related matters, respect for human rights and anti-corruption and bribery matters 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 disclose information on sustainability including, but not limited to social and environmental factors, with a view to identifying sustainability risks and increasing investor and consumer trust (see Recital (3) of the Barnier Directive).

In disclosing 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 disclosed in relation to the entity’s reality and characteristics.

In line with the requirements of Legislative Decree no. 254/2016, the Company identified the following as material matters for 2018: employee management, the promotion of culture, the management of the production process and provisioning, combatting corruption, customer privacy, as well as (with the details provided below) environmental issues, essentially confirming the findings of the materiality analysis already carried out with reference to the previous year. In this respect it is worth noting that, with the exception of the issues on combatting corruption and bribery for which the Company’s Board of Directors approved a specific policy on 14th March 2019 (see details below), 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 routine policies implemented are working well and that there is a high level of control at a central level. The management body will assess the need to establish other formalized Group policies concerning the most significant 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 2018 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 2018.

This CNFS contains information relating to the year ended 31st December 2018, but at the same time also provides the reader with the means to make a comparison with the figures for 2017 and 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 non-financial statement on 14th March 2019.

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



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.

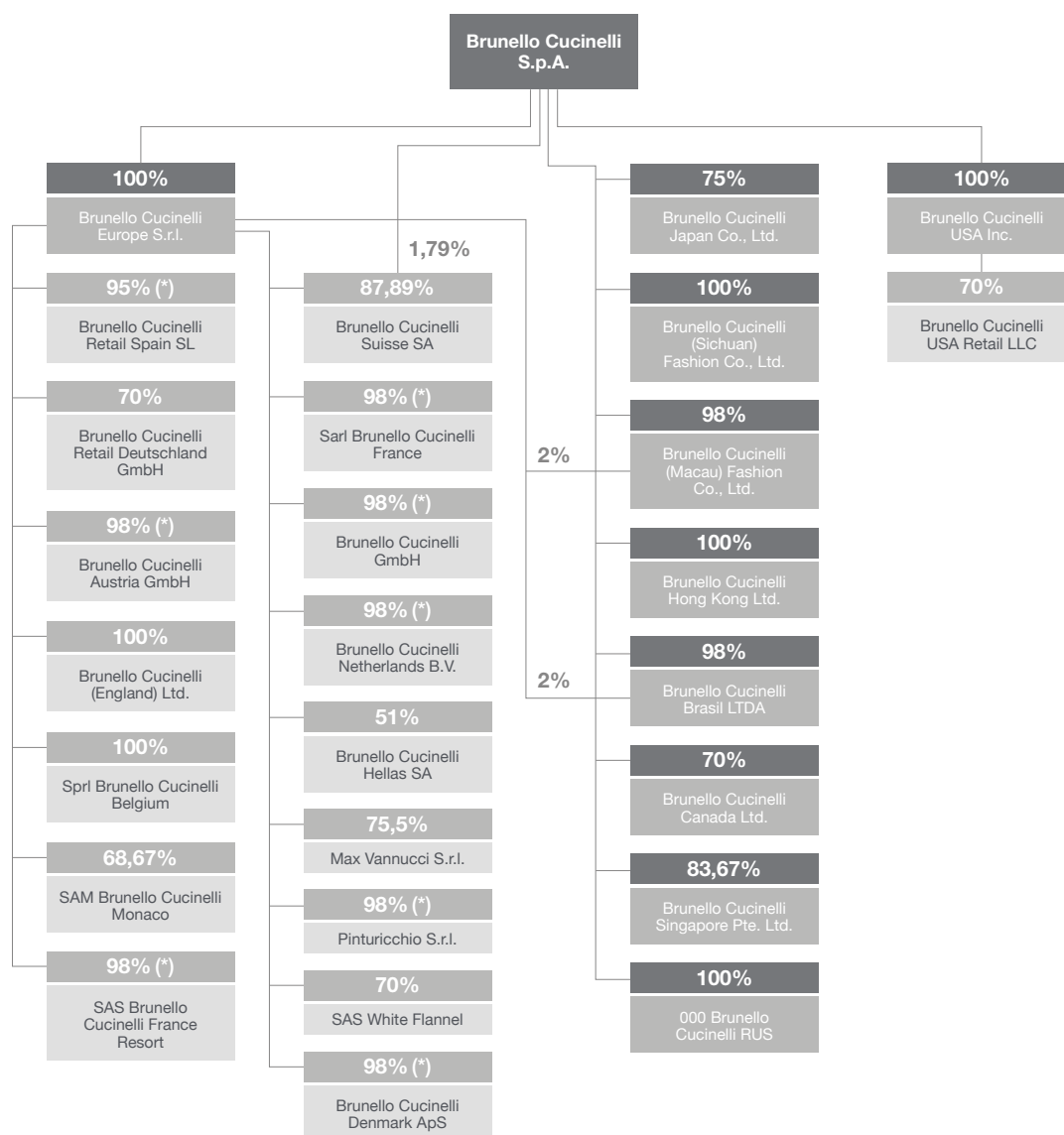
The Group operates in several countries through companies directly or indirectly controlled by the parent Brunello Cucinelli S.p.A., located in Europe, USA, Greater China⁽¹⁾, Japan, Russia, Canada, Brazil and Singapore.

In particular, the “Brunello Cucinelli” brand can be found in the luxury streets of major 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 27 companies controlled by Brunello Cucinelli S.p.A.⁽²⁾, which issues the guidelines and directions to be followed for coordinating administration services, determining and making investments and for business 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.

(1) I.e. Mainland China, Hong Kong and Macau.

(2) Brunello Cucinelli Denmark ApS and Brunello Cucinelli Singapore Pte. Ltd. were established in 2018.

THE BRUNELLO CUCINELLI GROUP AT 31ST DECEMBER 2018

(*) 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 people 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 350 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 (so-called "*façonisti*"), suppliers, commercial partners and customers.

The Group fosters a culture based on legality - no unlawful 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 the contents and principles of its organizational model are disclosed as appropriate 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 Company regulations they must comply with 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. In this regard, the Company's Board of Directors approved an updated version of the Code of Ethics on March 14th 2019. The updated version further emphasizes the principles of human privacy and the enhancement of human resources and their well-being, as well as the values inherent in responsibility towards the community and support for the territory. 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.

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.

To learn more about the Code of Ethics, go to: <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 remuneration policy for directors and key management personnel.

On a voluntary basis the Company has also set up intercompany committees with functions that mainly regard operational coordination. These committees include:

- 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 2018 via the following link: [http://investor.brunellocucinelli.com/yep-content/media/Brunello_Cucinelli_-_Corporate_Governance_Report_FY_2018_\(ENG\).pdf](http://investor.brunellocucinelli.com/yep-content/media/Brunello_Cucinelli_-_Corporate_Governance_Report_FY_2018_(ENG).pdf).



2.3 PRINCIPAL NON-FINANCIAL RISKS

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 and how they are handled are as follows:

| Material topic | Risk identification | Description of risk | Management of risk |
|---|---|--|--|
| Employment and turnover Training and development | Potential risks related to the continuity of craftsmanship and artisanal skills | One of the distinctive characteristics of Brunello Cucinelli products is the high level of craftsmanship involved in the production process, made possible thanks to constant training conducted in the Company and to the extensive know-how it has acquired. Although the Brunello Cucinelli Group promotes the development of artisan production techniques, it cannot be ruled out that the number of people specializing in this type of production may decrease in the future. | The Group uses initiatives to attract people with high professional skills and to retain them at the Group, reducing the turnover rate (which has always been limited) as much as possible. The Solomeo School of Arts and Crafts has been up and running since 2013. The school aims to provide high quality, human and technical training to young students wishing to learn the basic arts of fashion (see sections 3.2 and 4.1.3). |
| Worker health and safety | Potential risk related to the health and safety of employees | These risks are linked to health and safety conditions in the workshops and offices and are mainly due to production activities (e.g. manual handling of loads and exposure to potentially dangerous substances inside the laundry department). | The Group complies with regulations, both national and those of other countries in which it operates, on the management of health and safety in the workplace (in particular, the Company and its Italian subsidiaries conform to Legislative Decree no. 81/2008). Moreover, the RSPP (health and safety officer) uses other monitoring tools and has constant information flows with the heads and the functional representatives pursuant to Legislative Decree no. 81/2008 in order to mitigate the risk at issue (see par. 3.4). |



