

Benetton Group

Integrated Report 2017



UNITED COLORS
OF BENETTON.

Benetton Group

**Integrated
Report**
2017

UNITED COLORS
OF BENETTON.

Contents

Letter from the Chairman	7
Highlights 2017	13
Benetton Group profile	21
Values	24
History	26
Governance	28
Business Model	34
The Group's initiatives	38
Risk Management	42
Our brands	47
United Colors of Benetton	50
Sisley	52
A design company	57
Product research	60
The Benetton archive	61
Digital innovation	62
Priority to ideas	64
I See Colors Everywhere	66
A company made of people	71
Human resources	74
Ten years of Ponzano Children	78
Master's Degree in knitwear design	83
Human rights	86
A multiethnic school	90
United by Half	94
A green company	99
Sustainable materials	104
Management of environmental impact	107
The Castrette logistics hub	110
Towards a circular economy	115
A numbers company	119
Financial capital	122
Production capital	124
Appendix	129
Methodological notes	130
GRI Content index	136
Independent Auditors' report	145





Letter from
the **Chairman**



Dear stakeholders,

Benetton Group is a unique company. In its over fifty years of history it has managed to invent and consolidate an inimitable style, which isn't only a way of dressing, but a way of feeling and being.

The colors that have become the symbol of one of the world's most popular and beloved clothing brands are not only those of our sweaters, but those of a changing world, characterized by a vast spectrum of diversity. Over the decades, as Benetton Group's turnover has grown, so has its social conscience, based on the belief – social rather than economic – that diversity adds value.

Yet, as the Company began the inevitable process of creating a new management structure, bringing in professionals from outside the founding family, there was a risk that its core values might be neglected. Choices were made that sought to transform it into something different, estranged from its culture and history. These choices are responsible for the heavy financial losses of the past few years, including the one just ended.

On 31 January 2018, I again took on the office of Chairman of the Benetton Group Board of Directors, precisely because I believe that the Company must be reminded that in its DNA are encoded the values that have made it unique and because I intend to invert the past few years' financial performance in the shortest time possible.

I have rediscovered the healthy parts of the Company, made up of people with exceptional professional skills and with Benetton in their hearts, ready to give us the commitment needed to make a rapid and effective turnaround. Fabrica is returning to its roots as a lab for cultural experimentation from which the Company can draw ideas to enhance its own creative force. We will take advantage of all the opportunities that digital can provide. We will rethink the shops, our first "ambassadors", which will once again become the home of colors, light and innovation. We will design products that are immediately recognizable as Benetton, and of the highest quality. We will stay close to our shopkeepers-entrepreneurs, who are fundamental for the Company's success.

Even as we sail in rough waters, we have a duty to look ahead, to be aware of our identity and confident in our work. Exactly as it was when Benetton was founded in 1965. The initial results, already visible, are comforting and make me confident that the impact of our actions on the Company's performance will be positive already in the next financial year.

