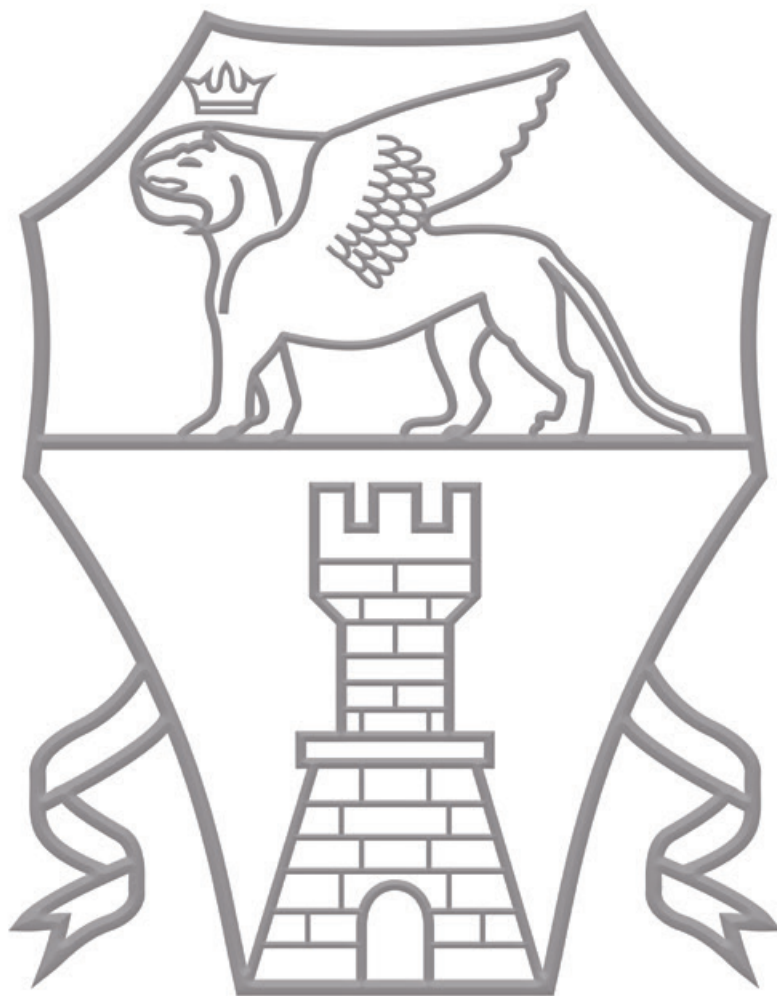




BRUNELLO CUCINELLI



2020 CONSOLIDATED NON-FINANCIAL STATEMENT
PURSUANT TO ARTICLES 3 AND 4 OF ITALIAN LEGISLATIVE DECREE NO. 254/2016

(COURTESY TRANSLATION FOR THE CONVENIENCE OF INTERNATIONAL READERS)



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LETTER FROM THE CHAIRMAN

I was born into a modest family in the countryside, and there, where the stars shine brighter at night, the feeling of Creation is stronger; we felt the universe echoing within us, we intuitively perceived the great rules of its harmony. In my life I have always wanted to place ethics and respect for human dignity among the highest ideals, and from this aspiration I have tried to generate my activity as a Cashmere businessman, careful as I could to produce without damaging Creation, to maintain constant harmony between profit and giving back.

Being passionate about philosophy, I was able to confirm, reading Kierkegaard, that human beings are both individual and universal, and this is a great value for me. I have always believed in humanism as an element of the universe; this is what great men of the past thought, from Dante to Galileo; each one along their own path, they combined humanism with spirituality and science. I argue that one cannot live without humanism, and I have made it the most faithful friend of my soul: from it I have tried to draw my idea of humanistic capitalism, and then, thinking back to the starry skies of my childhood, the idea of universal humanism.

Precisely because of the fascination of that youthful life, because of that sense of the infinite, I think of Creation as a caring guardian whom we should all be grateful for the golden gifts we receive with generous abundance; I am deeply grateful to it.

But for some time now, in this year, our life has been flanked by an unexpected and unwanted travelling companion, who in the form of a pandemic virus wanders the entire planet causing pain to the body and spirit of human beings, with an unpredictable and exhausting course, at times slow, at times accelerated, at times mild, at times cruel, with alternating hopes that are first glimpsed and then immediately disappointed.

We seem to be witnessing a sort of struggle between biology and the earth, which lasts for a long time, and here, finally, Creation itself has asked us for help. Now I believe that it is up to us, human beings, as a moral imperative, to respond to this important and urgent call; and I am thinking of a sort of **new social contract with Creation**.

The social contract is an ancient idea, dating back to Plato, Aristotle, and then, closer to us, Thomas Hobbes and John Locke, and finally Rousseau, who dedicated a book to it. The contract that I imagine is new because it is not only about human beings, but it also includes every other element of Creation. The distant mountains, the deep and shady forests, the immense and restless seas, the blue and starry skies under which animals and plants live in constant harmony, I see them, together with human people, as the integral factors of the new contract, and I represent them, as a universal whole, as an earthly paradise of our times, an environment at once enchanted and sacred, without boundaries, which spreads its wings over every remotest corner of Creation.



Perhaps, however, lately we have somewhat neglected some natural rules that for so long have been the foundations of a genuine and true kind of life; perhaps we have lost the harmony that balanced receiving and giving back in the relationship between us and Creation, and we have begun to consume it, instead of using it according to natural and necessary needs, as Epicurus preached and as hundreds of nameless generations have done before us.

Therefore, if we now look into our hearts with the courage of truth, if – in accordance with Kant’s thought – we raise our eyes to heaven above us and question the moral law within us, we will recognise that we have been prodigal children, and then, as in a choral public confession involving a large part of us, we will recognise that if Creation asks us for help today, we too are responsible for its suffering.

Let us think then of our children, of future generations, who more than anything else are the hope of tomorrow; let us think of the world they will inherit from us, which should be slightly better than this; let us think of the legacy of the past, without which, as philosophers teach, there is no future. If we forget the teachings of the past, how can we set out on the safe paths of moral justice? It seems to me that we owe the young people the time that we have taken away from them, the hopes that follow ideals; and their eyes still seek ours, which are often evasive, because it is not easy for us to respond with a look as straight and true as theirs.

It is also thinking with loving fear of the new generations that I imagine the **new social contract with Creation**, because I would like the children of today’s men to have the chance to live on a planet where animals, plants, and waters, find time and place to regenerate themselves according to nature, with those wide and serene rhythms that have marked the time of human history for millennia; a time and place where the woods return to regain the earth, taking it away from the deserts, reviving the planet with oxygen and coolness. So I like to dream that future generations will be able to live where they feel they will recognize their homeland, and will have the whole world as a free choice; if they see the great migrations of people as an opportunity rather than a danger, if for them the desire to repair and reuse things will prevail over the temptation of waste, if the State and laws are not considered obligations forced upon them but means of civil life to be respected for a more just life; if they know how to develop technology and humanity as lovable sisters, if every corner of the planet will be considered the heritage of each and every one, and finally, if, as Hadrian the Emperor thought, they know how to consider books as the granaries of the soul, they will be happy. Such is the social contract that I would like to enter into with Creation, such is the help I feel I want to give as a loving response to such a caring guardian. Thank you, may Creation enlighten our path.

Brunello Cucinelli
Chairman of the Board of Directors



View of the Umbrian countryside, shot taken from the FW20 “OPERA” campaign

INTRODUCTION

The present document constitutes the **fourth edition of the Consolidated Non-financial Statement**¹ (hereinafter also “CNFS”) of Brunello Cucinelli S.p.A. (hereinafter also the “Company”, the “Issuer” or the “Enterprise”) and refers to the period running from **1 January 2020 to 31 December 2020**. Moreover, this document provides a comparison with the corresponding data from financial years 2019 and 2018. Specifications regarding data on which comparisons with prior years are not possible are provided in the footnotes to the text.

This CNFS has been prepared in accordance with the provisions of articles 3 and 4 of Legislative Decree no. 254/2016 (hereinafter the “Decree”) – implementing Directive 2014/95/EU (the so-called “Barnier Directive”) – and subsequent additions concerning the obligation to disclose non-financial information on behalf of large-size organizations of public interest, in view of the importance of these companies’ transparency and communication. The disclosure of this information has the purpose of ensuring a full understanding of the company’s operations, its performance and results, as well as the main risks it has generated or been exposed to (including the ways these risks have been managed and the opportunities deriving from them), and, lastly, the company’s impact on issues concerning the environment, society, its staff, the respect of human rights and the fight against active and passive corruption, which are considered relevant depending on the company’s operations and characteristics.

¹ The present Consolidated Non-financial Statement has been published in the “Non-financial Disclosure” section of the Issuer’s website: <http://investor.brunellocucinelli.com/en>



Pursuant to art. 2, paragraph 2 of Legislative Decree no. 254/2016, in the case of organizations of public interest that are parent companies of a larger group, such as the Group headed by the Company (hereinafter also the “Brunello Cucinelli Group” or the “Group”), the NFS needs to be prepared on a consolidated basis.

With regard to the policies practiced by the Company and relating to the areas outlined in the Decree, we hereby specify that, in addition to the Anti-Corruption Policy, which was approved by the Company’s Board of Directors (BoD) on 14 March 2019, the Company has also set forth the Human Sustainability Policy “In harmony with the Creation”, the Diversity and Inclusion Policy, and the Human Relations Policy, which will be applied at Group level.

In line with the requirements of the Decree, and according to the principle of the relevance of the disclosed information in relation to the context and characteristics of the business, the Company has enriched the 2020 CNFS by renewing the materiality analysis in order to propose a disclosure that is more focused on issues that are crucial for the Brunello Cucinelli Group. The result of the analysis is provided in the form of a list of 6 macro-issues which refer to the areas of the Decree, which in turn introduce 20 sub-issues. For the year under review, it was decided to also include the issues mentioned in the previous materiality analysis which were no longer found to be relevant for the Group and its stakeholders in the new analysis. The aim of this was to ensure continuity with respect to last year’s reporting.

According to the provisions of art. 5, paragraph 3 of the Decree, although the present CNFS constitutes a separate element with respect to the “Management Report on Operations” and the Issuer’s Financial Statements as at 31 December 2020, it is still to be considered as an integration of said documents.

The present CNFS is prepared in accordance with the GRI (*Global Reporting Initiative*) Standard: Option “*In accordance – Core*”. Specifications regarding the reporting boundary, as well as specific environmental, social and economic disclosures are provided in the Appendix.

Furthermore, the selection of GRI Standards was used to identify the Sustainable Development Goals (SDG) of the United Nations 2030 Agenda² to whose achievement the Group can contribute directly and indirectly³.

Lastly, this CNFS was subjected to a limited review, in accordance with the *International Standard on Assurance Engagement* (ISAE 3000 Revised) by the auditing firm EY S.p.A.

The BoD of Brunello Cucinelli S.p.A. approved the 2020 CNFS on 11 March 2021.

² On 25 September 2015, the 193 Member States of the United Nations unanimously approved the Global Sustainable Development Agenda with its 17 Sustainable Development Goals (SDG), which are articulated into 169 Targets to be reached by the year 2030. Italy played a central role in the negotiations and took on concrete commitments to pursue these international goals. In view of the scale of this challenge, each agent, whether public or private, is called upon to take action in relation to its own sphere of influence and field of action.

³ The analysis was carried out on the basis of the document “*Linking the SDGs and the GRI Standards*”, published by the Global Compact of the United Nations, in order to specifically link the SDGs and their respective targets to the GRI Standards that have been selected for reporting in the present CNFS.



OUR FOUR DECALOGUES - OUR LIFE AND WORK PRINCIPLES

The building blocks of the idea of Humanistic Capitalism and Human Sustainability are our life and work principles, i.e. the values contained in the four Decalogues that guide our daily lives and actions.

Our Ideals for life and work

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



Our Mother Earth

- I. *We have always pursued a fair profit achieved with ethics, dignity and morals, **manufacturing highly artisanal products that wouldn't damage Creation**, or as little as possible.*
- II. *We fully acknowledge **the responsibility we have for what we build on the planet hosting us**. For this reason we build our factories in keeping with the spirit of the place, refurbishing and adjusting existing facilities and sparing the Earth instead of further consuming it.*
- III. *Any **revamping plan for our factories** always contains a landscape plan, an architectural plan, a maintenance plan and a plan to promote the facilities' duration over time. No man-made intervention is acceptable unless it is compatible with the regeneration of the land.*
- IV. *It is a moral duty to **use the resources of Creation pursuant to the ancient laws of nature**. For this reason a healthy use of waters and their recovery takes centre-stage in our life and work project. The same also goes for all the other resources, which we use with grace and the utmost focus on climate change.*
- V. *Everywhere in the world the ancients worshipped Mother Earth as a main divinity, each according to their traditions. Its value has not decreased over the centuries: for this reason, **our crops** - olives, grapes, wheat, fruit - are **grown according to nature**. Similarly, our natural produce is used to prepare food that is then served in our company canteen.*
- VI. *From the very start of our business we have wanted **our cashmere products to be made exclusively in our wonderful country, Italy**, to be passed down to the next generations. We wanted them to be crafted artisanally with top-notch quality raw materials.*
- VII. *Our mothers taught us that **the art of darning and mending highlights the value of things**. John Ruskin used to say that we must necessarily accept the end of the objects we use, still we must do our best to make them last longer. This is precisely the purpose of mending and in our company we have a specific department devoted to it.*
- VIII. *Heritage has taught us from the very beginning to **use natural fibers for our products**. This choice, like the one for quality, enables us to do our part to spare Creation.*



- IX. *We like to do our best to support our **raw material suppliers to grant them moral and economic dignity**. We are keen to tell our customers that the products they purchase are the result of a mindful process that respects all stakeholders contributing to their making.*
- X. *Like Pericles in Athens, we too were taught to «**respect the magistrates and the law, and to remember that we must protect the victims of offence**». We were also taught to “respect the unwritten laws that reside in the universal feeling of what is right and common sense».*

To Our Gracious Co-Workers

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



To Our Esteemed Partners

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

**ANCIENT HARMONY AND A NEW SYNTHESIS: LETTER FOR A NEW TIME****A LETTER FOR THE NEW TIME**

The rising of a new time has already begun from the shadows of a painful night; this new time, my esteemed friends, I see it brimming with fabulous opportunities, a bearer of new lifeblood, a creator of ideas revolving around a renewed desire for life. I know that there will be a new economic growth; I know that enthusiasm will make our hearts soar. But at the end of this all we will be different; we too, like time, will be somehow new. Something has been transformed and it will make us see things and life in a different, beautiful, enchanted light. That very same bread, which we took for granted yesterday, will now be a new surprise, a warning to remind us of those who do not have any bread, and should have it. In every man we will recognize another man: our brother. Something has changed, and it will reveal us that family is the bud of society. And so water, the fields of wheat, the orchards, and the animals that feed us, will take on a new look, they will be full of a meaning that is their natural, just, balanced one, they will become almost sacred. This value is that of the rhythm of Creation, which beats in our hearts.

Dear friends, I am convinced that the new time will be a fascinating opportunity for us to shape a virtuous relationship between humanism and technology, between spirit and harmony, between profit and giving back. We must know that behind every problem there is an opportunity. Michelangelo, a larger-than-life human being, used to say that life is an art form, and like art, you need your heart more than your hands if you want to enjoy it.

So I would like to say that this is an opportunity that does not concern an individual man only, but every single man in the world. I would like our eyes, our hearts, our whole being to be ready to grasp the universal gift that our destiny has prepared for us. I am fascinated by Confucius' words: "He who does not foresee things far away exposes himself to close-range misery."

When the end of this eclipse comes, and the sun returns to colour life, then our hearts will be filled with joy; but that will be a moment of utmost caution. If we know how to set the pace, if we continue for a little while to comply with the tested rules of painful events, if we focus on the language of Creation, we will naturally return to our usual life equipped with some extra values, fascinated by everything that is worthy of being called "human".

Brunello Cucinelli



The starting point for all of us, when we look back to **2020**, can be no other than honestly admitting that we've gone through **tough times**. Such times have brought **great pain to humanity** and have required **great energy** in all the aspects of our lives: civil, social and financial.

2020, however, has also brought with it priceless and renewed harmony between the economy and trust: **trust in people's ability to rise up again** when life knocks them down, considering that nobody, be it an individual, a group or a State, can operate by themselves, as we are all connected.

That is why we look at the **great moral and civil issues** before the economic ones, hoping that we can now, more than ever, **respond with great dignity to the pandemic**, to the difficulties and legitimate apprehension that were and still are associated with it, all over the world.

If it is true that our lives have undoubtedly changed due to the global health emergency, it is also true that we are all called upon to cherish those inner resources that have helped us go through the hardest times. We were able to not only **face the pandemic with great care and sense of responsibility**, we also **learned to live** with it.

We tried to look with hope to what will come after this period, imagining a "**New Time**" that could give us the opportunity to **put together, once again, humanism and technology, spirit and harmony, profit and gift**.

Having faced such a difficult period for humanity as a whole has taught us that this New Time will really bring renewed serenity only if and to the extent that we will be able to **strongly renew our trust in human relations, in the amiable relationships between individuals**.

In the pain of today lie the good things of tomorrow: this is the moral lesson that we will learn in the New Time and that will make us all better persons, like great philosopher Aristotle suggested when he said that calamities too have a soul, and can teach us how to live wisely.

We have been capable of great things, now we will stay true to this great human ability and reap the fruits of our sacrifices.



HUMANITY SUPPORT: BIG ETHICAL AND OPERATIONAL CHOICES IN 2020

Three key moments marked the first part of the year for us:

- January 9, 2020, when the virus was isolated in China, which was a “*red-alert moment*”;
- January 30, 2020, i.e. the “*moment of awareness*” when we realized that the pandemic risk was extremely high and we started getting ready for a year that was destined to be very different from what we had imagined;
- March 11, 2020, i.e. the “*moment of clarity*” when we received a video from our esteemed colleagues in China, who clearly looked relieved and were back to work wearing face masks, which strengthened our belief that it was a **conjunctural** rather than a **structural** crisis.

Due to this renewed awareness, we set up an “**Awareness Committee**” in charge of handling the lockdown and gradual return to business in the months of April and May, as well as of making three big decisions in terms of ethical, moral and civil behavior, to which other three operational choices were then added, that guided our business in the following months.

The **three big principle-based decisions** that inspired our response to the pandemic were the following:

- **safeguarding the jobs and pre-pandemic income levels of our human resources worldwide**, as with their courage and creativity they have enabled us to face, with serenity and faith, the great challenges of 2020, knowing that we are now ready to go down the path of growth that is expected in the coming years;
- **choose not to ask for discounts from anyone**, as we knew that during a pandemic we all had to take responsibility and not look for benefits that could in any way be detrimental to others;
- **creating the “Brunello Cucinelli for Humanity” project**: the Company has decided to donate to non-profit organizations all the items that were unsold due to the temporary closure of our directly operated stores during the pandemic. This decision has added value to such unsold items while allowing us to turn a problem into a great opportunity for the “least advantaged”, staying true to the principle of harmony between profit and gift that inspires the whole life of the Company in Solomeo.



Box 1 – Brunello Cucinelli for Humanity

We consider the “*Brunello Cucinelli for Humanity*” project as a great **resource for humanity and for our company**, as it aims to **improve the quality of life of people in need**, by donating items that were unsold due to the lockdown.

We re-labeled and donated these items to small non-profit organizations located in all the countries where we operate, thanks to the help of our local partners and of a multitude of “friends” who wholeheartedly embraced our initiative and personally pointed out potential needy situations to us. They got fully involved, showing great, amiable and touching support.

We believe that the whole world has appreciated our commitment to helping the least advantaged. We therefore think that the Brunello Cucinelli for Humanity project, along with our **decision to safeguard the jobs and pre-pandemic income levels of our people**, have had a significant positive impact on how customers perceive who we are and the way we run our business.

We therefore set up a “Council in support of Mankind” entrusted with the key task of handling the excess of garments, worth approximately 30 million euros. The Council is responsible for selecting the associations to which the items will be donated. Each item has a label with the project name and comes with a card signed by Brunello Cucinelli, as a testament to the Company’s emotional closeness and solidarity in this difficult time in history that humanity is facing.



OUR DESIRE TO COMMUNICATE

As early as March 2020, we felt it was our moral and civil duty to **communicate our vision of the world and of business**; we willfully decided to share our view of the future and our future actions, illustrating our economic and social expectations for 2020 and 2021.

We wanted to somehow convey this wonderful idea of being “**lightcarriers**” **for humanity**, entrusted with the task of illuminating the way for those who accompany us on this journey to make it easier for them, by trying to inspire others, especially younger people and all those who, here in our native land to which we feel strongly connected, look up to our company as a role model.

Over the past few months, we have directly and openly communicated **with all our stakeholders**, including our human resources, suppliers and *façonisti*, business partners and customers, shareholders and the financial market as a whole.

Entrepreneur and *Cav.Lav.* Brunello Cucinelli decided to speak openly to humanity in general, also indirectly addressing, through his grandchildren, the younger generations, with some letters where the issue of suffering and uncertainty due to the pandemic is the starting point for rebuilding the world and our relationship with the Creation, shaping it on the human values of harmony, custodianship and family. Chairman Cucinelli's letters are provided in full below.

Letter to a Chinese friend

Solomeo, February 1, 2020

My dear friend, my Chinese friend. Today you are special to me because we are living in a time of anxiety about the things that are happening. But we are all close to each other because of something that Creation, as it sometimes does, has placed before us. I am certain that a solution will be found; I am certain that harmony will soon return to calm our thinking.

Your Government, the Governments of the whole world, are already hard at work, and I know that they will soon find a way to return to the happy time of family, of work, of the infinitely blue Sky that always looks upon us with a benevolent eye. Science, love and the will to live are united to understand what is happening, and the good result of the action of so many is certain, and will bring honour to all mankind.

Dear special friend, your Millennial Culture is the one that lives in you, the one that gives you and all of us, your brothers, mutual trust and hope in better times. The history of mankind is marked by times of difficulty, but what has always prevailed is our human value, the joy of living in Creation, of loving it and caring for it. This has always been decisive in raising our heads and returning to look at the stars, this has always been more important than economic concerns.

The spring of life will soon return, and with it we will return, together with our families, to breathe in the scent of flowers, listening to the sweet and serene sound of the wind.



My Chinese friend, my words are ancient words of tradition, but precisely for this reason they are lovely and enduring, they are the treasure chest that contains the benefit of the future. For many thousands of years a great number of people have heard them from others older than them, and all those who have acted according to these words have returned to a serene life.

To live on this earth in harmony with Creation, that would be a happy reality. I write to you from afar, from my beloved Italy, and I know that you too love my land as I am in love with your thousand-year-old Celestial Empire. At night, when no noise is heard, my heart flies towards you, and I feel I can see you, in the countryside, in a village, in a big city. And so for me you are not far away, but near. Our everyday life, like that of the whole of humanity, inspires us with the desire to be full of love towards Creation, and in this, precisely in this, there is the extraordinary strength that will restore in our life the beauty that each of us desires. Let us therefore live with a natural concern, let us not feel alone, let us embrace with all our strength the love for Creation, and Creation will reward us.

With fondness

Letter to a human being

Solomeo, February 28, 2020

Paracelsus once said: "We see the stars, but they alone do not make up the sky".

What is happening today is less beautiful than the stars, but his remark still holds true. We are faced with something that worries us a little, but this something alone does not make up the whole of Creation. Creation has its immense and eternal harmony, which always returns to its stable balance.

Some time ago I wrote a letter to an imaginary Chinese friend, because I wanted to make them feel my closeness as they were experiencing some difficulty. But today, in beautiful Shanghai, in various Chinese cities, people are beginning to return to the streets; what caused fear only a month ago has already begun to decline, the human positive thought prevails, worries slip away, life as always returns.

Personally, I restate my belief that being naturally concerned is very different from feeling insidious anxiety. The former one is human, the latter I do not know. Scientists in different parts of the world agree, they have ascertained the manageable extent of the virus, some of the greatest among them have expressed this view. The governments of the different countries have acted properly and authoritatively in agreement with each other. Why should we be afraid? We are one step away from managing what is feared perhaps more than the real thing. "The Sleep of Reason produces monsters," so Goya titled one of his "Los Caprichos" where monstrous birds circled over a sleeping man.

Not long ago, in 2008, a rather serious economic crisis occurred, and no one knew how it would end. But what is happening today has nothing in common with that recession, because until a month ago the world economy was doing well, and also because that crisis was a structural one, while today's



crisis ensues from current circumstances. Perhaps what is happening may result in some destabilisation, but it is only temporary. Time will help - a short time - patch up the uncertainty, and once again we will see open frontiers, hands shaking, we will see smiles; we will spontaneously resume that uniformity of thought that leads to tranquillity, driven towards the harmony of Creation for the bright future that awaits us.

***To our esteemed co-workers and friends around the world
Spring Letter***

Solomeo, March 17, 2020

Who sends the swallows? Almost always, when I'm away on business during the first days of March, I call home and ask if the swallows have returned to Solomeo. I ask this question for two reasons: because I've loved them since I was a child, and because sometimes, I've heard, they stop coming back to some countries; maybe they don't fit in there anymore, and I find this a little unsettling.

So this year too I had been waiting for them for a few days, because you can set your clock on them: on March 15 or so, here they are again, with their joyful chirping and harmonious twirling. And sure enough, yesterday, all of a sudden, they arrived. While I was sitting in my office inside the ancient castle, face to face with my morning thoughts, I caught a glimpse of them, already frenziedly busy hunting insects, coming and going laboriously under the eaves of the roof, where I welcome them as one of the most beautiful gifts of Creation. Every year I rejoice at the swallows, but in this slightly less easy year I sort of saw in them the symbol of rebirth.

A few days ago I thought of us all as sailors. I like this image, because that's how Dante saw the men who pass through life. At times like this we perceive our nature as sailors even more: like Ulysses, we tie ourselves to the mast if there is a storm, and like Christopher Columbus we gaze into the horizon in search of the first birds, divine messengers of land and our Mother Earth.

Every good sailor knows that a lighter boat is easier to steer; today, abiding by the rules of those who are responsible for our health, we have relieved ourselves of many petty habits that we perhaps believed to be indispensable to a happy life. Instead, how surprising it is to realize that after all we feel lighter, among our family, among us, in a harmonious life from another time. I would like us all to learn to see the joy that there is in painful things too.

In today's suffering there is also the good of the moral reaction that will make us better, and perhaps tomorrow, when the memory slips away along with the suffering, we will come to the same conclusion as Aristotle, who once said that even calamities have a soul and can teach us a wise life.

My dear friends and sailors, who have witnessed with me the birth of our beautiful company and who enliven it every day with your brilliant minds, I would like you to be able to steer the wheel of your vessel, just as I - as a boy - managed to keep the plow straight, while my father happily admired those straight furrows, enchanted by their beauty.

I would like you to acknowledge the truth within the measures laid down by our esteemed leaders in the current crisis, leaders of Science, Government, Health, and I would like you to comply with them with patient discipline. I would like you to be aware but not apprehensive; I would like the certainty of a return to life as usual to be alive in you.

There have been, in every part of the world, times and events much more painful than the present ones; yet they are now all over. The grey clouds always move away and let the free sky welcome the swallows; and you see, we do not know who sends them, but here they are, the swallows have already arrived.

Letter from a grandfather on the first day of the new life

Solomeo, 9 May 2020

My dear grandchildren, as a grandfather I have always loved you, and never failed to seek your fondness; but due to my age-old coyness, in the early days I could not bring myself to speak to you except when you were asleep. I liked to imagine that my dreams - who knows for what kind of marvel - would tiptoe into yours, and speak directly to your nascent soul.

Today, with your lively naturalness you have been able to dispel this fear I harboured in my heart, and a constant and happy exchange was born out of it, perhaps the most comforting of all those I remember. Therefore, on this first day of the new life, it is precisely you I'd like to address when dwelling on my feelings. Like so many others, I too, despite the painful memory of many people who are no longer among us, have finally emerged from a stormy sea, and now from a safe beach I look back to my past with my soul still in turmoil.

It is to you, my little grandchildren, my fertile sprouts, that I would like to pass on the legacy of my thoughts and memories; today life smiles at you with every loving care. Unaware, you have gone through a bewilderment that has affected the whole world, and shaken it with something that has brought so much grief to humanity.

The extraordinary mind and genius of a man such as the great scientist Einstein spoke to us of difficult moments calling them blessings for mankind, as mankind draws from sorrow the genius of creativity and the strength of innovation. Homer's eternal poetry sang the deeds of ancient kings who, laying down their weapons and their sorrow, found the heart and strength to start a new life. Perhaps no other thought moved and convinced me so much, and I want to resume the path of life exactly from here. In this trust of the new life you will grow up and remember me, and one day you will come across this writing of mine, and it will become one of your dearest memories, it will be carved in your mind and in your soul, just as it was the case for me with my wise and beloved grandfather Fiorino, although not with his writings, but with his fleeting words. The great ideals will be born in your heart too, because it is from the depths of the generations that the sweetest and most useful fruits ripen.



Every day I ask of my father's land that it gives me what it gave me in my youth, the benefit of what seems more and more fascinating and extraordinary with the passing of time: the blond ears of wheat, the fragrant fruits, the pressed olives, the glittering of the plough, the buzzing of the bees, the eternal shade of the centuries-old oaks; such memories elevate my soul, and have taught me to carry fundamental feelings into a higher and more noble order.

My beloved ones, in this writing you will find the loving and at the same time mild encouragement to be constantly aware of the absolute value of human dignity and the subsequent respect we owe to each individual, always and without exception. You will find that desires are only fair when they match the right needs, you will understand that we must distance ourselves from any wealth that is not earned with honesty, and that wealth itself is nothing if it is not also for others. You will know how important the harmony of the universe is: it is indispensable to every living being because it has only one substance and one soul.

My heart trembles in the hope that you will be courageous and lovable, sincere and frugal, attentive towards your neighbour with a hospitable heart, industrious and creative. I know that one day or the other you will go in search of the anxieties of distant times, like those we have just left behind us; and after so many years you will ask yourselves why, and you will learn from them that every pain can also be a gift.

I would like the few lines of this letter to reach not only you but all the children born today in every part of the world, almost as a spiritual and augural testament left as a gift to the humanity of tomorrow; I trust that Creation will grant me to be still close to you for a long time, but should I no longer be able to convey my feelings and fondness to you with the living word, here is what I have learned to regard as the consistent origin and strength of every noble thought and every virtuous action: Creation and all that is part of it must always be loved and cherished.

Brunello Cucinelli

PROMOTING THE RESTART AND THE DEVELOPMENT OF NEW PROJECTS

We thus tried to replace fear with hope, focusing our attention on creativity and on developing new projects on many different operational and strategic issues.



Box 2 – Promoting the restart

During the lockdown, Chairman Brunello Cucinelli has often livestreamed **messages of courage and hope** to our collaborators from all of the Group's Regions, giving them new stimuli to promote a **shared restart**. Along these lines, a specific online initiative was promoted, through a series of **workshops** called "**New Time**" for all the store managers and amiable advisors in order to find **new ways and effective approaches together to support post-pandemic recovery**.

All our colleagues from our offices in Europe (10 countries), Russia, North America, Singapore and Malaysia (franchise) attended these workshops.

The following key issues were addressed:

- Identifying the management's **behavior** that could help the **restart**, including the courage of being at the helm of change;
- **motivating** the teams to infuse **new energy and trust** in them;
- **lateral thinking** as another way to guide teams to achieve their goals;
- **creativity** to turn **change** into an **opportunity for learning and growth**;
- developing **new ways to interact** with our customers to strengthen the relationship that we have built with them over the past years;
- promoting **emphatic communication** in our boutiques by rediscovering simple gestures, from smiling with the eyes, since we are wearing face masks, to taking a step back to observe social distancing.

We favored **moments of discussion with the amiable advisors** from our boutiques across the world, as these moments give us the opportunity to share emotions, experiences and new ideas.

In fact, over the past few months, the relationship between our amiable advisors and our customers has been dominated by mutual messages of emotional closeness, and we rediscovered the importance of giving: giving in a relationship and giving in celebrating such relationship.

The Group organized a number of **digital events** to show that we can stay connected from afar: for example, **two music concerts were held at the Solomeo Theater** that customers had the opportunity to enjoy from home, and Umbrian specialty food gift baskets were sent to customers.

Lastly, **Brunello Cucinelli himself spoke to our customers, via digital channels**, who in turn responded with beautiful letters and messages of appreciation, esteem and closeness.

In 2020 we believe we succeeded in further strengthening, in our mutual interest, the relationship with **all our multi-brand stores**.

During the year, we held **two complete "road shows"**, connecting with all the owners of the five-hundred multi-brand stores that are our customers and with their managers, who were divided into groups, each composed of fifteen to twenty people.

During these events, we discussed both strategic and operational issues, reaffirming how important multi-brand stores are to us, clearly providing the dates of delivery for items and for the presentation of the collections, and talking about our mutual responsibilities while planning our short- and long-term future.

*WORKING SAFELY, WORKING FOR HARMONY*

As early as the month of February, we realized that a serene workplace would be key, so we started planning a rigorous and constant **employee health monitoring system** using antibody testing and swabs, and extending it to the families of our employees, if needed, and to all those who work with our company.

Therefore, in May the Company started a research project in collaboration with the University of Perugia called “*Significance of the different diagnostic strategies for worker infection risk control in Phase 2 of the COVID-19 pandemic*”. The project was designed to help us prepare for Phase 2 of the pandemic thanks to a well-organized – currently ongoing – testing program in the workplace and to the creation of a business restart model ensuring the safety of our collaborators, their families and the community as a whole.

All our human resources at the Solomeo headquarters got molecular, antibody and antigen tests, which were then analyzed at the University’s Microbiology Laboratory. The first testing phase showed only 4 positive results out of over 1,000 collaborators who got the test; they were all asymptomatic carriers aged under 35 years; they were immediately quarantined and monitored until tested negative.

During phase 2, we continued to monitor antibody titers in order to detect seroconversion, if any, and assess the effectiveness of the safety measures taken by the company.

The amiable advisors from our boutiques and showrooms also had the **opportunity** to get tested regularly.

Moreover, thanks to a special agreement with an external laboratory, we also made testing available to the families of our collaborators and to the employees of our *façonisti*.

Today, all our human resources still get tested regularly, and the same applies to all our external collaborators who come visit us and who are greeted in a room where they get the test and wait for the result, which is available in twenty minutes. Only once the visitors are tested negative, can they enter the premises, sure that they will not be a threat to the people they meet.

Today, we are proud to say that Brunello Cucinelli Group has continued to run its business in line with the pre-pandemic situation, safeguarding the jobs of its over 2,000 employees and the business of all its external collaborators.

As mentioned earlier, the immediate measures taken have enabled us to safeguard the health and safety of our human resources and, first and foremost, to continue to build harmonious relationships with them, despite the many challenges faced due to the pandemic.

Thanks to each and every one of our collaborators, we were able to fully and quickly make up for lost time due to the halt in the production of our Fall Winter 2020 collection during the lockdown and to manufacture, with a less troubled and more hopeful heart, our Spring Summer 2021 offer.

Since the early days of the COVID-19 outbreak, we have taken action to develop infection-prevention operational protocols and guidelines that were then shared with all our collaborators, while at the same time organizing remote working.



When we went back to the office, we made sure that every collaborator had the right Personal Protective Equipment (PPE) to safeguard their health and prevent infection, including surgical masks or FFP2 masks for specific jobs, as well as gloves, hand sanitizer and gel.

At the same time, professional temperature screening devices were installed to measure a person's body temperature in real time and hand sanitizer dispensers were placed all over the workplace, while our large office spaces have helped us observe social distancing. We then established workforce distancing procedures and placed Plexi-glas dividers between workstations that were too close together.

Our offices abroad adopted the same approach, immediately complying with the local guidelines and regulations.

We asked ourselves how we could face these painful and uncertain times for humanity as a whole, while trying to feel hopeful for the days to come and for the challenges awaiting us in the post-pandemic phase, and while drawing strength from our firm belief that the moral and spiritual growth announced to us all by the New Time is opening up new and special horizons for the world.

That is why we decided to support the Umbria region by donating PPEs to all the local hospitals as well as respirators, molecular testing equipment and an ultrasound scanner to the Hospital of Perugia (please see Section *"Community and Territory"*).

RELATIONSHIP WITH THE CREATION AND AMONGH PEOPLE: THE ENVIRONMENT AND HUMAN SUSTAINABILITY

We believe that every human being, during the **pandemic**, has had a priceless **opportunity for spiritual rebirth**, in the sense that we all had the chance to really reflect on the importance of the big issues in life: **human sustainability**, the **balance between profit and gift**, **human dignity**, and **integral** and **universal humanism**, which is deeply rooted in our good **relationships with others and with the Creation**.

The challenges posed by the pandemic forced us to pay **extra attention** in the workplace, at home and with our loved ones, but it also gave us a great opportunity to restore our focus on certain key social and environmental issues.

All this, along with the ever-increasing public engagement, has brought a **renewed and more mature awareness** of the fundamental importance of promoting a **culture** that aims to **protect the environment** we live, work and produce in.

The **life of the company** itself increasingly **focused** on the **needs** associated with **human sustainability**, which has always been a priority for our Company in Solomeo: this type of sustainability is more than just compliance with the regulations or the attainment of our goals, it is **authentic and substantial** and never artificial or rhetorical, as it is an **essential and founding principle of our business**.

We have always had all those behaviors that we believe are true **"certifications of human moral quality"** at heart, like, for example, **addressing "Climate Change" issues**, which regard all the people on the planet, but also **promoting circular economy models**.

**In 2020:**

- We conducted the first Group greenhouse gas emission inventory to measure our direct and indirect CO₂ emissions and take improvement measures to reduce our carbon footprint (please see Chapter 6 “*Living and working in harmony with the Creation*”);
- We submitted the **CDP Climate Change questionnaire**, and scored “*B- (Management)*” (please see Chapter 6 “*Living and working in harmony with the Creation*”).

Similarly, we pay just the **right attention** to all the **issues associated with the use of harmful chemicals** or the **exploitation of the Planet’s natural resources**. This is why we firmly believe in the need to constantly promote and maintain the **sustainable management of our supply chain**, with reference to the social sphere and to all the things that enable us to protect and foster fundamental and universal human rights worldwide.

**In 2020:**

- We defined the **Restricted Substances List (RSL)** of Brunello Cucinelli Group and shared it with our suppliers (please see Chapter 6 “*Living and working in harmony with the Creation*”);
- We shared the **Framework Agreement** with our raw materials suppliers (please see Chapter 5 “*Amiable relationships with suppliers*”);
- We created the “**Value: a virtuous circle of human sustainability**” **questionnaire** and sent it to our raw materials suppliers in Italy and abroad, representing approximately 96% of the overall purchase value, so as to map their levels of environmental and social sustainability maturity (please see Chapter 5 “*Amiable relationships with suppliers*”).

At the same time, we remain committed to a strategy aimed at promoting the issues of **understanding, enhancement, diversity and inclusion** in the workplace, while fully respecting individual freedom and independence, as advocated by our beloved philosopher Immanuel Kant.

**In 2020:**

- We laid down our **Diversity and Inclusion Policy** (please see Chapter 4 “*Human resources: ethics and dignity*”);
- We laid down our **Human Relations Policy**, which guides and inspires our dialogue with all the stakeholders of the Group (please see Section “*Harmony and sustainability*”).

On the matter, it is worth pointing out that what we like to call “**human sustainability**” is very **different** from **just “corporate social responsibility”**. We must always and in any case pay attention to human sustainability and to the Creation, in order to help maximize the harmony between people and the world they live in.