| Material topic | Risk identification | Description of risk | Management of risk |
|-----------------------------------|---|---|--|
| Diversity and equal opportunities | Potential risk related to non-compliance with laws and/or regulations concerning diversity | The company does not have a specific policy on diversity, so it might not be prepared to respond to any more stringent legislation on the subject. | In carrying out its activities, the Group takes steps to tackle all forms of discrimination in the workplace, giving equal opportunities to all its employees. Company management carefully monitors changes in the law so it is able to assess the future adoption of directives or other relevant measures (see par. 3.3). |
| Local purchases | Potential risks related to the continuity of craftsmanship, artisanal skills and existing relations with <i>façonisti</i> | Although the Group promotes the development of artisan production techniques, there is no assurance that the number of people specializing in this type of production will not decrease in the future. For this reason, the Company has to seek out skilled workers elsewhere in order to maintain the specific competencies in its supply chain. Furthermore, it cannot be ruled out that relations with a large number of <i>façonisti</i> could end in a short period of time, or that some <i>façonisti</i> do not comply with production schedules. | The Group supports its <i>façonisti</i> in various ways, thus helping and promoting the continued work of the workshops it relies on (see section 5.3). Moreover, the Solomeo School of Arts and Crafts has been up and running since 2013. The school aims to provide high quality, human and technical training to young students wishing to learn the basic arts of fashion (see par. 4.1.3). The Company maintains well-established relations with the majority of its <i>façonisti</i> and suppliers: a factor that mitigates the identified risk (see par. 5.3). |
| Supplier social assessment | Potential risk related to misconduct of suppliers | These risks are related to any violations (real or alleged) by suppliers/ <i>façonisti</i> of human rights or the underlying principles of the Group. Given the high degree of attention that is paid to compliance with the principles of legality, propriety and transparency, if a supplier/ <i>façonista</i> breaches and/or perpetrates an offence covered under Legislative decree no. 231/2001, this could have an adverse impact on the Group's image. | In order to minimize this risk, the Group requires that all suppliers/ <i>façonisti</i> it deals with formally accept the general contractual terms and conditions, as well as the principles laid down in its Code of Ethics, as an essential condition for the establishment of a business relationship. Furthermore, in 2018 the working group focusing on managing relations with <i>façonisti</i> was further strengthened (see par. 5.3). |
| Provisioning of raw materials | Potential risk related to impacts on animal welfare | The Group uses raw materials of animal origin, the supply of which could have a negative impact on animal welfare; as a consequence, there is a risk that the company's reputation could be damaged if it does not equip itself with tools capable of assessing and (where possible) mitigating the impact on animal welfare. | The Group places emphasis on national and international legislation on the provisioning, importation and exportation of raw materials and specifically those coming from endangered animal species. As evidence of the attention that Company management pays to the issue, when procuring goose feathers, used to make duvets, the Company requires suppliers to certify the origin of the material from breeders who do not practice techniques involving maltreatment of animals (see par. 5.2.1). |



| Material topic | Risk identification | Description of risk | Management of risk |
|---|--|--|---|
| Condemnation of child labor Condemnation of forced labor | Potential risk related to suppliers or <i>façonisti</i> violating human rights concerning child labor and forced labor | Should suppliers/ <i>façonisti</i> violate human rights in terms of child labor or forced labor, this may have negative repercussions on the Company's image. | In order to minimize this risk, the Group requires that all suppliers/ <i>façonisti</i> it deals with formally accept the general contractual terms and conditions, as well as the principles laid down in its Code of Ethics, as an essential condition for the establishment of a business relationship. Furthermore, in 2018 the working group focusing on managing relations with <i>façonisti</i> was further strengthened (see par. 5.3). |
| Combatting discrimination | Potential risk related to discriminatory conduct by employees | The Group is exposed to reputational risks should there be cases of discrimination or in the event personnel violate universally recognized human rights and the principles of legality, propriety and transparency underlying the Group's organization and the work. | Group personnel management is based on the values of respect, equality and meritocracy. All forms of discrimination are prohibited and everyone is given equal opportunities, without distinction (see par. 3.3). |
| Energy consumption | Potential risk related to the Group's limited control over energy consumption management | Even though this risk is not particularly relevant to the Group, if it did not have an adequate energy consumption management and monitoring system in place, the Group would be unable to define and implement any energy efficiency measures that could result in savings and a reduced impact on the environment (e.g. in terms of consumption of natural resources and GHG emissions). | The Group strives to limit its energy consumption as much as possible by seeking out ways to improve efficiency. With this in view, it is worth noting that the Company has chosen to use a supplier that uses hydroelectric power plants to generate electricity. Other initiatives are in the pipeline to further improve the management of energy consumption (see par. 6.1). |
| Atmospheric emissions | Potential risk related to the lack of programs for the management and reduction of greenhouse gas emissions | In the Group's case greenhouse gas emissions mainly relate to energy consumption. Although this risk is not of particular consequence for the Group, if stricter constraints are introduced the risk of non-compliance cannot be ruled out. | The Company decided to change its electricity supplier to one that generates green energy at hydroelectric power plants. Management is reviewing other improvement measures (see par. 6.1). |



| Material topic | Risk identification | Description of risk | Management of risk |
|-------------------------------------|--|---|---|
| Disposal and waste management | Risks related to potential impacts connected to laundry activities | Laundry work is the only activity that poses the risk of having an environmental impact due to the need to dispose of industrial waste water containing potentially harmful substances. The lack of an adequate management and monitoring system for the water discharges connected to this activity could lead to a risk arising in terms of non-compliance. | A water treatment system is in operation which collects and treats all water discharges at the company, including waste water from the laundry department before it is channeled to a surface water body (see par. 6.2 and 6.3). |
| Customer privacy | Potential risk related to the inability to protect customer data and information | Failure to comply with regulatory requirements concerning privacy could lead to the application of hefty fines as well as damage the Group's reputation. | A <i>Data Protection Officer</i> function has been established to monitor compliance with the new rules on the issue and additional measures have been implemented as required by Regulation (EU) 2016/679 (see par. 3.3) |
| Anti-corruption and bribery matters | Potential risks related to corruption and bribery | The main risks related to corruption are linked the risk of legislative non-compliance, the commission of corrupt acts by/against the Public Administration and by/against private individuals or failure to comply with Legislative Decree 231. | <p>The company has an organizational model in place pursuant to Legislative Decree no. 231/2001.</p> <p>Given the Group's type of business, the opportunities for contact with the Public Administration are infrequent, while with respect to corruption between private individuals, which could become more significant, the company has adopted appropriate precautionary measures (and, in some cases, specific written procedures: for example, the procedure for opening new DOS), so that the risk of committing offenses is minimized.</p> <p>An anti-corruption policy was recently adopted with the aim of preventing corruption and bribery (see par. 7.1).</p> |



3. HUMAN RESOURCES

3.1 INTRODUCTION

According to Brunello Cucinelli Group's philosophy, the 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 1,826 people at 31st December 2018 (an increase of 9.3% over 2017), of whom 1,018 work at the Italian sites.

The following tables show that there was an appreciable rise in the number of employees between 2016 and 2018 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 | | 2018 | |
|-------------------|--------------|-------|--------------|-------|--------------|-------|
| | Men | Women | Men | Women | Men | Women |
| Open-term | 439 | 761 | 473 | 871 | 510 | 941 |
| Fixed-term | 74 | 199 | 104 | 222 | 104 | 271 |
| Sub-total | 513 | 960 | 577 | 1,093 | 614 | 1,212 |
| Total year | 1,473 | | 1,670 | | 1,826 | |
| Full-time | 501 | 907 | 563 | 1,040 | 595 | 1,135 |
| Part-time | 12 | 53 | 14 | 53 | 18 | 78 |
| Sub-total | 513 | 960 | 577 | 1,093 | 613 | 1,213 |
| Total year | 1,473 | | 1,670 | | 1,826 | |

Table 2: GRI 102-8 Information on employees

| Type of contract | 2016 | | | 2017 | | | 2018 | | |
|-------------------|--------------|----------------|--------|--------------|----------------|--------|--------------|----------------|--------|
| | Italy | Rest of Europe | Non-EU | Italy | Rest of Europe | Non-EU | Italy | Rest of Europe | Non-EU |
| Open-term | 849 | 157 | 194 | 874 | 159 | 311 | 929 | 170 | 352 |
| Fixed-term | 63 | 13 | 197 | 91 | 17 | 218 | 89 | 17 | 269 |
| Total | 912 | 170 | 391 | 965 | 176 | 529 | 1,018 | 187 | 621 |
| Total year | 1,473 | | | 1,670 | | | 1,826 | | |
| Full-time | 886 | 152 | 370 | 935 | 158 | 510 | 981 | 160 | 589 |
| Part-time | 26 | 18 | 21 | 30 | 18 | 19 | 37 | 27 | 32 |
| Total | 912 | 170 | 391 | 965 | 176 | 529 | 1,018 | 187 | 621 |
| Total year | 1,473 | | | 1,670 | | | 1,826 | | |

Table 3: GRI 102-8 Information on employees

| Type of contract | 2016 | | | | | | 2017 | | | | | | 2018 | | | | | |
|------------------|-------|-------|----------------|-------|--------|-------|-------|-------|----------------|-------|--------|-------|-------|-------|----------------|-------|--------|-------|
| | Italy | | Rest of Europe | | Non-EU | | Italy | | Rest of Europe | | Non-EU | | Italy | | Rest of Europe | | Non-EU | |
| | Men | Women | Men | Women | Men | Women | 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 | 341 | 588 | 57 | 113 | 112 | 240 |
| Fixed-term | 25 | 38 | 4 | 9 | 45 | 152 | 45 | 46 | 9 | 8 | 50 | 168 | 35 | 54 | 6 | 11 | 63 | 206 |
| Sub-total | 335 | 577 | 62 | 108 | 116 | 275 | 365 | 600 | 63 | 113 | 149 | 380 | 376 | 642 | 63 | 124 | 175 | 446 |
| Total | | | 1,473 | | | | | | 1,670 | | | | | | 1,826 | | | |
| Full-time | 328 | 558 | 59 | 93 | 114 | 256 | 355 | 580 | 60 | 98 | 148 | 362 | 365 | 616 | 58 | 102 | 172 | 417 |
| Part-time | 7 | 19 | 3 | 15 | 2 | 19 | 10 | 20 | 3 | 15 | 1 | 18 | 11 | 26 | 5 | 22 | 2 | 30 |
| Total | 335 | 577 | 62 | 108 | 116 | 275 | 365 | 600 | 63 | 113 | 149 | 380 | 376 | 642 | 63 | 124 | 174 | 447 |
| Total | | | 1,473 | | | | | | 1,670 | | | | | | 1,826 | | | |

It should be emphasized that 1,451 employees (79.5% of the total) have a permanent contract⁽³⁾ and that fixed-term contracts essentially relate to new-hires. In addition, 95% of the workforce were full-time employees at 31st December 2018. The figures at 31st December 2018 are in line with those recorded on 31st December 2017.