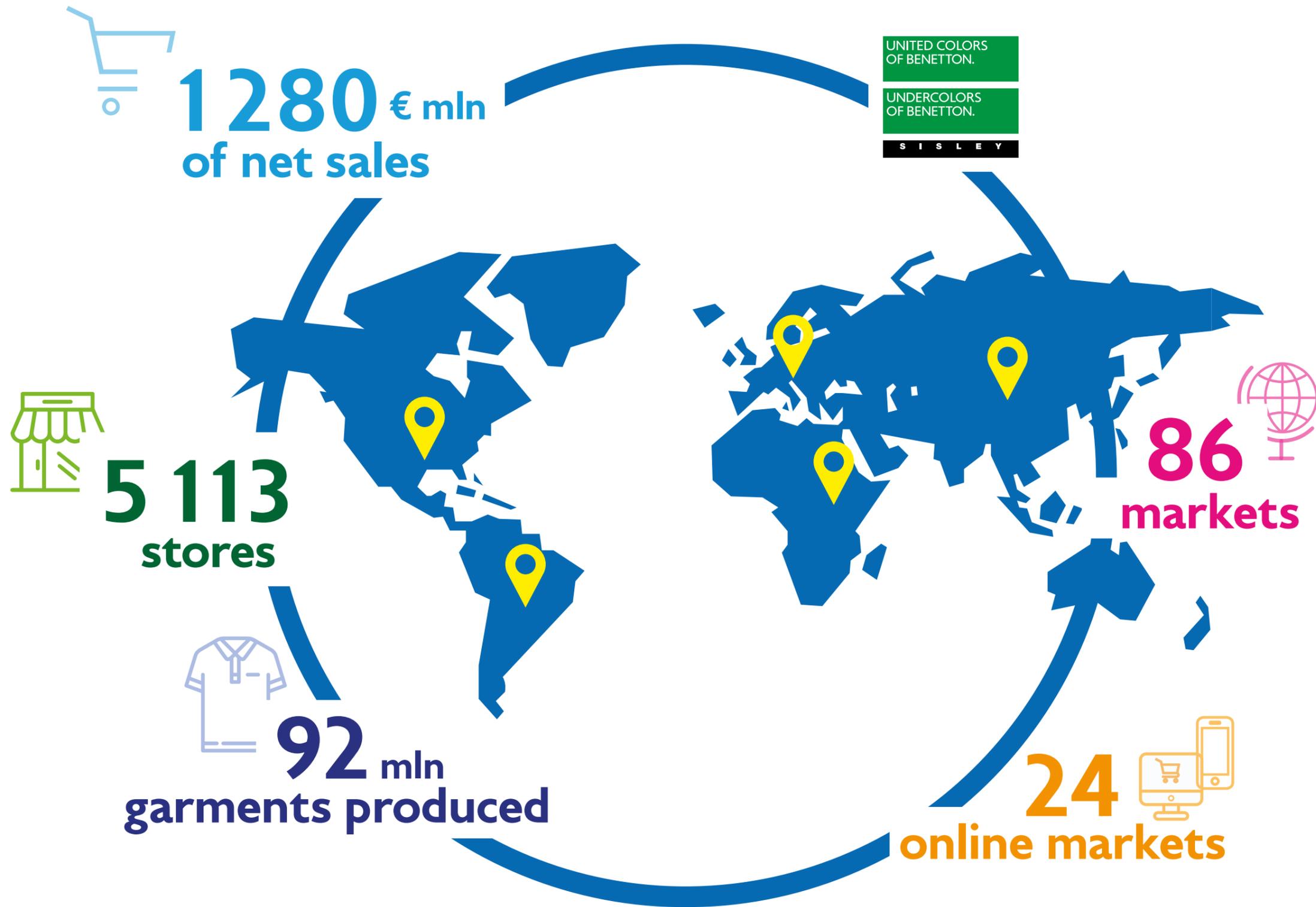
Today we are writing the future of Benetton Group.