Pollution reduction, for example, falls within the scope of this notion of **human sustainability** and this is why we always prefer keeping production in our beloved Italy. We have always believed that our country is the cradle of ancient knowledge, where manual skills and crafts are passed on from generation to generation, yet evolve thanks to the use of cutting-edge technology. All of the over 350 excellent artisan workshops that we rely on for our products are located in Italy, each employing 10 to 40 people. Approximately 80% of these workshops are located in Umbria and the remaining 20% in historic dedicated manufacturing hubs in Italy.

Therefore, this is our commitment: to always **abide by the general principle of not harming the Creation, or at least of minimizing our footprint as much as possible**.

**In 2020:**

- **2,369 garments were repaired** as part of the “garment repairing” service that we offer our customers (please see Chapter 8 “*Customers: a special and authentic relationship*”).



CHAPTER 1 – HUMANISTIC CAPITALISM

The GRI content index is provided in the annex

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Letter of gratitude to our workers

Solomeo, 17 March 2021

My esteemed friends,

My heart is with you for your courage and the patience you have so effectively demonstrated in this period of pain and uncertainty, which are the same ones I felt. If in our enterprise now economic and human positivity reigns, if we can imagine Italy enriched by the gracious reception of our creations, if all this has come about with special genius and craftsmanship, I certainly owe it to you.

So how can I thank you generous souls for the responsibility, dedication, creativity, understanding, closeness, and capacity to feel the pain as a teacher? For me it is a joy recognizing all of you as the most meritorious workers each in his or her own role. Particularly dear to me are the veterans, the first stewards of beauty and art that improve life. They are the ones who remind the newer ones of some universal golden rules, such as those pronounced by Confucius in the 6th century before Christ: “even simple things are worth doing well” and “work must be proportionate to a person’s age and strength”.

I am fascinated by rites that guide us back to natural laws and save us from uncertainty; they are the living source of human action. Artisanry also draws on rites, they are the source of its ever renewed creativity. The history of civilization goes hand in hand with the history of craft, harmoniously joining human and natural forces. For centuries it has been the fertile fruit of our nation, and for centuries it has based its genius on rules and discipline. Indeed, artisans appear to me as real poets, they know how to seamlessly unite technical skill, artistic vision, taste, finesse and quality in original products. I believe I owe it to you if, in this period, we may have created the most beautiful collections in our history, affirming a genius that unleashes its creativity precisely when things get difficult. During this intense period we have worked with the same courage as in more serene times and this is what has kept us united.



All these merits demonstrate your love for the work. You know that economic profit is a strong spring, but in our hearts we also know that it is not the only one: through our work, we take part in the marvel of Creation that we are called upon to care for with each and every one of our individual and collective actions; through our hard work performed in respect for the planet, we show our love for our community every day. It is true, and I am grateful to you; your actions have been and are for me proof and spur that we must never lose hope or wallow in fear. Many of our conversations have brought us close to tears, knowing we are faithful navigators, soldiers mustered for the painful challenge. They bring to mind history and the great stoic philosopher, my teacher, Marcus Aurelius. Before a decisive battle, he turned to his soldiers with these moving words: "my esteemed men, tomorrow Rome will need us, may God protect us". In you I see special people who know that progress and economic development do not always go hand in hand.

In my opinion, there is a right way to live life, and it is ethically, because ethics allows us to discern the universal in daily details and makes us universal men and women. If you climb up to the Bosco della Spiritualità in Solomeo, you will find a phrase by Saint Benedict at the entrance:

HONOUR ALL PEOPLE.

I now render to you, with sincere heart, this noble honor.

Thank you,

Brunello Cucinelli



“The Three Ages” – 1995 Communications Campaign

PROFIT AND GIVING BACK

The intrinsic value of **healthy growth** and **fair profit** has always been our goal and the building block of our business.

Moving from this assumption, we have embraced – since day one of our beloved Company in Solomeo – **humanistic capitalism**, which is inspired by integral and universal humanism and has been a key challenge and motivation for us.

We thus opened up to a horizon of great and widespread harmony: **harmony in human relations**, **harmony in the workplace** and, more in general, **harmony with the Creation**.

In this context, our search for a **balance between profit and giving back** has urged us to always strive for human sustainability, certain that this was perfectly in line with our role of custodians of beauty.

Brunello Cucinelli himself, as a lover of beauty more than as an entrepreneur, has felt and continues to feel like a *pro tempore* custodian of the “good” that he manages, which translates into the well-being of our many collaborators and of their families.



Safeguarding the Creation implies paying **special attention to human dignity** and, in a broader sense, to the dignity of all beings. This concept is at the heart of the ethical vision of our Company in Solomeo and is the true meaning behind the idea of fair profit that we pursue: **profit** that is “**graceful**” and humanly sustainable by nature, as it is **harmoniously proportioned to giving back**.

All this enables us to stay true to two concepts that have been, since day one, the cornerstones of our business:

- i. to run our business **without harming humanity and the ”Creation”**, or at least by minimizing, as much as possible, our impact on the environment that we live, work and produce in;
- ii. to **leave an amiable world for the generations to come**, actually, if we can, to try leave the world a better and more amiable place than we found it.

The one we just left behind was a year of big sacrifices and suffering and, for some of us, of sorrow for the loss of their loved ones. However, **2020** must also serve as a warning for us to **renew our commitment to civil, social and economic** issues, as we are now fully aware of just how resilient humanity can be.

The economy, good politics, civil and law-compliant life must draw from this renewed strength of humanity that the New Time is showing us, after dramatic months when we hardly saw the light at the end of the tunnel.

Since we got the news that vaccines would soon be ready, the health emergency situation took on a new perspective, which helped infuse renewed trust and hope into all of us. This gave strength to humanity as a whole in its response to the pandemic, thus laying the foundations for a **great moral, civil, political and economic rebirth**.

In Solomeo we thus felt, all the more so, called upon to act responsibly and with great care, glad to finally imagine a more serene and relaxed atmosphere in the workplace in the near future.

SUSTAINABLE GROWTH PROJECT

The Company in Solomeo was built on certain fundamental values, including **human sustainability**. This value, and that of **human dignity**, which underlie our business and guide us every step of the way, are also the founding principles of one of our key initiatives, our **sustainable growth** project.

Wishing to implement **humanistic capitalism** and, most of all, authentic **universal humanism**, the Company has embraced the idea of a type of **human dignity** that also encompasses **economic dignity**. In this sense, sustainable growth means growth that favors and promotes a true culture of **balance between profit and giving back**, while respecting the Creation and fully acknowledging the importance of all beings.

The key assumption, based on which certain decisions were made (as it happened back in 2012 when the company was listed on the Milan Stock Exchange) is still the Company’s aspiration to a **graceful growth model**. This means **long-term growth** that can **benefit all those stakeholders** who contribute – each in their own role and qualification – to continuous brand improvement; it means never excessive or frenzied growth, in the sense of growing at the “right pace” and at the right conditions.



In the **dramatic historical period** that humanity has faced over the past year, when we have felt like witnesses of a sort of fight between biology and the Earth and when the Creation itself has asked for help, we believe that it is a top priority to create a **new social contract** where we can renew our custodianship, build trust and live in perfect harmony with the Creation.

The existing synergy between **the company and its human resources, suppliers and reference stakeholders** was **key also in terms of our response to the pandemic**, as everyone unlocked their collaborative spirit and made great efforts to share our corporate strategies (please see Section “*Humanity support*”).

Values and Philosophy

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

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

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

Promoting human **dignity and well-being** is another fundamental element aimed at ensuring the health and safety of all our people anywhere Brunello Cucinelli Group operates, by acknowledging and embracing **diversity** to turn it into **inclusion**, by ensuring workplace beauty and health and safety compliance, while valuing every person’s “time of the spirit” which is an essential complement to and a source of enrichment of professional life.

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



View of the company and of the Industrial Park located below the hamlet of Solomeo

MATERIAL TOPICS FOR THE GROUP

In July 2020, we created the “*Human Relations and Materiality*” Questionnaire (for more information, please see section “*Human Relations*”), which allowed us to update our materiality analysis in order to identify other relevant topics at the Group level, if any.

In particular, starting from the results of the previous materiality analysis, we proceeded based on the following investigation phases:

- 1) **context analysis updating:** we continued to study the operational, institutional, market and external environment addressed in the previous materiality analysis and integrated it with new context elements that were deemed to be potentially relevant for the Group;
- 2) **financial community needs analysis:** the key topics that emerged from the financial analysts’ reports were “*labor management*”, specifically focusing on diversity and inclusion dynamics in the workplace, “*sustainable raw material procurement*” and “*use of chemicals*”;
- 3) **sharing of the “Human Relations and Materiality” Survey:** the topics that emerged during the previous two phases of the analysis were shared with the company’s managers, who were requested to express:
 - a. the level of importance that should be attached to each topic in the Group’s strategy and operations in order to effectively manage risks, opportunities, and the – actual or potential – associated impacts generated or suffered within the context where the company operates;
 - b. the relevance of each topic for the reference stakeholders with whom a specific corporate department interacts, based on our knowledge of stakeholder needs and expectations and on the outcomes of the dialogue that the Company has maintained with them during the year.



The table below illustrates the updated material topics and relevant sub-topics⁴:

Material topics	Sub-topics
Sustainable growth and healthy profit	Human relations
	Sustainable growth project
	Combating corruption
	Brand identity
Human Resources: ethics, dignity and morality	Dignity and responsibility: promoting well-being
	Enhancement and development of “thinking souls”: selection, training and development
	Human Rights protection and enhancement
	Health and Safety
Amiable relationships with suppliers	Raw Material Procurement
	Craftsmanship, Made in Italy and local purchases
Living and working in harmony with the Creation	Raw material management
	Energy consumption
	Emissions
	Water disposal and withdrawal
	Waste
The Hamlet of Solomeo, the community and territory, Pleasant Suburbs	Use of chemicals
	Solomeo: The Hamlet of the Spirit
Customers: a special and authentic relationship	Product craftsmanship and safety
	Space Contemporaneity: boutique and showroom design and renovation
	Human privacy

Non-financial risk management

The Group’s close monitoring of sustainability topics also translates into an accurate mapping of – potential or actual, direct or indirect – non-financial risks and of the opportunities arising from the effective and efficient management of specific topics.

Specifically, as part of the internal control and risk management system, **risk assessment** is conducted with respect to the identification of potential business risks deriving from external or internal sources. Such mechanism is essentially based on risk self-assessment by the heads of the various corporate departments in terms both of financial and non-financial risks.

Since certain risks are indefectible with respect to the achievement of corporate objectives, risk assessment is useful to identify the Company’s risk appetite and tolerance.

⁴ For more information, see Annex 1 section “The process of identifying material topics”.



The system identifies the following risk types:

- 1) **market risks:** those risks associated with competition in the market where the Group operates; with the sale of the Group's products globally; and with the evolution of the national and international regulatory framework under which the Group operates;
- 2) **operational risks:** those risks associated with craftsmanship and the relevant skills, raw material availability (specifically cashmere) and price dynamics; with the retail sale of the Group's products; with the relationships with *façonisti*; with industrial and intellectual rights protection and, lastly with the perception of new trends;
- 3) **financial risks:** the Group is simultaneously exposed to market risks (i.e. interest rate and currency risks) and to liquidity, credit and fiscal risks;
- 4) **non-financial risks:** those risks associated with the Group's environmental, social and economic responsibility/governance.

Box 3 – Risk management activities

The Brunello Cucinelli S.p.A. Internal Audit Department is part of the Italian Association of Internal Auditors – which in turn is a member of the Institute of Internal Auditors. Since 1972, the Italian Association of Internal Auditors, together with its member companies, has aimed to improve governance systems, risk management practices and corporate audits by enhancing the role of the Internal Audit Department.

Specifically, the Department participates in training activities regarding issues such as governance, risk management, compliance and control in general. Moreover – except in 2020 due to the restrictions imposed by the health emergency – it usually also takes part in the initiatives organized by the Association to promote dialogue among professionals from Internal Audit Departments.

The Department also attends the “ICS Community” round table organized by Confindustria. In 2020, and especially during Phase 1 and 2 of the pandemic, a number of virtual meetings were held between representatives from multinational companies and big businesses headquartered in Umbria to discuss actions taken and planned in terms of worker protection and business continuity.

The Department's participation in a master's degree in risk management organized by Confindustria was also formally confirmed in 2020, following a call for tenders. As part of such participation, the Department will conduct the following activities over the next few years:

- 1) Help set training goals, by taking into account the needs of our Company and of other businesses operating locally;
- 2) Actively participate in training through lectures, seminars and lessons;
- 3) Host students for internship programs.



An overview of the key ESG risks and opportunities associated with the individual material topics is provided below:

Topic	Risk	Risk description	Opportunities ⁵	Management method (chapter/section of reference)
ECONOMIC/GOVERNANCE				
Human relations	Stakeholder requests may vary with respect to the relevant social, environmental and economic responsibility topics	Stakeholders may express needs and/or make requests other than those taken into account by the Group (e.g. in case of generational turnover, relevant environmental or cultural events, active institutional policies). The perception of a misalignment between the Company's actions and stakeholder expectations could compromise the effectiveness of the relationships built by the Company and therefore the achievement of goals that are based on such relationships.	<ul style="list-style-type: none"> • Finding out and promptly responding to stakeholder expectations, by integrating them into the Group's operations, decision-making process and strategy. • Making sure that business growth is based on an increasingly shared and sustainable program. 	Harmony and Sustainability
Sustainable growth project	Negative social and environmental consequences emerging from the achievement of the Company's growth objectives	The Company's business growth objectives could have negative consequences on the environment (e.g. in terms of emissions), on the social sphere (e.g. in terms of work overload) and <i>governance</i> (e.g. in terms of regulatory compliance). Such consequences could subsequently also negatively affect the (economic, social, cultural) value generated by the Company as well as – in the medium to long term – its growth objectives. In addition, there is the potential risk that growth, today considered <i>healthy, graceful and planned</i> , becomes unsustainable: for example, the procurement of the raw materials needed to achieve the goal of doubling turnover in the period 2019-2028 to approximately €1.1 billion could become incompatible with the survival of protected and endangered species.	Ensuring transparency in the Group's sustainable growth value. Our growth plans of today entail growing without harming anything or anyone.	Fair Profit for Human Sustainability
Combating corruption	Incidents of corruption or bribery (active and passive).	The potential commission of unethical acts by internal and external collaborators acting in the name and/or on behalf of the Company could fall within the scope of corruption or bribery, thus exposing the Company to fraud, damage or sanctions, as well as reputational damage.	<ul style="list-style-type: none"> • Raising awareness of rightful conduct among our collaborators; • Developing a corporate culture based on the values of lawfulness, fairness and honesty, that aims to prevent the risk of unlawful conduct and that wishes to become a success story and a role model for our customers and suppliers; • Boosting credibility by implementing economic and social policies. 	Ethics and Corporate Governance
Brand Identity	Communications failing to comply with corporate values	The misalignment between corporate culture and the Company's conduct, or that of individual collaborators, as well as social media misuse (e.g. setting up fake corporate profiles) could harm brand image and reputation.	• Promoting the brand's exclusivity and allure, while reducing its exposure to counterfeit product issues.	Customers: a Special and Authentic Relationship

⁵ The opportunities illustrated regard the potential benefits and synergy deriving from the gradual improvement of existing management activities, and by integrating material topics into the Company's strategies and actions.



Topic	Risk	Risk description	Opportunities ⁵	Management method (chapter/section of reference)
ENVIRONMENTAL				
Raw material management	Use of high environmental-impact raw materials	There is a risk that the environmental impact needed to produce the raw materials used by the Company should increase over time or that, for commercial and/or stylistic reasons, high environmental-impact raw materials are used. This could harm the Creation or cause reputational damage to the Group. Moreover, the lack of awareness-raising/promotion programs about the use of lower environmental-impact raw materials could increase such risk.	<ul style="list-style-type: none"> • Low environmental-impact raw materials Research & Development. • Potential competitive advantage deriving from the innate quality of Brunello Cucinelli products, which is a key element to ensure their durability and, therefore, the possibility of repairing and reusing them. • Business opportunities associated with offer enrichment. 	Living and Working in Harmony with the Creation
	Improper treatment of animals in the upstream portion of the raw materials supply chain	The improper treatment of animals in the upstream portion of the raw materials supply chain could compromise the Company's key objective of "living and working in harmony with the Creation". Moreover, should the news of a direct or indirect correlation between the Company's products and services and the improper treatment of animals spread, this could expose the Company to reputational damage and losses due to stakeholders' increased sensitivity to animal welfare in making their investment decisions.	<ul style="list-style-type: none"> • The proper management of the risk of a negative impact on animal welfare enables the Company to meet the expectations of those stakeholders who are more sensitive to animal welfare issues. • Strengthening the partnership with our raw material suppliers to work together on ensuring animal welfare protection, along with implementing control and monitoring mechanisms. This way, we can effectively help maintain a business model that operates in "harmony with the Creation". 	
Energy consumption	Energy inefficiency	Although this risk is not particularly relevant to the Group, without adequate energy consumption management and monitoring tools, the Group could be unable to seize potential energy efficiency opportunities, which could result in savings and a reduced impact on the environment. Likewise, the expansion of the Group's presence (growing number of boutiques) could lead to a more than proportional (or at least non-proportional) increase in energy consumption.	<ul style="list-style-type: none"> • Increased use of renewable and low-carbon energy sources in order to improve the Group's energy efficiency; • Increased efficiency of the Company's boutique network and a significant reduction in the relevant costs. 	Living and Working in Harmony with the Creation



Topic	Risk	Risk description	Opportunities ⁵	Management method (chapter/section of reference)
Emissions	Tightening of regulations on emissions	Amendments to the international, national and/or sectoral regulatory framework could introduce more stringent greenhouse gas rules. This could affect those business processes that contribute to generating such emissions, with subsequent increased management costs, or could expose the Company to sanctions, losses (e.g. increased tax expenses) or disadvantages (e.g. missed tax benefits). The lack of management and control systems and of emissions reduction programs could increase this risk.	<ul style="list-style-type: none"> • Use of low-carbon vehicles, also in collaboration with our suppliers to optimize energy consumption and reduce distribution costs; • Access to environmental grants linked to performance and target achievement (e.g. Green Bonds or government incentives); • Playing a proactive role in achieving those targets that benefit the community as a whole and the industry, making the latter more virtuous and, thus, less harmful. • Increased cost efficiency. 	Living and Working in Harmony with the Creation
	Non-compliance with existing rules and regulations	Due to the lack of climate governance, the Brunello Cucinelli company could be unprepared to comply with existing rules and regulations.	<ul style="list-style-type: none"> • The gradual improvement of regulatory compliance monitoring systems enables the future alignment with the commitments requested to all the companies at the international level. 	
	Changes in customer buying behavior	Risk of potential financial losses due to customers' tendency to choose other brands that offer more sustainable products (including low-carbon or carbon-neutral products).	<ul style="list-style-type: none"> • Developing and/or broadening the offer of low-carbon goods and services with a subsequent increase in proceeds due to a rise in demand for such products and services. 	
	Accelerating climate change, resulting in, for instance, rising average temperatures	The rise in global temperatures could result in a drop in demand for cashmere products. This is a potential business risk for the Company.	<ul style="list-style-type: none"> • Use of alternatives/resource diversification by embracing innovative and more sustainable solutions or by finding alternative designs in order to reduce the amount of raw materials used. 	
Water disposal and withdrawal	Disrupted and/or inadequate water supply	The fact that the Company is located in Solomeo, which is a water-stressed area, could lead to the risk of the Company's water consumption negatively affecting the local water supply.	<ul style="list-style-type: none"> • Due to water scarcity, more effectively monitoring water resources enables the Company to use water more responsibly and reduce its environmental impact; the Company could also potentially implement such practices outside water-stressed areas. 	Living and Working in Harmony with the Creation
Waste	Inadequate waste disposal	Should inadequate waste disposal methods be used with respect to specific types of waste, the day-to-day business of the Brunello Cucinelli company in terms both of production and office work could have negative environmental impacts in the area.	<ul style="list-style-type: none"> • Shifting our collaborators and customers towards pro-environmental behavior to promote recycling and the sustainable use of resources and products. 	Living and Working in Harmony with the Creation



Topic	Risk	Risk description	Opportunities ⁵	Management method (chapter/section of reference)
Use of chemicals	Use of harmful chemicals	The use of harmful chemicals during production could expose the Company to potential losses/restricted access to certain markets and/or to increased costs associated with the need to adapt to local regulations on the use of chemicals.	<ul style="list-style-type: none">• Avoiding the use of harmful chemicals, such as perchloroethylene, in manufacturing;• Working together with suppliers to find solutions aimed at reducing or avoiding the use of harmful chemicals in the production processes, along with implementing control and monitoring mechanisms, can effectively help the Company maintain a business model that operates in “harmony with the Creation”.	Living and Working in Harmony with the Creation
	Industrial waste water disposal	Laundry work necessarily entails disposing of industrial waste water containing harmful substances. This could cause the discharge of harmful substances in excess of permitted levels or that is in any case incompatible with environmental protection (e.g. due to an increase in production or to an absent or inadequate monitoring system), which could expose the Company to sanctions and reputational damage.		
SOCIAL				
Dignity and responsibility: promoting well-being	Discriminatory conduct by our collaborators	The Group shall be exposed to reputational risks should there be cases of discrimination or violation of universally recognized human rights and of the principles of lawfulness, transparency and rightness underlying the Group’s organization and business.	<ul style="list-style-type: none">• Diversity – such as gender identity, age, diverse physical and mental abilities, sexual orientation and multiculturalism – is an essential source of personal and professional enrichment and of mutual motivation;• Banning discriminatory conduct helps create a healthy and positive workplace that is based on the values of lawfulness and mutual respect.	Human Resources: Ethics and Dignity
Enhancement and development of “thinking souls”: selection, training and growth	Job dissatisfaction	The activities carried out by our human resources are an essential component of the Group’s value chain; therefore, those elements that may compromise job satisfaction jeopardize the achievement of the Company’s strategic targets, exposing it to potential losses, business disruption and/or limitations in the quantity or reduction in the quality of the products or services offered. Moreover, the improper or late recognition of job dissatisfaction resulting from the growing demands and expectations placed on human resources (e.g. due to the failure to map employee satisfaction or to the presence of assessment bias) may represent another risk factor.	<ul style="list-style-type: none">• Promoting a feedback culture;• Offering flexible working hours in order to improve work-life balance;• Promoting a corporate culture that aims to gradually integrate ESG topics into the Group’s operational and strategic choices, as a key element to not only attract more new talents but also to strengthen the Company’s ability to retain its human resources.	Human Resources: Ethics and Dignity
Human rights protection and enhancement	Child labor and forced labor	Any violation of human rights with respect to child or forced labor within the Group (e.g. regarding the kids collection) and along the supply chain may have negative repercussions on the Company in terms of sanctions and image.	<ul style="list-style-type: none">• Highlighting the positive impact that the enhancement of human rights has on the way the Group runs its business and on its national and international competitive positioning;• Strengthening the supply chain in terms of professionalism and awareness as well as in terms of respecting the guiding principles of the corporate philosophy of the Brunello Cucinelli company.	Human Resources: Ethics and Dignity



Topic	Risk	Risk description	Opportunities ⁵	Management method (chapter/section of reference)
Health and safety	Detriment to collaborator health and safety	This risk, although structurally limited due to the nature of the operations internally carried out by the Company, is linked to the health and safety conditions in facilities and offices, with a special focus on the laundry (use of chemicals) and warehouse departments (manual handling and use of forklifts). As regards activities associated with production, the main risk cases identified are provided below: repetitive arm motion injury; poor posture; microclimate conditions unsuitable for personal well-being; noise pollution; whole body vibrations (use of vehicles); manual handling; exposure to chemical agents (quality controller).	<ul style="list-style-type: none"> • Focusing our efforts on identifying and implementing business processes that can further reduce the risk at hand. 	Human Resources: Ethics and Dignity
	Damage to the business and production due to external factors that are outside the control of the Company (e.g. the Covid-19 outbreak)	This external risk can occur in case of untimely and inefficient management of special situations.	<ul style="list-style-type: none"> • Enhancing the Company's resilience and ability to immediately respond to and manage the emergency, for the benefit and the protection of its collaborators and of business growth. 	
Raw material procurement	Disruption in our relationships with suppliers	There is a medium level of risk that the Company shall discontinue its relationships with its suppliers. Although the diversification and great number of suppliers that the Company relies on mitigate such risk, should some suppliers fail to fulfill their obligations in the future or terminate, without notice, the collaboration with the Company, this could have repercussions on the Company's business.	<ul style="list-style-type: none"> • Innovative and sustainable raw materials Research & Development could mitigate the risk of supply disruption and/or resolve the scarcity or unavailability of materials. 	Amiable Relationships with Suppliers
	Supplier misconduct	The Company's lack of a comprehensive view of the supply chain (both upstream and downstream) could lead to non-responsible procurement of raw materials and services, and therefore, to associated risks in terms of respect for human rights, environmental protection and the fight against corruption. As a consequence of such lack, the Company could fail to respond properly and/or promptly in case of supplier misconduct.	<ul style="list-style-type: none"> • Enhancing the heritage, craftsmanship and quality of Brunello Cucinelli products by also closely monitoring raw materials origin and traceability; • Promoting responsible conduct among our raw material suppliers, along with implementing control and monitoring mechanisms in order to effectively help the Company maintain a business model that operates in "harmony with the Creation". 	Amiable Relationships with Suppliers



Topic	Risk	Risk description	Opportunities ⁵	Management method (chapter/section of reference)
Craftsmanship, Made in Italy and local purchases	Lack of continuity in craftsmanship and artisanal skills	One of the distinctive features of Brunello Cucinelli products is the high level of craftsmanship involved in the production process. However, it cannot be ruled out that the number of people specializing in this type of production may decrease in the future, although the Company relies on a great number of <i>façonisti</i> , in order to diversify its supplier base.	<ul style="list-style-type: none"> • Job creation and local economic development in an area that is still characterized by great production potential; • Protection and enhancement of unique artisanal skills. 	Amiable Relationships with Suppliers
Solomeo: the Hamlet of the Spirit	Slow and inadequate development of the area	The flourishing of the Group is inextricably linked to the development of the area where it is based. Should the community and territory not have the elements needed for their economic, environmental, social and cultural development, this would affect the Company in terms of technical skill shortage and natural resource scarcity.	<ul style="list-style-type: none"> • Raising awareness of social and environmental sustainability issues among the local communities and encouraging behavioral change; • Promoting the conservation and restoration of local artistic and cultural heritage, as a legacy to be passed on to future generations, in order for them to continue enhancing and protecting the territory; • Promoting the moral and economic dignity of local communities who live in the suburbs by creating a connection between corporate growth and territorial development. 	The Hamlet of Solomeo, the community and territory
Product craftsmanship and safety purchases	Failure to perceive the high level of craftsmanship inherent in Brunello Cucinelli products	The lack of sufficient information on garment labels about their inherent features, materials and safety (e.g. in terms of “children’s product compliance”), as well as the lack of care by customers in the use of such garments could increase the Group’s exposure to customer complaints.	<ul style="list-style-type: none"> • Building close, trust-based long-term customer relationships; • Protecting brand identity and customer trust; • Combating counterfeiting enables the Company to safeguard all the people who contribute to the creation of the inherent value of original products; it also helps reduce labor exploitation in counterfeiting activities. 	Customers: a Special and Authentic Relationship
	Counterfeit products	Counterfeiting heavily affects companies operating in the fashion and luxury industry.		
Space Contemporaneity: boutique and showroom design and renovation	Excessive brand distribution and presence, compromising the perception of fresh and contemporary spaces	The risk of uncontrolled growth leads to generalized distribution in both physical and digital terms, which would be detrimental to the brand’s identity and allure.	<ul style="list-style-type: none"> • Offering customers a compelling experience that is constantly evolving, every time they step into the Group’s boutiques, thanks to their dream-like yet familiar atmosphere. 	Customers: a Special and Authentic Relationship
Human privacy	Failure to ensure customer data and information protection	Non-compliance with data protection requirements and the failure to take proper security measures may lead to significant customer data protection risks and to extremely severe monetary sanctions imposed by the relevant Authority; it may also result in reputational damage, and, as a consequence, in customers losing faith in the brand.	<ul style="list-style-type: none"> • Making customers feel that their data are protected and thus improving customer retention. 	Customers: a Special and Authentic Relationship



CHAPTER 2 – FAIR PROFIT FOR HUMAN SUSTAINABILITY

INTRODUCTION

The GRI content index is provided in the annex

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«Profit is beautiful if it is not separated from giving back, giving back that is not return or lending, but attraction of the spirit, a flower that blossoms from the dignity of profit that is, above all, a moral imperative. This would make economic profit more amiable, in harmony with the true human values. And if it is fair, perhaps it will also be reliable and durable. We must therefore find a balance between profit and giving back, starting from fair earnings, in the sense of earnings that are in line with the regular pace of Nature, without harming the Creation, or at least by minimizing our impact as much as possible».

Growth, as we see it, means **harmonious growth** that is built on the value of human sustainability. Actually, it is a question of dignity, of **respect** for all human beings, but also for the **Earth**, **animals** and, in general, for the **Creation as a whole** and all its beings.

And so is **profit**: it must be **amiable** and **graceful**, meaning basically that it must be **healthy profit**, pursued judiciously and with balance, and **achieved** over the years, at a **natural and humanly sustainable pace**.

That is why we try to embrace a “**special**” **approach** to our strategic and operations business management at every step along the value creation chain, from design to manufacturing to the sale of our finished products in our amiable boutiques.

Along this path, which is also a path of renewal of the spirit, giving back is key, as proven by the many initiatives that we have organized in Solomeo to **embellish the Creation** and **support people in need**.

The idea of **humanistic capitalism** that is the guiding principle of the Company in Solomeo is a new form of production that is finally able to **reconcile** solid and **constant growth** with a vision of the world that is based on creating **harmony** and **promoting the well-being and dignity of all beings**.

All these elements, which are, in fact, the foundation for the Company, help strengthen our ongoing commitment to ensuring maximum transparency and building **trust- and loyalty-based relationships** with **our esteemed customers**.



Company interiors and view of the Industrial Park

Company origins and business model

Our origins

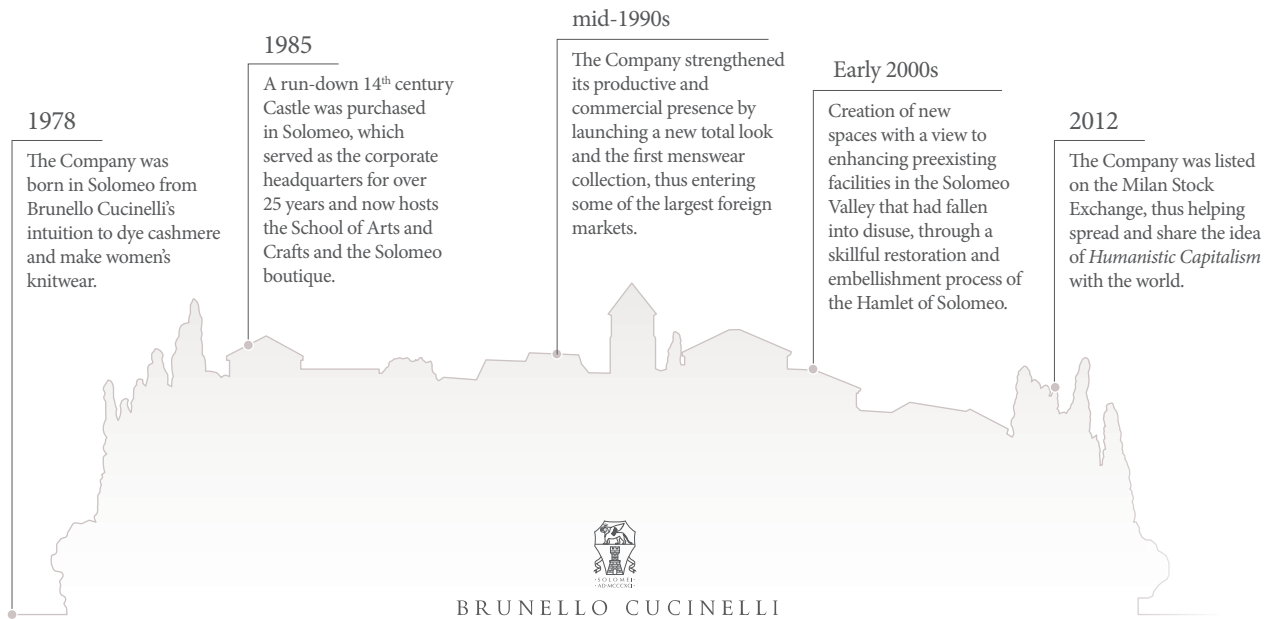


View of Solomeo, 1913

“My wife Federica was born in Solomeo. When we were engaged, in 1978, another love blossomed within me, my passion for her beautiful hometown. Federica owned a small clothing shop in town; here, I came up with the idea of embarking on a new venture, the knitwear business”.



Infographic I - Our Origins



Our business model

The offer of handcrafted products that are exclusively made in Italy, and principally in Umbria, in proximity of the Company's Solomeo headquarters, is closely connected with the distinctive elements that identify and position the brand in the highest-end luxury segment.

Starting from the use of raw materials of the highest quality, which we are committed to making more and more sustainable in the future, and the constant search for a balance between artisan tradition and innovation, we strive to develop ready-to-wear and Lifestyle offers that are always exclusive and an authentic symbol of "Made in Italy".



Brunello Cucinelli during the Men's Tailoring class – School of Arts and Crafts of Solomeo

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

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

The first stage of the process is **Creativity and Collection Design** (1)⁶ which starts from market analysis and new trend research conducted by our Style and Design Department – comprising 10 qualified professionals for each

⁶ The numbers in brackets refer to the those contained in Infographic II.



line, i.e. our collections for women, men and kids – by participating in international fashion fairs and events held at prestigious venues worldwide and by traveling to the luxury fashion capitals of the world.

The creative process continues through in-house dialogue with our staff in order to define and share the stylistic guidelines of the collections, as well as draw the sketches. At the same time, materials and colors are selected, based on quality and sustainability criteria.

Once they have been approved by our Style and Design Department, the patterns are then forwarded to our in-house Prototype Department, which comprises over 100 highly specialized and qualified master artisans and technicians, most of whom are women. This enables us to internally develop a very significant number of prototypes.

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

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

The Company performs specific raw material quality controls, also thanks to the strong relationships with our raw material suppliers, most of which are Italian companies (please see Chapter 6 “*Amiable relationships with suppliers*”) and whom we rely on for certain steps in the quality control process.

The next stage is **product manufacturing** (5), which is carried out by extremely reliable and qualified small- and medium-size third-party artisan workshops (the so-called *façonisti* or outside contractors), some of which are specialized in individual techniques; they are all Italian and most of them are located in Umbria.

The entire manufacturing process is characterized by rigorous **quality controls** (5) performed by the Company on a regular basis along the value chain to ensure the quality of the semi-finished products at every step of the way, up to the finished products. For example, knitwear also undergoes “*fulling*”, i.e. washing the garments and then checking their softness and texture, which is an extremely important and delicate step in the manufacturing process that affects product quality. This stage is exclusively carried out at the Brunello Cucinelli Company.

For its **market presence** (6), in both physical and digital terms, the brand relies on retail and wholesale channels.

We try to build **special and authentic customer relationships** (7) based on brand experience and on sharing the Company’s values (please see Chapter 8 “*Customers: a special and authentic relationship*”).

Our customer relationship does not end with a purchase, whether online or at our monobrand or multibrand stores, but continues over time, especially through the **garment repairing** services (8) available worldwide, which aim to convey the importance and fascination of custodianship and reuse (please see Chapter 8 “*Customers: a special and authentic relationship*”).

Infographic II – Our business model





Strategic choices and distinctive features of our 2020 business model

We finished 2020 with the feeling that our company and our brand are continuing to have positive momentum.

In these dramatic times, we are satisfied with the results achieved, which fully reflect our prompt response to the pandemic.

As early as the month of March, we already expected the pandemic to have a strong but not structural impact on the economy, so we focused our actions on achieving two goals:

- 1) preserving our business structure so as not to compromise our medium- to long-term growth plan;
- 2) trying to limit revenue losses in order to continue to grow our market share and safeguard labor and worker health along the entire supply chain.

We had to achieve these two goals while staying true to the way we run our business, conceive our connection with the territory and build our relationships with customers and suppliers. As a result, we made three big ethical, moral and civil decisions, as mentioned earlier on: to safeguard the jobs and pre-pandemic income levels of our people, to never ask for a discount – in line with our business culture – and to donate to charitable organizations, thanks to the “Brunello Cucinelli for Humanity” project, all the items that were unsold due to the temporary closure of our directly operated stores during the pandemic.

In terms of figures, we believe that a **revenue drop of only -10%** in a year like 2020 fully reflects the great efforts made to organize the production process, develop and manufacture our collections and strengthen the relationship with our wholesale and end customers.

This result was only possible thanks to the distinctive features of our business model, which were fully enhanced by the remarkable commitment and great sense of responsibility of all those who work with us, both at the Company and at the artisan workshops, raw material suppliers and service providers that we rely on.

In 2020, we **safeguarded, as much as possible, our manufacturing process** and our suppliers and artisan workshops, never asking for a discount and maintaining the same demand for craftsmanship as the previous year.

Box 4 – Our all-Italian production process

Thanks to the flexibility and availability of our all-Italian (and mostly Umbrian) production network, we ensured the **timely and complete delivery** of purchase orders to all the stores, with a view to keeping them always “fresh” and “attractive”.

We were able to ensure a **timely restock** of our products, which was deemed even more important in the last few months of the year, when there was a reduction in stock in multibrand stores due to the many orders of other manufacturers that got cancelled by customers or by the suppliers themselves based on their strategic production choices.



We believe that the genius thrives and unleashes its **creativity** in tough and painful times: it is not by chance, then, that we think – and the specialist press and many of our customers agree with us – that in this period we have created perhaps the **most beautiful collections in our history**, which fully express the way we interpret the *Made in Italy* lifestyle and the new trend for a “clean” aesthetic that has emerged lately and that best reflects our taste.

Box 5 – The value of creativity and products

The **Spring Summer 21 men’s and women’s** collections – released in July and August and **physically available** in our showrooms worldwide – have been highly appreciated by the press and by our wholesale customers; such appreciation resulted in a **significant amount of orders** taken.

We also had **excellent orders** for our **Fall Winter 21** collections, following the presentation of the *pre-winter womenswear collection* at our showrooms as early as November 2020 and of the second part of the collection starting late January 2021.

The **menswear collections**, which previewed at “**Fall Winter 2021 Pitti Uomo**”, also enjoyed **great success**.

The “**Kids**” **collections** – first introduced in 2019 as a natural complement to our ready-to-wear offer and conveying the same style that characterizes the adult range – also attracted great interest and generated a lot of buzz.

Born as a wholesale business, the Company has always considered this channel as strategically important as retail.

The reason behind this decision is our belief that a **high-end multibrand store is and will always be a fascinating, contemporary and attractive** place for millions of customers worldwide.

The value of the multibrand channel

The partnerships that we have built over the past several years with our approximately **500 prestigious wholesale customers (ten Department Stores and 490 Specialty Stores**, most of which are long-standing partners) are based on a clear principle that guides our daily actions: giving third-party stores the same attention and care that we give our directly operated boutiques.

The search for **synergy** and **complementarity** between **monobrand** and **multibrand channels** is based, in our opinion, on ensuring consistent brand identity in the many spaces where the brand is presented, and on offering the same attentive customized service to all the different end customers.

We actually feel like multibrand stores are, now more than ever, willing to clearly position themselves on the market by having less but more exclusive brands, which are selected based on desirability and reliability, and by giving them more visibility.