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 at each company operating in the geographical areas in which the Group works, namely Italy, the USA, Greater China, Japan and Russia. 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 Company⁽⁴⁾. 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 managers.

(3) Apprenticeship contracts are included as open-term contracts.

(4) 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 area has contributed to developing a strong feeling of attachment among employees towards the Company, knowing that it will promptly listen to their requests.

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. There was an increase in sales personnel (in particular in the 30-50 age band), in line with the Group's decision to expand its boutiques network (DOS). The administrative staff at the Company and several of the main subsidiaries also grew in 2018.

Worthy of note is the fact that the average age of the Group's employees at 31st December 2018 was 38.

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).

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

| Composition of the workforce and governance bodies | 2016 | | | 2017 | | | 2018 | | |
|--|------|-------|---------------|------|-------|---------------|------|-------|---------------|
| | Men | Women | Sub-Tot. Year | Men | Women | Sub-Tot. Year | Men | Women | Sub-Tot. Year |
| BOARD OF DIRECTORS (Brunello Cucinelli S.p.A.) | | | | | | | | | |
| < 30 anni | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 1 |
| 30 ≤ x ≤ 50 | 3 | 2 | 5 | 2 | 2 | 4 | 2 | 2 | 4 |
| > 50 anni | 4 | 1 | 5 | 5 | 1 | 6 | 5 | 1 | 6 |
| WORK FORCE - Group | | | | | | | | | |
| Managers and middle managers | | | | | | | | | |
| < 30 years | 1 | 0 | 1 | 1 | 0 | 1 | 0 | 0 | 0 |
| 30 ≤ x ≤ 50 | 26 | 19 | 45 | 28 | 21 | 49 | 31 | 21 | 52 |
| > 50 years | 5 | 5 | 10 | 4 | 6 | 10 | 4 | 7 | 11 |
| White-collar | | | | | | | | | |
| < 30 years | 93 | 145 | 238 | 115 | 180 | 295 | 102 | 160 | 262 |
| 30 ≤ x ≤ 50 | 198 | 399 | 597 | 234 | 489 | 723 | 272 | 591 | 863 |
| > 50 years | 20 | 79 | 99 | 23 | 88 | 111 | 31 | 116 | 147 |
| of whom sales | | | | | | | | | |
| < 30 years | 44 | 74 | 118 | 65 | 98 | 163 | 62 | 68 | 130 |
| 30 ≤ x ≤ 50 | 97 | 235 | 332 | 113 | 292 | 405 | 140 | 367 | 507 |
| > 50 years | 9 | 56 | 65 | 10 | 59 | 69 | 14 | 81 | 95 |
| Blue-collar | | | | | | | | | |
| < 30 years | 71 | 48 | 119 | 61 | 42 | 103 | 60 | 52 | 112 |
| 30 ≤ x ≤ 50 | 72 | 156 | 228 | 84 | 155 | 239 | 86 | 154 | 240 |
| > 50 years | 26 | 110 | 136 | 27 | 112 | 139 | 27 | 114 | 141 |

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

| Composition of the workforce and governance bodies | 2016 | | | | | | 2017 | | | | | | 2018 | | | | | |
|--|-------|-------|--------|-------|--------|-------|-------|-------|--------|-------|--------|-------|-------|-------|--------|-------|--------|-------|
| | ITALY | | EUROPE | | NON-EU | | ITALY | | EUROPE | | NON-EU | | ITALY | | EUROPE | | NON-EU | |
| | Men | Women | Men | Women | Men | Women | 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 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 ≤ x ≤ 50 | 19 | 11 | 1 | 4 | 6 | 4 | 23 | 9 | 1 | 4 | 4 | 8 | 24 | 11 | 0 | 3 | 7 | 7 |
| > 50 years | 5 | 5 | 0 | 0 | 0 | 0 | 4 | 6 | 0 | 0 | 0 | 0 | 4 | 7 | 0 | 0 | 0 | 0 |
| White-collar | | | | | | | | | | | | | | | | | | |
| < 30 years | 40 | 62 | 20 | 20 | 33 | 63 | 49 | 68 | 21 | 21 | 45 | 91 | 42 | 81 | 17 | 16 | 43 | 63 |
| 30 ≤ x ≤ 50 | 94 | 168 | 39 | 69 | 65 | 162 | 109 | 187 | 39 | 75 | 86 | 227 | 120 | 194 | 43 | 88 | 109 | 309 |
| > 50 years | 7 | 17 | 2 | 15 | 11 | 47 | 8 | 21 | 2 | 13 | 13 | 54 | 13 | 29 | 3 | 17 | 15 | 70 |
| of whom sales | | | | | | | | | | | | | | | | | | |
| < 30 years | 2 | 9 | 19 | 19 | 23 | 46 | 8 | 6 | 20 | 21 | 37 | 71 | 8 | 6 | 17 | 16 | 37 | 46 |
| 30 ≤ x ≤ 50 | 10 | 25 | 39 | 67 | 48 | 143 | 13 | 29 | 39 | 74 | 61 | 189 | 15 | 26 | 43 | 87 | 82 | 254 |
| > 50 years | 0 | 1 | 2 | 15 | 7 | 40 | 0 | 2 | 2 | 13 | 8 | 44 | 0 | 2 | 2 | 17 | 12 | 62 |
| Blue-collar | | | | | | | | | | | | | | | | | | |
| < 30 years | 71 | 48 | 0 | 0 | 0 | 0 | 61 | 42 | 0 | 0 | 0 | 0 | 60 | 52 | 0 | 0 | 0 | 0 |
| 30 ≤ x ≤ 50 | 72 | 156 | 0 | 0 | 0 | 0 | 84 | 155 | 0 | 0 | 0 | 0 | 86 | 154 | 0 | 0 | 0 | 0 |
| > 50 years | 26 | 110 | 0 | 0 | 0 | 0 | 27 | 112 | 0 | 0 | 0 | 0 | 27 | 114 | 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. The Company provides for an adequate internship allowance to cover reasonable expenses incurred. These internships give trainees the opportunity to actively learn about the company’s professional environment that they could become a part of in the future. The internships over the years have proven to be a good way for the Company to learn about the qualities of the participants and, for this reason, even recently, opened the doors for some of them to join company staff.

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.

Moreover, it should be stressed that the Company, aware of the importance of keeping the professional skills and expertise in the tailoring business alive, plays an active role in supporting the training of young people interested in learning this ancient craft (see Chapter 4, paragraph 4.1. 3).

The Company has launched an *e-learning* program for employees. These courses are delivered over the corporate intranet allowing employees to learn about various topics (e.g. the protection of personal data, administrative responsibility, cyber-security) and provide directions and guidelines for the best use of the devices and equipment used on a daily basis at work.

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 a permanent contract. With specific reference to the Company, during the period from 2012 to 2018, the employment relationship was converted to a permanent contract at the end of the apprenticeship term in 309 out of 321 cases (i.e. a conversion rate of 96.3%), confirming the importance of training along the employee career 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 objective criteria of a qualitative nature. Career advances are then established on the basis of these appraisals.

It is then worth noting that at its meeting on 13th 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 who due to his or her training, skills, technical abilities, etc. can take over the office.



The following table sets out the Group's new employee hires and leavers by gender and geographical area^(5, 6).

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

| New employee hires and leavers by age | 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 |
| | 2% | 4% | 14% | 2% | 13% | 21% |

(5) 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.