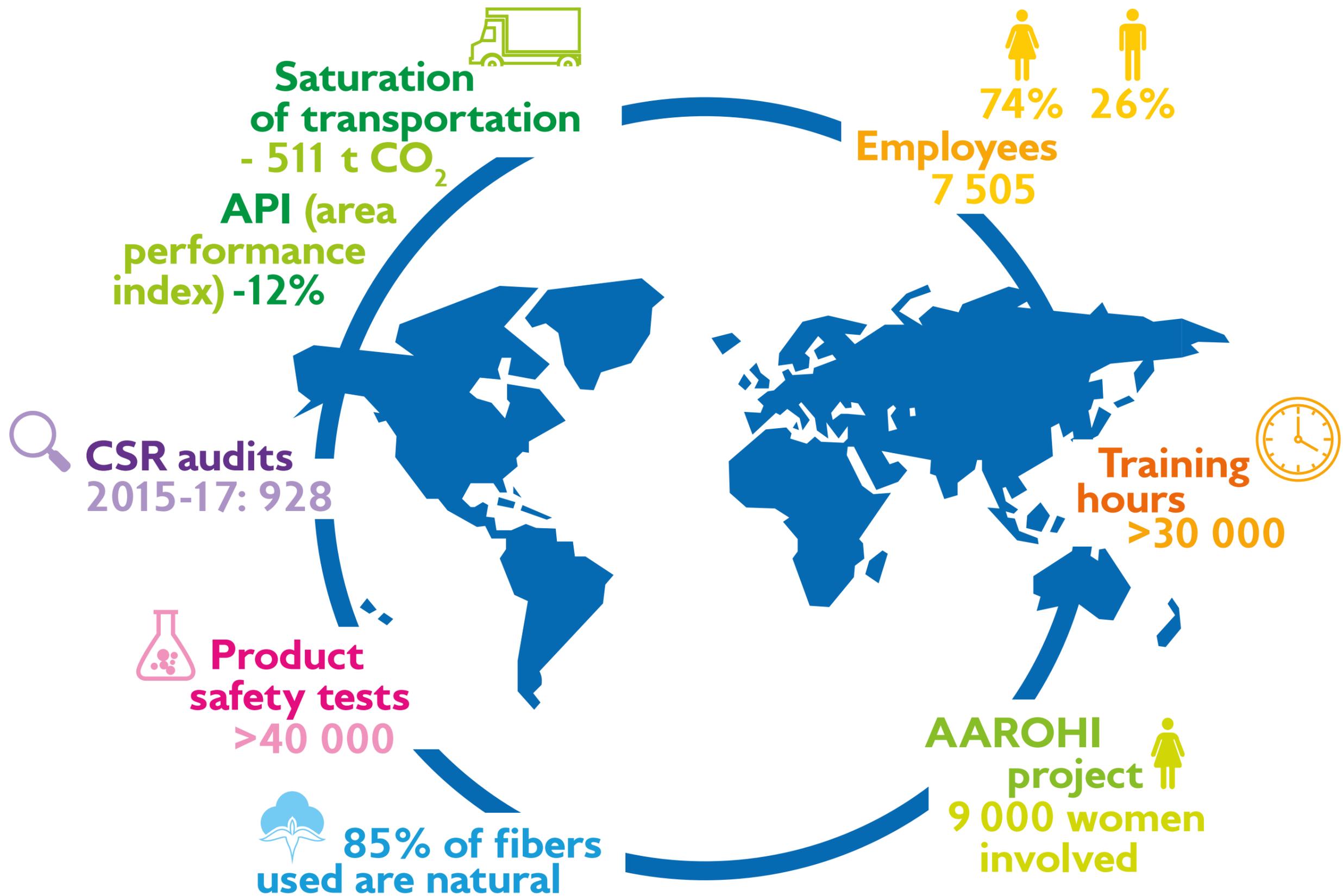
Luciano Benetton
Chairman
Benetton Group