We think we benefited from such “decision” made by our multibrand customers in at least three cases: firstly in **March/April**, when, thanks to our ongoing dialogue with them that is based on transparency, availability and support, there were no orders **cancelled** for our **Fall Winter 2020** collection; secondly, during **order taking for our Spring Summer 2021** collections, which exceeded our expectations both in terms of the women’s and men’s lines in all reference markets; and thirdly during **order taking for our Fall Winter 2021 collection**, which was also more than satisfactory.

We believe this result was also possible thanks to a new emerging **trend in the fashion industry**, which **veered towards a “cleaner” aesthetic** that is very much in line with our offer, as well as to our decision to **physically present** our collections in our showrooms worldwide, so as to stay connected to our customers.

In order to maintain **ongoing dialogue with our end customers** during 2020, we set up a special space at our Solomeo showroom, a place where all the distinctive elements of the Company, of its lifestyle and of Made in Italy fashion come together in one: that is why we decided to call it **“Casa Cucinelli”**.



“Casa Cucinelli” arrangement at our Solomeo showroom

“Casa Cucinelli”

This physical space immediately became a “*virtual window on the world*” where we initially engaged in deep conversations with groups of customers, who seem to have appreciated the time that we devoted to them as a sign of respect and emotional closeness.

We tried to also physically reproduce this cozy space in our Milan, Paris and London boutiques, and we will soon do so in New York City, and we expect to enliven such spaces with a multitude of compelling initiatives designed to keep our end customers engaged and in touch with our idea of lifestyle.

Our physical and digital presence

2020 was a crucial year for the **strengthening of our retail network**, thanks to a number of expansion plans that, between 2020 and 2021, will further enhance the perception of exclusivity conveyed by our brand across the luxury fashion capitals of the world.



New Bond Street Boutique Entrance in London

Box 6 – Physical presence

We still believe that the relevance of the physical retail channel lies in the positive memories that customers can take away from a unique experience engaging all five senses.

Memories are a byword for emotions and we think that customers will continue to seek strong emotional engagement in their luxury goods purchases.

We constantly pay attention to promoting our spaces in all the key markets and geographical areas, always seeking that same balance that guides our multiannual investment plans.

The physical sale experience is key for us, both at our directly operated and multibrand stores, therefore we strive to always renovate our spaces to keep them contemporary.

Infographic III – Global monobrand boutiques presence (data as at 31 December 2020)

Alongside our commitment to the “physical” channel, we also invested resources and put great energy into further enriching the **digital experience** that we offer customers.

Box 7 – Digital presence

We strive to keep the Company’s online presence contemporary; therefore, given the ever-evolving world of technology and the changes in user behavior, such as the surge in mobile shopping, we completed our e-commerce **technology upgrade** and **user experience redesign** project in 2020.

The global roll-out of this key technology upgrade project ended in November. The project not only redesigned the “engine” of our websites, but also the “heart” of our user experience, as we wished to continue to present our collections in a contemporary way also on the digital channel. We believe we can now offer a richer and more user-friendly experience, especially in terms of mobile shopping and Asian markets.



The value of communication

Our decision to stick to our communications investment plans for early 2020 was a natural consequence of our desire to support the brand and its desirability, given our belief that we were facing a conjunctural crisis.

We feel like this decision has also enabled us to support our sales, by enhancing the brand's visibility at a time when customers were more inclined to reading and online searching, as well as by strengthening our relationships with publishers worldwide, both in terms of physical and digital publications.

We were pleasantly surprised by the positive comments made by journalists across the globe about the "Brunello Cucinelli for Humanity" project and the big decisions that we made in terms of ethical, civil and moral behavior.

2020 has demonstrated how **strong our traditional markets** are, such as **Europe** and **North America**, where the demand for luxury goods has proven to be resilient and extremely flexible in terms of channels and purchase methods.

Box 8 – Our solid presence in Europe and North America

Our aspiration to be perceived as a "domestic" brand in all the markets, which has always been the guiding principle of our business, was particularly rewarding for us in 2020.

Thanks to our local presence in the monobrand and multibrand channels, we could stay connected to our customers and were only partially affected by restricted global mobility.

Such desire is supported by well-structured and fully organized **local organizations** that are increasingly independent from a governance standpoint and that are closely connected to the local markets, and can thus promptly and effectively take action.

2020 also demonstrated the great potential of **Mainland China** for our long-term growth path, with a performance that, in the past 12 months, significantly grew double-digit in both the monobrand and multibrand channels, and with an increasing number of customers who have embraced the brand's philosophy and have appreciated the style of our collections.

Box 9 – Opportunities in China

China currently accounts for 11% of our total revenues, but is destined to play an increasingly important role in the long term. We believe, in fact, that the Chinese market may give us **great room for growth** in both the **monobrand** and **multibrand channels**, and we are planning a selected number of new openings, the expansion of key locations and the entry in new specialty stores in the wholesale sector.

Our **hub in Shanghai** – which has the same departments and carries out the same business as the one in New York City – is key for our growth in the region; that is why we have decided to double the space currently available to our team (the showroom and offices) as soon as early 2021.

We think that our success in this region depends on **our knowledge and desire to understand the local customs and culture**, a task that is carried out by our local team and supported by a network of journalists, influential professionals, businessmen and customers.

**2020 Results**

Our yearly economic growth and figures were achieved in accordance with our corporate values, on which the Group continues to build its future growth.

We defined 2020 as a year of transition also from a financial standpoint.

Net revenues amounted to 544 million Euros, with a -10.5% drop at current exchange rates (-9.9% at constant exchange rates), compared to 607.8 million Euros as at 31 December 2019. We consider this small drop in revenues as evidence of the work that we have done in a dramatic and painful year like 2020. This figure not only shows how we care for our human resources, safeguarding their health and labor dignity, but is also a testament to the great efforts made in order to ensure business resilience, by organizing the production process, developing and physically manufacturing our collections and strengthening the relationship with our wholesale and end customers. We thus succeeded in limiting the dramatic impact of the pandemic to the second quarter only, as the first quarter was in line with the previous year and growth picked up again in the last two quarters of 2020.

In detail, sales in Italy dropped by -23.8%, while Europe was down only -1.8%; International sales decreased by -8.2%, with North America down -15.4%, China -1.9%, and the Rest of the World -9.9%.

In 2020, the Wholesale channel reported a +2.6% revenue growth versus 2019, while the Retail channel was down -20.8% versus the previous year.

Table 1 – Summary data

	2019	2019 Normalised ⁷	2020	2020 Normalised ⁸
Number of collaborators	2,022		2,129	
Net revenues	Euro 607.8 million	Euro 607.8 million	Euro 544 million	Euro 544 million
EBITDA	169.6	106.1	89.5	41.8
Net income (loss)	53.1	49.3	-32.1	1.1
Net Financial Position	481.2	30.1	605.7	93.5
CAPEX	52.6	52.6	51.6	51.6
Offer	87% apparel, 13% accessories		86% apparel, 14% accessories	
Capitalization (as at 31.12)	Euro 2.146 billion		Euro 2.428 billion	

GRI 102-7 Scale of the organization

⁷ The normalisation of data as at 31 December 2019 refers to the sterilization of accounting effects related to the application of IFRS 16 and of the tax benefit deriving from the so-called "Patent Box".

⁸ The normalisation of data as at 31 December 2020 refers to the sterilization of accounting effects related to the application of IFRS 16 and to the extraordinary provision of Euro 31,727 thousand relating to the item Inventories (for further details see the Report on Operations).



The Company has always had a strong **focus** on both the management of the **current year** and on **future** targets, as well as on the strategies to be developed and implemented in the coming months, in line with the way we run our business and with the high values that are the cornerstones of **Humanistic Capitalism**, in the belief that today we sow the seeds of our future success.

This is why in 2020 we have continued to place priority on commercial, digital and manufacturing investments, as we believe that continuous innovation is key to maintaining the **Company modern and sustainable in the long term**.

Since it was our belief that the pandemic would have conjunctural rather than structural consequences on the economy, we decided to safeguard our **extremely solid** business structure, by sticking to our pre-pandemic investment plans.

In the “**physical**” world, one of the cornerstones of our business is that each and every one of our boutiques and retail spaces embrace the same concept of innovation that guides the evolution and renovation of our **showrooms**, thus meeting customers’ increasing inclination towards authentic Italian “lifestyle” inspirations.

This is the inspiration behind our commitment to building amiable customer relationships and to making our boutiques and retail spaces more welcoming and our display spaces increasingly innovative.

We give the same attention to the “**digital**” world that we give to the physical one, transposing onto it the same attention to detail, the same style and grace and the same desire to build an “intimate” relationship with our customers within the network.

We are convinced that constantly upgrading our **online boutique**, in terms of both technology and “visual merchandising”, is essential in order to ensure brand contemporaneity.

We are therefore very pleased that we completed the global *roll-out* of our e-commerce technology upgrade project in November, which not only redesigned the “engine” of our websites, but also the “heart” of our *user experience*. We can now offer a richer and more user-friendly experience, especially in terms of mobile shopping and Asian markets.

Investments as at 31 December 2020 amounted to approximately **51.6 million Euros**, in line with 52.6 million Euros last year.

In detail, **commercial investments** added up to 39.6 million Euros, and were allocated to new exclusive store openings and expansion works of existing ones, showroom restoration and retail space expansion, but also to wholesale development initiatives and to increasing the brand’s sales space inside Luxury Department Stores.

Out of the 12.0 million Euros of other investments, those regarding **IT and digital platforms and software**, and **production and logistics** are key, as they support our digital presence and the constant renovation of our manufacturing facilities in order to ensure that they adapt to the new regulations and that the logistics facilities are suited for our scope of business.



The environmental and social initiatives implemented in 2020 are listed below.

Table 2 – Our initiatives regarding Harmony with the Creation and Human Sustainability

Harmony with the Creation	Human Sustainability
Reducing our environmental impact (air pollution and impact on climate change; reducing the use of harmful chemicals): Euro 213,681	Human resources training and development: Euro 379,320
	Digital customer experience: Euro 1,013,618
	Community and territory: Euro 1,350,591 (of which Euro 325,618 in donations to local healthcare providers in response to the Covid-19 pandemic)
Total: Euro 213,681	Total: Euro 2,743,529
GRI 413-1 Operations with local community engagement, impact assessments, and development programs	

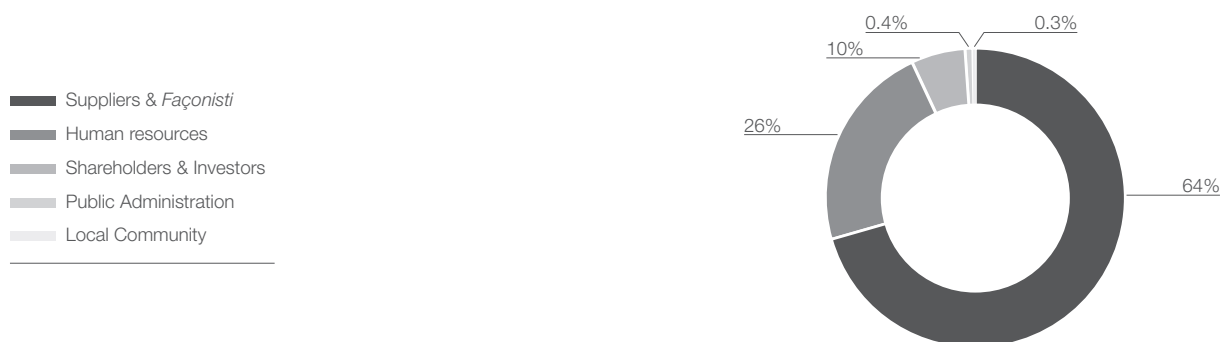
The human being is at the center of the value creation process: therefore, all our human resources and stakeholders are a guarantee of success for the brand, along with the high quality of the raw materials that are carefully selected each time.

The creation of fair profit goes hand in hand with our commitment to **adequately remunerate our stakeholders**, making sure that they reap the benefits of the results achieved.

Specifically, there was a -10.5% decrease in the economic value generated in 2020 compared to 2019 numbers⁹ due to the impact of the Covid-19 pandemic: the Group distributed approximately 81% of the economic value generated. It retained approximately 19%, allocating it to future sustainable growth.

The amount allocated to stakeholder categories demonstrates the Group's commitment to pursuing fair, graceful and sustainable growth for all the stakeholders. Specifically, in 2020, the economic value distributed to suppliers and *façonisti* – who remained the stakeholders who received the largest share – to employees and the local community was on the rise compared to the previous year. There was a drop, instead, in the amount allocated to shareholders, investors and the Public Administration.

Economic value distributed in 2020



⁹ The economic value generated and distributed was calculated on an accrual basis.

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

<i>Euro/000</i>	2018	2019	2020
Net revenues	552,996	607,761	544,013
Other operating income	1,448	826	2,772
Financial income	22,074	27,201	27,992
Other operating costs (Credit losses)	-26	-	66
Economic value generated	576,492	635,788	574,843
Costs of raw materials and consumables	88,056	72,279	53,725
Service costs	268,328	248,067	243,296
Economic value distributed to suppliers	356,384	320,346	297,021
Personnel cost	98,329	112,199	119,569
Economic value distributed to human resources	98,329	112,199	119,569
Dividend distribution ¹⁰	20,400	- ¹¹	-
Financial expenses	26,330	41,401	46,956
Economic value distributed to shareholders and investors	46,730	65,201	46,956
Income taxes	14,240	16,093	-1,713
Other operating costs (Taxes and duties)	2,790	4,059	3,479
Economic value distributed to the Public Administration	17,030	20,152	1,766
Investments for the area and the community ¹²	1,290	1,335	1,351
Economic value distributed to the local community	1,290	1,335	1,351
Economic value distributed	519,763	519,233	466,663
Economic value retained (economic value generated – economic value distributed)	56,729	116,555	108,180
GRI 201-1 Economic value generated and distributed			

The box below provides a detailed overview of our taxation and fiscal strategy.

¹⁰ The 2020 dividend figure refers to the dividend proposed by the Board of Directors to shareholders. The figure will be confirmed or modified in the next CNFS in light of the amount effectively allocated.

¹¹ Please note that the 2019 dividend distribution figure was modified as, during the meeting held on April 9, 2020, the Board of Directors decided to withdraw the dividend proposal that had been made during the Board meeting of March 11, 2020, following the severe pandemic outbreak.

¹² Excluding investments made by the Foundation.

Box 10 – Sustainability, lawfulness and transparency: our approach to taxation

Lawfulness, Transparency, Rightness and Honesty – these are the core values on which our corporate philosophy is built and that the Code of Ethics brings to the fore, as well as the inspiring and guiding principles of the **fiscal management** of Brunello Cucinelli Group.

Lawfulness, through a conduct that is based on compliance with the applicable tax regulations in the countries where the Group operates.

Transparency, through relationships with the relevant tax authorities that are based on dialogue and close collaboration.

Rightness and Honesty, through our business decision to never use the so-called “self-serving tax planning” schemes, which are designed for mere fiscal convenience purposes.

Consistently and in accordance with such values, which are shared with all the companies belonging to the Group, our fiscal approach aims to:

- ensure that the amount of taxes due is properly calculated and settled in a timely manner and that the relevant tax obligations are fulfilled;
- reduce fiscal risk, viewed as the risk of possible violations of tax regulations or the abuse of the principles and purposes of the fiscal framework.

The Company’s executives are informed of all the fiscal impacts associated with strategic and business operations, planned and to be implemented, thus ensuring that any decision made on fiscal issues is consistent with the Group’s fiscal strategy.

The Chief Financial Officer (CFO) and the Manager in charge of fiscal operations take over the fiscal activities of the Company and are entrusted with various tasks, including those associated with the management and supervision of all those activities aimed at fulfilling tax and fiscal compliance obligations and at handling tax assessments and litigations, if any.

The CFO works in collaboration with the Co-CFO (specifically referring to the taxation of the Group’s foreign companies), as well as with an in-house “Tax team” that is in charge of the proper fiscal management of the Group’s Italian and foreign companies and that comprises qualified professionals (managers and middle managers).

The organization also relies on external consultants, including the following:

- a tax consultant for Italy, who has collaborated with the Group for over 15 years;
- an international tax consultant, who has specifically dealt with *Transfer Pricing* for years;
- specific tax consultants in the different countries where the Group operates.

The Group is committed to complying with the tax regulations of the countries where it operates, respecting the spirit and purpose of the specific rules or, in general, of the regulatory frameworks based on which the fiscal matter at hand is interpreted. In the management of fiscal issues, the Group embraces principles and approaches that are based on prudence, simplicity and linearity. The Group favors a reasonable and responsible interpretation of existing regulations and, given the relevance of the issue, it may also rely on the opinions of external professionals, trade associations and of the independent auditors in charge of the financial statement audit.



Group companies may legitimately and transparently take advantage of the tax incentives and benefits set out in the individual countries' existing fiscal regulations.

Intragroup relations are governed, for fiscal purposes, by the *arm's length principle*, as established by the OECD, in order to align transfer pricing and conditions with the actual places of value creation within the Group. The **Transactional Net Margin Method** (TNMM) is applied to the sale of finished products by the Group.

In order to reduce fiscal risks and gain advance certainty, the Group views positively advance tax rulings (*Advance Pricing Agreements* – APA) issued by local tax authorities with respect to the definition of transfer pricing methods.

On the matter, it is worth pointing out that – following a similar request submitted by Brunello Cucinelli S.p.A. on December 29, 2020 – Brunello Cucinelli USA Inc. requested a bilateral “Advance Pricing Agreement” between Italy and the United States of America on February 26, 2021. The request for this key advance transfer pricing management tool was thus formalized, with the aim of regulating commercial transactions in the Group's most relevant foreign market.

It is also worth noting that, over the past several years, the Parent Company has filed requests for advance rulings with the relevant financial administrations asking for an advance assessment with respect to certain transactions that were deemed to be significant by the Company's executives.

Brunello Cucinelli Group is aware of the fact that, by growing its business, it can contribute to the tax revenue of the countries where it operates, thus supporting local economic and social development. It is also aware of the importance of these financial flows for collective well-being; that is why its conduct is consistent with the abovementioned principles.

The table below provides specific fiscal information regarding 2020 reported by country:

Table 4 – 2020 Fiscal information

Euro/000	Italy	Europe	North America	China	Rest of the world	Total
Non-cash equivalents	53,011	5,700	14,589	5,874	2,454	81,628
Intragroup operating revenue	224,120	1,503	1,693	6,112	2,027	235,455
Income tax paid	7,229	490	755	276	357	9,107
Number of employees (FTE)	1,108.8	284.0	263.3	243.0	145.6	2,044.7

GRI 207-4 Reporting by country



Next steps

With a view to creating shared value over time and a positive impact on the topics of Human Sustainability and Harmony with the Creation, we planned a number of future commitments, which are listed below.

Action priority	Relevant commitments
Protecting	GHG inventory update
	Switching company cars and vehicles to greener models
	Installing charging stations at the Solomeo headquarters
	Formalizing an Environmental Policy
Balancing	Developing an ERM system that integrates sustainability risks with the relevant opportunities
	Implementing an induction and training program for the BoD on key environmental, social and governance sustainability trends
	Annual stakeholder engagement questionnaire update
	Strengthening the engagement plan with key <i>value chain</i> stakeholders
Granting dignity	Developing a Diversity and Inclusion training plan
	Developing structured training plans by collaborator category and by <i>Region</i>
	Extending training on Anti-Corruption, Whistleblowing and Model 231 to the entire staff

CHAPTER 3 – ETHICS AND CORPORATE GOVERNANCE

INTRODUCTION

The GRI content index is provided in the annex



102-18	102-20	102-21	102-22	102-23	102-24	102-26	102-32
102-40	102-42	102-43	102-44	103-2	103-3	205-3	405-1



Brunello Cucinelli with the Company's employees

Ethics

The **Code of Ethics**¹³ expresses the centrality of human values that characterizes the relations with our human resources, external collaborators, suppliers, commercial partners and customers, where each and every one of them must feel responsible for their own work, without hindering their individuality.

It focuses on the principles of human privacy and the enhancement of human resources and of their well-being, as well as on the values of responsibility towards the community and support for the territory.

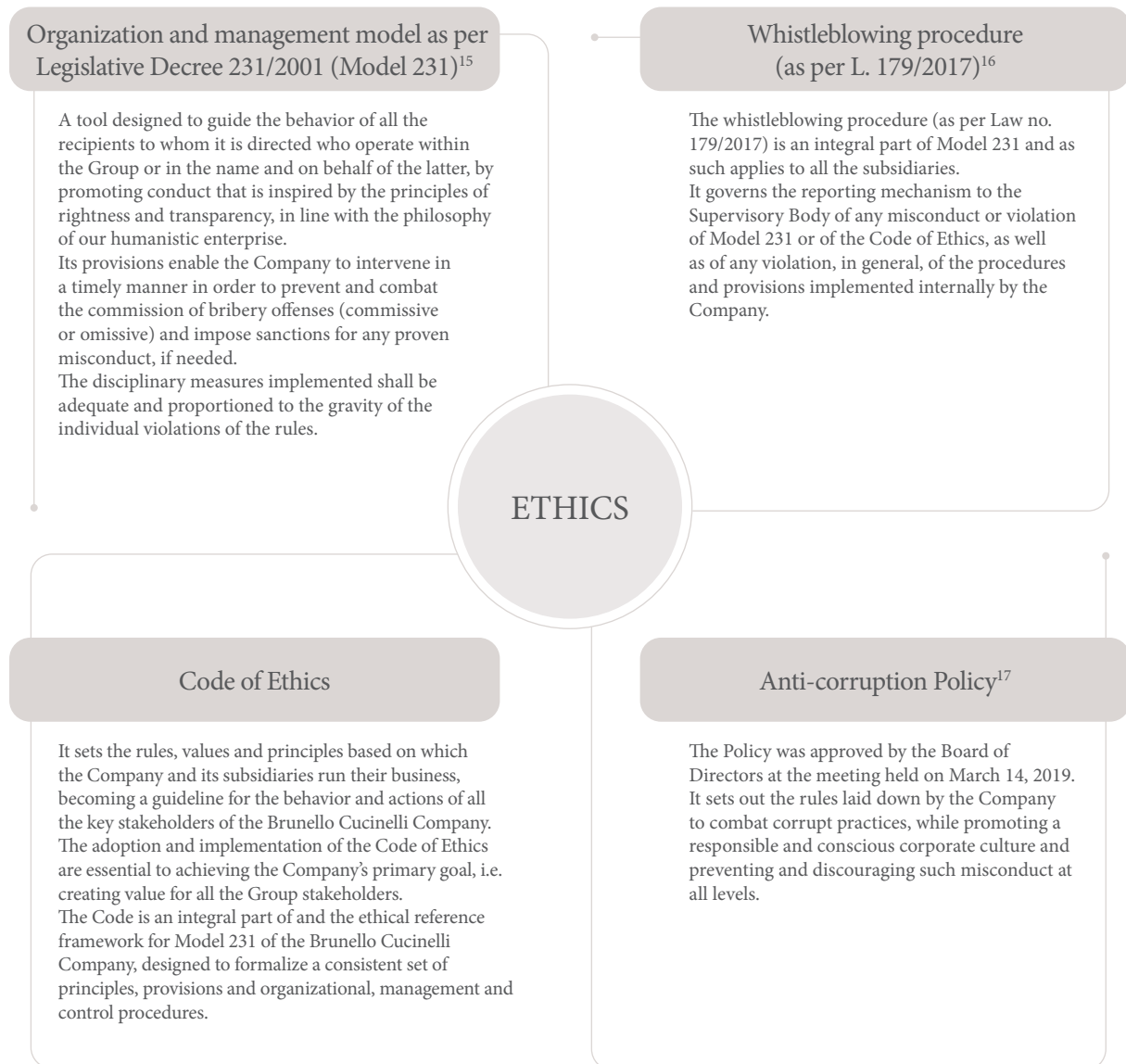
Alongside the fundamental values of compliance with the law, honesty, transparency, rightness and good faith, the Code of Ethics brings sustainable growth objectives to the fore.

In order to ensure compliance with these principles and an ethical business management, the Group has implemented a number of tools, which are summarized in the infographic below¹⁴.

¹³ The updated version of the Code of Ethics was approved by the BoD on March 14, 2019. The Code is available in Italian and English at the following link http://investor.brunellocucinelli.com/yep-content/media/Codice_Etico_3.4.19.pdf

¹⁴ For more information, please see the previous NFS and the website

Infographic IV – Ethical business management tools



¹⁵ Model 231 defines a monitoring system for the so-called Sensitive Activities, i.e. those business areas that are more sensitive to the predicate offences identified in Legislative Decree n. 231/2001: among them, worth mentioning are production material procurement, the entrustment of work to *façonisti* and the hiring of consultants of all kinds.

¹⁶ For further details on the procedure, please see the “General Archive” section of the Group’s Investor Relations website. The link is the following: [http://investor.brunellocucinelli.com/yes-content/media/D.lgs.231-2001Model\(General_section_and_Whistleblowing_procedure\)_EN.pdf](http://investor.brunellocucinelli.com/yes-content/media/D.lgs.231-2001Model(General_section_and_Whistleblowing_procedure)_EN.pdf)

¹⁷ For a detailed overview of the Anti-corruption Policy and of the cases it governs please see the “General Archive” section of the Company’s Investor Relations website at the following link: <http://investor.brunellocucinelli.com/en/services/archive/governance/documents>. The policy is also available in Italian and English on the corporate intranet portal.



To guide the implementation of virtuous behavior by our human resources, in order to ensure dignity of labor to all of them, in accordance with a fair and honest conduct that reflects the Company's fundamental values, the Company ensures the appropriate disclosure of the contents and principles expressed in the abovementioned tools.

Specifically, the means of communication and training of Model 231 vary depending on the recipients to whom the model is directed, in order to ensure that the various recipients become fully aware of the Company regulations they must comply with and the ethical rules that must underlie their conduct.

Periodic training sessions are organized by the Supervisory Body with those collaborators of the Company who are concerned, on a case-by-case basis, with the specific type of predicate offence at hand. The contents of these sessions are accessible to all the collaborators via the corporate Intranet portal.

No training sessions were held on this topic in 2020, due to the pandemic.

Corruption risk prevention is performed through the shared management and implementation of business processes: over the past several years, the Company has ascertained the effectiveness of teamwork, both internally and externally, also with respect to minimizing the risk of potential conflicts of interest and corrupt practices.

This monitoring mechanism has proven to be effective also this year: there have been no cases of corruption in 2020, in line with the previous years.

Corporate Governance

As at 31 December 2020, Brunello Cucinelli Group¹⁸ was formed of 30 companies, including the Parent Company Brunello Cucinelli S.p.A.; Brunello Cucinelli Taiwan Ltd¹⁹, the most recent one, was established in February 2020.

In accordance with the abovementioned principles, corporate governance defines the operating context in which the Company can pursue its progressive long-term growth objectives. Corporate Governance plays a key role in running the business in a proper and responsible manner and in ensuring the creation of sustainable and shared value in the long term.

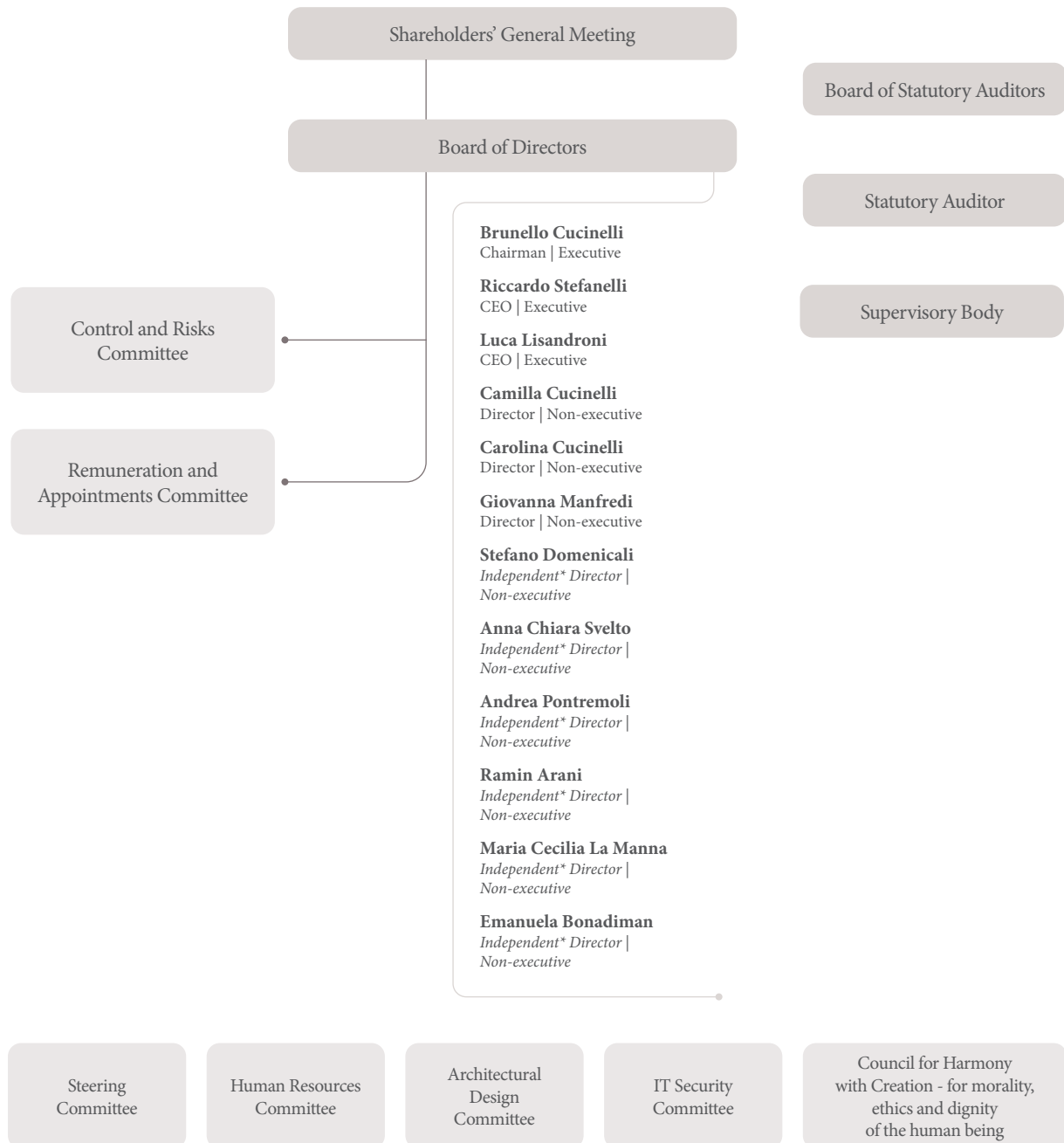
The Company was listed on the Italian electronic stock exchange ("MTA") organized and managed by Borsa Italiana S.p.A. on April 27, 2012 and follows the recommendations contained in the Corporate Governance Code for listed companies.

The corporate governance system²⁰ of the Brunello Cucinelli Company is based on the so-called "traditional model", consisting of the following bodies:

¹⁸ You can consult Brunello Cucinelli Group's corporate organizational chart in the 2020 Consolidated Financial Statements, available in the "General Archive" section of the website <http://investor.brunellocucinelli.com/it>

¹⁹ Please note that the company Brunello Cucinelli Taiwan Ltd. falls within the scope of the 2020 NFS. More information is provided in the Annex.

²⁰ For more information on Corporate Governance, please see the Report on Corporate Governance and Proprietary Assets for 2020, which is available at the following link: <http://investor.brunellocucinelli.com/it/governo-societario/assemblea-azionisti/2021#docs>

*Infographic V – Governance structure*

* By independent member we refer to the definition contained in art. 147-ter of Legislative Decree no. 58/1998 and in the Corporate Governance Code for listed companies of Borsa Italiana S.p.A..



The Board of Directors (BoD) is responsible for the management of the Company and currently consists of 12 members – who were appointed during the Shareholders' General Meeting of May 21, 2020 and will remain in office until the day when the Shareholders' General Meeting for the approval of the financial statements as at 31 December 2022 is held.

Directors are selected by means of the list vote system²¹, in accordance with the principles of gender balance, competence²² and independence. 50% of BoD members are women and 50% are men.

The composition and characteristics of the Board of Directors²³ are illustrated in the table below.

Table 5 – BoD composition

Total BoD members	12
Aged <30 years	1
men	-
women	1
Aged 30 ≤ x ≤ 50 years	4
men	3
women	1
Aged >50 years	7
men	3
women	4
GRI 405-1 Diversity of governing bodies	

In 2020, the Board of Directors held 10 meetings: 4 with the composition it had before the replacement of the Company's governing bodies – and the attendance rate was 95% – and 6 with its current composition, and the attendance rate was 96%.

The **Board's** role includes **defining** and **pursuing strategic objectives**, including the **sustainability** goals of the Company and its subsidiaries.

Entrepreneur Brunello Cucinelli is the **Executive Chairman** of the Company. Riccardo Stefanelli and Luca Lisandrone were appointed CEOs in May 2020.

Chairman Brunello Cucinelli holds a strategic supervisory role with administrative and representation powers, as well as a coordinating role with respect to the Board's activities, which includes calling and chairing the Board's meetings and creating their agendas. He is also in charge of verifying the implementation of the Board's decisions, of chairing the Shareholders' General Meeting and is vested with the legal representation powers of the Company. Lastly, the Chairman encourages discussion and debate during the Board of Directors' meetings, in order to promote, among Board members, a better understanding of the Company's internal dynamics and of the reference market.

²¹ Stakeholders are involved in the appointment and selection process of Board members as they are invited to put forward a list of candidates to be submitted to the Shareholders' General Meeting.

²² The Directors' Resumes can be viewed on the Company's Investor Relations website at the following link: <http://investor.brunellocucinelli.com/it/governo-societario/consiglio-di-amministrazione>

²³ For more information on the characteristics of BoD members, including the number of other roles and offices held, please see the Report on Corporate Governance and Proprietary Assets for 2020.



The BoD is assisted by internal committees which have been set up within the Board itself, having advisory, propositional and control functions²⁴.

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

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

Specifically, the Remuneration and Appointments Committee has the following functions: assessing, on a regular basis, the adequacy, overall consistency and actual implementation of the remuneration policy for directors and key management personnel, by also relying, for such latter purpose, on the information provided by CEOs; submitting proposals to the Board of Directors on the issue; submitting proposals or opinions to the Board of Directors concerning the remuneration of executive directors and other directors who hold special positions; submitting opinions to the Board of Directors concerning the size and composition of the Board itself; recommending that the appointment of directors be carried out in a way that ensures process transparency and a well-balanced Board composition.

The Company's remuneration policy is based on the principle of fair remuneration, which shall be proportionate to the commitment required from the Directors and key management personnel. Special attention is paid to fixed remuneration, as it fully reflects the principle of healthy and prudent company management that is the cornerstone of the actions taken by executives in the fulfillment of their work and that is consistent with the objective of long-term value creation²⁵.

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

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

The **Human Resources Committee** consists of five managers of different gender and age groups (2 women and 3 men). It meets regularly and is principally entrusted with the task of listening to employees, assisted, in the fulfillment of such task, by the Human Resources Department; it also establishes the guidelines and principles for hiring personnel, career paths, remuneration and the Company's employee relations policy. The Committee develops strategic guidelines for training and contributes to the care and well-being of our people, perfectly in line with our corporate values and philosophy (please see Chapter 4 "*Human Resources: ethics, dignity, morality*").

²⁴ For more information, please see the Report on Corporate Governance and Proprietary Assets for 2020.

²⁵ For more information on the remuneration policy, please see the Remuneration Report that is approved, on an annual basis, by the Board of Directors of Brunello Cucinelli S.p.A. The Report, approved on March 11, 2021, is available at the following link: <http://investor.brunellocucinelli.com/en/governance/shareholders-meetings>



The **Architectural Design Committee** defines the design concept of monobrand stores and display spaces (e.g. showrooms) and the architectural design of the Company's locations (please see Chapter 8 "*Customers: a special and authentic relationship*").

The **IT Security Committee** is in charge of assessing and mitigating the risks arising from the use of the Company's IT systems.

The **Council for Harmony with Creation - for morality, ethics and dignity of the human being** serves as an advisory committee for sustainable development (please see section below "*Harmony and Sustainability*").

The **Board of Statutory Auditors** is responsible for the audit of the Company and is composed of three standing and two alternate auditors, who were appointed during the Shareholders' General Meeting held on May 21, 2020 and will remain in office until the financial statements as at 31 December 2022 are approved²⁶.

The Auditors may, also individually, ask for updates and clarifications to the Directors regarding the information received and the Company's operations in general; they also have the right to conduct inspections and audits or request information, at any time, in accordance with the regulations.

The table below provides an overview of the composition of the Board of Statutory Auditors.

Table 6 – Board of Statutory Auditors Composition

Member	Role
Prandi Paolo	Chairman
Longobardi Gerardo	Standing Auditor
Stabilini Alessandra	Standing Auditor
Amato Myriam	Alternate Auditor
Castaldo Guglielmo	Alternate Auditor

In 2020, the Board of Statutory Auditors held 12 meetings, and the attendance rate was 100%.

²⁶ Please note that the composition of the Board of Statutory Auditors remained unchanged after the replacement of the governing bodies at the Shareholders' General Meeting of May 21, 2020



HARMONY AND SUSTAINABILITY

2020 was a year of change for us but also a year of commitment, as we have continued down the path to sustainability with renewed energy, wishing to formalize this commitment that we have embraced for several years now.

This was achieved, on the one hand, by integrating sustainability into our corporate governance system – with the establishment of the abovementioned **Council for Harmony with Creation** – and, on the other hand, by taking a number of actions to promote the Company's increasingly responsible and conscious management: we laid down our **"In Harmony with the Creation" Human Sustainability Policy** (please see section *"In Harmony with the Creation: our sustainability policy"*), our **Human Relations Policy** (please see section *"Human relations"*), our Group's **Diversity and Inclusion Policy** (please see section *"Dignity and responsibility: promoting well-being and human rights protection"*) and started developing our **2028 "The New Time" Sustainability Plan**.

Council for Harmony with Creation - for morality, ethics and dignity of the human being

In 2020, the Board of Directors set up the **Council for Harmony with Creation**: a mixed steering committee comprising 10 members – 6 directors and 4 employees/managers of the Company – that is tasked with assisting the BoD in promoting a culture of Harmony with the Creation and of Human Sustainability inside the Group and in coordinating the relevant activities.

Specifically, the Council shares, with the BoD and internal advisory committees, policies that are based on the principles of corporate social responsibility and sustainable business success and that especially take into account aspects pertaining to ethics, human sustainability, human rights and environmental protection, as well as a balanced relationship with the land and animals.

Moreover, it is directly responsible for implementing, coordinating, monitoring and updating the content of the Human Sustainability Policy, as well as of the Sustainability Plan that is currently being developed for the Group.

The Council promotes the continuous integration of national and international *best practices* into the Company's corporate governance and the integration of environmental, social and governance factors into its corporate strategies, by monitoring the Company's rankings in terms of sustainability on the financial markets and initiatives dedicated to the local communities and stakeholders.

Council for Harmony with Creation is assisted, in the fulfillment of its tasks, by the interdepartmental *Human Sustainability Team* having propositional and advisory functions on the matter with respect to the Council and the BoD.

The Board of Directors, however, is ultimately responsible for strategic decisions and activities regarding sustainability.

“In Harmony with the Creation”: our Human Sustainability Policy

In 2020, we laid down our Human Sustainability Policy²⁷ called “*In Harmony with the Creation*”, which will be implemented throughout Brunello Cucinelli Group.