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



| 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% | 7% | 4% | 7% | 11% |
| 30 ≤ x ≤ 50 | 20 | 9 | 35 | 11 | 15 | 80 |
| | 2% | 5% | 7% | 1% | 9% | 15% |
| > 50 years | 2 | 0 | 6 | 0 | 0 | 19 |
| | 0% | 0% | 1% | 0% | 0% | 4% |
| Total | 35 | 18 | 76 | 46 | 27 | 157 |
| | 4% | 10% | 14% | 5% | 15% | 30% |
| Leavers | | | | | | |
| < 30 years | 5 | 5 | 16 | 4 | 3 | 18 |
| | 1% | 3% | 3% | 0% | 2% | 3% |
| 30 ≤ x ≤ 50 | 6 | 11 | 25 | 9 | 11 | 36 |
| | 1% | 6% | 5% | 1% | 6% | 7% |
| > 50 years | 1 | 0 | 5 | 8 | 1 | 13 |
| | 0% | 0% | 1% | 1% | 1% | 2% |
| Total | 12 | 16 | 46 | 21 | 15 | 67 |
| | 1% | 9% | 9% | 2% | 9% | 13% |



| New employee hires and leavers by age | 2018 | | | | | |
|--|-----------|----------------|------------|-----------|----------------|------------|
| | Men | | | Women | | |
| | Italy | Rest of Europe | Non-EU | Italy | Rest of Europe | Non-EU |
| New employee hires | | | | | | |
| < 30 years | 23 | 10 | 35 | 50 | 4 | 42 |
| | 2% | 5% | 6% | 5% | 2% | 7% |
| 30 ≤ x ≤ 50 | 11 | 12 | 53 | 18 | 22 | 117 |
| | 1% | 6% | 9% | 2% | 12% | 19% |
| > 50 years | 2 | 0 | 4 | 6 | 1 | 14 |
| | 0% | 0% | 1% | 1% | 1% | 2% |
| Total | 36 | 22 | 92 | 74 | 27 | 173 |
| | 4% | 12% | 15% | 7% | 14% | 28% |
| Leavers | | | | | | |
| < 30 years | 14 | 7 | 12 | 7 | 5 | 25 |
| | 1% | 4% | 2% | 1% | 3% | 4% |
| 30 ≤ x ≤ 50 | 6 | 15 | 34 | 12 | 10 | 91 |
| | 1% | 8% | 5% | 1% | 5% | 15% |
| > 50 years | 2 | 0 | 2 | 17 | 1 | 7 |
| | 0% | 0% | 0% | 2% | 1% | 1% |
| Total | 22 | 22 | 48 | 36 | 16 | 123 |
| | 2% | 12% | 8% | 4% | 9% | 20% |

The table indicates a high starting rate in 2018, as was the case in 2017, in line with the growth trend experienced over the past few years. The majority of people hired were in the 30-50 age band. A total of 267 employees left the company in 2018, an increase compared with the 177 leavers in 2017; the balance between new hires and leavers in 2018 remains largely positive.

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 three 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 43 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 nearby to spend time with their families, thereby renewing a heart-felt tradition in the area. The Company discourages employees from working when the business is closed and urges them not to send work-related emails 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.

The Company guarantees compliance with the current regulations on the protection of personal data, including those of its employees, and implements all measures, obligations and adjustments necessary to ensure the protection of data and to allow the parties concerned to exercise their rights. The Company has also appointed a *Data Protection Officer* pursuant to art. 37 of Regulation (EU) 2016/679.

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 are welcome to enjoy these large and well-manicured green spaces during their lunch break and immerse themselves in this natural environment, relax by strolling along the tree-lined avenues and soak up the special atmosphere of the rose garden and orchard.



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 the Company, in cooperation with the universities of Bologna and Florence, created the “Ergonomy Project” in 2015. The aim of this project was to identify measures to be implemented at each of the Group’s sites to enhance the standard of health and comfort of certain jobs which, according to the literature, pose an increased risk of developing an occupational disease.

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 including, but not limited to, purchasing better chairs in terms of ergonomics and improving work stations so that they can be adjusted to fit individual 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 have a negative impact on the environment and workers’ health if not handled properly. For this reason, in addition to continuous monitoring and the controls 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 7: 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 |
| | | | | | | |
| | 2018 | | | | | |
| | Italy | | Europe | | Non-EU | |
| | Men | Women | Men | Women | Men | Women |
| All employees | | | | | | |
| Number of workplace injuries | 6 | 3 | 0 | 1 | 1 | 0 |
| Injuries en route to and from the workplace | 4 | 5 | 0 | 0 | 1 | 1 |
| Total number of work-related fatalities | 0 | 0 | 0 | 0 | 0 | 0 |
| Injury rate | 0.009 | 0.003 | 0.000 | 0.005 | 0.003 | 0.000 |
| Occupational disease rate | 0 | 0 | 0 | 0 | 0 | 0 |
| Severity rate | 0.26 | 0.03 | 0.00 | 0.00 | 0.00 | 0.00 |
| Absentee rate | 0.02 | 0.04 | 0.02 | 0.04 | 0.07 | 0.06 |

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. At any rate, these are minor events and never directly attributable to the production activities.

It is also worth pointing out that the absentee rate is extremely low 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. 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 (see 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 by 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

4.1.2 THE NEW SITE: PLEASANT PERIPHERY AND ENVIRONMENTAL IMPACT

The features of the Company's expansion on the outskirts of the ancient hamlet resonate with the very same philosophy that has accompanied the business from the time 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. 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 the twenty-first century the Company's growth has led to the need for new production spaces 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.

The Company started to further expand its spaces in 2013 by building two new pavilions designed in structural and aesthetic continuity with the first one.



Central garden and company headquarters under the hill of Solomeo

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

A new pavilion was opened at the end of 2016, 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).

Here too the projects supported by the Brunello and Federica Cucinelli Foundation should be added to the initiatives fostered by the Company.



Central garden with the fountain

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 school aims to provide high quality, human and technical training 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. An ironing course was launched in 2018 along with the new course "Maestre di Moda" (masters of fashion), aimed to offer cross-cutting training for the creation of clothing for women from a stylistic, modelling and tailoring standpoint.

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.

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. This initiative (still ongoing) was developed in cooperation with a leading Italian bank and designed for 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 (in compliance with the current personal data protection regulations) 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 important foreign businessmen) of Mr. Cucinelli, immediately took steps in offering 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”.

A portion of the funds needed to restore the municipal palace and Civic Tower in the city of Norcia to safe conditions were provided by Brunello Cucinelli S.p.A. in the form of an “art bonus”. The bell tower was successfully secured and dismantled. The Company is planning on making another donation in 2019, once again in the form of an “art bonus”, to finance the reconstruction of the Civic Tower.



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

4.2.3 SUPPORT FOR CULTURE

As part of the Company's activities in support cultural events and seasons in Umbria, it contributed to the project to provide support to the 2018 performances at the Teatro Stabile in Umbria (in the form of an "art bonus").

This action follows the one personally promoted by Mr. Brunello Cucinelli, who provided funding for the restructuring of the interior spaces of the Teatro Morlacchi in Perugia.



Morlacchi Theatre, Perugia



4.2.4 ARTISAN'S TAILORING WORKSHOP AT PERUGIA'S "LA CAPANNE" CORRECTIONAL FACILITY

Convinced that work plays an absolute key role in every rehabilitation process aimed at the social reintegration and the requalification of people, the Company entered into an agreement with Perugia's "La Capanne" correctional facility in July 2017, to promote a program aimed at creating a knitwear workshop at the correctional facility located in the Region of Umbria.

The workshop is expected to up and running in 2019 and will be used for making pullovers for prison personnel. The Company will act as consultant and project supervisor (free of charge), providing its *know-how* and specialized personnel involved in making clothes and supervision (defining production cycles and times).

The tailoring workshop will be built inside the prison and will involve the inmates (both men and women) at the facility, with the objective of training skilled personnel to facilitate their reintegration into society: participants will receive a certificate of professional qualification upon finishing the course.

4.3 PHILANTHROPIC ACTIVITY

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

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 works have had a marginal effect on the consolidated financial statements (€776 thousand in 2016, equivalent to 0.17% of consolidated turnover, €756 thousand in 2017, equivalent to 0.15% of consolidated turnover and €1,290 thousand in 2018, equivalent to 0.23% of the consolidated turnover) which should be added to that of a more sizable nature carried out by the Foundation.

The Company has been actively involved in supporting the Rondine Foundation for some years now. This foundation is based in the Arezzo countryside and welcomes young people from countries plagued by wars in an International Student Residence - World House. It is committed to reducing armed conflicts worldwide through training, cultural interaction and the promotion of ideals and peace projects. In addition to financial support, the young guests of the foundation were invited to perform their show called "*Dissonanze in accordo*", featuring music and testimonials, at the Brunello Cucinelli theater in Solomeo.



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 this world more beautiful than we found 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.

The opening pages of the sections dedicated to fashion focus on cultural, historical or ethical issues. The topics that have been covered over the seasons include: the tradition of the medieval 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.



HUMAN PRIVACY



BRUNELLO CUCINELLI

Institutional adv 2018 "Human Privacy"



BRUNELLO CUCINELLI

ingenium et ars unum sunt in opere

Institutional adv 2018 "OPERA"



Spring Summer adv 2019

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

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 and showrooms 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.

A fine example in this context is the revamped showroom in via Montello, Milan, completed in February 2019, as it is fully inspired by that place that gives a sense of familiarity, conviviality and relax par excellence: that place is the Italian home. Although located in one of the fashion and financial capitals of the world, the showroom seeks to offer a hideaway for people to enjoy a moment of calmness and relaxation, where they can experience the quality of time that represents an important aspect of that "grace" which is part of the corporate philosophy and everyday life.