Highlights 2017







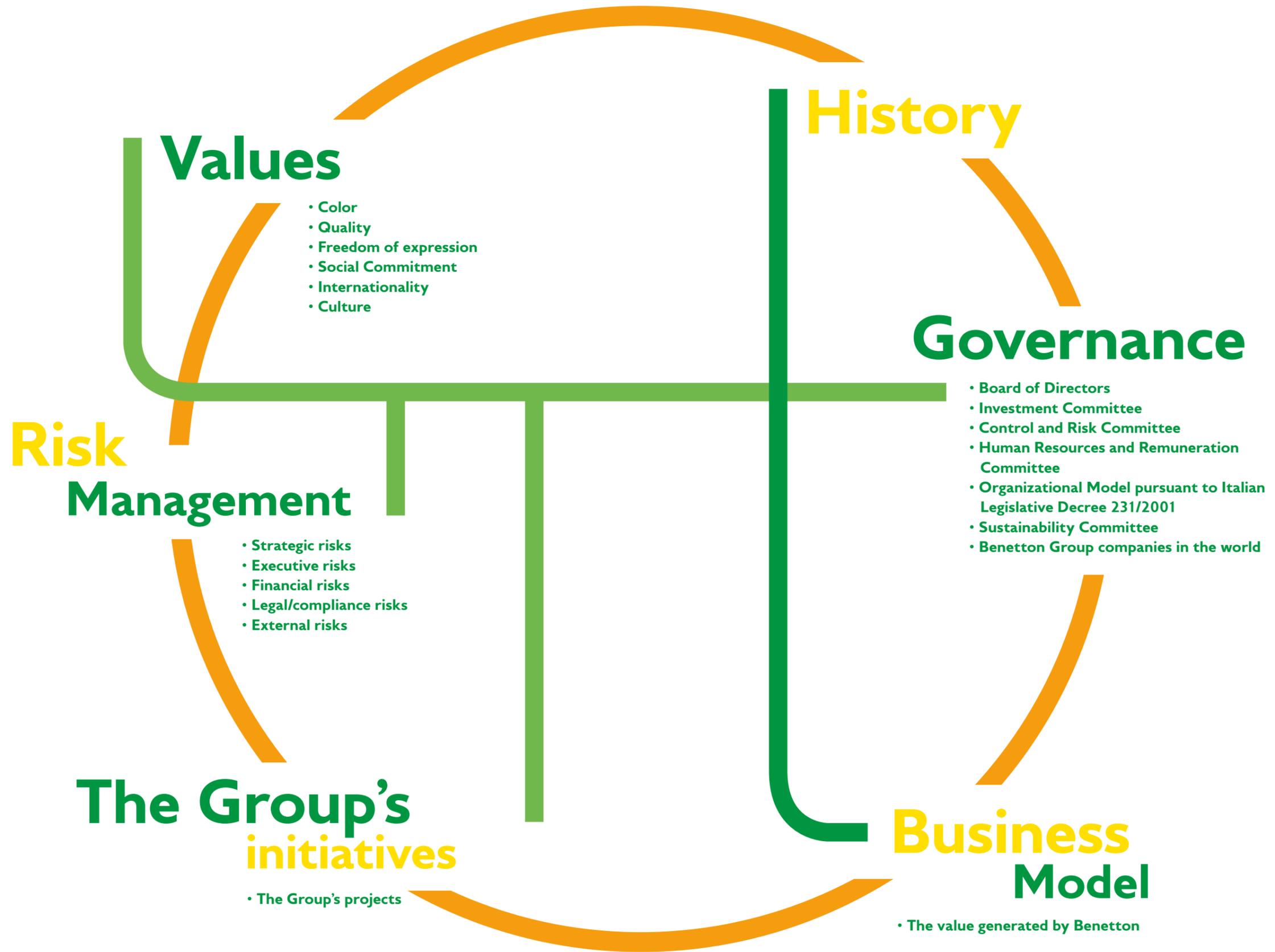


Benetton Group profile

Founded in 1965, Benetton Group is one of the world's best known apparel companies, that projects to the future and lives in the present, paying attention to the environment, people's dignity and the transformations in society.

Present in the world's major markets with over 5 000 stores, the Group has a consolidated identity based on color, knitwear, Italian style, quality and social responsibility. These values are reflected in the personalities of its brands: United Colors of Benetton and Sisley.

In the last decade, both distribution and the competitive scenario have changed radically and the Group has addressed the challenges of globalization with a series of targeted investments, while refocusing its business model to increase process speed and reaction times and facilitate channel control.



Values



Color

The first thing that comes to mind when thinking of the Benetton Group is color, in all of its expressions. The colorful knits that have revolutionized the world of fashion are a metaphor for a playful and positive approach to life, celebrating our Italian origins.



Quality

Benetton Group is constantly committed to striving for the highest level of quality in all its products, processes and services. This approach is part of the Group's tradition and is reflected in all of the Company's activities, thanks to the passion and dedication of all the Group's employees.

Freedom of expression



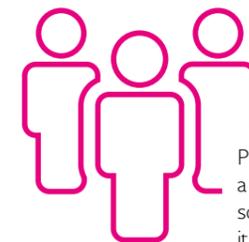
Benetton Group is outspoken. We are convinced that our society can only evolve if people are provided with the right tools and allowed to express their opinions freely. This will result in more ideas, greater dialogue and more tolerance, also vis-à-vis those who see things differently.



Culture

Since the beginning, Benetton Group has opened a dialogue with some of the most prominent international figures in the world of culture to bring to the Company new tools to understand and interpret the contemporary world. Because knowledge is crucial for the success of any enterprise.

Social Commitment



Producing apparel is not enough. Being a protagonist in a continuously evolving scenario, Benetton Group considers it necessary to act concretely in order to remedy social injustice, by ensuring respect for human rights and promoting the development of individuals and the community.

Internationality



Benetton Group has always thought globally and not only in relation to business. Our vision is that of a world in which ethnic, cultural and religious differences live together in the name of global citizenship.