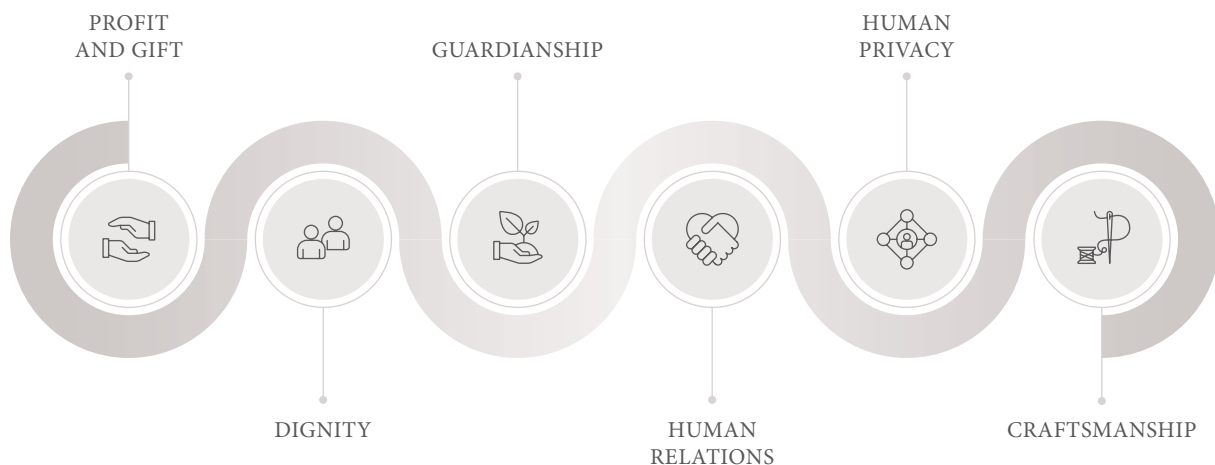
Human Sustainability is not just an environmental issue for us, it is a profoundly ethical one. We consider human sustainability as an attitude of **care and guardianship** that means more than just promoting and raising awareness of a culture of human dignity. It embraces all aspects of living in harmony with the Creation without harming it.

We believe, in fact, that any business that is truly inspired by universal humanism must pursue, in an amiable and graceful manner, the noble aim of ensuring the highest possible well-being for the Creation as a whole.

Our Policy thus aims to convey the concept of “fairness”, meaning a pertinent, innovative, timely, prudent, respectful and harmonious approach to the Creation and humanity as a whole. This translates into fair profit, meaning the balance between profit and gift, into fair labor and fair wages, into a fair consideration of respect for the territory and land development, into amiable relationships with suppliers, into fair privacy protection and into human relations.

Our Policy is built on **six Commitments**, which apply to the Group’s companies and govern the relationships with our external stakeholders: they are the pillars of our path to sustainability.

Infographic VI – Commitments



²⁷ Our internal and external stakeholders are promptly informed of Policy updates, if any. The Policy is available online.



- 1) **Profit and Giving back:** we pursue the constant balance between profit and gift in order to support fair, graceful and sustainable long-term growth;
- 2) **Dignity:** we value our collaborators and their uniqueness and are committed to promoting human dignity and well-being, unlocking the individual skills and personality of each and every one of them;
- 3) **Guardianship:** we are committed to safeguarding the Creation, by planning our business in a way that it pursues the balance between economic initiatives and the fundamental need of protecting and enhancing the environment, while respecting our Mother Earth and reducing our footprint as much as possible;
- 4) **Human relations:** building human relations with our internal and external stakeholders to encourage their engagement in the life of the Company, with the aim of making each and every one of them feel part of it, and to actively involve them in our core business, thus creating moments of dialogue and mutual sharing of values and knowledge.
- 5) **Human Privacy:** privacy in the sense of generosity of spirit with respect to all those with whom we interact, even occasionally, but also in the sense of a guarantee that our intimacy shall be fully protected and that our lives within society shall be based on the greatest respect for human dignity;
- 6) **Craftsmanship:** we are committed to monitoring and promoting the use of sustainable practices at every step along the value chain, in order to protect fundamental human rights, recognize labor dignity and fair wages, develop and financially support craftsmanship and reduce the overall environmental impact potentially generated along the entire supply chain.

Our Policy thus reflects these **commitments** and highlights the foundations that they are built upon, by defining their **guiding principles** and wishing to **spread** and share this **culture** and its **values** with all our collaborators and partners.



Knitters at work

Human relations

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

We have thus decided to lay down our **“Human Relations” Policy**, which aims to share the principles and values that must necessarily guide our moments of dialogue with all the stakeholders and help us define the methods used for their involvement – which vary depending on the stakeholder categories involved – as well as to identify the Company’s departments that are responsible for the engagement process and relevant reporting. Specifically, the Policy sets out the existing guidelines and practices for dialogue with respect to the various stakeholder groups and defines a strategic and disciplined approach to our relationship with each and every one of them. The document also requires that responsible departments increasingly integrate the moments of dialogue and their content with the issues of Harmony with the Creation and Human Sustainability, to make sure that stakeholders are always fully informed and aware of the Group’s commitments, strategy and operations and to gather their feedback on the issue. Responsible departments are then tasked with collecting stakeholder requests in terms of environmental, social and

economic sustainability and with reporting such – positive or negative – feedback to the top executives in order to use it as input for the Company's operational and strategic choices.

Stakeholder dialogue thus reflects the brand's principles and values, such as, first and foremost, the **importance of human relations**, while the creation of long-term relationships is supported by **an information-based and collaborative approach at every step of the value chain**.

Specifically, the following principles, which are the cornerstones of the way we run our business, inspire the various moments of dialogue:

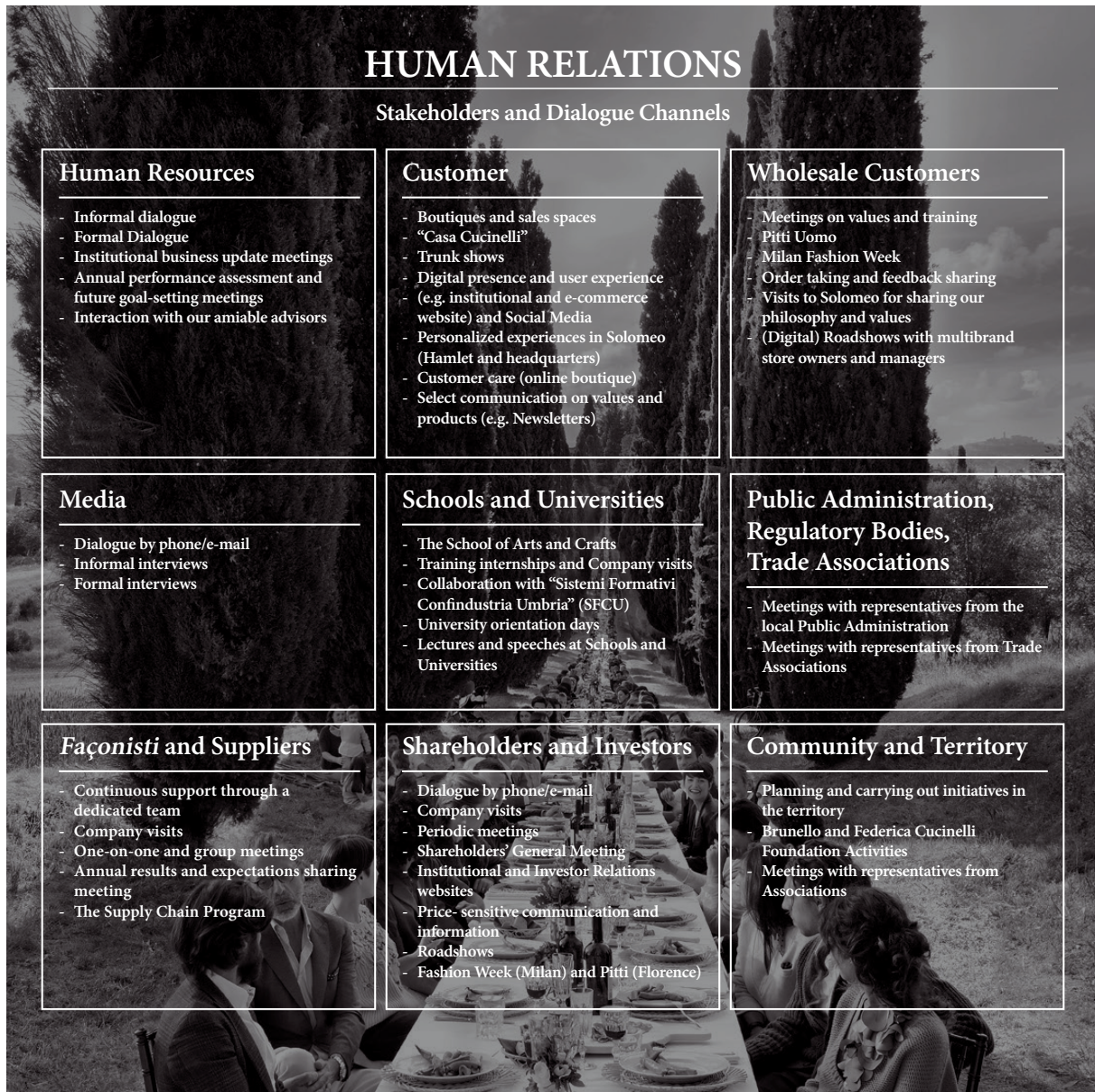
- **Providing comprehensive, timely and accurate information to our stakeholders** about the Group's operations, decisions, projects and initiatives by being as transparent as possible in our communications with them;
- **Working together to create long-term value**, by recognizing the potential contribution that each of them can make to our strategy, thus generating long-term shared value;
- **Receiving stakeholder feedback and opinions**, which essentially entails developing a *feedback culture*, both internally and externally, that revolves around open dialogue regarding those issues that are deemed relevant from an environmental, social and economic/corporate governance standpoint as well as in terms of feedback about the outcomes of stakeholder engagement;
- **Boosting stakeholder satisfaction and trust in the Group**, as interaction effectiveness is closely linked to how stakeholders perceive the brand identity and the Company's reputation.

With the aim of promoting these principles across the Group and of mapping the existing state of affairs in terms of **stakeholders involved, forms of dialogue implemented and requests received**, the "*Human relations and materiality*" questionnaire was presented to 70 Group managers globally, including top executives and senior managers, in July 2020.

Questionnaire results confirmed the same relevant stakeholder categories that had been identified the previous year: human resources; end customers; wholesale customers; *façonisti* and suppliers; shareholders and investors; media; schools and universities; the Public Administration, regulatory bodies, trade associations; community and territory.

Today, stakeholder communication and engagement principally relies on informal dialogue channels, i.e. on **direct relationships between the relevant corporate department and the specific stakeholder**. Such dialogue is more or less frequent depending on the stakeholder category and on the channel used: sometimes such communication only occurs once a year, others it can be an ongoing dialogue, even on a day-to-day basis.

We aim to regulate such moments of dialogue, in order to ensure increasingly **ample, frequent and transparent** interaction.



A variety of requests associated with sustainability issues emerge from stakeholder dialogue, which are then reported to the Company’s executives: key ones include collaborator performance assessment, local territory and community development and enhancement, human rights promotion, and product composition transparency in terms of materials and accessories.

CHAPTER 4 – HUMAN RESOURCES: ETHICS AND DIGNITY

The GRI content index is provided in the annex

102-8	102-41	102-43	102-44	103-2	103-3
202-2	401-1	401-2	403-1	403-2	403-3
403-4	403-5	403-6	403-7	403-9	404-2
404-3	405-1	405-2	406-1		



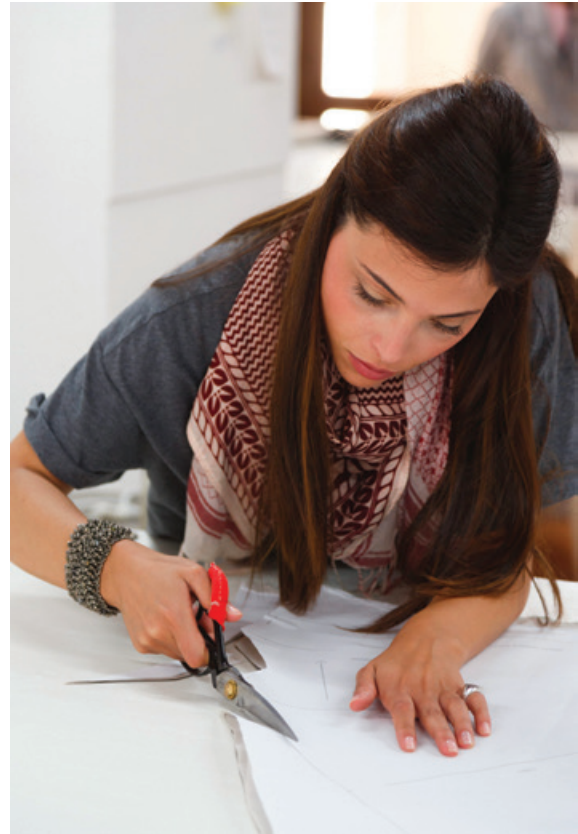
In line with the core principle of its business philosophy – which inspires and governs our business in Solomeo and that from Solomeo reaches out to the world – the Company always puts the **human being at the center of everything**, in its **network of interpersonal relationships**.

In terms of production, this **centrality of the human being** is embraced **at every step of the garment creation process**, from the **relationship with our suppliers** of premium-quality raw materials to the amiable attitude of **our collaborators** who work in our many boutiques worldwide.

Such special attention is paid **at every step of the value chain**, where the physical presence and labor of our people are absolutely indispensable: for their manual skills, rigorous attention to detail, creativity, and passion for work, whatever the task at hand, be it designing, cutting, sewing or tailoring.

The **ethical enhancement of our Human Resources**, as we like to call our people, is built on the aforesaid **centrality of the human being**, and based on respecting and promoting their **dignity, relational dimension, right to well-being and creative genius**.

That is why the **human being – and humanity** in general – always comes first for us, as the human being is the only possible foundation for any activity or business, including economic and manufacturing ones.



Pattern Making and Women's Tailoring students – School of Arts and Crafts of Solomeo

THE CENTRALITY OF THE HUMAN BEING

The **centrality of the human being** in every process and context is the mainstay of the full respect and **promotion of human rights** that we embrace both inside and outside the Company.

For entrepreneur Brunello Cucinelli, his choice of developing Humanistic Capitalism stems from his awareness of a valuable tenet, by which *“All my experiences have contributed to consolidate the idea of **placing priority on respect for other people and the Creation**. This laid the foundations for my Humanistic Capitalism, which focuses on social aspects and is clearly based on the idea of the primary value of human beings, while giving moral and economic dignity to people.”*

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



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

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

In Solomeo, none of our collaborators have to clock in or out. **Working hours** are 8:00 a.m. to 5:30 p.m. Thanks to the sense of responsibility that is created, everyone gets to work on time and stays focused for 8 hours straight and then, at the end of the work day, the factory lights are turned off and we can all go home to cultivate our interests and passions.

Lunch break (please see box below) lasts an hour and a half, so that collaborators can choose whether to avail themselves (for a nominal fee) of the Company's dining hall or enjoy the outdoor spaces and immerse themselves in a natural setting, by taking a relaxing stroll along the tree-lined walkways or by practicing sports in our sports complex. They can also opt to go home and have lunch with their families.

Workplaces must not only comply with the hygiene and safety standards imposed by the current regulations, they must also provide a **high level of comfort in terms of personal well-being**, including indoor air quality, temperature and natural light.

Special attention is paid to the **aesthetics of indoor and outdoor spaces**, making sure that all the collaborators can, as they work, **raise their eyes and see the Company's park outside**. The Solomeo headquarters is surrounded by a lush park of over 60,000 sqm, which is part of the "Project for Beauty".

Box 11 – Dining hall

The Company's dining hall serves food exclusively produced with **zero food-miles products**. The high quality of the meals – thanks to the use of fresh, local and seasonal produce – and the offer of a menu ensuring food variety and respect for the raw materials that the land gives us at specific times of the year, are two essential elements for the Company and a prerequisite for the care and well-being of all its collaborators. During the pandemic, the Company has taken all the necessary infection prevention measures, including closing the dining hall in compliance with the relevant requirements. However, it came up with an alternative solution, offering a **“lunch box”** delivery service directly at the employee workstations.

On the matter, it is worth noting that the Company uses 100% recycled **lunch boxes**. Moreover, employees wishing to avail themselves of the delivery service can make their daily purchases directly from their smartphone thanks to a dedicated app. They can also make special requests or customize their food orders.

Special attention is paid to the management of leftover food, which, thanks to an agreement with the Municipality of Corciano (Perugia), is collected immediately after lunch, re-portioned and distributed to local families in need: in 2020 this service was only made available until the first days of March. It was then suspended due to the health emergency.

Employees who live nearby can also opt to go home and spend their lunch break with their families.



Disposable lunch box samples for safe food delivery



Human Resources: relations management

The careful day-to-day management of our human resources relationships and of their specific needs relies on a strategic and operational in-house organization where the heads of the departments of the Solomeo headquarters work in close collaboration with the different Regions where the Group operates.

Specifically, the **Human Resources Committee** (please see Chapter 3 “*Ethics and Corporate Governance*”) is responsible for the strategic coordination of the relationship between the Company and its collaborators. At the operations level, **Human Resources managers** are entrusted with process management and supervision in order to implement the guidelines provided by the Human Resources Committee. Such activity is carried out by the Personnel Administration Office (which is part of the Administration, Finance and Control Department) together with the Human Resources Department (which is part of the General Management).

A Human Resources Manager (**HR Manager**) has been appointed in the **key geographical areas** where the Company operates, who, from a functional standpoint, reports to the Human Resources Department of the Solomeo headquarters and, from a hierarchical standpoint, to the Chairman or Managing Director of the various local offices.

Given the peculiar features of the different national regulatory frameworks, local HR Managers thus respond to the daily working needs of collaborators, consistently with our corporate culture.

For those aspects of the employment relationship not expressly regulated by the legislation, a set of business rules is applied, the so-called “**Employee Handbook**”, which supplements national regulations and individual contracts.

Employee Handbooks are implemented across our companies in the UK, China, Japan, the US and Russia, setting out the rules on vacation time, leaves, working hours, sick leave and any measure that may be required. In general, the provisions contained in such handbooks aim to extend the rules that are usually laid down in Italian collective agreements or labor regulations to our employees abroad, who work in countries where such provisions are lacking. These handbooks are amended and updated to adapt them to the local regulatory framework as it evolves, but also to reflect the Company’s decision to manage its people in accordance with the highest international standards available at any given time, and to harmonize collaborator rights and conduct at the corporate level, in line with the brand’s founding principles and values.

The **sharing** of our **corporate mission** and **vision** by all our human resources stems from their genuine adherence to our values and is promoted through ongoing employee involvement in company life – in the various offices and via the appropriate channels – which is key across all the company-collaborator relationships. Sharing creates a sense of belonging among collaborators that goes beyond a mere professional relationship and that contributes to setting common goals.

Since the Company’s early years, a **corporate meeting**, chaired by Brunello Cucinelli himself, has been held on a regular basis, where the general business performance and future prospects are presented to all the collaborators of the Solomeo Headquarters.

In 2020, and especially during the lockdown, Chairman Brunello Cucinelli constantly kept in touch with our employees on live streams.



The so-called **Council of 50**, instead, meets on a biannual basis and involves the Company's top executives; it initially had 50 members and then grew to 70 over time, due to corporate development. The Council, which comprises the heads of the various corporate departments, discusses and delves into the Company's future prospects and trends that the business will face in the years to come. The outcomes of the Council's meetings are then promptly shared with all our collaborators. The meeting was not held in 2020, due to the pandemic outbreak.

Regarding the moments of dialogue and of "Corporate Culture" creation, special attention is paid to the **Sales Meeting**, which is usually organized in Solomeo on a biannual basis. In **2020**, due to the global emergency, the meeting was held virtually. The event was called "***Sunrise of a New Time***".

The meeting was divided into two sessions: one for Europe, America, Russia and the Middle East; and the other for Asia – Mainland China, Hong Kong, Macau, Japan, Taiwan and Singapore. The sessions were chaired by the two CEOs and included speeches by the General Managers and Area Managers, ending with a final message from Chairman Brunello Cucinelli.

The meeting was attended by all our boutique teams and commercial partners. Several issues were addressed, including the ongoing pandemic, to which the Company has responded by continuing to firmly believe in its new commercial projects, by safeguarding the jobs of all our human resources and by giving – thanks to the "Brunello Cucinelli for Humanity" project – new and alternative life to the unsold collections due to the health emergency.

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

However, the 2020 emergency forced us to find new ways to meet and discuss with our people, for example through webinars and workshops (please see Box "*Promoting the restart*"), which enabled us to keep in touch with them and mutually show our support and hope in these painful and challenging times that we have faced.

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

In Europe²⁸, instead, the percentage of collaborators covered by collective bargaining agreements was approximately 37%. There are no collective bargaining agreements in non-EU countries.

28 Please note that our people in Russia were included in the percentage of employees covered by collective bargaining agreements.



As at 31 December 2020, the total number of collaborators was 2,129 (up 5% versus 2019), of whom 65% were women and 35% men.

Table 7 – Human resources

	2018			2019			2020		
	Italy	Europe	Non- EU	Italy	Europe	Non- EU	Italy	Europe	Non- EU
Open-ended	929	240	282	990	265	327	1028	285	406
of whom men	341	74	95	362	86	111	380	91	139
of whom women	588	166	187	628	179	216	648	194	267
Fixed-term	89	17	269	126	18	296	117	11	282
of whom men	35	6	63	61	8	75	60	5	67
of whom women	54	11	206	65	10	221	57	6	215
Total	1018	257	551	1116	283	623	1145	296	688
Full-time	981	230	519	1080	261	593	1108	273	664
of whom men	365	75	155	410	89	182	425	92	202
of whom women	616	155	364	670	172	411	683	181	462
Part-time	37	27	32	36	22	30	37	23	24
of whom men	11	5	2	13	5	4	15	4	4
of whom women	26	22	30	23	17	26	22	19	20
Total	1018	257	551	1116	283	623	1145	296	688

GRI 102-8 Information on employees

DIGNITY AND RESPONSIBILITY: PROMOTING WELL-BEING, HUMAN RIGHTS PROTECTION AND INCLUSION

Human dignity and well-being are an integral part of the Company's day-to-day business and of the way it manages the various aspects of corporate life.

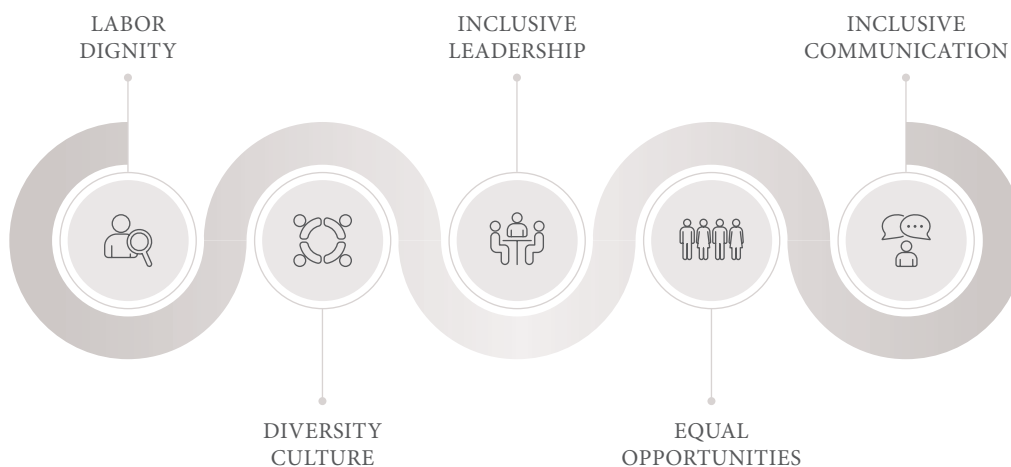
The promotion of the principle of diversity and, especially, of the correlated values of equity and inclusion, takes center stage within the Company's organization, as it is an irreplaceable source of personal and professional enrichment and mutual stimulation.

Our ongoing commitment to promoting, spreading, sharing and implementing the key value of inclusion has shaped our **Diversity and Inclusion Policy**, which applies both internally, to all the Group's offices and companies, and externally, to our third-party relationships.

The Policy defines our commitment to **including and welcoming diversity** in all the internal organizational and management processes, by **combating disparity and humiliation**, promoting **respect for other people** – which is at the heart of every process – **listening to single individuals** and valuing the significant **contribution that each** of them can make to the achievement of the Group's targets.

It is built on **five pillars** – which are illustrated in the infographic below – based on which we show our commitment to increasingly integrating those diversity aspects that are considered a priority for our business, such as **gender identity, age, diverse physical and mental abilities, sexual orientation and multiculturalism**.

Infographic VII – The pillars of our Diversity and Inclusion Policy





The **first four pillars** regard the various stages of the **work life of each and every one of our collaborators**: from selection to internal career paths to climbing the corporate ladder up to retirement.

The **fifth pillar**, instead, has a broader scope that includes all the **relationships** with the Group's **stakeholders**, as a demonstration of our strong commitment to the issue, that must become a second nature to us and that we must spread and promote through our actions and communications, at every step of the way.

For every pillar, the Policy sets **specific actions** that we shall take in order to promote an increasingly inclusive corporate culture and management, showing progress made and our relentless pursuit of continuous improvement.

In certain Regions, the Policy is supplemented by **local policies**, in accordance with the local regulations and specific cultural aspects. For example, the following documents were implemented during the year:

- “*Protecting collaborator personal integrity*” Policy (Switzerland);
- “*Bullying and Harassment Policy*”, which is part of the Employee Handbook implemented in the UK;
- “*Equal Opportunities, Workplace Harassment, Substance Abuse, Workplace Violence Policy*”, which is part of the Employee Handbook in force in the North American Region.

The figures provided below show substantial homogeneity in the Company's different professional categories, in terms both of gender and age group.

It is worth pointing out, however, that, in light of the new commitments that we have undertaken, we will continue to pursue continuous improvement, in order to promote diversity within the Group, which is a valuable asset for us.

As at 31 December 2020, the **average age** of the Group's collaborators was **38.6 years**.


Table 8 – Diversity as wealth

	2018			2019			2020		
	Italy	Europe	Non-EU	Italy	Europe	Non-EU	Italy	Europe	Non-EU
Managers & Middle Managers	46	5	12	48	4	13	52	3	22
of whom <30 years	-	-	-	-	-	-	1	-	-
women	-	-	-	-	-	-	1	-	-
of whom 30 ≤ x ≤ 50 years	35	5	12	32	4	13	32	3	21
men	24	1	6	22	-	8	22	-	9
women	11	4	6	10	4	5	10	3	12
of whom >50 years	11	-	-	16	-	-	19	-	1
men	4	-	-	8	-	-	10	-	1
women	7	-	-	8	-	-	9	-	-
White Collar - non-sales	422	23	93	463	26	127	488	31	123
of whom <30 years	109	1	22	97	2	32	107	4	26
men	34	-	6	17	1	8	20	3	9
women	75	1	16	80	1	24	87	1	17
of whom 30 ≤ x ≤ 50 years	273	16	67	318	18	88	332	22	84
men	105	3	24	133	4	33	139	5	31
women	168	13	43	185	14	55	193	17	53
of whom >50 years	40	6	4	48	6	7	49	5	13
men	13	1	3	14	1	2	15	-	6
women	27	5	1	34	5	5	34	5	7
White Collar - sales	86	229	446	94	253	483	85	262	543
of whom <30 years	17	42	74	18	48	88	11	37	97
men	9	20	34	8	23	26	5	18	33
women	8	22	40	10	25	62	6	19	64
of whom 30 ≤ x ≤ 50 years	55	167	299	62	176	317	60	196	355
men	23	53	72	29	60	88	29	64	98
women	32	114	227	33	116	229	31	132	257
of whom >50 years	14	20	73	14	29	78	14	29	91
men	9	2	12	8	5	19	9	6	20
women	5	18	61	6	24	59	5	23	71
Blue Collar - non-sales	464	-	-	511	-	-	520	-	-
of whom <30 years	109	-	-	127	-	-	139	-	-
men	59	-	-	76	-	-	81	-	-
women	50	-	-	51	-	-	58	-	-
of whom 30 ≤ x ≤ 50 years	226	-	-	239	-	-	239	-	-
men	78	-	-	86	-	-	88	-	-
women	148	-	-	153	-	-	151	-	-
of whom >50 years	129	-	-	145	-	-	142	-	-
men	18	-	-	22	-	-	22	-	-
women	111	-	-	123	-	-	120	-	-
Total	1018	257	551	1116	283	623	1145	296	688
GRI 405-1 Diversity in the governance body and among employees by professional category									



We promote **equal opportunities**, **fair retribution** and the **enhancement** of **professional knowledge**, **skills** and **experience** in accordance with the values of **impartiality** and **fairness**.

The minimum wage and retribution – i.e. the sum of the minimum wage and additional amounts granted to the workers – are determined based on these principles.

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

Table 9 – Female to male minimum wage and retribution ratio²⁹

	Italy			Europe			Non-EU		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Managers & middle managers									
minimum wage ratio	104%	108%	100%	87%-	-	-	77%	45%	18% ³⁰
retribution ratio	106%	106%	101%	94%-	-	-	85%	47%	18% ³⁰
White collar – non-sales									
minimum wage ratio	90%	91%	87%	114%	108%	125%	92%	88%	97%
retribution ratio	91%	91%	87%	109%	103%	123%	90%	87%	99%
White collar - sales									
minimum wage ratio	101%	99%	94%	115%	118%	140%	114%	105%	101%
retribution ratio	104%	102%	94%	109%	105%	117%	113%	106%	103%
Blue collar – non-sales									
minimum wage ratio	105%	103%	106%	-	-	-	-	-	-
retribution ratio	104%	103%	105%	-	-	-	-	-	-
GRI 405-2 Female to male minimum wage and retribution ratio									

Thanks to its current global expansion, Brunello Cucinelli Group has the privilege of dealing with people of **53 different nationalities**, each and every one of them contributing, with their own skills, to the life of the Company and enriching it.

On the matter, the Company has always preferred hiring **local collaborators** at its many operational offices at the Group level, in order to operate as a true melting pot of cultures, where the brand develops hand in hand with local tradition. Consistently with this view, when selecting the **directors and managers** of key operational offices abroad³¹, the Company always prefers recruiting human resources **locally**, who naturally have local knowledge of the market, culture and tradition.

²⁹ Please note that the table below only takes into account the offices where there was at least one collaborator per gender. 2020 Non-EU Region figures include Japan, Hong Kong, Mainland China and the US. Data collected for the calculation of the female to male minimum wage and retribution ratio take into account the Company's overall people as at 31 December of every year.

³⁰ This figure also takes into account the remuneration of managers who are members of the BoD and of executive committees.

³¹ The key operational offices are Solomeo and Milan for Italy, Russia for the European Region, the US, Mainland China, Hong Kong and Japan for the Non-EU Region.



Also in 2020, all the senior managers³² of the key operational offices abroad were hired locally³³.

We protect and value **diverse physical and mental abilities**, by ensuring a safe and healthy workplace where special attention is paid to the visible and invisible needs of all our collaborators: in 2020, the number of collaborators belonging to vulnerable groups in Italy was in line with the previous year, with 56 people from the different professional categories.

As a further testament to the Group's commitment to protecting fundamental human rights, the Company firmly **combats any form of forced or child labor** – the latter being defined as the employment of workers younger than 15 – both internally and externally, with respect to both the workers of the Group and those of its suppliers and *façonisti*.

As set forth by the Code of Ethics, the Company undertakes to promote respect for the **physical and psychological integrity of a person**, by ensuring respect for human dignity in the workplace. It also undertakes to **verify** that its **suppliers, *façonisti* and other external collaborators** comply with existing labor regulations, including those regarding child labor, worker health and safety.

Such provisions are also set out in the **Framework Agreement** that the Company established and shared with its *façonisti* in 2019 and then, in 2020, also with its **raw material suppliers** (please see Chapter 5 “*Amiable relationships with suppliers*”): they shall, in any case, comply with the existing regulatory framework and the principles laid down in the Fundamental Conventions of the International Labor Organization (ILO) and in the Universal Declaration of Human Rights (UDHR), as well as with the guiding principles of the Organization for Economic Cooperation and Development (OECD) and with the UN Global Compact.

There have been **zero cases of discrimination confirmed** in 2020, in line with the previous two years.

The Company pays special attention to the needs of its collaborators, both in Italy and in the rest of the world: the initiatives implemented are, in the majority of cases, addressed to both full-time and part-time collaborators.

Fringe benefits include additional injury insurance, life insurance (at Brunello Cucinelli S.p.A only for executives) and health insurance (FASI³⁴ and SANIMODA³⁵ in Italy); thanks to the latter, workers can avail themselves of a variety of medical assistance services, at special terms. Specifically, in Italy the Company has also entered into agreements with different kinds of health centers. Disability/incapacity insurance coverage is provided in some cases and sickness allowance is paid in some Regions.

32 The “senior managers” category includes Executives for Italy; Retail Directors for Russia; Area Managers for Japan, Mainland China and Hong Kong; and lastly, for the US those collaborators having strategic autonomy with respect to economic and financial aspects in the Region.

33 The number of senior managers hired locally takes into account those collaborators who are nationals of the country they work in or who are Italian but hold a permanent visa (*permanent visa holders*).

34 This insurance policy is granted to the Executives of Brunello Cucinelli S.p.A., the CEO of Max Vannucci, and Pinturicchio collaborators covered by the National Collective Bargaining Agreement for the garment and clothing sector.

35 This insurance policy, instead, is granted to Brunello Cucinelli S.p.A. collaborators covered by the National Collective Bargaining Agreement for the garment and clothing sector and to the rest of employees of the companies Max Vannucci and Pinturicchio.



As a testament to Brunello Cucinelli Group's devotion to culture as an essential way to nourish the soul, for several years the Company has provided a bonus called *"in favor of culture"* to its people in Italy.

Box 12 – In favor of culture

The bonus *"in favor of culture"* includes the reimbursement, to the Company's collaborators and children, of expenses for magazine subscriptions, movie and theater show tickets, books, education courses, as well as kindergarten fees for the little ones. The bonus is worth € 500.00 on a yearly basis, and is doubled in case of households with dependent children. At the global level, similar employee benefit welfare schemes are available in certain Regions³⁶.

Further employee benefits provided by our welfare plan include, for example, paid marital and parental leave and luncheon vouchers.

We like to think that **interpersonal relations** are always stronger than electronic ones; that is why we hope that our people always prefer discussing issues with their colleagues, especially with those who work in the same department, in person or on the phone rather than by e-mail. We also ask our collaborators, whenever possible, to limit the number of recipients to whom they send their e-mails, as we prefer them to be "directly addressed" to the person in question.

This will make the recipient feel more responsible and pay greater attention to the message.

Lastly, the Company undertakes to comply with existing **employee data protection regulations** and shall take all necessary measures or actions or make amendments in order to ensure data protection and the exercise of rights by interested parties³⁷ (for a more detailed overview of customer data protection, please see Chapter 8, section *"Human privacy"*).

³⁶ Employees in Mainland China are granted an annual bonus of CNY 3,500 per person (approximately Euro 445.80 per year), while in Hong Kong the bonus is worth HKD 4,500 per person on an yearly basis (approximately Euro 477.58); in 2020, total funds allocated in Japan were Euro 20,481. This bonus is also granted to employees in Taiwan, the United States and Canada.

³⁷ Special protection is also granted with respect to sensitive human resources health data. Such personal information shall not be disclosed to the Company, which shall only be informed of specific needs, if any, arising from medical judgments of ability to work but with restrictions and permanent inability to work. In such cases, the Company shall take action in order to find the best solutions in terms of employee protection.



ENHANCEMENT OF “THINKING SOULS”

Human resources are the driver of the Company, and the element that ensures its value and business continuity.

Personnel management strongly focuses on respecting the peculiarity and the dignity of each and every individual at every step of the way, from selection to internal career paths, by placing priority on the contribution of each person as a “thinking soul”, striving to ensure that business activities are performed in a positive, collaborative and stimulating working environment.

The principles of **respect, equality, listening** and **meritocracy** are fundamental values of the Group, which implements a variety of initiatives to attract highly skilled people.

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

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

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

Moreover, we place top priority on the so-called **on-the-job training**, which is provided directly at the workplace and which aims to deliver effective induction of new hires and to improve their technical and professional skills.



Brunello Cucinelli during a meeting with employees held in the Industrial Park in compliance with the new public health regulations.

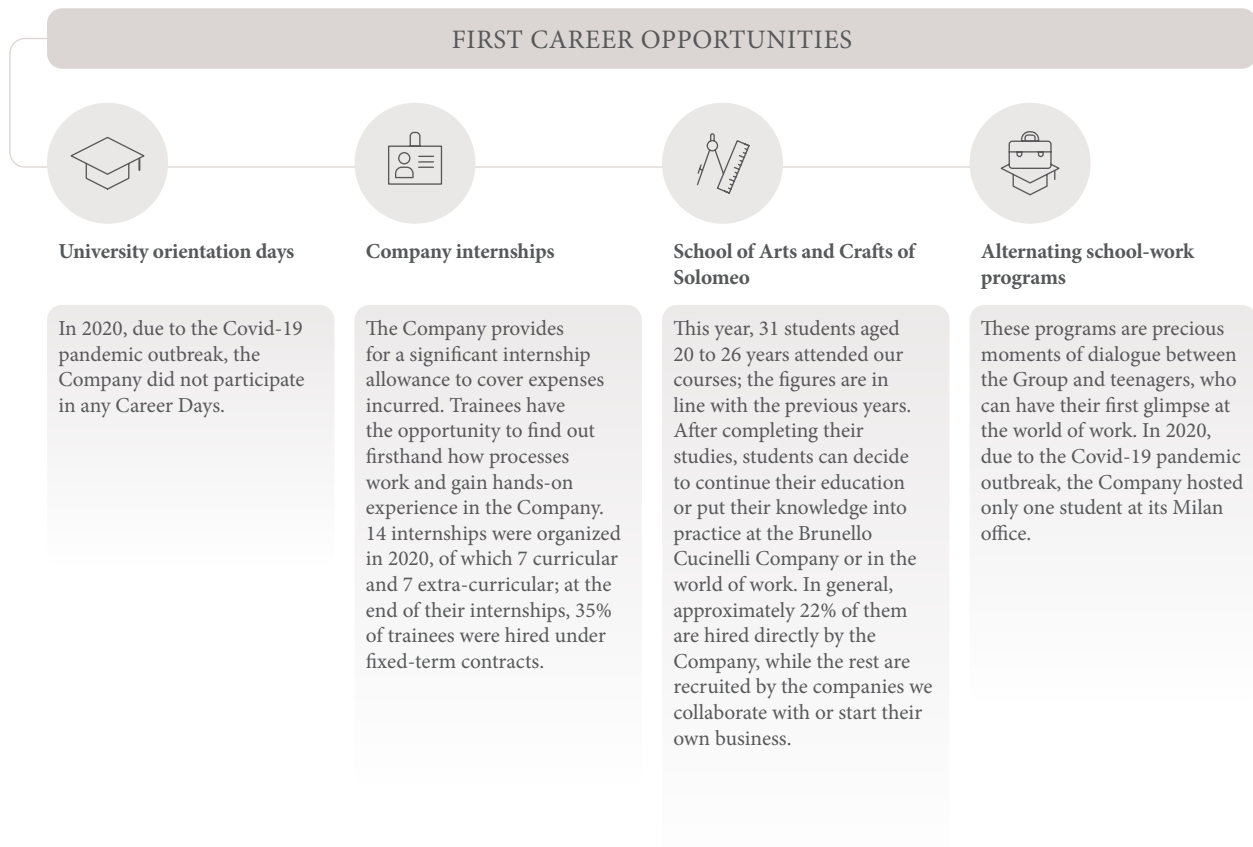
Selection

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

The Company relies on a variety of different channels and procedures for the **selection of new talents**, paying special attention to the dialogue with the **younger generations**, as the Group strongly believes in their passion, determination and courage. We reach out to the generations of tomorrow as we wish to pass on our hope for the future to them, as we are aware that their skills can significantly contribute to the progressive evolution of society, whilst never forgetting “past lessons learned”.