Montello Showroom, Milan

Just like the collections, all furnishings are conceived and designed in Solomeo and therefore reflect the 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 working with the Company to create the furnishings.

The layout 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.





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.

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.

As is the case with the development of shop windows for boutiques around the world, the design and creation of thematic, visual and text-based content for the e-commerce site are carried out in-house in order to best reflect the company's philosophy. To this end, offices and functional spaces have been created and expanded to handle a large part of the digital activities and electronic publications, which are mainly dedicated to the respect for nature, the cultural and artistic enhancement of the region and conveying the Italian lifestyle.

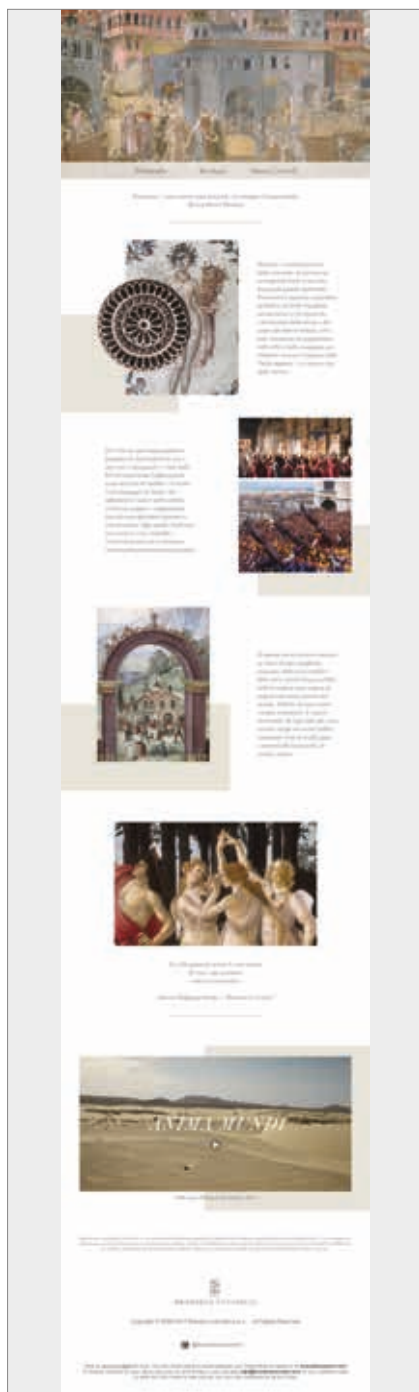


LANDING PAGE WEBSITE

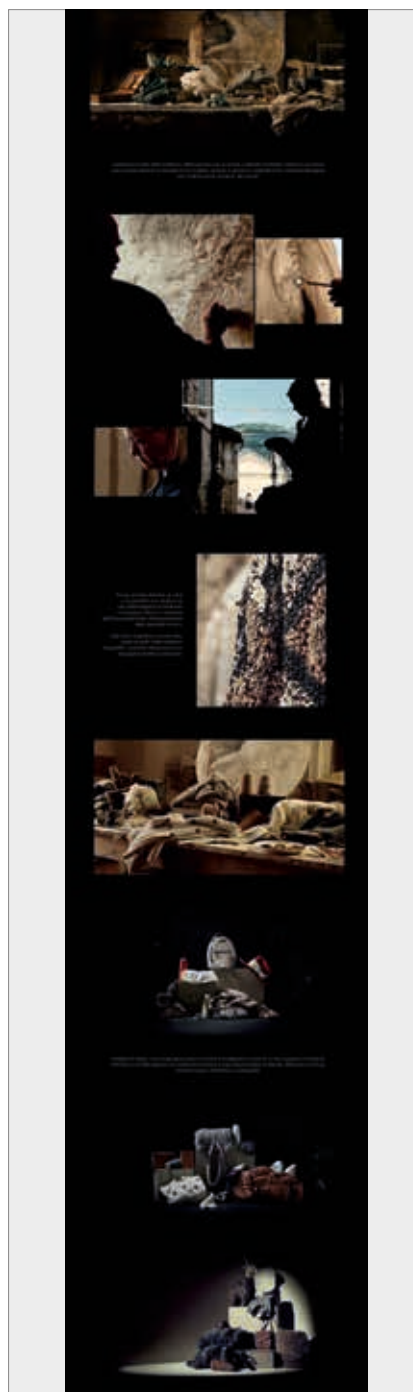


<http://www.brunellocucinelli.com/en/home.html>

NEWSLETTER MARCH 2018



HOME PAGE NOVEMBER 2018





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. The Company scrupulously respects the personal data of customers, in accordance with the current regulation on the protection of personal data, also ensuring that the parties concerned are able to exercise their rights.

The Company did not receive any complaints during the year in relation to breach of privacy or the loss of customer data and, more generally, handled each request regarding personal data in compliance with current legislation.

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.

Outside of Umbria, special events were organized drawing attention to the Italian and European cultural and artistic tradition: visits and meetings within prestigious museum-palaces that made it possible to bring together the artistic and historical importance of places with the value of the pieces in the collection, showing off the artisan creative process.



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 conducting market analyses and searching for new trends, carried out by the men’s and women’s styling office.

The styling office team visits the top fashion capitals of the world, taking part in trade shows of the fashion and textile industry with the aim of understanding and anticipating new trends as well as market demands.

The creative process subsequently gets under way, preceded by discussions involving 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.

Prototyping

Once approved by the styling office the models created are sent 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 trusted craft workshops with proven experience.

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 2018 employed a total of around 4,400 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 across the entire value chain. The Company's personnel perform careful controls of the processing stages of all Brunello Cucinelli items of clothing sent 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 22%⁽⁷⁾ 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.

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.

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

(7) This figure refers to 2018.

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 for operations in the production and logistics departments and for office activities.

In 2018, total spending for procuring raw materials and consumables amounted to €88.7 million; spending on procurement from Italian suppliers represented 95.6% of the total.

Table 8: GRI 204-1 Proportion of spending on local suppliers

| Spending on raw materials and consumables by geographical area (purchased by the Company) | 2016 € | 2017 € | 2018 € |
|--|------------------------|------------------------|------------------------|
| Italy | 75,603 thousand | 78,858 thousand | 84,859 thousand |
| <i>of which Umbria</i> | 8,568 thousand | 9,770 thousand | 11,286 thousand |
| Other EU countries | 2,534 thousand | 2,778 thousand | 3,333 thousand |
| Non-EU countries | 398 thousand | 957 thousand | 530 thousand |
| Sub-total | 78,535 thousand | 82,593 thousand | 88,722 thousand |
| of which: | | | |
| - Raw materials and merchandising | 75,016 thousand | 79,181 thousand | 84,808 thousand |
| - Other consumable materials | 3,519 thousand | 3,412 thousand | 3,914 thousand |
| Raw materials purchased by the Company | 78,535 thousand | 82,593 thousand | 88,722 thousand |
| Raw materials purchased by other Group companies | 3,268 thousand | 4,618 thousand | 6,637 thousand |
| Tot. Group purchases | 81,803 thousand | 87,211 thousand | 95,359 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, specially selected raw materials.

The Company makes its products with yarn (mainly cashmere), fabric and leather. Cashmere, the Groups 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. Once purchased, the raw materials are quality tested in the Company and only afterwards sent to *façonisti* for production.

Quality controls are conducted using special instruments and machinery and also involve systematic wearability tests. This makes it possible to immediately check the aesthetic result of each prototype and see if materials used wear well. The next step, if necessary, involves the "no-defect" test. It is at this stage where any imperfections in the prototype are eliminated.



The following table sets out the types and quantities of the principal raw materials purchased in the three-year period 2016-2018.

Table 9: GRI 301-1 Materials used

| Raw material | Unit of measurement | Quantity | | |
|--------------------------|---------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| | | 2016 | 2017 | 2018 |
| Yarn (of which Cashmere) | kg | 131,000 (39.5% in kg 61.4% in €) | 133,860 (38.3% in kg 62% in €) | 126,660 (42.5% in kg 61.9% in €) |
| Leather | m | 181,000, of which 2.3% CITES | 194,200, of which 2.4% CITES | 211,686, of which 1.5% CITES |
| Fabric | m | 1,818,000 | 2,019,600 | 1,951,905 |

The quantity of raw materials used is influenced by the stylistic choices underlying each collection. A slightly lower quantity of yarns was used in 2018 with respect to 2017, as the garments made with this raw material were typically lighter combined with detailed workmanship, with more complex detailing, both for the spring/summer collection and for the fall/winter collection.

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 fine 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 feathers⁽⁸⁾, used to make down jackets, 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.

(8) Feathers are not a raw material of particular importance for the Company.



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.

For 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.

For the second stage, when the finished product is packed, cardboard and occasionally fabric containers are used. They can then be re-used by retail customers and offer better storage of certain products such as shoes, bags and accessories.

The following table provides details on the packaging materials purchased.