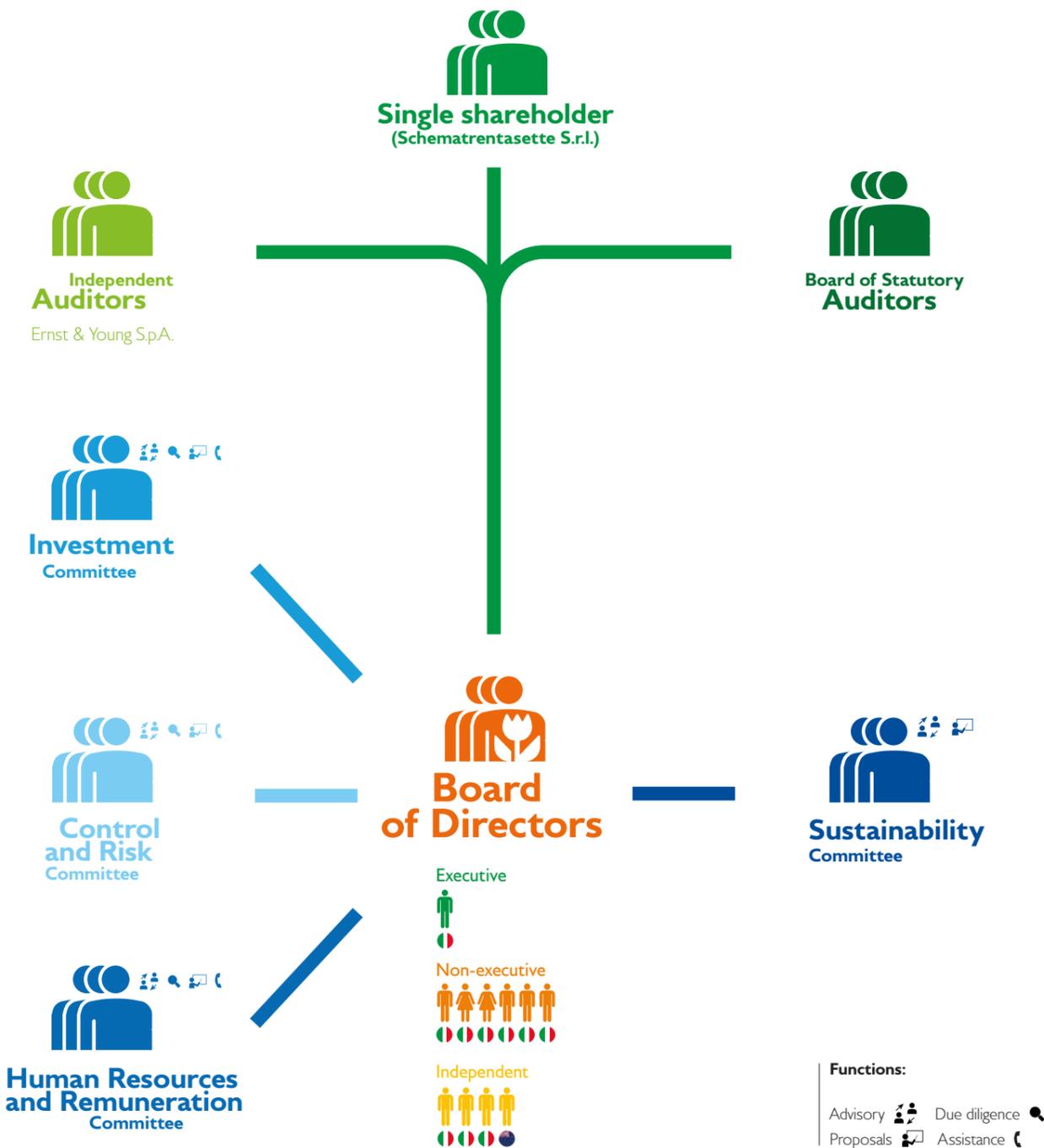
History

- 1955** Luciano and Giuliana Benetton have the intuition to develop and sell a **yellow knit**, a brand new product in those days.
- 1962** Benetton starts producing knits in neutral colors and dyeing them based on the orders received. First development of **garment dyed** production.
- 1965** Benetton Group is founded. In the same year the factory designed by architects Afra and Tobia Scarpa was inaugurated in Castrette, Treviso.
- 1966** Opening of the Group's first store in Belluno.
- 1969** Opening of a store on Boulevard St. Germain, Paris. It is the first store outside Italy.
- 1971** Registration of the **012 brand** and development of the first jacquard and diamond patterned knits.
- 1974** **Sisley** enters the Group's brand portfolio.
- 1978** Group exports reach 60% of production.
- 1983** The Group enters Formula 1 as sponsor of the Tyrrell team. Three years later, after the acquisition of Toleman, the **Benetton Formula Limited** racing team wins two drivers' and one constructors' world championships. In 2000, the team is acquired by Renault.
- 1985** **Benetton ad campaigns** by Oliviero Toscani win the Grand Prix de la Publicité in France. This is the first of a series of awards that, together with criticism and censorship, fuel debate in many countries around the world.
- 1986** The Group is listed on the Milan Stock Exchange, followed by the listing on the Frankfurt Stock Exchange in 1988 and New York Stock Exchange in 1989.
- 1987** **Fondazione Benetton Studi e Ricerche** is established, along with the Carlo Scarpa International Award.
- 1989** Development of the iconic green **United Colors of Benetton** logo.
- 1991** Development of the **Colors** magazine, distributed in forty countries and translated in four languages.
- 1994** **Fabrica**, Benetton Group's Communications Research Centre, is founded.
- 1995** Development of the **Undercolors** brand.
- 2006** Benetton Group celebrates its 40th anniversary with an exhibition and a show at the Pompidou Centre in Paris.
- 2007** Development of the **Ponzano Children** centre for the children of Benetton Group employees living in Treviso and for the children of the families of the surrounding area.
- 2012** Benetton Group delists from the Milan Stock Exchange, after also delisting from those of Frankfurt and New York.
- 2013** Benetton Group is recognized by Greenpeace for its commitment to environmental sustainability.