Specifically, the infographic below illustrates the most frequently used channels³⁸ for the selection of our young hires.

³⁸ Further information about the different programs is available in the 2019 NFS at the following link: [http://investor.brunellocucinelli.com/yep-content/media/DNF_FY_2019_\(1\).pdf](http://investor.brunellocucinelli.com/yep-content/media/DNF_FY_2019_(1).pdf)

Infographic VIII – Career opportunities for young hires

In Italy, in addition to the abovementioned talent attraction methods, the Company receives a multitude of resumes via the relevant section of the corporate website, where applicants can fill out a specific application form that is designed to find out more about their interest in specific corporate areas, educational background, work experience and language skills. Anyone wishing to apply for a job can view our Privacy Policy directly on our portal; moreover, the Company informs applicants that they are not required to provide sensitive data in their resumes.

The Company replies to all the applicants who send their resumes.

Other job application channels are our “human resources” e-mail address and the relevant social media accounts (i.e. LinkedIn).

At the end of the selection process, the Company sends feedback to all the applicants, whether to inform them that they have been hired or not.



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

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

The tables below show the 2020 trend in new hires, leavers and relevant rates³⁹ in the countries where the Company operates.

Table 10: New hires⁴⁰

	2018			2019			2020		
	Italy	Europe	Non- EU	Italy	Europe	Non- EU	Italy	Europe	Non- EU
<30 years	73	19	72	39	24	102	29	18	45
of whom men	23	10	35	11	13	28	10	8	18
of whom women	50	9	37	28	11	74	19	10	27
30 ≤ x ≤ 50 years	29	52	152	35	40	132	17	38	123
of whom men	11	18	47	16	15	47	9	11	32
of whom women	18	34	105	19	25	85	8	27	91
>50 years	8	4	15	9	4	15	2	-	18
of whom men	2	-	4	1	-	9	1	-	5
of whom women	6	4	11	8	4	6	1	-	13
Total new hires	110	75	239	83	68	249	48	56	186

GRI 401-1 New hires

³⁹ Workers employed under fixed-term contracts to fill positions and needs of a temporary nature, such as during production peaks, or to act as substitutes (illness, maternity leave, etc.), are not included.

New hire rates for each geographical area are calculated as a percentage of the population by professional category in the Region as at 31 December.

⁴⁰ Please note that there were no new hires at the Singapore and Hong Kong offices in 2020.



Table 11: 2020 New hire breakdown by professional category, age group and gender

	Italy	Europe	Non-EU
Managers & Middle Managers			
<30 years - no new hires			
30 ≤ x ≤ 50 years	-	-	2
of whom women (rate)	-	-	2 (9%)
>50 years	1	-	-
of whom men (rate)	1 (2%)	-	-
White collar - non-sales			
<30 years	18	3	9
of whom men (rate)	4 (1%)	2 (6%)	4 (3.3%)
of whom women (rate)	14 (2.9%)	1 (3%)	5 (4%)
30 ≤ x ≤ 50 years	6	3	10
of whom men (rate)	4 (1%)	1 (3%)	5 (4%)
of whom women (rate)	2 (0.4%)	2 (6%)	5 (4%)
>50 years	1	-	1
of whom women (rate)	1 (0.2%)	-	1 (0.8%)
White collar - sales			
<30 years	1	15	36
of whom men (rate)	-	6 (2.3%)	14 (2.6%)
of whom women (rate)	1 (1.18%)	9 (3.4%)	22 (4.1%)
30 ≤ x ≤ 50 years	-	35	111
of whom men (rate)	-	10 (3.8%)	27 (5%)
of whom women (rate)	-	25 (9.5%)	84 (15.5%)
>50 years	-	-	17
of whom men (rate)	-	-	5 (0.9%)
of whom women (rate)	-	-	12 (2.2%)
Blue collar - non-sales			
<30 years	10	-	-
of whom men (rate)	6 (1.15%)		
of whom women (rate)	4 (0.8%)		
30 ≤ x ≤ 50 years	10	-	-
of whom men (rate)	5 (1%)		
of whom women (rate)	5 (1%)		
>50 years	1	-	-
of whom women (rate)	1 (0.2%)		
Total new hires	48	56	186
GRI 401-1 New hires and new hire rate			



Despite the challenges posed by the pandemic, our **recruitment program** also **continued** in 2020. Specifically, out of total new hires in 2020, **196** were **women** and **94 men**: approximately 76% of the women belonged to the “White Collar - sales” professional category. With respect to executive positions, there were only three new hires at the Group level in 2020: 2 women and a man.

The “White Collar - sales” professional category was the one with the most new hires, of whom approximately 76% in the Non-EU Region. Lastly, 61% of new hires fell within the 30-50 age group.

Table 12: Leavers and turnover rate⁴¹

	2018			2019			2020		
	Italy	Europe	Non- EU	Italy	Europe	Non- EU	Italy	Europe	Non- EU
<30 years	21	15	34	14	10	58	2	8	37
of whom men	14	8	11	8	9	28	2	3	10
of whom women	7	7	23	6	1	30	-	5	27
30 ≤ x ≤ 50 years	18	33	117	17	36	112	9	22	83
of whom men	6	16	33	10	12	30	1	8	28
of whom women	12	17	84	7	24	82	8	14	55
>50 years	19	2	8	14	2	13	11	5	14
of whom men	2	-	2	2	-	5	1	1	3
of whom women	17	2	6	12	2	8	10	4	11
Total leavers	58	50	159	45	48	183	22	35	134
Turnover rate	0.06	0.22	0.34	0.04	0.19	0.33	0.02	0.12	0.22

GRI 401-1 Leavers

Similarly, there was a **decrease in the number of leavers versus the previous two-year period**, for a total number of 191 collaborators whose contract expired in 2020: these were for the most part voluntary leaves resulting from a balanced human resource turnover. The most frequent ones were associated with voluntary resignations (for personal reasons), expired employment contracts or dismissal at the end of the probationary period. Some leavers, instead, reached retirement age and there was only one case of collaborator misconduct.

⁴¹ The turnover rate is the ratio between the number of resignations in the reporting year and the total number of collaborators in the previous year.



Students of the School of Arts and Crafts of Solomeo

Training and Development

The Group's relationship with its human resources is based on **valuing the proactive and innovative spirit of every individual**, by offering courses designed to **broaden and improve knowledge, skills, and professional experiences**, while recognizing **fair economic dignity**, which has always been a pillar of the Humanistic Enterprise. Given its business and the vision of the world on which it is built, the Company places a **high priority on training**. The latter is principally considered from a relational perspective: everyone has the right and duty to training, in order to achieve personal growth while optimizing teamwork.

That is why the Company offers specific training courses regarding:

- **skill improvement and training of our artisans;**
- training of our **amiable advisors** (our sales staff);
- specific activities associated with each collaborator's day-to-day job responsibilities ("Compliance training");
- **middle managers and managers' career progression**, particularly as part of the **"Generation Pact"** program.

In addition to these courses, the Company also offers training activities to all our people on our **e-learning** platforms as well as **team building activities**.



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

Box 13 – The School of Arts and Crafts of Solomeo

Drawing inspiration from Italian **renaissance workshops**, the School of Arts and Crafts is a place where technical knowledge, craftsmanship, mastery, as well as ethics, dignity and a sense of responsibility, are passed on from generation to generation. Every morning students shape matter into form, giving life to their ideas, and learning that there is more to their job than just manual labor. The main objective of the School of Arts and Crafts of Solomeo is to **train human beings**; it wishes to **restore the dignity and nobility of manual labor**, speaking to the student as a whole person. The following courses are available: **Fashion Masters** (three-year course); **Men's Tailoring** (three-year course); **Clothing Manufacture** (one-year course); **Linking** (one-year course); **Knitwear Mending** (one-year course); **Knitwear** (one-year course); **Ironing** (one-year course).

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

The Company is the key manager of the School of Arts and Crafts of Solomeo, which is recognized as a vocational training institute for the Umbria Region. Every year, a program for students younger than 26 years and whose duration may vary from one to three years, is organized in collaboration with "Sistemi Formativi Confindustria Umbria" (SFCU). Lessons are based on the "company workshop" education model and are taught by "masters" in the sector.

As entrepreneur Brunello Cucinelli rightly pointed out, we must be aware of the fact that *"Italy has the richest and most valuable of treasures in its creative hands: Craftsmanship. Our Craftsmanship is recognized and appreciated worldwide: we must not let it get swallowed up by the rapacious speed of today's fast-paced technological world. If we lose it, we lose our memory and ourselves"*.

In 2020, due to the Covid-19 pandemic outbreak, there was a slowdown in training activities at the School of Solomeo. Specifically, classes were suspended in early March and then resumed in the first ten days of September. However, as Italy entered phase 2 of the pandemic, the School had to comply with the national and regional regulations and classes were suspended again in early November. Remote learning was not possible, since these courses focus on manual skills and require that students use equipment available at the School.

In the first period of the year (until March) **26 students** attended the courses, with 420 hours of training delivered per student, for a total of 10,920 hours. When classes resumed (September to November), 3,360 hours of training were delivered, with **5 students** attending the courses (672 hours of training per student); a total of **14,250 hours** of training were delivered in 2020.



We developed a multitude of **training projects for our amiable advisors**: the “*Hortus Simplicium*” project, the “*Traditions*” project and the “*Brand Ambassador School*”, which aims to train all our customer reception staff.

Due to the health emergency, the only project that continued on a regular basis this year was the “**Hortus Simplicium**” project, as we could move from classroom to virtual training delivery by using a video conference platform.

The “Hortus Simplicium” project aims to teach our amiable advisors to best express the brand’s values when interacting with customers. It evokes the idea of the medieval “*garden of simples*”, meaning a cloister where medicinal and aromatic plants were grown to make balm and ointments used as herbal remedies for ailments, for the good of the community. Similarly, the project wishes to provide our sales staff with all the elements needed to build strong and authentic customer relationships. Protecting the beauty of the Creation is the cornerstone of the Company’s founding values.

In 2020, the project was **divided into two parts**: “*Robur*” and “*Diffusio*”.

“*Robur*” kicked off in the month of August and was directed to our **amiable advisors** and **store managers** in those EU countries where the “Hortus Simplicium” project had already been delivered in 2019: Italy, France, Belgium, the UK and Spain – it should be noted that only managers attended the course in Spain. Overall, 75 people attended the 29 project sessions. Many different topics were addressed, depending on the specific skills needed by the two professional categories included in the project.

Specifically regarding our **amiable advisors**, training focused on the topics of **emotional intelligence in sales** and **storytelling** skills. Participants had the opportunity to gain and practice their basic emotional intelligence skills, i.e. the ability to understand and manage their own emotions and those of the customers they interact with, in order to handle, in the best possible way, the diverse issues that may arise in their day-to-day customer relationships.

They also learned storytelling techniques in order to tell effective stories that are built around a clear narrative structure, so that they can inspire customers and raise their awareness about the brand’s values and philosophy.

Store manager training, instead, focused on activities designed to improve their **coaching** skills, as coaching is an effective method to motivate and encourage the personal and professional growth of individual team members.

We consider coaching as a creative process built on one or more conversations between a *Coach* and a *Coachee*: by asking the right targeted questions, the Coach gives the Coachee food for thought and helps them reach their true potential, in order to accomplish their personal development and improvement goals (e.g. to perform tasks independently or to more effectively collaborate with colleagues) based on an action plan that will guide them in their day-to-day job.

Specifically regarding this initiative, the Company has trained two in-house coaches, as part of the “*Officina cultorum*” project. They shall support and oversee coaching activities that store managers will deliver to their teams at the EU level.



At the end of these coaching sessions a follow-up session was held on the issue, that specifically included “sample” coaching conversations by managers, followed by one-on-one sessions between managers and in-house coaches, to assess learning of the coaching process, applications and practice.

With respect to the second part of the “Hortus Simplicium” project, “**Diffusio**” kicked off in the month of September in online format and was directed to all those who did not participate in the project in 2019. We could therefore extend its scope to include our sales teams in Austria, Germany, Spain, Switzerland, Italy (only for managers), Greece (only for managers), the UK, France (only for amiable advisors), Russia, North America, Japan and Mainland China (only for managers), Hong Kong, Macau, Taiwan, Singapore and Malaysia. Overall, 362 collaborators attended the 110 sessions.

The course was divided into two modules: the first one was directed to our **amiable advisors** and revolved around **clienteling**, specifically focusing on those skills that are deemed to be key to building and cultivating customer relationships: active listening, storytelling, assertive communication, care and attention to customers in the long term. We like to call the different stages of customer interaction, both inside and outside our boutiques, “*seasons of relationship*”.

The **second module** was directed to our **store managers** and focused on **leadership** topics and practices, such as: how to communicate the Company’s strategic vision to the team and how to empower people to build human relationships first and then deliver results; how to use the narrative structure of storytelling to communicate more effectively; basic coaching skills; empowerment through delegation.

The “*Traditions*” and “*Brand Ambassador School*” projects will resume in 2021.

“Compliance” training, which was temporarily suspended in 2020, will also resume in 2021. It aims to offer our people a full set of the technical skills needed to do one’s job properly.

Among the activities aimed at promoting the professional growth of **managers and middle managers**, it is worth noting the “**Generation Pact**”, approved by the Board of Directors and designed to facilitate a turnover of the positions of responsibility in the key offices and departments into which the Company’s structure is organized, through the selection, induction and training of a new generation of managers.

The program has the objective of training young, prepared and highly motivated collaborators, additionally achieving the goal of preserving the business’s know-how and obtaining continuity in the way the Company is managed. It provides that each person in charge of an office at the Company shall take part in training initiatives and tutoring programs involving the employees of their department, amongst whom they shall select a person who, due to his or her background, skills, technical and personal abilities, can take over the department in the future.

Once selected to participate in the program, such person shall have the role of a sort of “second in command” – that is why he/she may be appointed “**co-manager**” of the head of the department – and shall assist the latter in their day-to-day activities for a few years. This *mentoring* approach will enable him/her to learn from the experience and knowledge of their supervisor, contributing to capitalizing their competencies with a view to ensuring continuity in the human capital of the Company.

Lastly, it should be noted that **training activities** also include lessons on specific topics available to the entire company staff on our “Docebo” **e-learning platform**.



In 2020, the Company also entered into a **collaboration with the Umbria Business School** regarding a training course for our managers called *Programme for Global Leadership Development*, which will also continue in 2021: 7 people attended the course in 2020. The program, which includes a number of monothematic workshops, delves into issues such as **sustainability, digital strategies, innovation, data analytics and design thinking**, which are critical success factors for our operations managers worldwide.

In **2021** the Company also intends to broaden the scope of training for middle managers to include the development of **soft skills**, such as, for example, how to effectively communicate in order to promote a feedback culture inside the Company.

Likewise, we plan to **set up an in-house “e-library”** where our collaborators will find online courses on various topics, including cybersecurity and data protection.

The table below provides an overview of additional courses held during the year in the different Regions where we operate.

Table 13 – Training activities

Training activity	Activity description	Region
Endurance and Resilience	Training included webinars guided by an external facilitator and designed to share, with other participants, the following: helpful suggestions for navigating uncertainty during the pandemic; conflict resolution techniques; time management; performance management.	Canada
Jackson Lewis Professionalism Seminar	A seminar organized by Jackson Lewis on professionalism and preventing bullying and harassment in the workplace.	USA
Training “Company Basics”	Online training aimed at sharing the Group’s history, identity and values in order to make the staff feel more and more part of our corporate culture and improve the knowledge of new teams.	Singapore, Europe
Officina Cultorum	A course designed to teach our in-house Trainers/HR Coaches the coaching skills needed to support boutique team development and oversee coaching delivered by sales managers to their teams.	Europe, China
Product Knowledge Training	A course delivered through video and in-store sessions, followed by an assessment session for participants from our Hong Kong and Macau offices that included one-on-one online interviews and in-person tests at our boutiques.	Mainland China, Hong Kong and Macau
Measurement skills	An offline technical training course focused on teaching how to “take measurements” for sartorial suits (the course ended with a final test for participants from the Hong Kong office).	Mainland China and Hong Kong
Language course: English and Italian	A remote training course for our people in Solomeo and Milan.	Italy
UX Course	A training course designed to improve the UX writing skills of our collaborators from the Digital Department.	Italy

HR Course – in collaboration with Luiss Guido Carli University of Rome	A human resource management and organization training course delivered through two sessions: the first one on the assessment of the organization's human capital (in-person) and the second one on "reward management and welfare" (online).	Italy
IT skills	This training activity included the following courses designed to improve the IT skills of participants: - "Photoshop and Illustrator Post-production" course (in-person); - "Advanced Digital Graphic Design" course (which started in person and then moved online due to the Covid-19 restrictions); - "After Effects Post-production" course (online); - "Digital Copywriting" course (online).	Italy
Health and safety	General and specific training based on roles held (legal requirement)	Group
Data protection and compliance with the EU <i>General Data Protection Regulation</i> (GDPR)	Training for individual departments and offices (CRM, Customer Care, Safety & Security, Human Resources) aimed at providing support and advice on the issue. Induction sessions for amiable advisors and specifically for new hires.	Italy, France, Spain
403-5 Worker training on occupational health and safety Programs for upgrading employee skills		

A total number of **18,104** training hours were delivered to our human resources in 2020.



Student of the School of Men's Tailoring – School of Arts and Crafts of Solomeo



Brunello Cucinelli with the students and teachers of the School of Men's Tailoring

In addition to the training sessions carried out at the Solomeo headquarters, several other initiatives are implemented at our international offices, such as, for example, **team building activities**. Teamwork treasures that enrichment that can only result from embracing an attitude of full, transparent and collaborative sharing, and as such, is fruitful in two ways. If, on the one hand, it increases production efficiency, thanks to dialogue on the strategies to be shared and on the challenges to overcome together, on the other hand it is an extremely valuable asset that favors and stimulates co-evolution, in the sense of the personal and professional growth of each and every member of the team.

Due to the social distancing measures imposed by the Covid-19 pandemic, no team building activities were performed this year. Nonetheless, we met virtually, creating moments of dialogue and sharing to help each and every one of us find motivation ahead of the restart (please see Box "*Promoting the restart*").

Moreover, all the corporate areas have **internal career paths** designed to enhance and motivate human resources, encouraging professional growth. Seasonal contracts are particularly suited to this career path, in accordance with the Company's intention to employ such personnel under fixed-term or open-ended contracts. As regards production, this initiative enables the personnel involved to hold positions in different corporate areas and departments (e.g. yarn and fabric storage warehouses, raw material procurement department) thus favoring their individual cross-departmental professional development and skill improvement.



Personnel assessment is an integral part of professional development. It aims to ensure employee training and encouragement, internal career development and goal alignment, and implies continuous interaction and dialogue between managers and collaborators with respect to the activities performed and all the aspects of company life that involve human resources. Thanks to these day-to-day relationships, personnel assessment becomes a way to build medium-term relations that are based on ongoing dialogue, so as to help each and every collaborator unlock their key skills.

This activity is contextualized to the geographical areas where the Group operates. Our **retail personnel** is evaluated based on their annual performance, also envisaging the possibility of offering a variable performance bonus in exchange for targets met. Specifically, local **store managers**, supported by the local Human Resources Department, engage in moments of one-on-one dialogue with employees, discussing about the activities performed during the year and sharing results, targets met and long-term objectives. These **appraisals**, which can be either **quantitative** or **qualitative**, also take into account respect for the core values of the Company⁴².

Looking to promote a culture of dialogue across the whole Group, in 2020 we extended **annual personnel performance appraisals** to our collaborators in Italy, Europe, Russia, North America and China: this process, which took place between late 2020 and early 2021, relies on the use of **appraisal sheets** also containing the employee's individual goals and self-evaluation, in addition to the evaluator's review.

This type of appraisal is not linked to employee pay and relevant reward schemes, it is an opportunity for dialogue and future goal setting. After the appraisal, managers, together with the Human Resources Department, share feedback with the collaborators involved.

Performance appraisal, however, does not end when collaborators receive their comprehensive feedback, as this is just the beginning of a process aimed at laying the foundations for their future development.

⁴² Specifically, the appraisal takes into account the following ten attributes: Human skills; Courtesy and straightforwardness; Thinking souls; Teamwork; Attention to customers; Reliability; Charisma; Distinctiveness; Propensity to evolve; Attention to style.

**Table 14: Performance assessment in 2020⁴³**

	Italy ⁴⁴	Europe ⁴⁵	Russia	USA	Canada	Mainland China	Hong Kong	Macau	Japan	Taiwan	Singapore
Managers & Middle Managers											
men	31%	-	-	75%	100%	100%	100%	-	100%	-	-
women	45%	100%	100%	82%	-	-	-	-	-	-	-
White Collar - non-sales⁴⁶											
men	77.98%	-	25%	93%	-	30%	40%	-	100%	-	-
women	76.45%	-	55%	96%	100%	70%	60%	-	100%	-	-
White Collar - sales											
men	86.96%	36.36%	100%	85%	85%	14%	14%	33%	100%	28.5%	100%
women	93.75%	63.64%	100%	90%	71%	86%	86%	67%	100%	71.5%	100%
Blue Collar - non-sales											
men	8.70%	-	-	-	-	-	-	-	-	-	-
women	0.36%	-	-	-	-	-	-	-	-	-	-
404-3 Percentage of employees receiving regular performance and career development reviews											

43 The percentage of employees whose performance was assessed during the year was calculated as the ratio between the number of employees assessed (by gender) and the total number of the Company's employees as at 31 December by professional category. Since this is the first year that we have reported the GRI 404-3 standard "Percentage of employees receiving regular performance and career development reviews", figures only take into account 2020 numbers. The Company will provide data comparison covering the last two or three years starting from the next few reporting years.

44 Only the company Brunello Cucinelli S.p.A. is taken into account.

45 All our retail staff (in Europe) received a performance review during the year, except for our cleaners in Athens.

46 Regarding our "White Collar - non-sales" people in Russia, the following positions were not assessed for performance: Stock assistants, tailors and cleaners.



Student of the School of Men's Tailoring

HEALTH AND SAFETY

Worker safety is one of the building blocks of our human resources relationship, along with respect for human dignity and attention to employee well-being and enhancement.

The management and promotion of workplace health and safety comply with the applicable regulations in the different countries where the Group operates (e.g. Legislative Decree no. 81/2008 in Italy).

Broadly speaking, thanks to the preventive measures and control mechanisms implemented by the Company, and, in general, to the great attention paid to workplace safety, the Company continues to be a low-risk workplace.

In Italy, which accounts for 54% of our people, the hazards and risk factors that can potentially cause injuries are assessed, monitored and reported in the Risk Assessment Report (RAR), which is updated on a regular basis.



Please note that one of the major risks in terms of worker health and safety is associated with the **use of perchloroethylene** in the **laundry department** – specifically for dry cleaning – i.e. a chemical that can cause adverse health effects or environmental impacts, if not handled properly. In particular, workers responsible for this work cycle can be at risk of inhaling perchloroethylene while breathing or of absorbing it through their skin or eyes, which may potentially lead to acute or chronic poisoning and allergies.

Laundry employees are regularly tested for exposure to airborne volatile organic compounds, despite the toxicity values are below the threshold limit values imposed by the regulations.

It is worth noting that the Company successfully performed **testing** in order to **replace the existing dry cleaning machine with a hydrocarbon one**, as these substances are less hazardous to worker health. We plan to replace it as early as 2021 (please see section “*Raw material management*”).

Special attention is paid to **warehouse layout**: here, the major occupational hazard is associated with the use of equipment, such as forklifts or electric lift trucks.

On the matter, to **reduce high-reach lifting activities**, racks are arranged at a height that hardly ever requires the use of the abovementioned equipment, thus also ensuring that the windows are not obscured and the space is lit by natural light.

Moreover, every collaborator receives adequate education and training in the safe use of work equipment/machines and devices: in particular, general and specific training activities were performed in Italy this year, according to need and in compliance with the regulations.

A job hazard analysis identified different hazards based on the field of work, such as poor posture for workers who perform sewing, manual weaving, mending and linking activities, injury risks for cutters and trimmers, as well as health hazards associated with computer work for office staff.

Thanks to the presence of an **internal Prevention & Protection Service Manager (PPSM)** who is in charge of periodically inspecting manufacturing departments, the Company can identify potential hazards in the workplace in a timely manner.

In case of accidents or “quasi-accidents”, the potential causes are evaluated together with the managers and employees in charge of production. Such assessments enable us to look for preventive and improvement solutions, regarding either the organization or training sphere; if necessary, the Company shall purchase other tools and/or equipment in order to prevent such hazards.

Also in these cases⁴⁷, collaborators can directly contact the PPSM⁴⁸. However, such procedure has not yet been formalized at the corporate level.

Health check-ups are performed at least on a weekly basis at the Company, in accordance with **health and safety protocols**.

⁴⁷ In case of health issues, workers shall also be in direct contact with the appropriate medical specialist.

⁴⁸ Such procedures refer to the Italian offices of Brunello Cucinelli S.p.A., and to the companies Pinturicchio Srl and Max Vannucci Srl.



The regular presence of a qualified doctor enables the Company to conduct an effective workplace assessment and evaluate ergonomics, PPEs and potential issues that could derive from such topics. It should also be noted that, with a view to preventive healthcare, the Company has decided to perform health check-ups every two rather than every five years for employees younger than 50 years. In accordance with our business conduct principles and regulatory requirements, the Company shall maintain full confidentiality of sensitive medical data.

With respect to our European and non-EU offices, the Company, in collaboration with local advisors, closely monitors the working environment to ensure that local work health and safety regulations are complied with, specifically focusing on workplace health in our boutiques and sales and administration departments.

The table below provides an overview of the **figures for work-related injuries**, which are **close to zero** in the three-year reporting period.

Table 15 - Work-related injuries

	Italy			Europe			Non-EU		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Total hours worked	1,819,707	1,968,042	1,927,476	141,363	464,848	431,395	991,587	1,086,391	1,276,385
Total number of work-related fatalities	-	-	-	-	-	-	-	-	-
Total number of severe work-related injuries (excluding deaths)	-	-	-	-	-	-	-	-	-
Total number of work-related injuries	9	5	4	-	-	2	1	-	-
Work-related fatality rate	-	-	-	-	-	-	-	-	-
Severe work-related injury rate (excluding deaths)	-	-	-	-	-	-	-	-	-
Work-related injury rate	0.005	0.003	0.002	-	-	0.005	0.001	-	-

GRI 403-9 Work-related injuries

Specifically, there was a slight decrease in the number of injuries in Italy in 2020 compared to the previous year; all of such injuries were minimal and occurred in the workplace, but were not directly attributable to manufacturing activities.

In our European offices, instead, there was a slight increase in the number of work-related injuries (although it was a low figure in absolute terms) versus 2019, when there were no injuries at all, while there were zero workplace injuries in the Non-EU Region in 2020.



CHAPTER 5 – AMIABLE RELATIONSHIPS WITH SUPPLIERS

The GRI content index is provided in the annex

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Manual skills and craftsmanship – viewed as the fruit of people’s creativity – are, for our Company, the utmost expression of our corporate identity, as they turn our Lifestyle offer into a bridge between industry and crafts, thus allowing our products to stand the test of time.

The same attention that is paid to human resource management is also given to the relationship with all the professionals who supply raw materials and who contribute to manufacture our collections, which are the fruit of the ongoing, close and durable synergy that we have created with them over the past years.

Given the great strategic relevance of such relations, we decided to share a Decalogue containing our life and work principles with our amiable raw material suppliers and *façonisti*, in the hope that they may, in turn, implement such principles in their businesses.



Brunello Cucinelli at the annual meeting with suppliers held at the Lyrick Theater in Assisi last year

OUR APPROACH

The creation of Brunello Cucinelli products is a complex process (please see Infographic II “*Our business model*”) that comprises various stages and at the same time involves many stakeholders, both internal and external to the Company.

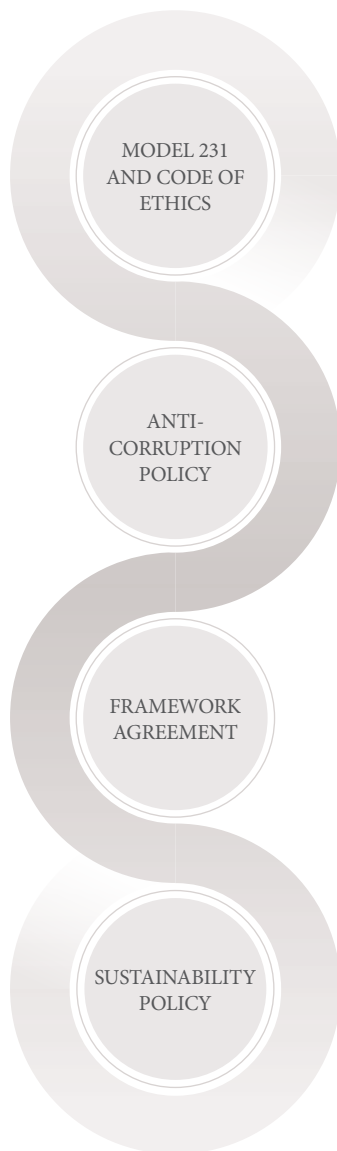
In particular, concurrently with the collection presentation and the sales campaign, the Company starts **procuring raw materials** of the highest quality (mostly yarns, fabrics and leathers).

For the procurement of raw materials, the Company turns to extremely reliable businesses with which it has built long-term relationships based on complementarity. The professionalism of all our direct suppliers and the mutual trust-based relationships that we have established with them are a top priority for us.

Production then gets under way and is exclusively carried out in Italy by small- and medium-size **artisan workshops** – our *façonisti* – each highly specialized in single products or manufacturing stages⁴⁹. We engage in day-to-day dialogue with them, thanks to esteem-based long-term relationships, and we also support them by giving them the opportunity to avail themselves of **specific consulting services** for strategic and operational issues. A key element characterizing our manufacturing process is the meticulous and continuous quality control performed by the Company at every step of such process.

⁴⁹ Please note that Italian company Max Vannucci Srl is also part of Brunello Cucinelli Group; it is a knitwear manufacturer and a 75.5% subsidiary of Brunello Cucinelli Europe S.r.l..

Infographic IX – Tools for sharing a corporate culture based on lawfulness and sustainable management



The relationship with our suppliers and *façonisti* reflects our business approach, by which the **guarantee of excellence** requires that our strategic partners also meet the highest **quality, social and environmental standards** recognized both nationally and internationally and share the Company's ethical values, in order to promote a corporate **culture based on lawfulness and on responsible and sustainable management**.

That is why the suppliers and *façonisti* that work with us are informed of and adhere to the provisions contained in **Model 231** and in the **Code of Ethics** of the Group and with the principles of objectivity, competence, cost effectiveness, transparency, fairness and quality that are laid down therein and that shall underlie, at every step of the way, our relationship with them. We thus ensure that corrupt practices are banned and prosecuted by also including, in the different types of supply contracts, specific references to the Group's **Anti-corruption Policy**.

The **Framework Agreement** is an integral part of these contractual documents. The Company shared such **Agreement** with its *façonisti* in 2019, and then, in 2020, also extended it to its raw material suppliers. Specifically, it establishes the rules of conduct that *façonisti* and suppliers are required to comply with, as well as a number of specific commitments and duties. In terms of social matters⁵⁰, they shall undertake to: properly define personnel roles and positions and grant fair wages; comply with existing rules and regulations regarding worker health and safety, social security, insurance, social welfare, retribution, fiscal issues and taxes; acknowledge workers' right to freedom of association; protect their personnel against potential cases of discrimination, bullying and harassment in the workplace; ban child labor⁵¹ or forced labor.

In terms of environmental issues, the Framework Agreement requires suppliers/*façonisti* to run their business whilst respecting the Creation, by embracing an attitude of care and custodianship that, apart from promoting and raising awareness of a culture of human dignity, encompasses all aspects of living in harmony with the environment, including trying not to harm it or, at least, to minimize one's footprint as much as possible.

⁵⁰ The rules of conduct set out in the Framework Agreement are in line with the provisions laid down in the Universal Declaration of Human Rights (UDHR), in the Conventions of the International Labor Organization (ILO), in the Guiding Principles of the Organization for Economic Cooperation and Development (OECD) and in the Ten Principles of the UN Global Compact.

⁵¹ Child labor is defined as the employment of workers younger than 15.



Suppliers and *façonisti* shall therefore comply with existing environmental regulations and standards and be able to prove that they have actually implemented such provisions. The Agreement also specifically includes waste management requirements, especially in case of hazardous waste. Likewise, the Company requires them to ensure the full traceability of raw materials, also with respect to their subcontractors.

Specifically regarding our raw material suppliers, we defined – and shared with them – a **Restricted Substances List (RSL)** that will be periodically updated based on the evolution of existing regulations on the issue and that aims to regulate and gradually reduce the use, in the treatment of materials, of chemical substances that are potentially hazardous to human health or to the environment, thus ensuring increased product safety.

Lastly, we will share our ***“In Harmony with the Creation” Human Sustainability Policy*** with our suppliers in 2021 (please see section *“Harmony and sustainability”*). The Policy regulates, in a dedicated section, our commitment to monitoring and promoting sustainable practices at every step of the value chain.

The **Production Management Department** is in charge of the management of the relationship with such strategic partners since the selection stage, operating in close collaboration with the **Façon and Supplier Information Division**, which directly reports to the Industrial Accounting Department.

By maintaining a collaborative approach and in the common interest of the parties, these internal departments play a key role in verifying – through periodic audits, documentary requests and self-certifications – that suppliers and *façonisti* comply with the principles, ethical values, sustainability standards and rules of conduct defined by the Group.



SUSTAINABLE RAW MATERIAL PROCUREMENT

In accordance with the relevant labor regulations, we undertake to ensure that the supplier and *façonisti* selection process be carried out in accordance with competition law and its principles, in the **most transparent and efficient** manner, and based on promoting **equal opportunities** and ensuring **equality** of treatment when assessing whether specific suppliers meet the necessary requirements.

Specifically, the selection of raw material suppliers is a key step in the entire collection development process in order to maintain extremely high levels of quality and the contemporaneity of our offer, also through the excellence of the raw materials selected. That is why our search for suppliers is an ongoing process that, on the one hand, is built on sound and long-standing relationships with our existing partners and, on the other hand, on the painstaking validation and assessment of new “partners” based on compliance with the abovementioned principles and values and in line with the stylistic needs of the collections, whose determination falls under the responsibility of the Style and Creativity Department, of which entrepreneur Brunello Cucinelli himself is the head.

Supplier selection and assessment thus depends on specific documentary verifications aimed at ensuring that they comply with the following requirements:

- compliance with the regulations governing the use of certain materials and substances in the textile and tanning industry for the protection of human health and of the environment, such as **REACH** (2007) – i.e. the EU Regulation on the use of chemical substances – California Proposition 65 and China’s GB Standards;
- compliance with the Company’s **Restricted Substances List** (RSL);
- compliance with the “*General Product Safety Directive*” (2001/95/EC);
- compliance with the regulations on “fire safety” and “mechanical safety”, specifically regarding kids’ garments;
- process and product certifications.

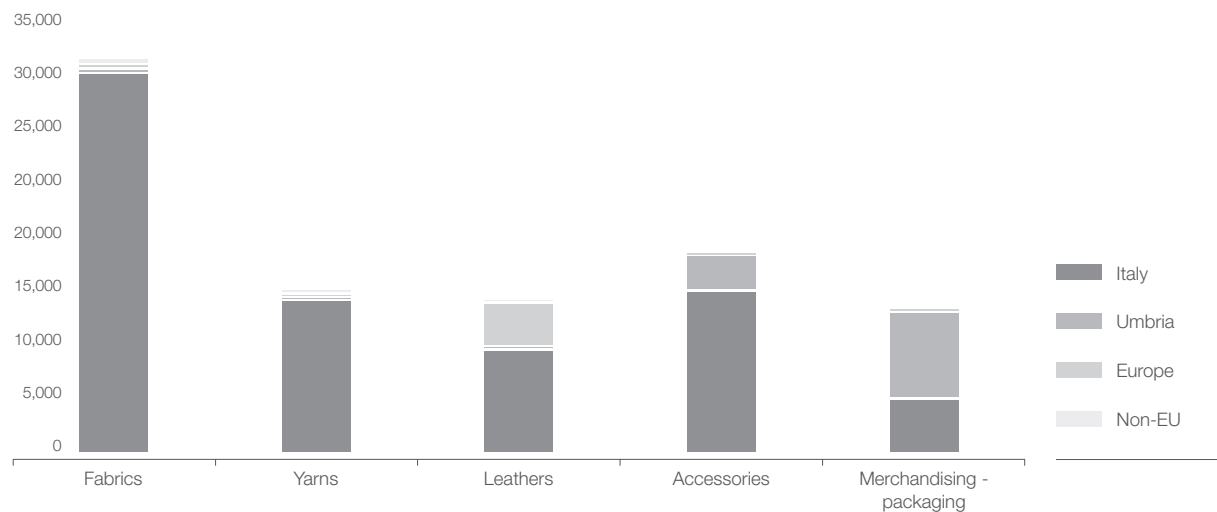
The offer of Brunello Cucinelli collections currently comprises 86% apparel and 14% accessories. For such offer, the Group relied on 245 raw material suppliers in 2020.

As regards cashmere, the Company’s iconic raw material, over the past twenty years we have established a strong trust-based relationship with our main supplier, which also carries out the dying phase, during which cashmere is dyed to achieve the colors decided and indicated by the Company. As regards fabrics, these mainly include 100% cashmere fabrics, fine wool, such as mohair and camel, wool/cashmere, cotton, silk, linen, light wool and linen/wool/silk fabrics. Leathers are primarily procured from Italian tanneries, most of which are located in Tuscany and others in Campania and Veneto. Some fine leathers, however, are purchased from tanneries in France and in the Iberian Peninsula. Lastly, denim is purchased from a Japanese supplier.

Specifically, direct spending for raw material procurement in the reporting period was approximately Euro 90 million; spending for procurement from Italian suppliers accounted for 95%, of which about 14% was from suppliers located in Umbria.

Table 16 – Spending to raw material suppliers and other expenses (in Euro)

Raw material spending by geographical area	2018	2019	2020
Italy	80,988 thousand	97,689 thousand	81,355 thousand
<i>of which Umbria</i>	9,180 thousand	10,508 thousand	9,974 thousand
Other EU countries	3,307 thousand	5,143 thousand	3,787 thousand
Non-EU countries	514 thousand	536 thousand	455 thousand
Other expenses by geographical area			
Italy	3,872 thousand	4,165 thousand	4,244 thousand
<i>of which Umbria</i>	2,106 thousand	1,760 thousand	1,843 thousand
Other EU countries	26 thousand	11 thousand	32 thousand
Non-EU countries	16 thousand	-	38 thousand
Total	88,722 thousand	107,545 thousand	89,911 thousand
GRI 204-1 Proportion of spending to local suppliers			

Raw material spending in 2020 (in Euro/000), by product type and geographical area


There was a -17% drop in the overall value of raw materials this year versus 2019. In 2020, the amount of raw materials used slightly decreased in light of the use of “lighter” materials and of the increasingly complex manufacturing techniques – and more sophisticated detailing – required for the garments from both the Spring/Summer and Fall/Winter collections (please see Table 17 “*Spending to faconisti*”); the drop was also due to the delivery of raw materials occurring between December and January in both years, 2019 and 2020.

Once we have established our relationships with select suppliers, we make sure that compliance with quality standards and existing national and international regulations is constantly monitored.



For this purpose, in 2020 we decided to create and implement the “*Value: a virtuous circle of human sustainability*” **self-assessment questionnaire** as part of our raw material supplier management tools, in order to assess commitments undertaken and actions taken by our partners in terms of environmental, social and economic sustainability. Specifically, we shared the survey with 130 suppliers, representing approximately 96% of the overall production value⁵², and received feedback from 84% of the survey sample.