Table 10: GRI 301-1 Materials used

| Raw material | Quantity (kg) | | |
|---------------------------------|--|--|---|
| | 2016 | 2017 | 2018 |
| 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 | 676 t of which 233 t is recycled paper and 240 t is FSC certified |
| Plastic (not renewable) | 88 t | 75 t | 102 t |
| Hangers ⁽⁹⁾ | — | — | 83.2 t |
| of which Wood | — | — | 4.6 t |
| of which Plastic (40% recycled) | — | — | 68.5 t |

Regarding the materials shown in the above table, it should be pointed out that the paper and cardboard purchased by the Company is used not only to package the end product, but some is also in certain stages of production.

Moreover, the above-mentioned quantities include the cartons purchased directly by the Company for subsequent dispatch to the Group's monobrand stores throughout the world.

(9) Hangers contain 10.1 t of material other than wood and plastic. No data is available on the composition of hangers in 2016 and 2017.



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 to make the product.

The following table shows the materials used in this phase.

Table 11: GRI 301-1 Materials used

| Materials used (Laundry) | Quantity (kg) | | |
|-----------------------------|---------------|-------|-------|
| | 2016 | 2017 | 2018 |
| Neutral soap | 1,200 | 800 | 480 |
| Softener | 6,620 | 6,360 | 8,040 |
| Antifoam | 280 | 90 | 50 |
| Perchloroethylene | 825 | 880 | 1,350 |
| Detergent in powder | 380 | 480 | 510 |

The quantity of laundry-related material used varies each year based on the washing requirements for the different collections. Specifically, perchloroethylene is used in dry cleaning, neutral soap in water-based washing, while fabric softener is used in both types of washing. A greater quantity of perchloroethylene was consumed in 2018 due to higher number of garments in the two reference collections requiring dry cleaning. Conversely, a lower quantity of neutral soap was used in 2018 due to the lower number of garments requiring water-based washing. Lastly, the figure on the use of fabric softener reflects the general increase in 2018 of clothing made and therefore handled by the laundry department.

Moreover, the Company used 35,801 kg. of paper (for uses other than packaging) in 2018, an increase with respect to the 33,656 kg. used in 2017.

In order to reduce the environmental impact arising from its activities, the Company set up an initiative called “Project Green” in 2017. The main objective of this project is to optimize the differentiated collection of waste, to increase employee awareness in being mindful of paper use and the importance of recycling and to digitalize its archives.



5.3 RELATIONS WITH THIRD PARTIES: SUPPLIERS AND FAÇONISTI

As mentioned, the Company manufactures its products also relying on the work of companies from outside of the Group⁽¹⁰⁾ called *façonisti*, i.e. small and medium firms that produce items with typically craft-based working techniques.

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

In addition, they distinguish themselves by their specialization. Regarding items of clothing and in particular knitwear, the *façonisti* are not only specialized by product but – 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. This also means that the Group is also able to reduce the risk of depending on any one *façonista* because more than one *façonista* exists 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. The Company guarantees equal opportunities within *façonisti* selection process and seek, insofar as possible, to ensure that they have the means, organizational structures, technical skills and experience, quality systems and suitable resources for the Company's needs and image. The Company also pays particular attention to compliance with labor legislation, including laws and regulations on child labor and worker health and safety (see article 5.1 of the Code of Ethics)⁽¹¹⁾. All *Façonisti* and suppliers, without exception, are required to fully comply with the principles contained in the Company's Code of Ethics, 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 work (so-called *façon*) by geographical area.

Façonisti

Table 12: GRI 204-1 Proportion of spending on local suppliers

| Spending on outsourced work by geographical area | 2016 € | 2016 No. of workshops | 2017 € | 2017 No. of workshops | 2018 € | 2018 No. of workshops |
|---|------------------------|---------------------------|------------------------|---------------------------|------------------------|---------------------------|
| Italy | 82,338 thousand | 330 | 87,852 thousand | 333 | 96,706 thousand | 350 |
| <i>of which Umbria</i> | 49,396 thousand | 263 (80% of the total) | 52,920 thousand | 265 (80% of the total) | 58,335 thousand | 280 (80% of the total) |
| Other EU countries | 0 | | 0 | | 0 | |
| Non-EU countries | 0 | | 0 | | 0 | |
| Total | 82,338 thousand | | 87,852 thousand | | 96,706 thousand | |
| Processing with material components | 4,649 thousand | | 4,934 thousand | | 4,370 thousand | |
| <i>of which</i> | | | | | | |
| Italy | 4,642 thousand | | 4,927 thousand | | 4,368 thousand | |
| Europe | 7 thousand | | 7 thousand | | 2 thousand | |
| Outside Europe | 0 | | 0 | | 0 | |

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

(11) 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".

The following map provides a regional analysis of *façonisti* that the Group relies on according to product type.



The Company considers developing close personal relations with the individual *façonista* to be a priority, as well as a necessary condition for building sound and profitable working relationships likely to last for a long time. 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 areas: organizational, legal and financial. In this way each *façonista* can feel calm about having professional support behind them 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.

This model of relationships fosters the pursuit of the Company's objective to give its *façonisti* moral and economic dignity.



5.3.1 SUPPLY CHAIN MONITORING

The Company regularly monitors the work performed by the *façonisti* based on the technical quality of the commissioned works in a mutually beneficial positive spirit that heightens the professionalism and *know-how* of both parties. Checks are also performed on compliance with the rules of conduct and the Code of Ethics as well as the general terms and conditions of contract.

The Company has prepared general terms and conditions for contracts which it submits to *façonisti* and suppliers who would like to work together with the company. The general terms and conditions set out the rules of conduct and principles that all *façonisti* must comply with respect to both the Company and their employees. In particular, according to these general terms and conditions of contract the *façonista* must ensure respect for the fundamental rights and freedoms of its employees, as well as make sure they are placed in the appropriate job category and receive fair pay. More generally, each *façonista* must comply with all laws and regulations concerning health and safety, social security, insurance, welfare, remuneration, taxes, as well as all confidentiality, intellectual property, environmental and product compliance obligations.

Each *façonista* is also required to fully cooperate with the Company so it is able to verify full compliance with the commitments set out in the general terms and conditions of the contract.

More specifically, checks are performed to ensure that the activities are carried out in suitable and healthy environments, in compliance with workers' rights.

For some time now the Company has a program in place to survey its own *façonisti* and recently established a new company function specifically responsible for handling information flows, from and to *façonisti*, to support the workshop selection process that the Company relies on; in particular, this function is responsible for obtaining documentation from time to time useful for verifying, within the Company's remit, the recurrence of situations that are not in compliance with the principles and rules of conduct laid down in the Code of Ethics, in the general terms and conditions of the contract or in the 231 Model. Failure to comply with any of these principles and rules of conduct may result in the immediate termination of the relationship with the Company.

This new function's tasks included the launch, in the second half of 2018, of a documentary audit (still in progress at the time of this CNFS) on all⁽¹²⁾ *façonisti* to identify any critical issues. At year-end and the date of this CNFS, no situations emerged that had a significant negative social impact.

(12) The audit involves 357 *façonisti*. It should be noted that not all the parties involved in the audit had economic relations with the Company in 2018.

5.4 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*”. The 18-month project ended in November 2018 with the implementation of a new production model in the fashion industry (to be applied to companies in the Company’s production chain) from the design of the collections to their production and distribution.

The project is structured in experimental research and development activities with the aim 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 aim 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.

Specifically, company staff collaborated in conducting studies and the development of technology demonstrators for the digitalization of model cards, including algorithms for digitalizing sketches and recognizing the product categories through systems based on learning models. These systems are interconnected through data sharing with PLM (*Product Lifecycle Management*) systems supported by quality control tools through visual inspection with innovative tools. The development of a prototype (“table”) for an innovative workstation for the modern-day tailor is worth mentioning.

The foundations were also laid to start product traceability through the study of RFID embedded (*Radio-Frequency Identification*) as a factor enabling the recording of operations upstream and downstream of the supply chain. Useful functions were developed for the collaboration between the Company and its *façonisti*, reducing the redundant operations of little use, in addition to sharing benefits associated with the digitalization of the supply chain with the local productive fabric. A specific software, which functions as a supply chain platform, integrates all the functions developed and allows the Company and *façonisti* to share a series of information necessary for carrying out the production process.

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 (given the low materiality 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: "[I]considers man to be the *"keeper of the created"*, required to stand before nature and its resources respectfully and responsibly. The Company contributes constructively to environmental sustainability in all of its activities. The commitment to safeguard the environment is put into practice by planning activities that seek a balance between economic initiatives and essential environmental needs in accordance with applicable Italian and international directives".

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 included among the predicate offences covered in the management model adopted by the Company, pursuant to art. 6 of Legislative Decree no. 231/2001. There are protocols and controls specifically designed to regulate those business processes that could provide opportunities to commit these offences.

6.1 ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

As mentioned earlier, the main environmental impacts regard the consumption of energy resources to run the plants and buildings where the Group works.