In particular, we asked our suppliers to demonstrate their commitment by providing evidence of: the presence of certified environmental management systems and certifications regarding occupational health and safety, corporate social responsibility and quality management. Where such management tools were lacking, survey participants pointed out the presence of formalized organizational mechanisms designed to effectively manage the issues at hand⁵³.

CRAFTSMANSHIP, LOCAL PURCHASES AND MADE IN ITALY

The **skillful craftsmanship** that is guaranteed by the **careful and painstaking job done by all the Italian artisan workshops that work with us (*façonisti*)** is one of the cornerstones of our offer of premium-quality special garments, that are the fruit of the expert hands of artisans and that position our brand in the highest-end luxury segment.

Beauty and elegance, resistance and fit are nothing but the result of the meticulous work carried out at every step of the supply chain, where the activities performed by our **artisan workshops** are paramount.

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

The artisan workshops that are selected by our people in charge of the selection process have the means, organizational structures, technical skills and experience, as well as the quality control mechanisms and resources needed to meet the Company’s strategic and operational needs expressed in the contracts, thus ensuring that, in the fulfillment of their job orders, they comply with the quality standards required.

In 2020, the Company worked with approximately 364⁵⁴ *façonisti* (vs. 355 in 2019), each employing 10 to 40 people.

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

⁵² Please note that the questionnaire was sent to all the suppliers that have ongoing relationships with the Company.

⁵³ As the survey analysis is currently ongoing on the date of drafting of this NFS, more information about analysis results will be provided in the 2021 NFS.

⁵⁴ In 2020, the total number of *façonisti* that worked with the Group was 364: 352 of them have ongoing relationships with the Company.

Figure 1 – Distribution of façonisti workshops in Italy





In 2020, spending for the payment of services provided by *façonisti* was Euro 112 million, substantially in line with the previous year.

Table 17 – Spending to *façonisti*

Spending for outside manufacturing on finished products (in Euro)	2018	2019	2020
Italy	96,706 thousand	112,216 thousand	111,541 thousand
<i>of which Umbria</i>	58,335 thousand	64,031 thousand	61,626 thousand
Other EU countries	-	-	-
Non-EU countries	-	-	-
Total	96,706 thousand	112,216 thousand	111,541 thousand

GRI 204-1 Proportion of spending to local suppliers

The proximity of the majority of the artisan workshops to the Company favors day-to-day interaction, which in turn makes it possible to conduct **audits at every step along the collection development and manufacturing process**.

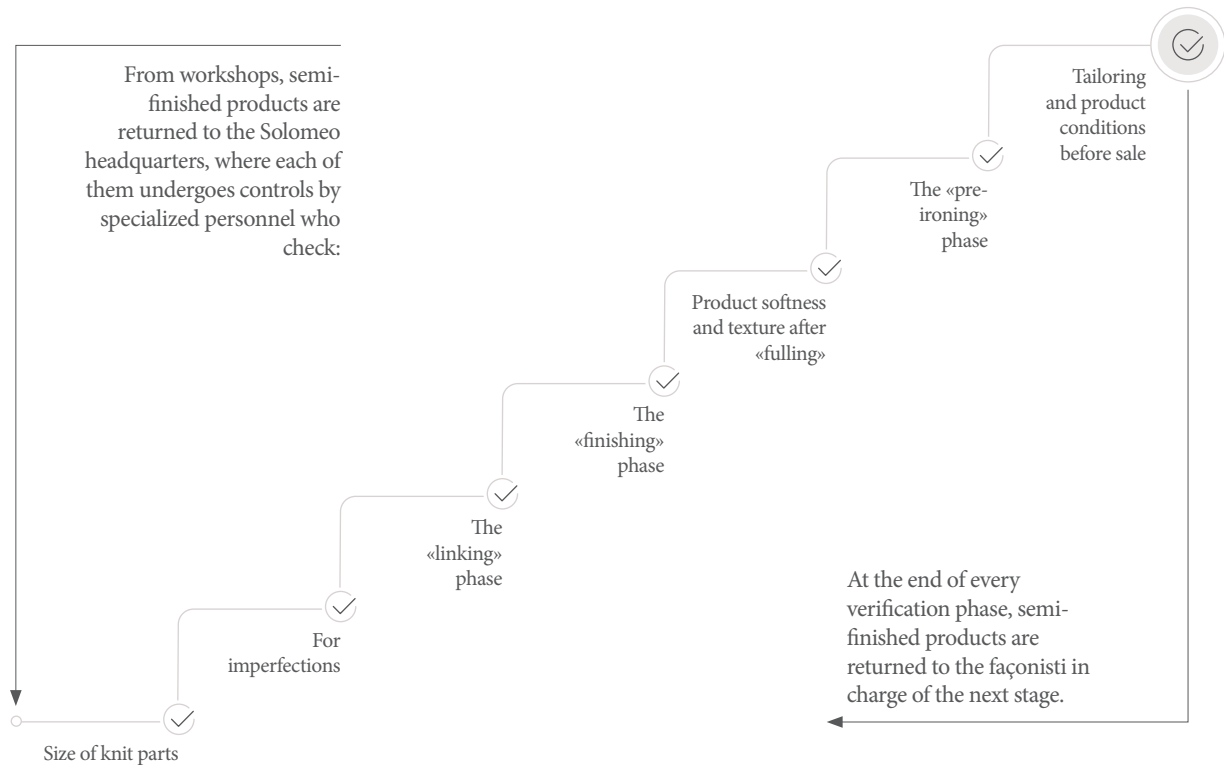
The Façon and Supplier Information Division is in charge of the following: *i)* quality controls; and *ii)* compliance controls.

Quality controls, which are performed by both the Company and *façonisti* workshops, deserve special attention.

For example, in case of knitwear, semi-finished products are returned to the Solomeo headquarters upon completion of every manufacturing phase, where each and every one of them undergoes rigorous quality controls by specialized personnel: they verify the size of the knit parts, check for imperfections, assess the outcomes of the “linking” and “finishing” phases, as well as product softness and texture after “fulling”, then the result of the “pre-ironing” phase and, lastly, the packaging and overall conditions of the products before they are dispatched to the sales channels.

At the end of every verification phase, semi-finished products are returned to the *façonisti* in charge of performing the next stage. Semi-finished products are transported from the corporate facilities to the workshops and back by the Company’s personnel at the expense of the Company itself and by means of its vehicles.

Infographic X – Knitwear quality controls



Compliance monitoring, instead, includes on-site audits and/or documentary verifications, which are governed by the Framework Agreement.

Specifically, **on-site visits** help assess the quality of the craftsmanship delivered by *façonisti* as well as the modernity of their facilities, thereby including environmental conditions, workplace safety, production capacity and the proportion between the number of collaborators and of machines and the number of orders taken. The operational evolution of the *façonisti* is therefore constantly monitored in order to verify the presence of the conditions required for business continuity in their companies and, particularly, to assess the companies' health and ability to promote and favor generational turnover and the attraction of new talents.

Due to the Covid-19 pandemic outbreak, it was deemed prudent not to conduct any on-site audits in 2020; however, technicians continued to perform on-site visits aimed at verifying production continuity during the year.



Documents are gathered on a yearly basis, in line with the checklists approved by the top executives on issues such as social security, retribution, fiscal legislation, insurance, health and safety⁵⁵. Requests for information may be responded to exclusively through self-certifications or official documents.

In case of non-compliance, different programs/plans/activities are developed based on the severity of such non-compliance and are designed to immediately restore the state of affairs that existed previously. Only in the more severe cases, the Company opts for the termination of the contract. In fact, as such verifications aim to ensure the continuous improvement of these partnerships, their objective is to settle the matter without resorting to the latter solution but, rather, to support *façonisti* in their path towards improving compliance with the existing rules.

In 2020, 358 audits were conducted, and 8 cases of non-compliance were identified, in addition to the 6 cases identified last year.

In these cases, plans were agreed upon with the *façonisti* in order to gradually resolve the issues.

The audits conducted allowed for the resolution of 8 issues in 2020; in one case, instead, we opted for the termination of the contract.

The monitoring activities performed by the Façon and Supplier Information Division also extend to *subfaçonisti*. Certain jobs, in fact, require such levels of specialization that sometimes *façonisti* themselves may have to rely on outsourcing. Thanks to the trust-based long-term relationships established with the Brunello Cucinelli Company, *façonisti* inform the Company of the names of potential *subfaçonisti*. A number of selection criteria are then set, requiring, for example, that the entire activity be carried out in Italy and in accordance with the values and principles of the Company.

Given the centrality of the *façonisti* in the way we run our business, we constantly monitor and support their health from a strategic and operational standpoint: that is why, as part of our relationship with them, we also give them the opportunity to avail themselves of **specific consulting services** for strategic and operational issues, as well as of **credit services** based on sector agreements signed with leading Italian banks. On the matter, it should be noted that the *Supply Chain* and the *Confirming* Programs were confirmed also for 2020.

The medium-term project called “*The human being at the center of the Contemporary Factory: Pro hominibus dignitatem*”, that was funded by the Umbria Region through a call for bids in 2019 and is designed to support *façonisti* from a technical and operational standpoint, also continued in 2020.

⁵⁵ The documents requested include the following: the Risk Assessment Report for risks generated by interference between activities conducted simultaneously in the workplace (“*Documento Unico per la Valutazione dei Rischi da Interferenze*” – DUVRI); the certificate of pending criminal proceedings; the Single Insurance Contribution Payment Certificate.

Box 14 – The Contemporary Factory: improved garment traceability

In 2020, as part of the “Contemporary Factory” Project, Research & Development activities were conducted to develop and implement **fair-trade RFID tags**.

Fair-trade electronic tags, which are designed to remotely track and trace garments, were developed in a variety of sizes suited for the different collection items, from apparel to accessories up to monili details.

As part of a “pilot” project, the Company will introduce such radio-frequency identification tags on knit-wear items in 2021. Thanks to their widespread use and resistance through the various manufacturing processes, they will enable the full traceability of all the steps the garment has been through, from packaging to in-store or online sales.

As a complement to product traceability and supply chain integration, the **FiloLog** Program kicked off this year; it comprises a range of projects, each having different objectives, such as improving specific management processes – e.g. purchase orders – promoting fully automated warehouses and implementing improvement solutions, including supply chain integration. Specifically regarding the latter, please note that the implementation phase of the Company’s dedicated Extranet started in 2020.



The tailor and teacher of the Men’s Tailoring School in the Solomeo Tailoring area inside the Solomeo Boutique

In 2020, in place of the Convention that we organize every year for our *façonisti*, we held a number of digital meetings that, despite the many restrictions associated with the pandemic, allowed for a constant exchange of ideas and views and enabled us to share the emotions that we have all felt over the year and to design current and future collections, thus also strengthening our mid- to long-term industrial plan.

CHAPTER 6 – LIVING AND WORKING IN HARMONY WITH THE CREATION

The GRI content index is provided in the annex

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View of the countryside in front of the Hamlet of Solomeo – Agrarian Park

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

Protecting the environment and the local territory is one of the cornerstones of our corporate philosophy, which is based on the values of Humanistic Capitalism and, as such, considers man as a “loyal and harmonious custodian of the Creation”, who is called upon to stand before nature and its resources respectfully and responsibly. This translates into a **comprehensive, timely, prudent, respectful and structured long-term commitment** to the



environment, as illustrated in the Decalogue “*Our Mother Earth*”, in order to ensure that our activities are carried out in a sustainable manner and without harming the environment or, at least by minimizing their impact as much as possible.

We imagine a sort of **new social contract with the Creation** (please see page X), in order to go back to paying the utmost attention to the balance between *giving and receiving* in our relationship with the Creation. Only if we do this can we leave the world a better place than it is now for future generations, where every corner of the world will be considered **heritage of mankind**.

The Company contributes to protecting the Creation by planning its activities in such a way as to ensure a balance between economic initiatives and fundamental environmental needs, while respecting the Earth that hosts us. We are well aware of the topicality and urgency of the ongoing environmental issues and of their importance for the community as a whole, as acknowledged by the 2015 Paris Agreement⁵⁶ and in accordance with the ambitious *carbon neutrality* targets that have been set at the EU level, and we therefore embrace a **proactive and preventive approach**.

Lastly, safeguarding the Creation is the principle that we strive to pursue in our daily lives and business and on which the extremely valuable teachings that we pass on to the generations of tomorrow at the School of Arts and Crafts⁵⁷ are based (please see Box 13 “*The School of Arts and Crafts of Solomeo*”): training wishes to ensure the spontaneous care for the Creation by individuals and, thus, by the Company in the future.

Our natural desire to safeguard the Creation is pursued at every step along the process, such as in:

- carefully selecting raw materials;
- minimizing scraps and waste, using only what is necessary for production purposes;
- engaging in mindful behaviors and favoring renewable energy;
- sustainable water usage;
- monitoring and reducing CO₂ emissions generated (Scope 1, Scope 2 and Scope 3);
- ensuring that the architectural design of our facilities and the selection of their locations are in harmony with the territory.

The Company runs its business in compliance with the main national and international environmental regulations, considers environmental offences as part of the predicate offences provided for in the Group’s Model 231, and monitors the issue by implementing protocols and controls specifically governing those business processes where such offences may occur.

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

⁵⁶ At the Climate Change Conference (COP21) held in Paris in December 2015, 195 countries adopted the first-ever universal, legally binding global climate deal.

⁵⁷ Please note that the School of Arts and Crafts of Solomeo is funded by the Brunello and Federica Cucinelli Foundation, not by the Company Brunello Cucinelli S.p.A..



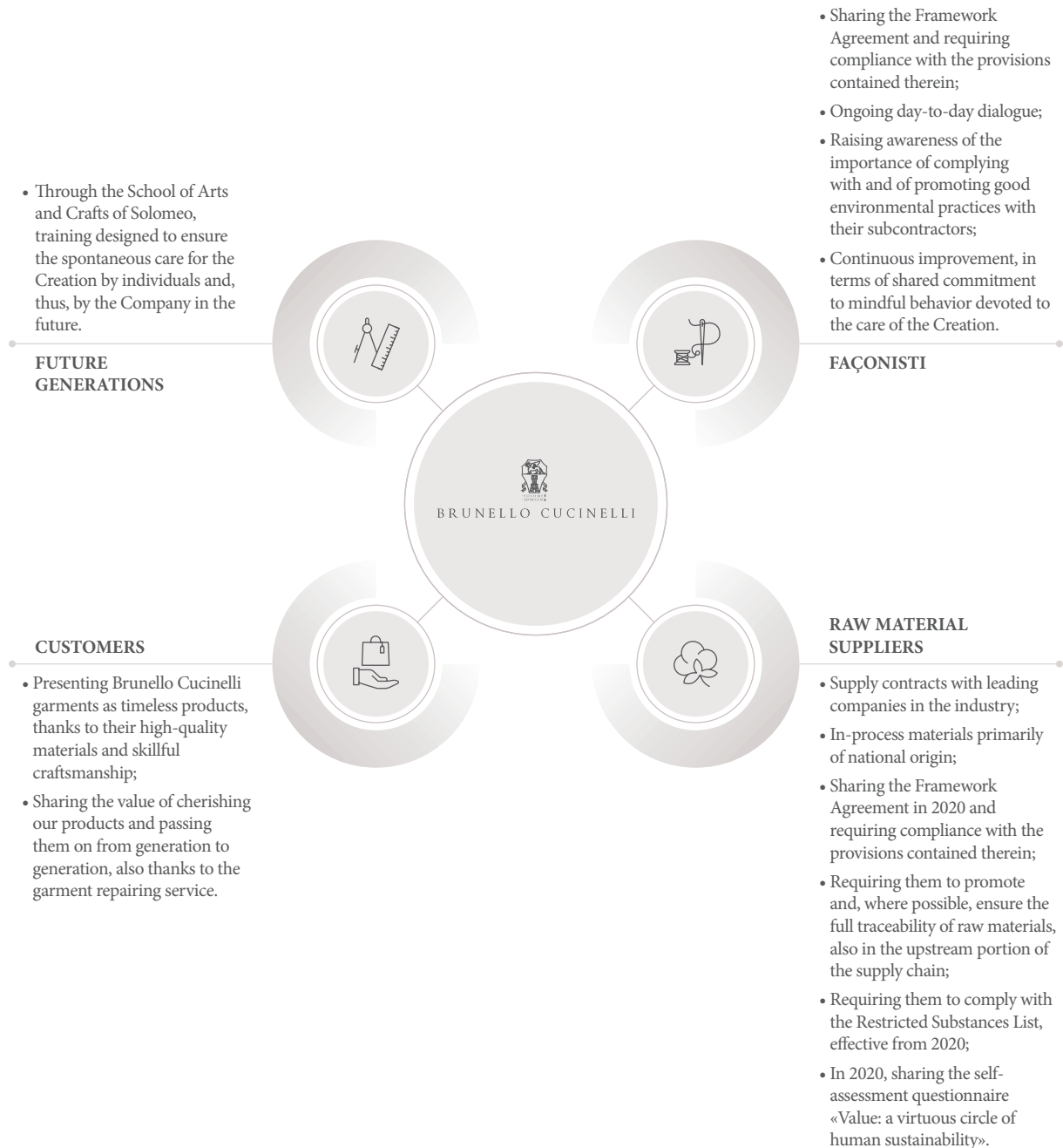
The **Group's direct environmental impacts** include the following, in particular:

- 1) for the stages of **raw material purchasing and production**: energy consumption for the functioning of the reception and storage warehouses and for production, including product quality control; water disposal and withdrawal associated with laundry activities – the department is located at the Solomeo headquarters – specifically referring to the so-called garment “*fulling*” stage;
- 2) for the **transport of garments to and from the Company and its *façonisti* by our drivers** – who are among our collaborators: fuel consumption (mainly petrol, diesel and methane) associated with the use of the Group's vehicles;
- 3) for the stages concerning **distribution and storage at the stores**: energy consumption associated with the functioning of the storage centers, the dispatch of finished goods and the activities of the boutiques managed by the Group (DOS).

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

That is why we undertake to raise awareness of those issues regarding the impact of our business on the Creation among all our key stakeholders and we share our values with them.

Infographic XI – Shared responsibility: the Group's role in safeguarding the Creation with respect to its stakeholders



RAW MATERIAL MANAGEMENT



Hircus goats in the stock farms in Mongolia

The **quality of raw materials** is a top priority for the Group and the foundation for the process that gives life to Brunello Cucinelli pieces: only thanks to such quality can exquisite craftsmanship, the creativity of skillful gestures and the elegance of design find their utmost expression.

Brunello Cucinelli's Made in Italy products stem from two essential elements: the **careful selection of raw materials**, which we strive to make increasingly sustainable, in accordance with the solemn pact of mutual trust established with farmers and suppliers alike; and the **utmost care and attention paid at every step of the garment manufacturing process**.

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

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



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

Materials used by the Company are divided into three macro-categories:

- 1) raw materials for producing garments (mostly fabrics, yarns, leathers);
- 2) products for the functioning of the laundry department;
- 3) packaging material.

Raw materials for producing garments principally include **yarns** – mostly cashmere, but also fine wools such as mohair and camel, light wool, linen, silk and cotton – **fabrics** and **leathers**. As illustrated in the table below, 2020 figures show an overall drop in the amount of raw materials used in the year, due to the specific stylistic choices made for the new collections and to the delivery of raw materials occurring between December and January in both years, 2019 and 2020.

Table 18 – Raw materials used for producing garments

	Unit of measurement	2018	2019	2020
Fabrics	m	1,951,905	2,706,260	1,896,217
of which CITES	%	-	0.008	0.03
Yarns	kg	126,660	160,322	128,177
of which cashmere	%	42.5	38.2	42
of which CITES	%	-	0.014	0
Leathers	m	211,686	260,910	231,441
of which CITES	%	1.5	1.8	0.7

GRI 301-1 Materials used by weight or volume

As illustrated in Chapter 5, the geographical location of our suppliers shows that most of the raw materials used are of national origin, including goose feathers, which are procured from an Italian supplier who offers a traceable product that undergoes strict quality controls and that comes from a responsible source⁵⁸.

The procurement of raw materials from foreign suppliers – for which the Company relies on highly reliable companies with a long-standing tradition in the industry that are for the most part based in Italy – regards: cashmere, denim and certain leathers.

- **Cashmere**, the Company's iconic raw material, is selected from the finest cashmere yarns coming from Mongolia's stock farms: here, fibers are collected by taking into account the region's unique climate as well as the welfare of the Hircus goats.

⁵⁸ The supplier is a member of the European Down and Feather Association – EDFA – who has received the DOWNPASS certification a long time ago and ensures product traceability in accordance with the Responsible Down Standards (RDS).

Hircus goats have developed a thick protective undercoat characterized by thousands of superfine fibers and a long and coarse outer coat. The undercoat, which is also called *duvet*, is capable of retaining heat and insulating them against the cold; therefore, fiber quality is inextricably linked to the country's very harsh climate.

Fibers are collected in a way that fully respects the local people's delicate relationship with such a harsh natural environment: farmers harvest the fibers in springtime, when temperatures get warmer, by "*combing*" the undercoat; this process is carried out without harming the animals in any way, as they are caressed, using a small comb, under the throat and in the underbelly area only, where the fibers are more dense, compact and softer.

Each Hircus goat produces about 150-200 grams of undercoat every year: cashmere is so precious because only a very small amount of high-quality fibers is produced.

Box 15 – A tribute to the Mongolian and Chinese people

"It is thanks to the proud, noble, ancient and humane people of Mongolia and China, who collectively and as hardworking, creative, friendly and open-minded individuals, have for many years allowed me, here in Italy, to blend their finest quality cashmere fibers with our mastery and craftsmanship, creating exquisite products, employment opportunities and richness for many people. It is these people, with their warm, soft and almost divine fiber, who have allowed me to make my dream of humanistic capitalism, come true. A dream where the harmony between profit and giving is the priority, where every person is treated like a brother, where great care is given to making lives more amiable, the cities more resilient, the suburbs more pleasant and the countryside more fertile".



"Anima Mundi" – 2009 Communications Campaign



The origins of cashmere date back to ancient herder communities in Central Asia, where this precious raw material was born as a natural protection from the harsh climate. Since then, the history of this premium fiber has gone hand in hand with the evolution of civilizations, bridging the East and the West, traditional culture and contemporary creations.

The Company has considered, over the past several years, the use of this noble raw material as a means to giving life to exclusive products, while creating employment and enhancing artisanal skills and Umbrian tradition.

Thus, Chairman and *Cavaliere del Lavoro* Brunello Cucinelli made a tribute to Mongolia and China – the lands of the finest cashmere – and their people, who have kindly hosted him so many times during his business trips to the farms from which the Group procures its raw materials, offering him humane moments and compassionate experiences.

Through ongoing dialogue we have been able, over the past years, to stay connected with them from afar: cashmere has thus become, for the Group, a symbol of the beauty of the Creation and of fraternity of peoples.

- **Denim** is mostly procured from Japanese suppliers who are considered to be the world leaders in the sector.
- Leathers are primarily purchased from Italian tanneries, most of which are located in Tuscany and others in Campania and Veneto. Some fine **leathers**, however, are purchased from tanneries in France and in the Iberian Peninsula, which accounted for 28% of the total spending for the procurement of leathers in 2020.

Therefore, apart from careful selection, one of the cornerstones of raw material management is the in-house quality control (please see Infographic “*Quality controls*”) that is performed upon delivery of the materials. Firstly, materials are carefully checked visually to detect and report any imperfection. Then, more technical checks are performed to test them in terms of hand, texture, weight, brightness, color, elasticity and potential shrinkage after washing. The last step, which is key for us, is the creation of garments that can be worn a long enough period to make sure that the materials meet the Company’s extremely high standards. All the new materials introduced in our collections undergo such check.

With reference to products used for the **functioning of the laundry** department, the amount of materials used varies from year to year according to the specific needs in terms of washing of the garments from the collections. The most relevant materials are neutral soap (for water-based washing), fabric softener, perchloroethylene (for dry cleaning) and powder detergent. The table below shows consumption trends for such materials in the three-year period.

Table 19 – Materials used – laundry (kg)

	2018	2019	2020
Neutral soap	480	720	720
Fabric softener	8,040	9,720	9,160
Antifoam agent	50	-	⁵⁹
Perchloroethylene (dry cleaning)	1,350	1,512	1,460
Powder detergent	510	470	470

GRI 301-1 Materials used by weight or volume

⁵⁹ Antifoam agent was no longer used in 2020, nor in 2019, due to problems with the water treatment system.



Specifically, in 2020 there was a decrease in the use of fabric softener and perchloroethylene. On the matter, it is worth mentioning that the Company is planning to take two actions that will further reduce the use of such materials.

First of all, field testing was performed in 2020 to assess the functioning and outcomes of a pilot-scale **reverse osmosis water treatment process** with respect to the water used for fulling. Testing results were satisfactory in terms of the features and softness of the knitwear garments washed, while the use of fabric softener was significantly reduced, to zero in some cases. The assessment took into account both peak and low season production: more information about the project's expected results in terms of water consumption reduction is provided in section "*Water disposal and withdrawal*".

Moreover, the Company has decided to replace, as early as 2021, existing **dry cleaning** machines with **hydrocarbon** ones – as these substances are less hazardous to worker health – in order to reduce the use of perchloroethylene to zero. This is a potentially harmful substance that can significantly contaminate water resources. A water treatment system is currently in operation at the Company, which collects and treats water discharges – specifically wastewater from the laundry department – before they are channeled to a surface water body. Specific product safety data sheets have also been prepared in order to identify the amount of such substance that is strictly required, based on the type of garments, and thus reduce our footprint.

Preliminary testing for the installation of the new dry cleaning machines was successfully performed in 2020 with respect to various types of garments and yarns.

As part of the Company's commitment to gradually reducing the use of potentially harmful chemicals, and specifically referring to its indirect impacts, it has taken a number of actions in order to raise supplier awareness of the issue, thus ensuring product safety.

Specifically, suppliers are required to comply with all the significant regulatory requirements in force on the matter: *i) Regulation (EC) no. 1907/2006* of the European Parliament and Council, i.e. "REACH", in the EU; *ii) Proposition 65* in California; *iii) GB Standards* in China.

Moreover, in 2020 the Company defined, approved and shared with its suppliers a number of parameters regarding the use of harmful chemicals as part of its **Restricted Substances List (RSL)**, setting, in accordance with the regulations, the minimum requirements that products must meet.

The RSL includes restricted substances and relevant threshold limits for textiles (restricted substances include, for example, Alkylphenols – AP – and Alkylphenol Ethoxylates – APEOs – which are considered harmful particularly due to their aquatic toxicity, persistence, bioaccumulation and to their "endocrine disrupting" properties) leathers (restricted chemical substances include, for example, perfluorinated compounds – PFCs – which are persistent and bioaccumulate in the environment and can alter growth and reproductive hormone levels, as well as nickel, which can cause allergy), plastic, rubber and other polymeric materials, metal components and wood.

As regards **packaging**, we believe that, just like our garments, it also conveys the encounter between the choice of simple elements and the quest for exclusivity, thus contributing to communicating the brand's identity and values. We consider this as the primary strategic value of packaging, as we wish to offer our customers a truly compelling and engaging buying experience.

With respect to the functional aspects of packaging, it shall ensure the protection and care of our products, particularly at all the stages where products are transported from the Solomeo headquarters to the workshops of the *façonisti* and back during the manufacturing and quality control phases, as well as during distribution to our sales channels.

Materials used are for the most part paper/cardboard, plastic, wood and liquid wood for hangers (i.e. a plastic and wood material): the figures regarding the amounts of materials used in 2020 are illustrated in the table below.

Table 20 – Materials used for packaging and distribution (ton)

Packaging	2018	2019	2020
Paper/Cardboard⁶⁰	676, of which 240 FSC	692, of which 193 FSC	682, of which 141 FSC ⁶¹
% recycled	34.47	35.99	33.07
Plastic	102	108.27	139.62
Hangers	83.20	106.76	110.53
Wood	4.60	8.03	8.45
Plastic	68.50	62.79	83.09
% recycled	40	40	40
Metal material	9.06	35.94	19

GRI 301-1 Materials used by weight or volume



⁶⁰ Figures also include the cardboard boxes purchased directly by the Company for subsequent dispatch to the Group's monobrand stores worldwide.

⁶¹ Use of Forest Stewardship Council (FSC) certified paper.



As part of the Company's ongoing commitment to finding eco-friendly packaging alternatives, fabric bags (cotton) are also used, as they help protect certain types of products (e.g. shoes, bags or accessories) and can be reused by customers.

Likewise, for e-commerce delivery gift boxes, the Company opted for FSC® certified containers and an inner packaging designed to be reused and recycled thanks to its self-assembly construction that can be easily unfolded and stored in the smallest of spaces.

Regarding plastic bags, the Group conducted a feasibility study on the use of **bio-based plastic** in 2020. Due to the study's positive results, we are planning to start using fossil-based plastic bags in 2021.

Lastly, we also started a project to move to **100% recycled paper/cardboard hangers**. The prototype has successfully passed most of the tests, so we are now proceeding to the final stage of hanger replacement validation.

Materials used also include **office materials**, specifically paper and cardboard. On the matter, please note that we decided to use recycled paper towels in the toilets and dining areas of the Solomeo headquarters. In 2020, there was a -12% decrease in (PEFC-certified⁶²) office-related paper and cardboard consumption versus the previous year, also thanks to IT and digital process optimization. The amounts of office materials used at the Solomeo headquarters, expressed in kilograms, are provided in the table below.

Table 21 - Materials used – offices (kg)

Raw Material	2018	2019	2020
Paper/Cardboard (PEFC)	35,801	36,229	31,779
of which used at the Solomeo HQ	33,048	33,292	27,791

GRI 301-1 Materials used by weight or volume

⁶² Use of PEFC certified paper (*Programme for the Endorsement of Forest Certification*).

ENERGY CONSUMPTION

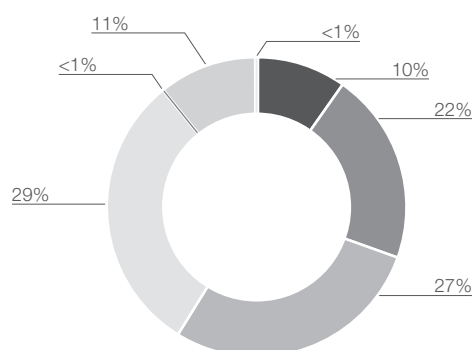
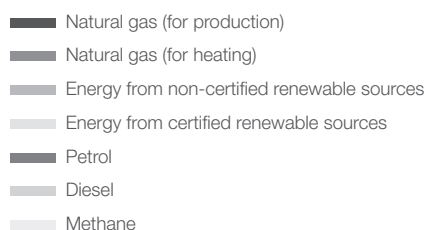
We are committed to minimizing our impact on the Creation as much as possible at every step of the value chain.

Regarding energy consumption, we use only the energy needed, and nothing more, as we strive to pursue that balance that minimizes the impact of our business on the environment that we live in. Energy consumption is mostly associated with the activities of the production facilities and sales, logistics, administrative and management departments of the various sites of the Company, of Pinturicchio S.r.l. and of Max Vannucci S.r.l., as well as of the sales offices and departments in the rest of the world and of the DOS⁶³ operated by subsidiaries.

In detail, the Group's **energy mix** principally includes:

- **Natural gas used for heating.** In particular, consumption figures take into account: the Solomeo headquarters, the offices in Milan⁶⁴ and the company Max Vannucci S.r.l. for Italy; the boutiques in Munich (Germany) and Russia⁶⁵ for the European Region; and lastly, some boutiques in the US, Canada and Japan for the non-EU Region;
- **Natural gas used for production,** specifically referring to the laundry department and Building D of the Solomeo headquarters, where boiler rooms are located, and to the company Pinturicchio S.r.l.;
- **Energy consumption** for the functioning of our key facilities and for lighting and air conditioning in our sites (offices and boutiques) worldwide.

2020 Group energy mix



The Group has implemented a gradual **renewable energy transition** program (hydropower), which was completed in nearly all the facilities and boutiques in Italy (94%)⁶⁶.

At the European level, the Group has successfully taken action in several sites: our facilities in Monaco (Monte Carlo), Belgium, Austria, Greece and Denmark were converted to 100% green energy; and those in the UK reached 55% of energy from renewable sources. However, we remain strongly committed to supporting the transition to green energy in an ever-increasing number of sites.

⁶³ Please note that electricity and natural gas consumption regarding points of sale run by third parties (franchise and multibrand stores) were only taken into account in the calculation of 2019 indirect CO₂ emissions (Scope 3) figures.

⁶⁴ We are referring to the offices located in Via Bramante 8 – Montello.

⁶⁵ Crocus and Gum boutiques were not taken into account.

⁶⁶ Please note that the only non-renewable energy consumption figures refer to the company Max Vannucci S.r.l. and to the store in Via de' Rondinelli 4 in Florence.



Lastly, as regards the non-EU Region, it should be noted that in some countries (e.g. China and Japan) making the transition to certified renewable energy sources is often difficult due to the existing local regulations (for example, it is not possible to choose energy suppliers in some countries) and to the fact that the Group does not rely on its owned facilities, and must therefore comply with certain restrictions (e.g. in certain shopping malls, suppliers are selected by Landlords). However, the Group is assessing whether these locations can also convert to green energy.

Moreover, we were able to install – in line with the Company's specific needs in terms of operations and quality – **LED lighting systems** in certain locations in Italy, including offices, boutiques and showrooms, in order to curb consumption⁶⁷. In 2020, a photovoltaic system⁶⁸ was installed at the Solomeo headquarters, in compliance with the local regulations on new constructions. Lastly, we are evaluating geothermal power as an alternative source for our warehouse departments.

- **Fuel** (petrol, diesel and methane in 2020) consumed by the Company's fleet of cars and industrial vehicles⁶⁹. As part of our commitment to reducing our fleet carbon footprint, we are planning to switch company cars to hybrid and electric vehicles and to install charging stations at the Solomeo headquarters in order to further promote the use of green cars. Such actions will be taken by the end of 2021. For the moment, due to the scarcity of hybrid commercial vehicles currently available on the market, we could not replace our fleet with greener models, although it remains a top priority for us.

The table below illustrates the Group's energy consumption in the three-year reporting period: in 2020, there was an increase in consumption of natural gas (in Italy and in the non-EU Region) and a drop in electricity consumption.

The reduction in electricity and fuel consumption in the year is mainly associated with the business and movement restrictions imposed due to the Covid-19 pandemic.

Table 22 – Energy consumption (GJ)

Source	2018	2019	2020
Natural gas	17,838	19,921	21,152
Electricity	35,637	37,127	36,712
of which from renewable sources	19,053	19,453	19,008
Company fleet	7,414	7,814	7,488
Petrol	-	-	1
Diesel	7,414	7,814	7,470
Methane	-	-	17
Total energy consumption	60,889	64,862	65,351
GRI 302-1 Energy consumption within the organization			

⁶⁷ Specifically, only LED lighting systems are installed at companies Max Vannucci S.r.l. and Pinturicchio S.r.l.; our showrooms and store in Milan also rely on LED light technology; as regards Solomeo, Building D is 100% LED lighting, while Building A is 80% LED.

⁶⁸ The Company's energy consumption does not take into account electricity generated by the photovoltaic system.

⁶⁹ With only reference to Italy.



EMISSIONS

Due to our awareness of current environmental trends and to our commitment to fighting climate change, **emissions monitoring and management** and **setting emissions reduction targets** take center stage in the Group.

Specifically regarding **direct emissions (Scope 1⁷⁰)** generated by the Company, they are mainly associated with: the transport of garments to and from the Company and its *façonisti* by our collaborators by means of the Company's vehicles during the many quality control phases; natural gas consumption – for production and heating – and (F-GAS) refrigerant charging for air conditioning in our owned offices and facilities. As regards F-GAS, please note that there were zero charges in 2020; this, together with the reduction in diesel consumption, contributed to the drop in direct emissions in the year.

Indirect emissions (Scope 2⁷¹), instead, are mainly associated with the Company's energy consumption at its owned operational facilities and boutiques. There was a slight decrease in indirect emissions in 2020 versus 2019, mainly due to a reduction in energy consumption in Italy and Europe.

Table 23 – Direct and indirect GHG emissions (tons of CO_{2eq})

Emissions type	2018	2019	2020
Direct emissions (Scope 1)	1,813	1,845	1,740
Indirect emissions (Scope 2)			
Location-based	3,626	3,778	3,642
Market-based	1,828	1,999	1,851
Total Scope 1 and Scope 2 emissions (location-based)	5,439	5,623	5,382
Total Scope 1 and Scope 2 emissions (market-based)	3,641	3,844	3,591
GRI 305-1 Direct GHG emissions (Scope 1)			
GRI 305-2 Indirect GHG emissions (Scope 2)			

Brunello Cucinelli Group measured, for the first time ever, the indirect greenhouse gas (GHG) emissions generated by its business (**Scope 3⁷²**) in 2019, which accounted for the largest share of the Group's overall emissions.

70 Scope 1 direct GHG emissions include, in accordance with the definition provided in the *Greenhouse Gas Protocol*, emissions from sources that are owned by the Company (e.g. from combustion in owned boilers, from the use of the Company's vehicles and the use of refrigerant for air conditioning in the Company's facilities).

71 As set out in the *Greenhouse Gas Protocol*, Scope 2 indirect GHG emissions include those from the generation of electricity purchased by the Company from utility providers. Figures take into account both *location-based* and *market-based* emissions; further details are provided in the Methodological Note.

72 Scope 3 indirect GHG emissions are, in line with the definition provided in the *Greenhouse Gas Protocol*, those emissions that occur in the value chain and that are not associated with the Company's energy consumption.



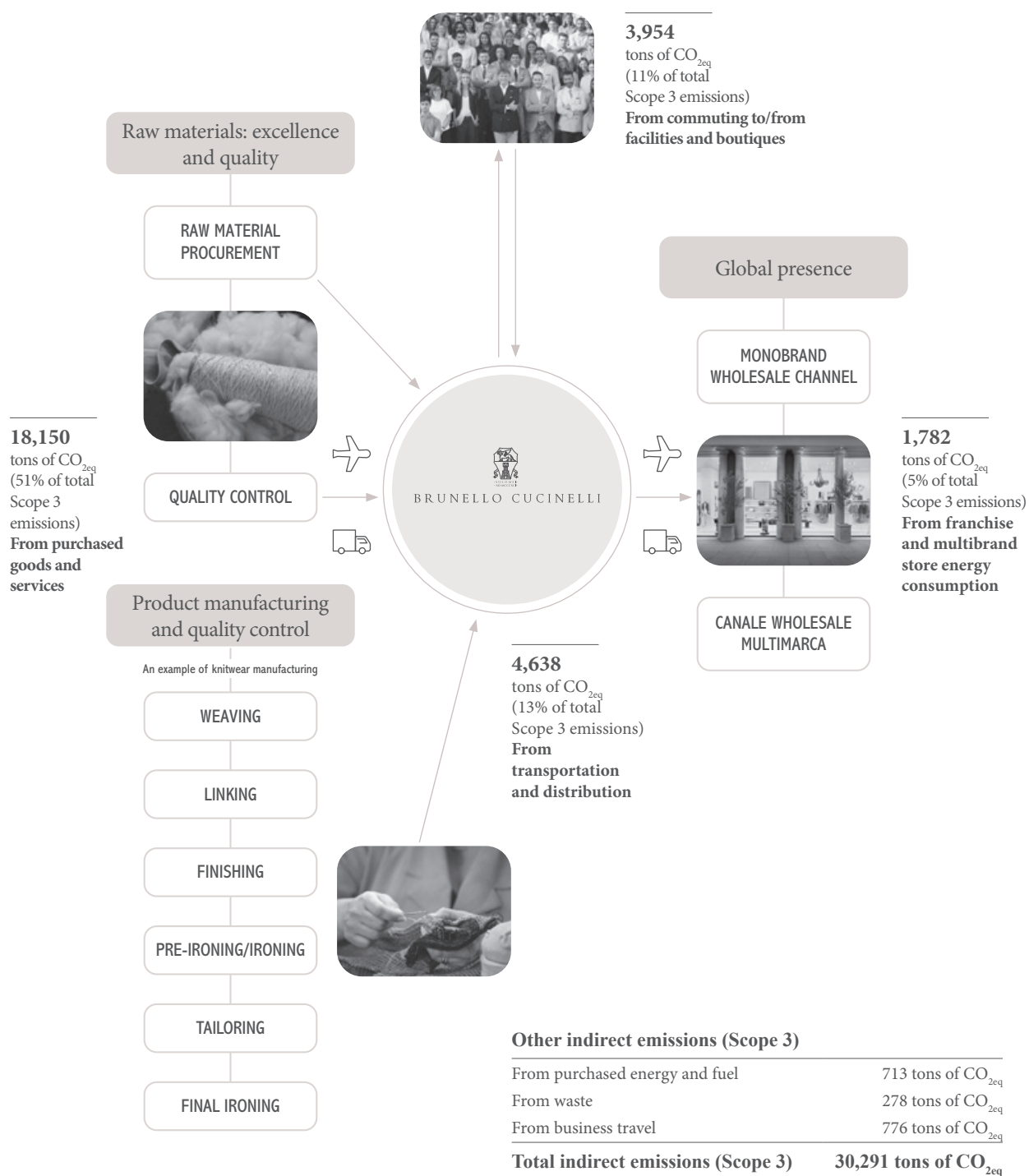
Specifically, the following emission sources were taken into account for calculation purposes⁷³:

- Purchased goods and services;
- Transportation and distribution (logistics);
- Employee commuting;
- Energy consumption of franchise and multibrand stores;
- Energy and fuel production-related activities;
- Waste disposal;
- Business travel.