More specifically, as far as the production cycle is concerned, natural gas and electricity is consumed to keep the Group's main structures (i.e. prototyping systems, receiving and storage warehouses, and the laundry area) running; the consumption of fuel by the Company's fleet of vehicles must also be taken into account.



In addition to the above, 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. is also taken into consideration, as is the energy used at the offices and sales offices in the rest of the world and by the DOS operated by Group companies⁽¹³⁾; in this respect, energy consumption relates to the lighting and heating of the premises.

The following tables show the consumption of natural gas and electricity in 2018. The increase in power consumption is due to the increase of several jobs at one of the Company's sites⁽¹⁴⁾ (for a photo shoot), the major expansion of the showroom in Milan and the increase in the number of shops⁽¹⁵⁾. In the year under review, 96% of the energy used in Italy was from renewable sources due to the almost complete changeover to a supplier that uses hydroelectric power plants (i.e. renewable sources) to generate electricity. The decision to use this supplier has made it possible through certificates to achieve near-zero indirect energy emissions (Scope2) of CO₂ in Italy, as shown by the calculation using the market-based method.

Table 13: GRI 302-1 (a, b, c, d, e) Energy consumption

| | Unit of measurement | 2016 | 2017 | 2018 |
|---------------------------------|---------------------|--------|--------|--------|
| Natural gas | GJ | 14,451 | 15,564 | 17,838 |
| Electricity | GJ | 27,850 | 29,668 | 35,637 |
| of which from renewable sources | GJ | 1,704 | 15,600 | 19,053 |

Table 14: 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 | 2018 |
|-----------------------------|---------------------|-------|-------|-------|
| Petrol | GJ | 54 | 33 | — |
| Diesel | GJ | 6,982 | 7,497 | 7,414 |

Table 15: GRI 305-1 and 305-2 Greenhouse gas emissions

| | Unit of measurement | 2016 | 2017 | 2018 |
|---|-----------------------|-------|-------|-------|
| Direct emissions ("scope 1") ⁽¹⁶⁾ | ton CO _{2eq} | 1,361 | 1,608 | 1,813 |
| Indirect emissions ("scope 2") Location-based | ton CO _{2eq} | 2,760 | 3,138 | 3,626 |
| Indirect emissions ("Scope 2) Market-based | ton CO _{2eq} | 3,407 | 1,800 | 1,828 |

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

(14) This concerns the site located in Magione, in the province of Perugia, used in the past as a storage area.

(15) It should also be mentioned that for 2018 there was an improvement in the data collection system with less reliance on estimates and more use of actual data.

(16) These emissions also include the loss of refrigerant gases for Italy.



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).

The laundry department has three dry-cleaning machines, three water washing machines and five tumble dryers. The “washing” cycle runs as follows: the woolen garments arriving from the *façonisti* firstly pass through the dry-cleaning machines and then go 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 tumble dryers for the final drying process.

As mentioned earlier, the work performed in the laundry department 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 water treatment system is installed which collects and treats the majority of the Company’s waste water, including water from the laundry area, before it is channeled to a surface water body.

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

Finally, as far as water abstraction is concerned, the water taken 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 monitored.

The tables below show the water withdrawals and disposals for 2018 and the quality 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. 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 quantity of water drawn from the well, restored in 2018 following the collapse occurred in 2017, have significantly increased due to the intensification of work in the laundry department: in addition to the increase in the quantity of clothes treated, there was also a greater need to wash the yarns used for the 2018 collections with water. Accordingly, discharges also increased.

Table 16: GRI 303-1 (a) Volume of water withdrawn by source

| Water withdrawal ⁽¹⁷⁾ | | 2016 | | 2017 | | 2018 | |
|----------------------------------|----------------------|---------------|---------------|-------------------|---------------|---------------|---------------|
| Sources | Unit of measurement | Italy | Outside Italy | Italy | Outside Italy | Italy | Outside Italy |
| Wells | m ³ | 3,963 | — | — ⁽¹⁸⁾ | — | 16,242 | — |
| Public aqueducts | m ³ | 17,946 | 13,885 | 24,033 | 19,266 | 21,802 | 19,886 |
| Total | m³ | 21,909 | 13,885 | 24,033 | 19,266 | 39,865 | 19,886 |

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

(18) Data was not monitored in 2017 since the well collapsed and therefore the Company filled it in and made the due communications.

**Table 17: GRI 306-1 (a) Volume of discharged water by destination**

| Waste water sent to treatment facilities – Solomeo | Unit of measurement | 2016 | 2017 | 2018 |
|--|---------------------|--------|--------|--------|
| Discharged to surface waters | m ³ | 14,773 | 12,643 | 29,087 |

Table 18: GRI 306-1 (a) Quality of discharged water

| Quality parameter for discharged water | 2016 | 2017 | 2018 |
|--|-----------------|-----------------|-----------------|
| pH | 7.29 at 25.0 °C | 7.92 at 25.0 °C | 7.60 at 25.0 °C |
| Total Suspended Solids (TSS) | 1.1 mg/liter | 0.9 mg/liter | 2.5 mg/liter |
| Ammoniacal nitrogen (as NH ₄) | 0.72 mg/liter | 0.49 mg/liter | 0.06 mg/liter |
| Nitrite nitrogen | 0.21 mg/liter | 0.14 mg/liter | 0.02 mg/liter |
| Nitrate nitrogen | 18.65 mg/liter | 15.39 mg/liter | 19.2 mg/liter |
| C.O.D. (as O ₂) | 19 mg/liter | 35.0 mg/liter | 17.20 mg/liter |
| B.O.D. ₅ (as O ₂) | N.D. | 14.0 mg/liter | 5.0 mg/liter |
| Lead | <0.01 mg/liter | <0.01 mg/liter | <0.01 mg/liter |
| Cadmium | <0.01 mg/liter | <0.01 mg/liter | <0.01 mg/liter |
| Nickle | <0.01 mg/liter | <0.01 mg/liter | <0.01 mg/liter |
| Copper | <0.03 mg/liter | <0.02 mg/liter | <0.02 mg/liter |
| Total chromium | <0.02 mg/liter | <0.01 mg/liter | <0.02 mg/liter |
| Manganese | <0.01 mg/liter | <0.01 mg/liter | <0.02 mg/liter |
| Zinc | <0.02 mg/liter | <0.03 mg/liter | 0.03 mg/liter |
| Iron | 0.07 mg/liter | <0.02 mg/liter | 0.03 mg/liter |
| Chromium (VI) | < 0.01 mg/liter | < 0.01 mg/liter | < 0.01 mg/liter |
| Chlorides | 101.48 mg/liter | 313.72 mg/liter | 103.32 mg/liter |
| Sulfates (as SO ₄) | 31.54 mg/liter | 79.44 mg/liter | 82.98 mg/liter |
| Total hydrocarbons | 2.0 mg/liter | 1.3 mg/liter | 1.3 mg/liter |
| Anionic surfactants | 0.61 mg/liter | 0.498 mg/liter | 0.201 mg/liter |
| Cationic surfactants | <0.01 mg/liter | 0.156 mg/liter | 0.36 mg/liter |
| Non-ionic surfactants | 0.08 mg/liter | 0.017 mg/liter | 0.018 mg/liter |
| Total surfactants | 0.69 mg/liter | 0.67 mg/liter | 0.58 mg/liter |
| Selenium | <0.01 mg/liter | <0.01 mg/liter | <0.01 mg/liter |
| Phenols | 0.11 mg/liter | 0.11 mg/liter | 0.09 mg/liter |
| Aromatic organic solvents | < 0.01 mg/liter | < 0.01 mg/liter | < 0.1 mg/liter |
| Chlorinated solvents | < 0.01 mg/liter | < 0.01 mg/liter | < 0.1 mg/liter |
| Persistent mineral oils and hydrocarbons of petroleum origin | – | 1.3 mg/liter | 1.3 mg/liter |

6.3 WASTE MANAGEMENT

Proper waste management is a material topic 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 and 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.

Production and storage activities also produce waste, mainly consisting of cardboard and plastic also managed by differentiated collection. This is fully recovered by an authorized firm and used again until this no longer possible.

The table below confirms that the production of hazardous waste in 2018 was actually very limited. The increase in non-hazardous waste and in particularly those intended for disposal at a landfill come from extraordinary maintenance on the treatment facilities.

Table 19: 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)

| Waste from the production process | Unit of measurement | 2016 | | 2017 | | 2018 | |
|---|---------------------|-----------|---------------|-----------|---------------|-----------|---------------|
| | | Hazardous | Non-hazardous | Hazardous | Non-hazardous | Hazardous | Non-hazardous |
| Total waste | ton | 6.7 | 596 | 4.5 | 795 | 5.26 | 851.55 |
| Of which sent for recovery | ton | 0.5 | 316 | 0.4 | 347 | 1.12 | 378.7 |
| Of which sent to waste disposal sites | ton | 6.1 | 16 | 4.1 | 11 | 4.15 | 105.2 |
| Other waste (Solomeo site) | | | | | | | |
| Of which sent to outside treatment facilities | ton | 0 | 264 | 0 | 437 | 0 | 367.25 |



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.