For the moment, emissions from the downstream portion of the value chain are not taken into account.

⁷³ Please note that emissions from purchased raw materials (excluding animal farming) were calculated based on Ecoinvent emission factors; 2019 DEFRA emission factors, instead, were used to calculate emissions from purchased energy and fuel, waste disposal and business travel.

Infographic XII – Measuring 2019 indirect CO₂ emissions (Scope 3)





As illustrated in the infographic above, measurement results show that emissions from **purchased goods and services** accounted for the largest share (51%) of total Scope 3 emissions.

Specifically regarding single emission sources falling within such category, they include: *i)* yarns and fabrics⁷⁴, accounting for 7,538 tons of CO₂eq, where the most relevant ones were wool, cashmere, silk and cotton; *ii)* leathers⁷⁵, accounting for 2,661 tons of CO₂eq; *iii)* apparel accessories, accounting for 129 tons of CO₂eq; *iv)* packaging, accounting for 2,013 tons of CO₂eq; *v)* activities performed by the Group's *façonisti*⁷⁶, accounting for 5,758 tons of CO₂eq.

13% of Scope 3 emissions were from transportation and distribution⁷⁷; 11% from employee commuting⁷⁸ and 5% from energy consumption of franchise and multibrand stores⁷⁹.

Following the measurement of our direct and indirect GHG emissions and our commitment to actively and effectively fighting climate change, we submitted the **CDP Climate Change questionnaire** in 2020 and scored **"B- (Management)"**.

WATER DISPOSAL AND WITHDRAWAL

We recognize the importance of responsible and mindful water consumption, as water is a shared and vital resource and a primary building block of life. Although the Group's water footprint is limited to the laundry department of the Solomeo headquarters and to consumption for civil use only, it pays great attention to managing water withdrawal, disposal and consumption.

Specifically regarding water withdrawal associated with laundry activities – please note that the department currently comprises three dry cleaning machines, three water washing machines and five tumble dryers – the washing cycle includes different processes designed to lend the desired texture and softness to the garments. Knitwear is first dry cleaned and then washed in water at a temperature below 40° and then put into the tumble dryers for the final drying process.

In addition to water consumption for laundry activities, figures also include consumption for civil use in offices and stores. On the matter, it is worth noting that water consumption in our facilities abroad and boutiques in the European and non-EU Regions only refers to civil use purposes.

In particular, with respect to Italy, the water provided to the Solomeo site – which is located in a water-stressed area⁸⁰ – comes from the public aqueduct when it is for civil use; water is drawn from Company-owned wells or

⁷⁴ Figures take into account 97% of yarns and fabrics purchased by the Company.

⁷⁵ Figures take into account 100% of purchased leathers.

⁷⁶ Please note that emissions from manufacturing activities performed by *façonisti* were calculated by taking into account actual electricity and natural gas consumption data for 58% of the workshops and estimates based on total data collected for the remaining ones.

⁷⁷ Figures for this emissions category were calculated based on data directly provided by carriers.

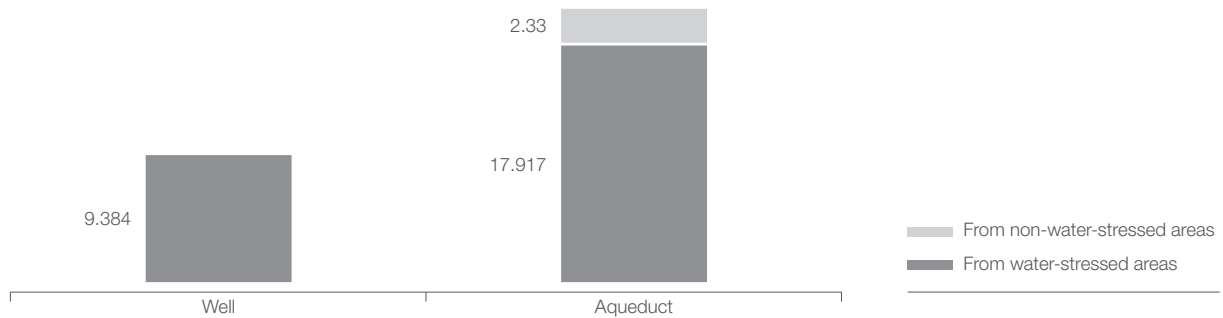
⁷⁸ In order to collect data regarding employee commuting to and from our facilities and offices, we shared a survey with our collaborators, and 67% of them responded. GHG emissions from non-respondents are estimates.

⁷⁹ Figures regarding energy consumption (electricity and natural gas) of franchise and multibrand stores are estimates based on data on the Group's owned DOS.

⁸⁰ Water stress occurs when human and environmental demand for water exceeds the amount available – in terms of overall availability, quality or access to water. To assess whether the Group's facilities are located in water-stressed areas, we referred to the WWF *Water Risk Filter* database. For more information about water stress percentages, please see the Methodological Note.

rainfall recovery and storage tanks when it is used in production processes. As regards the rest of Italy (offices and stores), water comes from the public aqueduct. In 2020, water withdrawal was approximately 29.6 megaliters, of which about 92% was from water-stressed areas.

Water withdrawal in Italy in 2020 (ML)



As regards the European and non-EU Regions, where water consumption only refers to civil use, water withdrawal from water-stressed areas in 2020 was 26%⁸¹ and 30%⁸², respectively.

The data summary table below provides the figures for water withdrawal from the well and aqueduct⁸³: in Italy, there was a slight overall decrease in water withdrawal in 2020 compared to the previous year; there was also a slight drop in the European and non-EU Regions this year versus 2019, which is partly due to the presence of less people on the premises during lockdowns.

Table 24 - Water withdrawal (ML)⁸⁴

Sources	2018		2019		2020	
	Italy	Outside Italy	Italy	Outside Italy	Italy	Outside Italy
Well	11.018	-	9.343	-	9.384 ⁸⁵	-
Public Aqueduct	21.802	19.886	20.545	20.335	20.250	16.954
Total	32.820	19.886	29.888	20.335	29.633	16.954

GRI 303-3 Water withdrawal

⁸¹ Our boutiques in Berlin, Frankfurt, Brussels, Puerto Banús, Barcelona, Madrid, Athens, Copenhagen and all our boutiques in Russia are located in water-stressed areas in Europe.

⁸² Some boutiques in Mainland China and in the US (e.g. in California) are located in water-stressed areas in the non-EU Region.

⁸³ The figures for water withdrawal are estimates for the majority of our stores and sales offices abroad. For more information, please see the Methodological Note.

⁸⁴ Water withdrawal only comprises freshwater (≤ 1.000 mg/l dissolved solids).

⁸⁵ Please note that the liter counter of the second well – which serves only as a secondary water source – was damaged during the year. The problem, however, did not affect data collection as water consumption from such well is usually extremely low, if not zero.



As regards industrial wastewater disposal – and with specific reference to the Solomeo headquarters only – a water treatment system is in operation which collects and treats the majority of water discharges at the Company, including wastewater from the laundry department, before they are channeled to a surface water body.

The Company opted for this solution due to the absence of a public sewer system in the area. **Discharge limits** in terms of water quality are determined in accordance with Legislative Decree no. 156/06 (Table A) regarding water discharges in surface water bodies.

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

The figures regarding harmful chemicals that have been identified and monitored in the three-year reporting period are illustrated in the table below, which shows that there were no cases of non-compliance with water discharge limits in 2020, in line with the previous years.

Table 25 – Water quality

Quality parameter of discharged water	2018	2019	2020
pH	7.60 at 25.0°C	7.62 at 25.0°C	7.34 at 25.0°C
Total Suspended Solids (TSS)	2.5 mg/liter	12.5 mg/liter	7.5 mg/liter
Ammoniacal nitrogen (as NH ₄)	0.06 mg/liter	0.08 mg/liter	0.01 mg/liter
Nitrite nitrogen	0.02 mg/liter	0.06 mg/liter	0.01 mg/liter
Nitrate nitrogen	19.2 mg/liter	17.6 mg/liter	19.3 mg/liter
C.O.D (as O ₂)	17.20 mg/liter	25.1 mg/liter	19.8 mg/liter
B.O.D ₅ (as O ₂)	5.0 mg/liter	4.4 mg/liter	7.0 mg/liter
Lead	<0.01 mg/liter	<0.02 mg/liter	<0.01 mg/liter
Cadmium	<0.01 mg/liter	<0.01 mg/liter	<0.01 mg/liter
Nickel	<0.01 mg/liter	<0.02 mg/liter	<0.01 mg/liter
Copper	<0.02 mg/liter	<0.02 mg/liter	<0.02 mg/liter
Total chromium	<0.02 mg/liter	<0.01 mg/liter	<0.01 mg/liter
Manganese	<0.02 mg/liter	N.A.	<0.02 mg/liter
Zinc	<0.03 mg/liter	0.04 mg/liter	<0.03 mg/liter
Iron	<0.03 mg/liter	N.A.	0.04 mg/liter
Chromium VI	<0.01 mg/liter	<0.01 mg/liter	<0.01 mg/liter
Chlorides	103.32 mg/liter	340.4 mg/liter	451.2 mg/liter
Sulfates (as SO ₄)	82.98 mg/liter	167.8 mg/liter	122.8 mg/liter
Total phosphorus (as P)	N.A.	3.81 mg/liter	4.3 mg/liter
Animal/vegetable fats and oils	N.A.	<5.0 mg/liter	N.A.
Total hydrocarbons	1.3 mg/liter	<1.0 mg/liter	<1.0 mg/liter



Quality parameter of discharged water	2018	2019	2020
Anionic surfactants	0.201 mg/liter	0.16 mg/liter	0.13 mg/liter
Cationic surfactants	0.36 mg/liter	0.40 mg/liter	0.20 mg/liter
Non-ionic surfactants	0.018 mg/liter	0.29 mg/liter	0.04 mg/liter
Total surfactants	0.58 mg/liter	0.85 mg/liter	0.37 mg/liter
Selenium	<0.01 mg/liter	N.A.	<0.01 mg/liter
Phenols	0.09 mg/liter	<0.05 mg/liter	0.1 mg/liter
Aromatic organic solvents	<0.01 mg/liter	N.A.	<0.01 mg/liter
Chlorinated solvents	<0.01 mg/liter	<0.1 mg/liter	<0.01 mg/liter
Total nitrogen (as N)	N.A.	20.9 mg/liter	N.A.
Electrical conductivity	N.A.	1602 µS/cm	N.A.
Persistent mineral oils and hydrocarbons of petroleum origin	1.3 mg/liter	<1.0 mg/liter	<1.0 mg/liter

The table below provides total water discharge volumes.

Table 26 – Water discharge (ML)

Laundry water discharge – Solomeo (water-stressed area)	2018	2019	2020
To surface water	23.863	19.771	21.086

GRI 303-4 Water discharge

Lastly, to further reduce water usage, in 2020 the Company performed field testing to assess the functioning of a pilot-scale reverse osmosis water treatment process with respect to the water used for fulling. Specifically, in addition to a reduction in the use of compounds and chemicals in the laundry department (e.g. fabric softener), the following expected benefits were identified:

- A reduction in the consumption of water from the well and aqueduct;
- Rainfall and wastewater recovery.



WASTE

Resource efficiency is one of the mainstays of the Company's zero waste plan. To achieve this goal, special attention is paid to raw material management, so as to minimize waste at every step along the value chain.

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

We also embrace and promote such approach in our customer communications, with the aim of communicating and conveying to them the intrinsic value, durability and timeless contemporary style of the garments. For this purpose, the Company offers garment repairing services to its customers worldwide, as we wish our products to stand the test of time, to be cherished and passed on from generation to generation.

Through garment repairing services – the total number of refurbished garments was 2,369 in 2020 – the Group can guide its customers towards increasingly responsible and non-excessive consumption (please see Box 22, Chapter 8).

With respect to waste produced during the manufacturing process, and specifically during dry cleaning, three types of waste are generated: sludge, contact water and "lint".

In particular, the operator controls the level of **sludge** produced, which can be viewed at the back of the dry cleaning machine, and periodically activates the automatic discharge, which channels it into metal drums; sludge is then disposed of as special waste by an authorized firm. Thanks to the replacement of existing dry cleaning machines with hydrocarbon ones, this process will soon generate less hazardous waste.

Contact waters undergo the same disposal process.

"**Lint**", instead, is collected in the so-called "button traps" that are then emptied by the operator into specific containers and also disposed of by an authorized firm.

Waste produced during the manufacturing and storage phases is sorted and collected, and then partly recovered and reused by an authorized firm (please see table 27 below).

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

The table below shows the total amount of waste generated in 2020 and in the previous two years, with figures by waste type – hazardous or non-hazardous – and by management method – recovery or disposal. Specifically regarding the Solomeo headquarters, non-hazardous sludge (e.g. sludge from the treatment plant serving the laundry department) is sent to outside treatment facilities. In the reporting year, there was a decrease in overall waste volumes versus 2019 in both waste categories. Moreover, there was an increase in non-hazardous waste sent for recovery in 2020.

**Table 27 – Waste generated by type and method of disposal (ton)**

	2018		2019		2020	
	hazardous	non-hazardous	hazardous	non-hazardous	hazardous	non-hazardous
Waste from the production process						
Total waste	5.26	851.55	9.4	997	6.8	944
of which sent for recovery	1.12	378.7	0.9	425	0.3	466
of which sent to disposal sites	4.15	105.2	8.5	38	6.5	0.7 ⁸⁶
Other waste (Solomeo site)						
of which sent to outside treatment facilities	-	367.25	-	534	-	477
GRI 306-2 Waste by type and method of disposal						

⁸⁶ Please note that the significant drop in non-hazardous waste sent to disposal sites in 2020 is due to the fact that during the year, the waste management firm decided to remove the waste, that had previously been identified as code CER 040220 waste, as code CER 161002 waste.



CHAPTER 7 – THE HAMLET OF SOLOMEO, THE COMMUNITY AND TERRITORY

INTRODUCTION

The GRI content index is provided in the annex

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The **Hamlet of Solomeo**, along with the uniqueness of Umbria, are the founding principles based on which Brunello Cucinelli has built and developed his idea of Humanistic Capitalism.

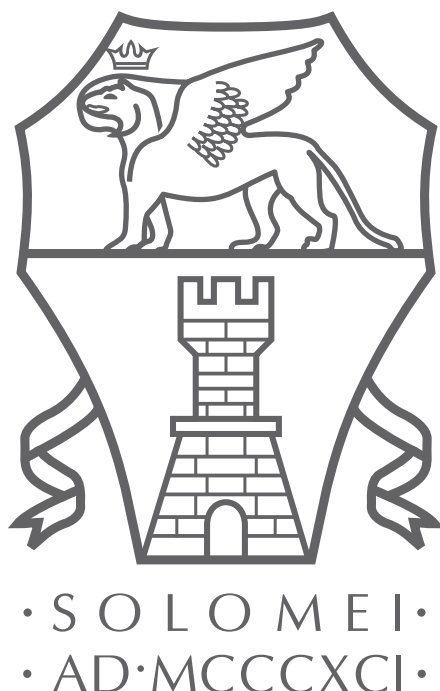
The Company's history is closely and inextricably linked to that of the Hamlet of Solomeo and the surrounding area; this concept is recalled and expressed in the Code of Ethics that highlights, among the primary corporate objectives, *“the responsibility towards our territory, its suburbs, and the local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

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



View of the Solomeo Castle courtyard

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



SOLOMEO: THE HAMLET OF THE SPIRIT

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

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

We tried to turn Solomeo into a sort of **Hamlet of the Spirit**⁸⁷, where people can live and work in harmony with the Creation.

Our desire to share the values of spirituality and beauty also led to the creation of the **“Forum of the Arts”**, whose construction started in 2001 and whose layout recalls a humanistic citadel: it is a harmonious place where production meets creativity, work life meets cultural life, and attention to products meets the protection of human values.

⁸⁷ Further information is available on the website <http://solomeo.it/>

Box 16 – Forum of the Arts

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

The latter, which is the area devoted to meetings and conviviality, becomes a symbol of inclusion: the Solomeo Library's ample collection of art, literature, history, spirituality, science and philosophy books in foreign languages underlines Entrepreneur Brunello Cucinelli's desire to make his collaborators, customers and partners who come from different geographical areas feel "at home" and learn the culture and history of the Hamlet. Every year, a multitude of events, gatherings and shows enliven the "Forum of the Arts".



View of the Brunello Cucinelli Theater and Amphitheater – Forum of the Arts in Solomeo

The Forum is designed as a constellation of spaces and constructions devoted to culture: one of them is the **Cucinelli Theater**, which opened in 2008. The idea behind the creation of the Theater stems from the need to give art the opportunity to express itself and from our desire to enhance the Hamlet with a building that could last for centuries on end.

Due to the halting of cultural activities imposed by the Covid-19 pandemic outbreak, the Cucinelli Theater moved its Music Calendar online in 2020, making all the “closed-door” classical music concerts held at the Theater accessible to all.

Our customers also had the opportunity to watch, on their devices, the recording of two concerts. Set against the breathtaking backdrop of the Amphitheater that is located in front of the Cucinelli Theater, the “Two Mozarts” Concert – performed by the Chamber Orchestra of Perugia led by Conductor Ciofini – was a sign of rebirth for art and music lovers alike. The sign of a “New Time”. Customers could enjoy the magical atmosphere of the Hamlet of Solomeo from home, while sipping a delicious “Italian aperitif” that we sent them as a gift. The idea behind the event was to strengthen the relationship with our loyal customers, by making them feel truly connected to our native land, philosophy and lifestyle, through a convivial moment in a familiar atmosphere.



Box 17 – The Theater in Solomeo

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

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



The Forum also comprises the **Amphitheater** – where the concerts organized as part of the Villa Solomei Festival and the Seventh Art film festival are usually held – the **Garden of Philosophers** (or Gymnasium), which is a relaxing place where people can meditate and contemplate nature, and the **Aurelian Neo-Humanistic Academy** that hosts the Brunello and Federica Cucinelli Foundation and the Aurelian Neo-Humanistic Library, which is accessible to all with its ample collection of over 2,000 great classics.

Due to the Covid-19 pandemic, no annual events – e.g. the Villa Solomei Festival, Seventh Art Cinema at the Amphitheater, and Renaissance Solomeo – were held at the Forum in 2020.

The project for the renovation and rebirth of the Hamlet continued with the creation, in 2013, of the **School of Arts and Crafts of Solomeo**, whose activities are illustrated in further detail in Chapter 4.

The School comprises several buildings – including the medieval castle – where a variety of activities were conducted also in 2020. It continues to set the benchmark in training, passing on the ancient crafts and the art of tailoring to the generations of tomorrow.

One of the pillars of our corporate culture is the significant value we give to the “**Pleasant Suburbs**”, a term that intuitively and best defines our desire to contribute to the enhancement of our territory and suburbs, giving moral and economic dignity to the people who live and work there.

From the heart of the Hamlet of Solomeo, therefore, a new idea was born: to design, administer, protect and safeguard the beauty of a suburb that only thus can become “pleasant” and finally free itself from abuse. A new concept of suburbs and of suburban planning thus emerges, designed to improve quality of life and create seamless harmony between the suburbs and the landscape, where nature meets creativity and productivity.

The **Project for Beauty**, which was created in 2010, stems from the desire of Entrepreneur Brunello Cucinelli and his family to restore the valley below Solomeo to its former glory, creating the perfect blend of profit and humanity, tradition and evolution, local and global economy. The project was completed after almost eight years of hard work and today covers an area of approximately 100 hectares, divided into three parks.

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

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

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

Box 18 – The Monument to Human Dignity

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

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



"Tribute to Human Dignity" Monument

Community and territory

As part of our desire to help **promote the area** we live in and **have a positive impact** on the local communities, the Company has always considered it as a top priority and a moral duty to contribute to the development of the local territory and community.

The **Brunello and Federica Cucinelli Foundation**⁸⁸ is a non-profit organization established in 2010 with the aim of spreading and pursuing the ideals that drive the humanistic aspirations of Solomeo. The Foundation is complementary to the Company, although it is separate and independent from the latter.

⁸⁸ Although the activities performed by the Foundation fall outside the reporting scope of this NFS, as highlighted in the Methodological Note, it was deemed right and proper to report them. This is consistent with the Company's decision, in the period immediately before the listing of the Brunello Cucinelli Company on the stock exchange, to "pass on" the management of many of the activities promoted by the Company in support of the territory and the community to the Foundation, which undertook to carry on such legacy, strengthening and promoting those values that have always inspired the Company in its business activities. For more information, please see the following link: <https://www.brunellocucinelli.com/it/the-cucinelli-foundation.html>

Its programs are designed to support any initiative that fosters knowledge, preserves the territory and its monuments, and promotes traditional, spiritual and daily human values, by supporting the Company's activities and by spreading the ideals that drive the humanistic aspirations of Solomeo.

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

The commitments undertaken by the Brunello and Federica Cucinelli Foundation stand alongside the initiatives designed to support the local community and territory directly implemented by Brunello Cucinelli S.p.A..

In 2020, Brunello Cucinelli S.p.A. made – monetary and non-monetary – donations worth 1,350,591 Euros to local communities, specifically in support of the local health service during the pandemic.

In particular, in July 2020, the Company made the big decision to donate all the items that were unsold due to the temporary business interruption during the Covid-19 emergency – worth approximately 30 million Euros – as a **great gift to humanity**.



View of the Garden of Philosophers – Forum of the Arts



Box 19 - Brunello Cucinelli for Humanity

Brunello Cucinelli for Humanity is a humanitarian project. It aims to donate those items that remained unsold during the lockdown to help people in need. We felt the urge to donate to humanity those garments that were unsold due to the temporary business interruption imposed by the pandemic. Their value in terms of manufacture, style and commercial value has remained unchanged, but their meaning has significantly augmented, as they have become a clear sign of the new way of thinking promoted by the type of capitalism that we embrace, where harmony between profit and gift is one of its most significant humanistic moments.

These garments are, for us, a sort of “amiable resource” for humanity as a whole; therefore, we’d like to see such choice as an investment for the future of our Company in view of our great plan of “living and working in harmony with the Creation”. We thus set up an in-house Humanity Support Council composed of ten people – including 6 Cucinelli family members.

The Humanity Support Council is entrusted with the task of handling this significant amount of garments, worth approximately 30 million Euros in terms of production value, through our global network of partners who are most sensitive to the issue and who willingly supported the initiative.

This project enabled us and our partners to help people in need, by donating our garments to non-profit organizations and thus reaching out to the least advantaged with these small gifts.

From an operational standpoint, we set up an in-house team that is responsible for managing the preparation and dispatch of such items; each item features an indelible “Brunello Cucinelli for Humanity” label and comes with a card signed by Brunello Cucinelli, as a testament to the Company’s emotional closeness and solidarity in this difficult time in history that humanity is facing.

Brunello Cucinelli remarked: «It seems to me that this project, that we all define as “intense”, somehow elevates human dignity and pays honor to all those who have contributed to manufacturing such garments. It will go hand in hand with another project, that started many years ago and that aims to repair, recover and reuse all our products. All this is a complement to and a part of the bigger picture of “human sustainability” that we have always believed in and that we like to sum up as follows: “climate and emissions, care for the land and animals, and care for human beings”. It would be a great pleasure for me if this symbolic gesture could be recognized as a wish and a sign of *a long-lasting new time*».

Moreover, the Company has always contributed to local **cultural and artistic heritage preservation initiatives**; worthy of note is the restoration of the Civic Tower in Norcia, which, following the completion of the works, re-opened on December 8, 2020.

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

**Box 20 – Rebirth of our land: restoration of the Civic Tower in Norcia**

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

Four years after the earthquake, upon completion of the restoration works, Brunello Cucinelli said:

«Our beautiful town of Norcia, where Saint Benedict was born, and that, in his honor, we like to call the "Citadel of the Soul"; Norcia that, for this very reason, is Europe's spiritual center, Norcia that not long ago was shaken by tremors from a blind earthquake, today is reborn in the new bell tower, a true symbol of the city and a sign that is particularly filled with joy and hope for us all and for the whole world that is watching us. I'd like to remember my dear friend Father Cassian, a kind-hearted man of great spirituality who "brought" the Monks back to Norcia in 2000, after 183 years of absence. Today they are, as a whole and as Benedictine Monks, a symbol of and a living testament to the memory of this great European Saint. Today, in anticipation of the joyful chirping of swallows that will soon return in springtime, we will hear the bells harmoniously sing once again, as they are the voice of the city, and their tolls will speak to our hearts in a delightful and trusting voice, almost as if we heard them for the first time.

Many kind souls have contributed to this joy: even from very faraway places, an amiable, enlightened man, a humanist like my dear friend Marc Benioff has given his strong, heartfelt and truthful support; lastly, we have also made our contribution with our humble gift.

But in the end it was mostly thanks to you, the citizens and sons of the Spiritual Citadel, that this rebirth was made possible, you who, in painful times, have courageously kept the faith, you who have not left the places where your history happened, because, as true Umbrian people, you kept your head high and a firm grip on the wheel of the plough of life; to you we rightly pay honor in this day of hope».

With these words, the Mayor of Norcia thanked Brunello Cucinelli and the Company for their commitment:

«It is with great emotion and sentiment that we heard the bells and the 'main bell' of the Town Hall's Civic Tower solemnly toll once again, as it is one of the most distinctive symbols of our city.

For the people of Norcia, going to Piazza San Benedetto and finding themselves before the bell tower is a relief for the eyes and the soul, just like in the presence of the statue of our Patron Saint, which was left unscathed by the powerful tremor shakes, almost as if telling us that we had to restart from here.

We are now starting to reclaim our 'gathering place'. I would like to thank Brunello Cucinelli most wholeheartedly for his unwavering attention. With his support, he significantly and materially contributed to nurturing our hope for seeing our city rebuilt, more beautiful and safer than before.

Today, from Norcia, we are sending a very strong and tangible message to the world: reconstruction in reasonable times is possible. As Administrators, we are committed to ensuring that our fellow citizens can soon go back to their homes and, over the past months, we have paved the way for all this, working ceaselessly and with great determination. We know that there is more to be done, but the Tower clock and the bells tolling will once again set the pace of our daily lives and of reconstruction, which will be our top priority for 2021».



Brunello Cucinelli with the Mayor of Norcia and Benedictine Monks in the town's main square, in front of the Town Hall's Civic Tower

In 2020, the Company actively supported a number of initiatives dedicated to the local Community and Territory where it operates – in Italy and abroad – by contributing financially or by placing its competences at the service of the community, based on the many requests received by our Communications Department; following such requests, information is collected by the department itself.

Like in past years, the Company promoted the projects implemented by some local associations also in 2020, including granting scholarship funds to the “*Rondine – Cittadella della Pace*” Association, which advocates the prevention of armed conflicts globally; it has its own method for pursuing such objective, which is based on the creative transformation of conflicts, for example by bringing young people from conflict-affected areas together in order to communicate the value of reconciliation to them.

The Company also takes action in Italy through its membership in national and local Associations representing the needs of the Fashion and Luxury industry and of “Made in Italy” businesses in general (please see Box 21).

Box 21 – National and local Associations of which we are members

Brunello Cucinelli S.p.A. is a member of several national Associations in the Fashion and Luxury industry, as well as of local ones, such as, for example, the Industrial Association of Perugia.

An overview of our key memberships is provided below:



Sistema Moda Italia is an organization representing Italy's textile and fashion industry, which aims to promote the interests of the textile and fashion sector at the national level by maintaining relations with government agencies, the public administration, and economic, political and labor organizations. Member companies also have access to databases that are key for their businesses: for example, information about raw material prices.



Camera Nazionale della Moda Italiana

Camera Nazionale della Moda Italiana (CNMI) is the Association that governs, coordinates and promotes the development of Italian fashion. It is the point of reference – as well as the preferential mouthpiece – for all the national and international initiatives aimed at enhancing and promoting Italian style, customs and fashion.

Sustainability is a top priority for the Association and its members: it is the pillar of the CNMI's strategy; in fact, a specific working table was set up in 2011. The CNMI subsequently also set up the Sustainability Committee and the following Working Groups: «Chemicals Technical Committee», «Retail Technical Committee» and «Chemical Analysis Laboratory Board», which play a key role in setting the guidelines on the issue.



The **Via Montenapoleone Association** was set up in 2002 to promote the relaunch of Made in Italy items and the role of Milan as the fashion capital of Europe. It regulates, coordinates and promotes the development of Via Montenapoleone in Milan. It also organizes those events that involve all the boutiques on the street.



The **Altagamma Foundation** comprises high-end Italian companies in the cultural and creative industry, recognized globally as authentic ambassadors of Italian style: its members operate in the luxury goods industry, i.e. fashion, design, jewelry, food, hospitality, automotive and wellness. Its mission is to contribute to the growth of its members and to increase competitiveness in the industry, and for such purposes, it organizes a variety of initiatives, including events, master's courses and seminars.



Confindustria Umbria is the key organization in Umbria that comprises approximately 900 local businesses.



CHAPTER 8 – CUSTOMERS: A SPECIAL AND AUTHENTIC RELATIONSHIP

The GRI content index is provided in the annex

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The centrality of the human being at every step of the value creation process naturally extends to our customer relations, with whom we try to build special and unique relationships that go beyond the moment of purchase itself and continue over time, also through the graceful and understated deployment of the various communication channels, in line with our concept of “*omni-personal client experience*”.

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

The **shared experience in the Hamlet of Solomeo** and in Umbria, which in 2020 was affected by the restrictions imposed due to the pandemic, is an exclusive moment where we can share our daily lives and business with our customers, communicating our culture and values to them and showing them the creative process of craftsmanship. Such experience is complemented by tours of the cities of art in the region – including Perugia, Assisi and Spello – and by special events designed to focus attention on Italian and European cultural and artistic tradition, combined with the great value of the products from the Brunello Cucinelli collections. This approach confirms the significant role played by the Umbrian territory and tradition in the Company’s creative process.



Care for customers: local specialty food gifts for the brand's customers and friends, in the spirit of hospitality and sharing

Thanks to the unique relationships that we have built with our customers over the past years, we have the impression that they increasingly feel a sense of belonging to our brand and of trust in the way the Group runs its business, thus embracing our core values of Harmony with the Creation and of Human Sustainability.

The Company places great importance on the **Customer Relationship Management (CRM)** Department, which is in charge of customer relationship management and of our dialogue with customers, as well as, in general, of all the activities associated with customer experience in our digital and physical stores. The department **directly reports to the CEOs** and aims to offer customers a **touchpoint that is always operational** and capable of responding to any need through a multitude of channels, such as our Customer Care, which is offered in nine different languages, in order to reach out to our customers all over the globe.

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



Sample gift card

Brand identity

The Brunello Cucinelli brand is globally recognized as one of the world's greatest examples of “absolute” luxury, where Made in Italy tradition blends together with the ability to innovate and interpret new trends. The unique and authentic *allure* that each and every Brunello Cucinelli product conveys is an instantly recognizable element of the brand and a point of reference for our customers in the creation of human relations with them at every step of the brand experience.

In order to stay true to its values, the Company, in its relationship with individual customers and in its comprehensive communication plan, always brings the concept of brand identity “**protection**” to the fore, rather than that of “promotion”. Such protection encompasses the distinctive elements of our brand identity: **quality, grace, Italian craftsmanship and manual skills, creativity, exclusive distribution, a culture of beauty and sustainability.**

The brand's fascination lies in the combination of these signature features: a “ready-to-wear” offer that represents a sophisticated, authentic and understated “contemporary luxury lifestyle” where classical ideals become a point of reference: modern inspirations that give life to unique and timeless creations; items that speak of special and personal stories to live by, cherish and protect for future generations.

Over the past several years, our principles have guided our corporate image and communication, through messages where ethical principles, local traditional craftsmanship and elements specifically linked to the Umbrian and Italian territory and culture are naturally mixed together with the aesthetic vision of the Company.

The **quest for exclusivity** guides our understated approach to the use of our logo, where the customers themselves recognize the distinctive features of the brand, such as the style of the collections and the quality and skillful craftsmanship of Brunello Cucinelli products.

Therefore, all the forms of communication used by the Group have always been channeled to a single direction: the spirit of sharing intangible values.

All the mediums used to express our brand image globally – e.g. stores, medias or digital channels – are constantly evolving, thus tracing new paths and ways to convey the Group's philosophy and values, as well as everyday life in the Hamlet of Solomeo. While keeping up with the pace of technological progress, the Company always favors a graceful, measured and non-intrusive approach to communication in order to protect every individual's human privacy.



“From here I’d like to resume my journey to Universal Humanism” – 2020 Communications Campaign

Our **advertising campaigns** have a principally evocative rather than a merely commercial value, as they touch on cultural and philosophical topics.

With the aim of promoting Italy, as much as possible, in this particular moment that we have been facing, and for logistics reasons due to the ongoing emergency, our e-commerce campaigns were set in unique locations across Italy and Umbria, and our communication focused on the importance of a healthy, mindful and responsible relationship with the Creation.

This approach is also reflected in the new “*Opera*” video, that is set in the Umbrian woods and that highlights, once again, that nature is our source of inspiration, as we follow its flowing pace to capture its beauty and the essential connection with the distinctive features of our territory, which are the two pillars on which all the Brunello Cucinelli collections are built. A collection that speaks of a fusion between art and nature, where artisanal knowledge creates new skillful techniques to reproduce harmonious textures and organic designs, giving life to truly unique creations. Only if we capture the value of time can we try to resemble the beauty of Nature.

The “*New Time*” campaign, shot in the plain of Castelluccio di Norcia inside the National Park of the Sibillini Mountains during the blossom season – a unique natural spectacle called “*Fiorita*” – perfectly combines the message conveyed by the brand with the values of our territory and the collaboration with a talented contemporary artist who composed the music and starred in the video.

The New Time opens our hearts to the teachings of nature and composes the harmonious notes that enrich the melody of life, of culture and of creativity.



“New Time” – 2020 Advertising Campaign

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

Our **newsletters**, which are released only a few times a year, take the form of *Thoughts on the contemporary world*.



In 2020, in response to the delicate times that humanity is facing, our communication was based on a careful combination of discretion and messages of courage and hope.

A special focus was given to the post-pandemic restart in Chairman Brunello Cucinelli's letters, which were then also published in full on our corporate website and partly on our key social media profiles.

The Company also communicates its corporate messages and values through the brand's presence in high-end locations, which are constantly and comprehensively renovated to represent the Italian lifestyle and philosophy. Our boutiques are designed as "Italian homes", where customers can clearly perceive the value of hospitality as a distinctive trait of the Company's identity (a detailed overview of the issue is provided in section "*Space Contemporaneity: Boutique and Showroom Design and Renovation*").

Lastly, the Company's online presence and approach to the web – in terms both of our corporate website and online boutique – are reflected in the ideal figure of the "Humanist Artisans of the Web", who are entrusted with the task of transposing onto the digital world, the great care, quality and grace pervading the special customer relationships built by the brand.

Our "graceful" approach to customer interaction characterizes the brand's presence across all the communication channels, with the aim of communicating its identity in both the physical and digital world: we always closely monitor the evolution of the fascinating world of Internet and we believe that our open-minded approach to new technology has enabled us to keep the Company contemporary and modern over the past years, by creating the right balance between technology and humanism. That is why we are present online through the following corporate websites: "Brunello Cucinelli | Philosophy, the Company and Solomeo" and "Brunello Cucinelli | Online Boutique" – which currently attract approximately 5 million visitors every year⁸⁹ – and where we always try to strike the perfect balance between technology and humanism.

In keeping with this concept, we revamped our online buying experience in 2020, in order to spark, with this new release, an even stronger emotional connection with our customers and improve our user experience (please see Box "*Digital presence*"). Specifically, the new online boutique includes a section dedicated to "Stories", i.e. tales told through highly evocative images and videos and regarding the pillars of the brand's identity, such as the importance of Umbria and Solomeo, the encounter between classic and contemporary, and the exclusivity and quality of our garments that are the fruit of the painstaking job done by artisan workshops.

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

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



QR Code – Invisible enchantment: the threads of time, the vital social fabric of the community.

⁸⁹ The figure refers to the last 12 months based on a rolling forecast.



We are well aware of the dominating role of social media in the present-day society, but we opt for an understated and non-intrusive deployment of such channels that can consistently highlight the fruits of our responsible approach to labor and to the quality of life.

In these uncertain pandemic-related times, customers have increasingly appreciated the brand's authentic values and the understated elegance characterizing our garments, which are particularly suited for sober and casual occasions, now more relevant than ever.

The relationship between our amiable advisors and our customers has been dominated by mutual messages of emotional closeness, and we rediscovered the importance of mutual giving in a relationship.

To overcome social distancing barriers, we looked for new ways to interact with our customers, both in person and virtually, while maintaining the essence of our customer relations unchanged.

We have discovered new gestures to offer customers a welcoming but secure in-store experience: from smiling with the eyes, since we are wearing face masks, to taking a step back to observe social distancing up to using a language that conveys an even warmer and more welcoming attitude, to help close the physical distance with our customers.

We have thus built more honest and intimate relationships with our customers while strengthening their sense of belonging to our brand.

PRODUCT CRAFTSMANSHIP AND SAFETY

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

Through Brunello Cucinelli garments, we convey and share with our customers the values and principles that are the building blocks of our philosophy and, thus, of the brand's essence.

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

In order to ensure the highest quality of our collection offer, we constantly monitor each and every phase of the production cycle (please see Infographic "*Our business model*"), in terms both of quality control and of our interaction with raw material suppliers and *façonisti*.

The moment customers come into contact with Brunello Cucinelli garments, they can find out more about them from their labels, which clearly indicate that the product was Made in Italy, while also providing information about product composition and care instructions. As a distinctive feature, labels also contain a brief description of the Hamlet of Solomeo, the place where our stylistic intuition was born.



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

Moreover, our customers are protected against the potential risk of counterfeiting: every garment has a unique identification code and Radio-Frequency Identification tag that allows for garment traceability throughout the phases of production and management in our warehouses and sales spaces. In 2020, the Group's Research and Development activities focused on developing fair-trade RFID tags, i.e. permanent tamper-proof tags that are directly integrated into the products, in order to increase garment traceability and remote tracking (please see Box 14, Chapter 5).