The Group is committed to protecting the dignity of labor and business ethics, combatting all forms of corruption and bribery, urging its employees and external collaborators to maintain 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. More specifically, the Code of Ethics (in the new version approved by the Board of Directors on 14th March 2019) states that "the Group prohibits and prosecutes corruption, inappropriate favors, collusion, solicitation of advantages, the receipt of tangible and intangible benefits and other advantages aimed at influencing or compensating exponents of institutions or group employees".

At the meeting held on 14th March 2019, the Board of Directors approved a specific anti-corruption policy to implement the principle contained in the Code of Ethics. The policy aims to offer a reference framework for the rules laid down by the Company to tackle corruption, fostering a corporate culture of responsibility and consciousness and also to prevent and discourage corruption and bribery at all levels.

The anti-corruption policy complements the Code of Ethics and the organizational model adopted pursuant to Legislative Decree no. 231/2001, as an additional general tool designed to prevent the commission of the crimes covered by the aforementioned Decree, as assessed in the Model, both in terms of risk, and with reference to the related sensitive activities. The policy applies to all staff of Group companies, to members of the corporate bodies of Group companies and to all those who work, even on an occasional basis, in the name of and/or on behalf of and/or in the interest of the Group. It also applies to those who have professional or business relationships or other types of collaborative relationships with the Group.

There have not been any cases of corruption in the past three years.



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 requirements of Legislative Decree no. 254/2016, and subsequent amendments, 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 how they are managed) 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 14th March 2019.

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 in 2018 to update the material topics for the Company were as follows:

- **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 year 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 material topics required to provide an understanding of the Company's activities, its performance, its results and the effect produced, which were subsequently reported in the Brunello Cucinelli Group's CNFS. The results obtained essentially confirm the findings of the analysis carried out regarding 2017, except for the surfacing of a new material topic: customer privacy.



Reporting scope

Consistent with the requirements of Legislative Decree no. 254/2016, the reporting scope coincides with the scope of the Group's 2018 consolidated financial statements, 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 production activities (performed in Italy), 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 all production activities carried out in Italy by the Group. 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 information and the data included in this consolidated non-financial statement refer to 2018.

For greater clarity, the following table shows the material topics within the framework of Legislative Decree no. 254/2016, the topic scope and any limitations on that scope.



| Legislative decree 254 area | Material topics | 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 | Supplier social assessment | Group | — | — | — |
| | Combatting discrimination | Group | — | — | — |
| | Condemnation of child labor | Group | <i>Façonisti</i> | — | Reporting not extended to <i>Façonisti</i> |
| | Condemnation of forced labor | Group | <i>Façonisti</i> | — | Reporting not extended to <i>Façonisti</i> |
| HUMAN RESOURCES | Employment, turnover | Group | — | — | — |
| | Health and safety of employees | Group | <i>Façonisti</i> | — | Reporting not extended to <i>Façonisti</i> |
| | Training and development | Group | — | — | — |
| | Diversity and equal opportunities | Group | — | — | — |
| SOCIAL IMPACT | Involvement of local communities | Group | — | — | — |
| | Local purchases | Group | — | — | — |
| | Customer privacy | 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 CNFS 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 STANDARDS | 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, safety 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> |
| GRI 418 – Customer Privacy | GRI 418-1 | <i>Substantiated complaints concerning breaches of customer privacy and losses of customer data</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 key steps:

- identification of material topics;
- documentation of the main risks, generated or undergone, including how they are managed, stemming from the company's business, 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 topics and envisaged by the chosen reporting standard.

The process of determining the contents of the 2018 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 excluding commuting injuries 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 excluding commuting injuries 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):
 1. Location based: these emissions were calculated by multiplying the electricity purchased from the national grid times the emission factor taken from the "Terna International Comparisons on Enerdata - 2015, 2016 data;
 2. Marked based⁽¹⁹⁾: these emissions were calculated by multiplying the quantity of non-renewable electricity times the residual mix emission factors of each country, according to the following sources:
 - Green-e Energy Residual Mix Emissions Rates – 2016, 2017, 2018 data;
 - European Residual Mixes, ABI – 2017 data.
- 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, by 250 working days in 2017, and 253 working days in 2018.

(19) If a company has not published the residual mix, the location-based factor was used.



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>pagg. 14-15</i> |
| | 102-15 Key impacts, risks, and opportunities | <i>pagg. 10-13</i> |
| | 102-18 Governance structure | <i>pagg. 8-9</i> |
| | 102-41 Collective bargaining agreements | <i>pag. 15</i> |
| | 102-46 Defining report content and topic Boundaries | <i>pagg. 62-66</i> |
| | 102-47 List of material topics | <i>pagg. 62-64</i> |
| | 102-55 GRI content index | <i>pagg. 67-69</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>pagg. 44-54; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 44-54</i> |
| GRI 204: Procurement Practices | 204-1 Proportion of spending on local suppliers | <i>pagg. 47; 51</i> |
| Anti-corruption | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 60; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 60</i> |
| GRI 205: Anti-corruption | 205-3 Confirmed incidents of corruption and actions taken | <i>pag. 60</i> |
| GRI 300 Environmental Standards Series | | |
| Materials | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 44-50; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 44-50</i> |
| GRI 301: Materials | 301-1 Materials used by weight or volume | <i>pagg. 47-50</i> |
| Energy | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 55-56; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 55-56</i> |
| GRI 302: Energy | 302-1 Energy consumption within the organization | <i>pagg. 55-56</i> |
| Water | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 55; 57-58; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 55; 57-58</i> |
| GRI 303: Water | 303-1 Water withdrawal by source | <i>pagg. 57-58</i> |



| GRI Standard | Disclosure | Page Omission |
|---|---|-----------------------------------|
| Emissions | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 55-56; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 55-56</i> |
| GRI 305: Emissions | 305-1 Direct (Scope 1) GHG emissions | <i>pag. 56</i> |
| | 305-2 Energy indirect (Scope 2) GHG emissions | <i>pag. 56</i> |
| Effluents and Waste | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 55; 57-58; 59; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 55; 57-58; 59</i> |
| GRI 306: Effluents and Waste | 306-1 Water discharge by quality and destination | <i>pagg. 57-58</i> |
| | 306-2 Waste by type and disposal method | <i>pag. 59</i> |
| GRI 400 Social Standards Series | | |
| Employment | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 14-24; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 14-24</i> |
| GRI 401: Employment | 401-1 New employee hires and employee turnover | <i>pagg. 19-21</i> |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | <i>pag. 22</i> |
| Occupational Health and Safety | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 23-24; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 23-24</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>pagg. 23-24</i> |
| Training and Education | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 17-21; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 17-21</i> |
| GRI 404: Training and Education | 404-2 Programs for upgrading employee skills and transition assistance programs | <i>pagg. 17-21</i> |
| Diversity and Equal Opportunity | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 14-17; 21-22; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 14-17; 21-22</i> |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | <i>pagg. 16-17</i> |



| GRI Standard | Disclosure | Page Omission |
|--|--|--|
| Non-discrimination | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 21-22; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 21-22</i> |
| GRI 406: Non-discrimination | 406-1 Incidents of discrimination and corrective actions taken | <i>pag. 21</i> |
| Child Labor | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 51-53; 61; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 8; 10-13; 51-53; 61</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 during 2018. |
| GRI 409: Forced or Compulsory Labor | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 51-53; 61; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 8; 10-13; 51-53; 61</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 2018. |
| Local Communities | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 25-43; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 25-43</i> |
| GRI 413: Local Communities | 413-1 Operations with local community engagement, impact assessments, and development programs | <i>pagg. 25-43</i> |
| Supplier Social Assessment | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 51-53; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 51-53</i> |
| GRI 414: Supplier Social Assessment | 414-2 Negative social impacts in the supply chain and actions taken | <i>pag. 53</i> |
| Customer Privacy | | |
| GRI 103: Management Approach | 103-1 Explanation of the material topic and its Boundary | <i>pagg. 43; 62-64</i> |
| | 103-2 The management approach and its components | <i>pagg. 10-13; 43</i> |
| GRI 418: Customer privacy | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | <i>pag. 43</i> |

INDEPENDENT AUDITORS' REPORT



EY S.p.A.
Via Bartolo, 10
06122 Perugia

Tel: +39 075 5750411
Fax: +39 075 5722888
ey.com

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

(Translation from the original Italian text)

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

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Brunello Cucinelli S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on 31st December 2018 in accordance with article 4 of the Decree approved by the Board of Directors on 14th March 2019 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

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

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

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

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

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

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence,

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 09691231005
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997
A member firm of Ernst & Young Global Limited



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

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

In particular, we have performed the following procedures:

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

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

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.



In particular, we have conducted interviews and discussions with the management of Brunello Cucinelli S.p.A. and with the personnel of Pinturicchio S.r.l. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

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

- at Group level:
 - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for the site of Solomeo of the Brunello Cucinelli S.p.A. and for the site of Carrara of the Pinturicchio 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 DNF of the Brunello Cucinelli Group for the year ended on 31st December 2018 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 DNF.

Other Information

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

Perugia, 5th April 2019

EY S.p.A.

Signed by: Massimo Antonelli (Partner)

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