Cherishing, repairing and passing on garments

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

We invite our customers to avail themselves of this service even beyond the limitations imposed by the warranty coverage set forth by the Consumer Code, as we wish to always provide the highest level of assistance, thus contributing to the protection of and respect for the materials used and the great passion devoted to the creation of each and every product; the same applies to garments purchased from our online boutique.

In 2020, the Company paid even more attention to the art of repairing as, in these particular times that humanity is facing, the issues of reuse and custodianship are ever the more appealing.

In response to the greater interest shown by customers in this service, we strengthened our internal departments in charge of such process and worked on improving training for the amiable advisors who work in our boutiques, so that they can guide customers towards more mindful consumption behaviors.

Box 22 – The art of repairing*In-house Repairing Workshop*

“In the human value and dignity of all those who have dedicated their lives to the creation of objects that we use every day lies the highest meaning of repairing, which goes far beyond the instrumental purpose of continuing to use a certain object. Repairing is a practice, but also a symbol”.

Thus, repairing takes on a much broader meaning; it encompasses the concept of an ethical act. In fact, such practice extends the life of an object in a natural way, by making sure that it is not discarded.

Repairing is an integral part of our daily lives and represents the concept of “acting according to nature”, meaning *“to act by using natural means as much as possible, by employing mechanical or technological tools wisely and with great caution and according to the right needs”*.

Likewise, the art of repairing enables us to create a connection with tradition, by preserving it while at the same time treasuring the lessons learned from progress. Therefore, to say it in Chairman and *Cavaliere del Lavoro* Brunello Cucinelli’s words: *“imagining a place where preservation and change harmoniously blend together may be the right way to achieve healthy, balanced and sustainable progress”*.



SPACE CONTEMPORANEITY: BOUTIQUE AND SHOWROOM DESIGN AND RENOVATION

Our desire is to showcase our products in exclusive high-end locations, so we are constantly renovating our showrooms and all the spaces that are dedicated to our brand. That is why Brunello Cucinelli boutiques are located in prestigious venues in the major capital cities and resort destinations all over the globe, thus representing a window on the world that, from Solomeo, enables us to see what happens around us.

Our goal is to offer customers, in these unique locations, a peaceful and cozy atmosphere where they can focus their attention on the Italian lifestyle and culture, as well as on the collections themselves.

Making the **places instantly recognizable and respecting** their spirit are among the cornerstones of our approach to sales space design: we do not seek the standardization of beauty, we look for the right balance between product mix and display that allows customers to immediately identify themselves with the brand, but without imposing our Company's view on them.

Boutique design, which is defined by the Architectural Design Committee (please see Chapter 3 "*Ethics and corporate governance*"), is inspired by the *genius loci* and by the ideal of custodianship of places and of tradition. The selection of colors, materials and spaces thus becomes essential, just like visual merchandising, which is a key tool for conveying the Company's ethical topics and for interpreting the style of the collection across all our channels, from monobrand to multibrand up to our online boutique.

Special attention is paid to the origin of the furnishings, which are all crafted in Italy, as we wish the essence of Made in Italy items to really shine through.

Interior design and window dressing – which are consistent across our monobrand, franchise and multibrand stores – are the result of a number of actions taken in order to constantly refresh the display of our collections and keep our spaces always fresh and modern. Garments are rearranged to create new combinations twice a week, while the spaces are reorganized depending on the season and period of the year.

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



HUMAN PRIVACY

The concept of **human privacy** is one of the building blocks of our business model, both inside the Company and in our customer relationships. Specifically, it expresses itself in terms of **customer data protection** and of a **genuine and understated approach to communication and to the use of personal data**.

The Group's desire to build esteem- and trust-based customer relationships is reflected in the importance given not so much to the amount of data and information gathered, but to their quality. Human privacy therefore influences all the moments of interaction with our customers, from customer data collection in our boutiques, on our website or at events, to in-store and e-commerce purchases, up to our communication and after-sales service.

Following the implementation of the new European data protection regulation (EU Regulation no. 2016/679, i.e. *General Data Protection Regulation* - GDPR), the Company reviewed its processes, regulated its data collection and management systems and strengthened its data protection mechanism in order to minimize the risks associated with personal data, such as loss, theft, destruction or alteration, in accordance with the regulations in force. The role of the Data Protection Officer (DPO), who is the person in charge of personal data protection, was introduced by the GDPR. The DPO – who is assisted, in the fulfillment of his tasks, by the Legal, CRM, Customer Care, Human Resources and IT departments⁹⁰ – was appointed internally by the Company and is entrusted with the task of coordinating the data protection activities of all the companies belonging to the Group⁹¹.

Specifically, the DPO monitors the Company's compliance with the personal data protection regulations in force and provides assistance and advice on the assessment and minimization of risks associated with personal data processing, in light of the nature, scope of application, context and purposes of such processing.

We implemented a data collection system that only requests and processes basic information, in accordance with the principles of **need, lawfulness, fairness, transparency, risk minimization, exactness, integrity and privacy**. Through our **digital customer cards**, customers are thus free to give their informed consent and choose the personal data that they wish to share with us, as well as authorize the handling of such personal information for the purposes expressly stated by the Company.

Customers are informed of the Company's Privacy Policy, as it is published on our corporate and e-commerce websites and contained in the digital customer card, in accordance with articles 13 and 14 of the GDPR.

The digitization of the data collection and management process via *cloud computing* technology thanks to a specific *Salesforce* software allows for increased customer data protection. This tool is used by our boutique staff as well as by the CRM and Customer Care departments that can thus have, provided that they have the relevant authorizations, a comprehensive, unified and orderly view of our customers worldwide – including our online boutique – and provide assistance globally.

In 2020, out of the total number of our customers, we received 2 requests for erasure from our corporate database which were responded to in a prompt and timely manner, in accordance with the existing regulations.

⁹⁰ With specific reference to the Cybersecurity Manager.

⁹¹ The DPO of Brunello Cucinelli SpA is also tasked with coordinating the data protection activities of all the companies belonging to Brunello Cucinelli Group; the scope of such role thus includes Group companies but only to the extent that the DPO of Brunello Cucinelli S.p.A. was the recipient of or was in any case informed of the notices/complaints regarding data protection received by individual subsidiaries.



It is worth noting that, with respect to the temporary loss of data that occurred in 2019 when the Company suffered a malware cyberattack on some of its servers in the United States – and to which the Company promptly responded by immediately recovering the data thanks to our cloud backup and by taking all the cybersecurity measures required – in December 2020 the Italian Data Protection Authority informed⁹² Brunello Cucinelli S.p.A. of the dismissal of the case, as, having examined the official records, they deemed that there were no grounds for the violation of the obligations imposed by articles 33 and 34 of the GDPR.

In order to promote and raise employee awareness of the importance of human privacy, in 2020 the DPO personally conducted training sessions⁹³ for individual departments and offices – specifically the CRM and Customer Care departments but also the Safety & Security and Human Resources departments – and provided specific support and assistance.

The same attention was paid to the training of our amiable advisors, as the DPO held specific induction meetings with the managers of certain boutiques on the issue, especially in case of new hires, while also envisaging the release of an operations manual specifically dedicated to our boutiques.

⁹² Through communication dated 23/12/2020 (“Communication of the conclusion of the investigation of personal data breaches”. ref. prot. no. 49012/2020).

⁹³ Please note that this training activity was not held on a regular basis in 2020, also due to the pandemic, and was therefore not taken into account in the calculation of the total number of hours of training delivered in the year.



ANNEX 1: METHODOLOGICAL NOTES

This document has been prepared in accordance with the GRI Sustainability Reporting Standards, published by GRI, under the “*In accordance - Core*” option.

Compared to the previous edition of the CNFS, the structure of the document has been redesigned to highlight the objectives pursued and the projects implemented by the Group throughout 2020. In particular, from the very Introduction, the reader will be provided with information about what the Group has done throughout the year with respect to the two main themes of Harmony with the Creation and Human Sustainability, despite the period of uncertainty and pain we are currently experiencing due to the global health and social crisis triggered by the outbreak of the Covid-19 pandemic.

In addition, particular attention has been paid to the issue of sustainability governance, which was formalized during the year with the establishment of the steering committee, the **Harmony with the Creation Council**, and with the drafting of the “**In Harmony with the Creation**” **Human Sustainability Policy**. Chapter 3 also includes an in-depth study concerning the identification and management of extra-financial risks - related to sustainability issues – both of an actual and potential nature, and of the opportunities that the Group can seize following a careful and effective management of the material themes.

Finally, the “Next Commitments” section sets out the objectives - linked to the action priorities “Safeguard”, “Harmonize” and “Give dignity” - that the Group has set itself for the near future.

Each chapter lists the GRI Standards it refers to and their connection to the SDGs. In particular, since it is aware of their current and potential impact, the Company has focused on the following SDGs and related targets:

- Goal #5 (targets 5.1 and 5.5) - Gender equality
- Goal #8 (targets 8.4, 8.5 and 8.8) - Dignified work and economic growth
- Goal #10 (target 10.3) - Reduce inequalities
- Goal #11 (target 11.4) - Sustainable cities and communities
- Goal #12 (targets 12.4 and 12.5) - Responsible consumption and production
- Goal #13 (target 13.1) - Combating climate change
- Goal #16 (targets 16.5, 16.7 and 16.10) - Peace, justice and strong institutions

In addition, the Company acknowledges that its operations have an indirect impact on the following two Goals: Goal #3 “Health and Wellness” and Goal #4 “Quality Education”.



THE PROCESS OF IDENTIFYING MATERIAL TOPICS

On the basis of the principles expressed in GRI Standard 101 Foundation and with the aim of updating the 2020 material topics, the present analysis has taken the following points into consideration:

- The **context of sustainability**, by means of a study of the main international references on sustainability, such as the 2030 Agenda and the SDGs, the UN Global Compact, the World Economic Forum (WEF), the Organization for Economic Co-operation and Development (OECD), and the GRI. A number of specific sources were also considered to study the approach to sustainability within the Fashion and Luxury sector, thus taking into account the views of academia, the media and peers.
- The **voice of the Group's stakeholders** through a formalized stakeholder engagement process. In particular, the Questionnaire "*Human relations and materiality*" was created and shared internally with a total of 70 internal recipients, representatives of the various operating Regions, including top management. The Survey made it possible to collect the requests of internal and external stakeholders regarding the material environmental, social, economic and governance issues proposed in the light of those that were presented in the previous CNFS and of the input gathered in the analyses mentioned above. For each issue, respondents expressed the degree of importance for the Group and its relevance for the stakeholders of reference. As far as external stakeholders are concerned, the findings presented in the reports issued by financial analysts/investors were also taken into account: the topics of 'labor management', with particular emphasis on diversity and inclusion, 'sustainable procurement of raw materials', and 'use of chemicals' were found to be particularly relevant.

On the whole, the results of the various stages of the process outlined above have confirmed the material topics for 2019. In this regard, it should be noted that some of the material topics of the previous reporting were not selected in the survey, but it was nevertheless decided to include them in the present document to ensure continuity with last year (they are listed in grey in Table 28).

The final list of topics (6) and sub-topics (20) was then submitted to the CEOs for approval.

The table below therefore lists the material topics for the Brunello Cucinelli Group as well as their related sub-topics, with reference to the areas indicated by Legislative Decree 254/2016, the aspects outlined in the GRI Standards, and the SDGs to which the Group intends to contribute. Furthermore, the table presents the internal and external boundary of impact of the topics in question.

Table 28 - Connection of material topics to the areas of Legislative Decree 254/2016, the GRIs, and the SDGs, and internal and external boundary of impact

Relevant topics	Sub-topics	Scope Leg. Decree 254/2016	GRI aspect	Topic Boundary		SDGs of reference
				Internal	External	
Graceful growth and fair profit	<ul style="list-style-type: none"> • Human relations; • Profit and Gift; • Combating corruption; • Brand identity 	Social impacts Fight against active and passive corruption	<i>GRI 201 - Economic Performance</i> <i>GRI 205 - Anti-corruption</i> <i>GRI 207 - Taxes</i>	Group	Suppliers of raw material	8
					<i>Façonisti</i>	12
					Distributors Customers	16
Human resources: ethics, dignity, morality	<ul style="list-style-type: none"> • Dignity and Responsibility: promoting well-being; • Enhancement and development of “thinking souls”: selection, training and development; • Human Rights protection and enhancement; • Health and Safety 	Management of staff Human rights	<i>GRI 202 – Market presence</i> <i>GRI 401 - Employment</i> <i>GRI 403 – Occupational health and safety</i> <i>GRI 404 - Training and education</i> <i>GRI 405 - Diversity and equal opportunities</i> <i>GRI 406 - Non discrimination</i>	Group	<i>Façonisti</i>	5
						8
						10
Amiable relationships with suppliers	<ul style="list-style-type: none"> • Raw material procurement; • Craftsmanship, Made in Italy and local purchases 	Environment Human rights Social impacts Fight against corruption	<i>GRI 204 – Procurement practices</i> <i>GRI 408 – Child labor</i> <i>GRI 409 – Forced or compulsory labor</i> <i>GRI 414 – Supplier social assessment</i>	Group	Suppliers of raw material	12
					<i>Façonisti</i>	8
Living and working in harmony with the Creation	<ul style="list-style-type: none"> • Raw material management; • Energy consumption; • Water disposal; • Emissions; • Waste; • Packaging and distribution; • Use of chemicals 	Environment	<i>GRI 301 - Materials</i> <i>GRI 302 - Energy</i> <i>GRI 303 - Water and effluents</i> <i>GRI 305 - Emissions</i> <i>GRI 306 – Effluents and waste</i> <i>GRI 307: Environmental compliance</i>	Group	Suppliers of raw material	13
					<i>Façonisti</i>	
					Distributors Customers	
The Hamlet of Solomeo, the community and territory, Pleasant Suburbs	<ul style="list-style-type: none"> • Solomeo: The Hamlet of the Spirit; • Community and Territory; • Pleasant Suburbs; • Workplace design and architecture 	Social impacts	<i>GRI 413 – Local communities</i>	Group	Local Communities	11
Customers: a special and authentic relationship	<ul style="list-style-type: none"> • Product craftsmanship and safety; • Space Contemporaneity: boutique and showroom design and renovation; • Human Privacy; • Garment repairs 	Social impacts	<i>GRI 417 - Marketing and labeling</i> <i>GRI 418 – Customer privacy</i> <i>GRI 419 – Socioeconomic compliance</i>	Group	Customers	12



It should be noted that as regards aspects with significant impacts outside the Group, the reporting is not extended to the external perimeter: the only exception is the calculation of indirect GHG emissions (Scope 3) carried out in 2020 by means of the emissions inventory. The Company is committed to progressively cover these aspects in the future.

The collection of information for the purpose of drawing up the 2020 CNFS involved all the corporate functions responsible for the aspects dealt with in the various chapters.

REPORTING BOUNDARY AND CALCULATION METHODS

In compliance with the requirements of Legislative Decree no. 254/2016, the reporting boundary coincides with that of the 2020 Consolidated Financial Statements, i.e. it includes the consolidated companies - including Max Vannucci S.r.l. and Pinturicchio S.r.l. - in full for financial reporting, with due clarification in the following paragraphs⁹⁴.

As reported in the 2019 CNFS, the company “Logistica e Distribuzione Srl”, although included in the boundary of reference of this CNFS, does not contribute to the reporting of the quantitative and qualitative data disclosed in the document, as it does not have employees nor relevant environmental impacts measured by specific type of business.

It should be noted that the data is reported in aggregate form for the following business regions of the Group:

- **Italy:** includes the parent company Brunello Cucinelli Spa and the companies Pinturicchio Srl and Max Vannucci Srl;
- **Europe:** includes all European offices (excluding Italy) and Russia.
- **Extra-Europe:** includes China (Mainland China, Hong Kong, Macao and, since 2020, also Taiwan), Japan, Singapore, the United States and Canada. Please note that the 2018 values reported in the tables in Chapter 4 also include Brazil⁹⁵.

With reference to GRI indicator 207-4 *Country-by-country reporting*, it should be noted that the aggregation of the reported data is in line with the examination of said data in the Group’s 2020 Annual Report.

With regard to the theme “*The Hamlet of Solomeo, the community and the territory, the pleasant suburbs*”, it was deemed appropriate to also include information on the Brunello and Federica Cucinelli Foundation, which, since 2010, has been supporting the Company in its philanthropic activities. In most cases, it acts as a separate non-profit organization, pursuing aims of solidarity and social utility in culture and art, as well as in the fields of education, training and the enhancement of cultural and environmental heritage. It should be noted, however, that the monetary quantification of these initiatives relates exclusively to the company Brunello Cucinelli S.p.A.

With regard to waste and waste management, reporting is extended only to manufacturing activities (carried out in Italy) in consideration of their significance with respect to the impacts of commercial/administrative entities. In particular, with regard to the management of effluents, the information reported refers only to the Solomeo site which hosts the industrial laundry, while the data relating to waste refers to all the Group’s manufacturing activities in Italy.

⁹⁴ Details of the Group’s corporate organization chart will also be available in the 2020 Consolidated Financial Statements.

⁹⁵ As of 2019, the data no longer includes Brazil because it is no longer a DOS of the Group, but a franchise shop.



Lastly, with regard to indirect GHG emissions (Scope 3), it should be noted that, at the moment, the analysis only concerns activities upstream of the value chain and relates to the 2019 reporting year.

Below are the calculation methods used for some of the social and environmental disclosures in the document, as well as references to the sources consulted for the conversion factors needed to calculate energy consumption and emissions:

- The rate of deaths resulting from accidents on the workplace is the ratio between the total number of deaths resulting from accidents at work and the total number of hours worked, multiplied by 1,000.
- The rate of accidents on the workplace with serious consequences (excluding deaths) is the ratio between the total number of accidents at work with serious consequences (excluding deaths) and the total number of hours worked, multiplied by 1,000.
- The rate of recordable accidents on the workplace is the ratio between the number of recordable accidents at work, excluding accidents while commuting to and from work⁹⁶ and the total number of hours worked, multiplied by 1,000.
- Direct GHG emissions (Scope 1): for the calculation of natural gas, petrol and diesel consumption, the emission factors listed in the table of national standard parameters issued by the Ministry for the Environment, Land and Sea (MATM, Table of National Standard Coefficients 2020, 2019 and 2018) were used. To calculate the value of the relative densities, reference was made to the “Greenhouse gas reporting: conversion factors” 2020, 2019 and 2018 provided by DEFRA (UK Department for Environment Food & Rural Affairs);
- Indirect energy emissions (Scope 2):
 - *Location based*: These emissions were calculated by multiplying the electricity purchased from the national network by the emission factor taken from Terna International Comparisons on Enerdata data – data for 2018, 2017;
 - *Market based*: these emissions were calculated by multiplying the amount of non-renewable electricity by the residual mix emission factors of each country, according to the following source: European Residual Mixes, AIB – data for 2019, 2018.

Please note that further specifications on the methodology for responding to the GRI Standards are provided, where necessary, in dedicated footnotes to the discussion of each indicator.

⁹⁶ Because the transport was not organized directly by the company.



ANNEX 2

GRI CONTENT INDEX

The following table lists the GRI indicators used to draw up the Brunello Cucinelli Group's 2020 CNFS. In accordance with the latest Italian version of GRI Standards, the standards and individual indicators are listed with reference to the page of the document where they are discussed. Any omissions, and respective justifications, are explained separately.

Specifically, the 2018 version of GRI Standards 303 - Water and effluents and Standard 403 – Occupational health and safety – were used. It was also decided to respond to Standard 207 - Taxes (2019)⁹⁷ as of the present reporting.

Table 29 - GRI Content Index

GRI standard ⁹⁸	Disclosure	Page number	Comments/Omissions
GRI 101: Reporting Principles - 2016			
GENERAL REPORTING			
GRI 102 - General Reporting 2016	102-1: Name of organization	<i>Cover of this CNFS</i>	
GRI 102 - General Reporting 2016	102-2: Activities, brands, products and services	<i>Pages 36-46</i>	
GRI 102 - General Reporting 2016	102-3: Location of head office	<i>Page 36</i>	
GRI 102 - General Reporting 2016	102-4: Place of operations	<i>Page 36</i>	
GRI 102 - General Reporting 2016	102-5: Ownership and legal form		<i>Brunello Cucinelli is a joint-stock company (SpA) listed on the Italian Stock Exchange since 2012.</i>
GRI 102 - General Reporting 2016	102-6: Markets served	<i>Pages 44-46</i>	
GRI 102 - General Reporting 2016	102-7: Size of the organization	<i>Page 47</i>	
GRI 102 - General Reporting 2016	102-8: Information on employees and other workers	<i>Page 73</i>	
GRI 102 - General Reporting 2016	102-9: Supply chain	<i>Pages 40, 98-109, 114-120</i>	
GRI 102 - General Reporting 2016	102-10: Significant changes to the organization and to its supply chain		<i>There are no significant changes to report with regard to the supply chain. As regards the organization, the company Brunello Cucinelli Taiwan Ltd. was established in 2020.</i>
GRI 102 - General Reporting 2016	102-11: Precautionary principle	<i>Pages 26-33</i>	

⁹⁷ It should be noted that according to the GRI, coverage of this Standard will be made mandatory from 2021. The Company has decided to report GRI 207-1, GRI 207-2, GRI 207-3 and GRI 207-4 (partially).

⁹⁸ For more details and descriptions of the GRI Standards under review, see the following link <https://www.globalreporting.org/standards/gri-standards-translations/gri-standards-italian-translations-download-center/>.



GRI standard [®]	Disclosure	Page number	Comments/Omissions
GRI 102 - General Reporting 2016	102-12: External initiatives		<i>2020 Corporate Governance Code for Companies listed on the Italian Stock Exchange</i>
GRI 102 - General Reporting 2016	102-13: Membership of associations	<i>Pages 27, 143</i>	<i>In Italy, as of 2018, the person responsible for Human Resources within the company participates in the HR Community association Confindustria Umbria, a community of HR managers in multinational companies in the Umbrian territory which, in addition to sharing corporate best practices in human resource management, has the main purpose of developing "starter kits" for small businesses in the area regarding the various issues at hand</i>
GRI 102 - General Reporting 2016	102-14: Declaration by a Senior Executive	<i>Pages IV-V</i>	
GRI 102 - General Reporting 2016	102-15: Key impacts, risks and opportunities	<i>Pages 26-33</i>	
GRI 102 - General Reporting 2016	102-16: Values, principles, standards and behavioral norms	<i>Pages 3-6, 24-25</i>	
GRI 102 - General Reporting 2016	102-18: Governance Structure	<i>Pages 56-60</i>	
GRI 102 - General Reporting 2016	102-19: Delegating authority		<i>ESG issues are part of the competence and responsibilities of the Managing Directors, who in turn can delegate to the top management, who are imbued with broad powers, e.g. in the field of the safety of working environments and environmental issues</i>
GRI 102 - General Reporting 2016	102-20: Executive-level responsibility for economic, environmental and social issues	<i>Pages 61-63</i>	
GRI 102 - General Reporting 2016	102-21: Consultation between stakeholders on economic, environmental and social issues	<i>Pages 64-66</i>	
GRI 102 - General Reporting 2016	102-22: Composition of the highest governance body and its committees	<i>Pages 57-60</i>	
GRI 102 - General Reporting 2016	102-23: Chair of the highest governance body	<i>Page 58</i>	
GRI 102 - General Reporting 2016	102-24: Nominating and selecting the highest governance body	<i>Page 58</i>	
GRI 102 - General Reporting 2016	102-25: Conflicts of interest		<i>In addition to compliance with provisions regulations (including the Italian Civil Code, TUF, Consob resolutions), the Company has adopted a procedure for regulating operations between related parties. No provision has been made for an ad hoc communication to stakeholders on possible conflicts of interest; only where required by the Italian legislation or by the Related Parties procedure</i>
GRI 102 - General Reporting 2016	102-26: Role of the highest governance body in setting purpose, values and strategy	<i>Pages 62-63</i>	
GRI 102 - General Reporting 2016	102-28: Evaluating the highest governance body's performance with respect to economic, environmental and social issues.		<i>Independent Board self-assessment procedure performed on an annual basis. The results are subsequently discussed within the Committees and BoD.</i>
GRI 102 - General Reporting 2016	102-31: Review of economic, environmental and social issues.		<i>Twice a year upon approval of the half-yearly and yearly results.</i>
GRI 102 - General Reporting 2016	102-32: Highest governance body's role in sustainability reporting	<i>Pages 2, 57</i>	



GRI standard [®]	Disclosure	Page number	Comments/Omissions
GRI 102 - General Reporting 2016	102-33: Communicating critical concerns to the highest governance body		<i>The Company has not formally adopted specific 'incident / crisis management' procedures, or more generally, procedures to communicate critical concerns to the BoD. Nevertheless, there are certain processes aimed at informing the BoD about actions and/or facts that could be abstractly qualified as being of critical concern:</i> 1) Whistleblowing channels pursuant to Legislative Decree 231/2001; 2) Information flows from the supervisory body pursuant to Legislative Decree 231/2001 to the Board of Directors; 3) Information flows of the Internal Function Audit towards the Audit and Risk Committee and the BoD.
GRI 102 - General Reporting 2016	102-34: Total number and nature of critical concerns		<i>During 2020, no whistleblowing incidents considered as relevant pursuant to Legislative Decree 231/2001 were reported.</i>
GRI 102 - General Reporting 2016	102-35: Remuneration policies		<i>In 2020, the remuneration policy was amended to provide for the possibility of assigning variable remunerations for the two CEOs also in relation to ESG issues.</i>
GRI 102 - General Reporting 2016	102-36: Process for determining remuneration		<i>The Group does not use external companies to evaluate internal salaries. The evaluation of salary increases or changes in corporate level is carried out internally, according to guidelines provided directly by the CEOs.</i> <i>For new hires, in case of selection through an external agency, the latter provides indications about the market salary levels that are expected for the position in question. In the absence of a recruitment agency, the Human Relations Department assesses the market levels, both by means of direct contacts with the selected candidates, and by means of consultations with other companies in the industry.</i>
GRI 102 - General Reporting 2016	102-37: Stakeholder involvement in remuneration		<i>The opinion and position expressed by shareholders are held in high regard by the company's top management. Precisely in the light of the positions some shareholders have expressed in the past, the company was able to make important changes to the remuneration policy for executive managers.</i>
GRI 102 - General Reporting 2016	102-40: List of stakeholder groups	Page 66	
GRI 102 - General Reporting 2016	102-41: Collective bargaining agreements	Page 72	
GRI 102 - General Reporting 2016	102-42: Identifying and selecting stakeholders	Page 65	
GRI 102 - General Reporting 2016	102-43: Approach to stakeholder engagement	Pages 64-66	
GRI 102 - General Reporting 2016	102-44: Key topics and concerns raised	Page 66	
GRI 102 - General Reporting 2016	102-45: Entities included in the consolidated financial statements	Methodological Notes	
GRI 102 - General Reporting 2016	102-46: Defining report content and topic boundaries	Methodological Notes	
GRI 102 - General Reporting 2016	102-47: List of material topics	Pages 25, 26	



GRI standard [®]	Disclosure	Page number	Comments/Omissions
GRI 102 - General Reporting 2016	102-48: Restatements of information		<i>This CNFS includes the data for reporting years 2020, 2019 and 2018. Please note that any changes in calculation methods, reference sources, and reporting boundary are reported in the Methodological Notes (cf. section "Reporting boundary and calculation methods").</i>
GRI 102 - General Reporting 2016	102-49: Changes in reporting	<i>Methodological Notes</i>	
GRI 102 - General Reporting 2016	102-50: Reporting period	<i>Methodological Notes</i>	
GRI 102 - General Reporting 2016	102-51: Date of most recent report		<i>The most recent report dates back to 2019, with the CNFS being approved by the BoD on 11 March 2020</i>
GRI 102 - General Reporting 2016	102-52: Reporting cycle	<i>Methodological Notes</i>	<i>Annual</i>
GRI 102 - General Reporting 2016	102-53: Contact point for questions regarding the report	<i>Page 172</i>	
GRI 102 - General Reporting 2016	102-54: Claims on reporting in accordance with the GRI Standards	<i>Methodological Notes</i>	
GRI 102 - General Reporting 2016	102-55: GRI content index	<i>Methodological Notes</i>	
GRI 102 - General Reporting 2016	102-56: External Assurance	<i>Pages 170-171</i>	
MATERIAL TOPICS			
Topic: Economic performance			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	<i>Pages 25, 26, 49, 50, 156-160</i>	
	103-2: The management approach and its components	<i>Pages 28, 47-50</i>	
	103-3: Evaluation of the management approach	<i>Pages 28, 47-50, 53</i>	
GRI 201 - Economic performance 2016	201-1: Direct economic value generated and distributed	<i>Pages 49, 50</i>	
Topic: Market presence			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	<i>Pages 25, 26, 77, 78, 156-160</i>	
	103-2: The management approach and its components	<i>Pages 31-33, 77, 78</i>	
	103-3: Evaluation of the management approach	<i>Pages 31-33, 77, 78, 53</i>	
GRI 202 - Market presence 2016	202-2: Proportion of senior management hired from the local community	<i>Pages 77, 78</i>	
Topic: Procurement practices			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	<i>Pages 25, 26, 102-106, 156-160</i>	
	103-2: The management approach and its components	<i>Pages 31-33, 102-106</i>	
	103-3: Evaluation of the management approach	<i>Pages 31-33, 53, 102-106</i>	
GRI 204 - Procurement practices	204-1: Proportion of spending on local suppliers	<i>Pages 102-106</i>	



GRI standard ²⁸	Disclosure	Page number	Comments/Omissions
Topic: Anti-corruption			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 56, 156-160	
	103-2: The management approach and its components	Pages 28, 54-56	
	103-3: Evaluation of the management approach	Pages 28, 53, 54-56	
GRI 205 - Anti-corruption 2016	205-3: Confirmed incidents of corruption and actions taken	Page 56	
Topic: Taxes			
GRI 207 - Tax 2019	207-1: Approach to tax	Pages 51, 52	
	207-2: Tax governance, control, and risk management	Pages 51, 52	
	207-3: Stakeholder engagement and management of concerns related to tax	Page 52	
	207-4: Country-by-country reporting	Page 52	The Company reserves the right to add any additional details in future reporting years.
Topic: Materials			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 115-120, 156-160	
	103-2: The management approach and its components	Pages 29, 110-120	
	103-3: Evaluation of the management approach	Pages 29, 53, 110-120	
GRI 301 - Materials 2016	301-1: Materials used by weight or volume	Pages 115, 117, 119, 120	
Topic: Energy			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 121, 122, 156-160	
	103-2: The management approach and its components	Pages 29, 110-113, 121, 122	
	103-3 Evaluation of the management approach	Pages 29, 53, 110-113, 121, 122	
GRI 302 - Energy 2016	302-1: Energy consumption within the organization	Pages 121, 122	
Topic: Water and effluents			
GRI 303 - Water and effluents 2018	303-1: Interactions with water as a shared resource		There is currently no internal system for assessing water-related impacts. There are currently no ongoing collaborations with stakeholders and suppliers on water.
GRI 303 - Water and effluents 2018	303-2: Management of water discharge-related impact	Pages 128, 129	
GRI 303 - Water and effluents 2018	303-3: Water withdrawal	Pages 126, 127	
GRI 303 - Water and effluents 2018	303-4: Water discharge	Page 129	



GRI standard [®]	Disclosure	Page number	Comments/Omissions
Topic: Emissions			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 123-126, 156-160	
	103-2: The management approach and its components	Pages 29, 110-113, 123-126	
	103-3: Evaluation of the management approach	Pages 30, 53, 110-113, 123-126	
GRI 305 - Emissions 2016	305-1: Direct (Scope 1) GHG emissions	Page 123	
GRI 305 - Emissions 2016	305-2: Energy indirect (Scope 2) GHG emissions	Page 123	
Topic: Effluents and waste			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 130, 131, 156-160.	
	103-2: The management approach and its components	Pages 30, 110-113, 130, 131	
	103-3: Evaluation of the management approach	Pages 30, 53, 110-113, 130, 131	
GRI 306 - Effluents and Waste 2016	306-2: Waste by type and disposal method	Page 131	
Topic: Environmental compliance			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 110-113, 156-160	
	103-2: The management approach and its components	Pages 29, 30, 110-113	
	103-3: Evaluation of the management approach	Pages 29, 30, 53, 110-113	
GRI 307 - Environmental Compliance 2016	307-1: Non-compliance with environmental laws and regulations		During the last three years there have been no cases of non-compliance with environmental laws and regulations within the Brunello Cucinelli Group.
Topic: Employment			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 78, 79, 81-85, 156-160	
	103-2: The management approach and its components	Pages 31-33, 78-85	
	103-3: Evaluation of the management approach	Pages 31-33, 53, 78-85	
GRI 401 - Employment 2016	401-1: New employee hires and turnover	Pages 83-85	
GRI 401 - Employment 2016	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pages 78, 79	
Topic: Health and safety on the workplace			
GRI 403 - Occupational health and safety 2018	403-1: Occupational health and safety management system		The company does not currently have an occupational health and safety management system.
GRI 403 - Occupational health and safety 2018	403-2: Hazard identification, risk assessment and incident investigation	Pages 95-96	
GRI 403 - Occupational health and safety 2018	403-3: Occupational health services	Page 78	



GRI standard®	Disclosure	Page number	Comments/Omissions
GRI 403 - Occupational health and safety 2018	403-4: Worker participation, consultation and communication on occupational health and safety		<i>All employees have a direct contact with the person responsible for occupational health and safety for anything they might need. This person is always present in the company. However, the company does not have a formalized procedure for workers' involvement and participation.</i>
GRI 403 - Occupational health and safety 2018	403-5: Worker training on occupational health and safety	Page 91	
GRI 403 - Occupational health and safety 2018	403-6: Promotion of worker health	Page 78	
GRI 403 - Occupational health and safety 2018	403-7: Prevention and mitigation of occupational health and safety impacts		<i>In the context of business relations, the prevention and mitigation of occupational health and safety impacts and the management of related risks stems from the company's highly careful approach, which starts with the procurement of raw materials and is maintained throughout its operations. Consequently, this attention is spread throughout the entire value chain.</i>
GRI 403 - Occupational health and safety 2018	403-9: Work-related injuries	Page 97	
GRI 403 - Occupational health and safety 2018	403-10: Work-related ill health		<i>The company continuously monitors risks, although their magnitude is very low. In 2020, no cases of work-related ill health were reported.</i>
Topic: Training and education			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 91, 94, 156-160	
	103-2: The management approach and its components	Pages 31-33, 86-94	
	103-3: Evaluation of the management approach	Pages 31-33, 53, 86-94	
GRI 404 - Training and education 2016	404-2: Programs for upgrading employee skills and transition assistance programs	Pages 90, 91	
GRI 404 - Training and education 2016	404-3: Percentage of employees receiving regular performance and career development reviews	Page 94	
Topic: Diversity and equal opportunities			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 58, 75-77, 156-160	
	103-2: The management approach and its components	Pages 31-33, 58, 74-77	
	103-3: Evaluation of the management approach	Pages 31-33, 53, 58, 74-77	
GRI 405 - Diversity and equal opportunities 2016	405-1: Diversity of governance bodies and employees	Pages 58, 76	
GRI 405 - Diversity and equal opportunities 2016	405-2: Ratio of basic salary and remuneration of women to men	Page 77	



GRI standard [®]	Disclosure	Page number	Comments/Omissions
Topic: Non-discrimination			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 78, 156-160	
	103-2: The management approach and its components	Pages 31-33, 74, 75, 78	
	103-3: Evaluation of the management approach	Pages 31-33, 53, 74, 75, 78	
GRI 406 - Non-discrimination 2016	406-1: Incidents of discrimination and corrective actions taken	Page 78	
Topic: Child labor			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 156-160	
	103-2: The management approach and its components	Pages 31-33	
	103-3: Evaluation of the management approach	Pages 31-33, 53	
GRI 408 - Child labor 2016	408-1: Operations and suppliers at significant risk for incidents of child labor		<i>It should be noted that, in line with the two previous years, no situations at risk of violation of the legislation on child labor were identified within the Group during 2020.</i>
Topic: Forced or compulsory labor			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 156-160	
	103-2: The management approach and its components	Pages 31-33	
	103-3: Evaluation of the management approach	Pages 31-33, 53	
GRI 409 - Forced or compulsory labor 2016	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor		<i>It should be noted that, in line with the two previous years, no situations at risk of violation of the legislation on forced labor were identified within the Group during 2020.</i>
Topic: Local communities			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 49, 134-142, 156-160	
	103-2: The management approach and its components	Pages 31-33, 49, 132-142	
	103-3: Evaluation of the management approach	Pages 31-33, 49, 53, 132-142	
GRI 413 - Local Communities 2016	413-1: Operations with local community engagement, impact assessments, and development programs	Pages 49, 134-142	
Topic: Supplier social assessment			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 104-108, 156-160	
	103-2: The management approach and its components	Pages 31-33, 98-101, 104-108	
	103-3: Evaluation of the management approach	Pages 31-33, 53, 98-101, 104-108	
GRI 414 - Supplier social assessment 2016	414-2: Negative social impacts in the supply chain and actions taken	Pages 106-108	



GRI standard ²⁸	Disclosure	Page number	Comments/Omissions
Topic: Marketing and labelling			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 150-152, 156-160	
	103-2: The management approach and the its components	Pages 31-33, 144, 145, 150-152	
	103-3: Evaluation of the management approach	Pages 31-33, 53, 144, 145, 150-152	
GRI 417 - Marketing and labelling 2016	417-3: Incidents of non-compliance concerning marketing communications		<i>In line with previous years, none of the Group's communications or advertising campaigns have failed to comply with the regulations in force, whether in Italy or abroad.</i>
Topic: Customer privacy			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 79, 82, 154, 155, 156-160	
	103-2: The management approach and the its components	Pages 31-33, 79, 145, 154, 155	
	103-3: Evaluation of the management approach	Pages 31-33, 53, 79, 145, 154, 155	
GRI 418 - Customer privacy 2016	418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	Pages 154, 155	
Topic: Socioeconomic compliance			
GRI 103 - Management approach 2016	103-1: Explanation of the material topic and its boundary	Pages 25, 26, 54, 56, 156-160	
	103-2: The management approach and the its components	Pages 54, 56	
	103-3: Evaluation of the management approach	Pages 54, 56	
GRI 419 - Socioeconomic Compliance 2016	419-1: Non-compliance with laws and regulations in the social and economic area		<i>No cases of non-compliance with national and international laws and regulations on social and economic issues were detected, in line with the two previous years.</i>

REPORT OF THE EXTERNAL AUDITORS



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

(Translation from the original Italian text)

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

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Brunello Cucinelli S.p.A. and its subsidiaries (hereinafter "Brunello Cucinelli Group" or "Group") for the year ended on 31st December 2020 in accordance with article 4 of the Decree approved by the Board of Directors on 11th March 2021 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

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

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

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

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

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

Auditors' independence and quality control

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

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Auditors' responsibility

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

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

In particular, we have performed the following procedures:

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

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

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.
In particular, we have conducted interviews and discussions with the management of Brunello Cucinelli S.p.A. and with the personnel of Brunello Cucinelli USA Inc. 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 company Brunello Cucinelli USA Inc. (New York, USA), that we have selected based on their activities, relevance to the consolidated performance indicators and location, we have carried out remote interviews during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusions

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Brunello Cucinelli Group for the year ended on 31st December 2020 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Perugia, 25th March 2021

EY S.p.A.

Massimo Antonelli
(Auditor)

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



For further information on the contents of this Consolidated Non-Financial Statement, please contact us at the following email address:

humansustainability@brunellocucinelli.it