- 2014** The Group is reorganized into three separate entities: one directly focused on the brands, one dedicated to manufacturing and one engaged in real estate management.
- 2015** The partial demerger of Benetton Group S.r.l. is accomplished after completion of the refocus and relaunch plan.
- 2016** In April, Benetton Group S.r.l. acquires full control of Benetton Korea Inc.
- 2017** Luciano Benetton calls back again Oliviero Toscani.

Governance

The Company adopts a system of corporate governance under which its governing body is the Board of Directors, assisted by Board committees. The body that oversees compliance with the law, the Company's Articles of Association and good management practices is the Board of Statutory Auditors, while an independent auditing firm is responsible for the statutory audit of the accounts.

Overview of the Company's Governance as of May 15, 2018.



Composition of corporate bodies at 15.05.2018

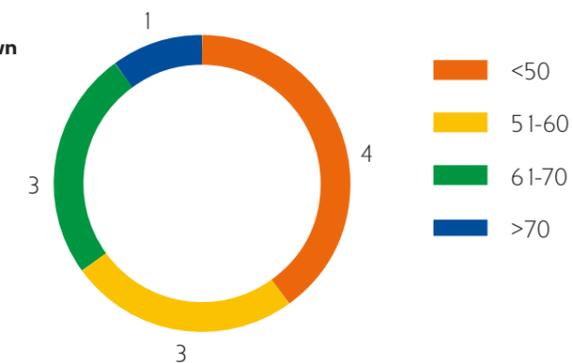
C Chairman
(1) General Counsel
(2) Head of Internal Audit

SA Standing Auditor
AA Alternate Auditor

● Executive
● Non-Executive
● Independent
○ Member

Board of Directors	Office	Investment Committee	Control and Risk Committee	Human Resources and Remuneration Committee	Monitoring Body (D.Lgs. 231/2001)
Luciano Benetton	C ●				
Tommaso Barracco	●	C		○	
Christian Benetton	●				
Franca Bertagnin Benetton	●				
Sabrina Benetton	●				
Fabio Buttignon	●		C		
Christian Coco	●	○	○	○	
Francesco Gori	●				
James McArthur	●	○			
Francesco Panfilo	●		○	C	
Marco Patuano	●	○		○	
Ugo Fonzar					C
Andrea Pezzangora					○ (1)
Roberto Taiariol					○ (2)
Board of Statutory Auditors					
Angelo Casò	C				
Antonio Cortellazzo	SA				
Giorgio Grosso	SA				
Gianluca Pivato	AA				
Graziano Gianmichele Visentin	AA				

BoD breakdown by age



Board of Directors

The Board of Directors is responsible for managing operations. Among other things, it examines and approves:

- the guidelines for the Group's operations;
- the proposals concerning organization and corporate governance;
- the general guidelines regarding the management of human resources;
- the proposal for the re-organization of the Company's structure;
- the result of operations;
- the extraordinary corporate actions;
- the annual budgets and quarterly, half-yearly and annual financial results.

Investment Committee

The Investment Committee serves in a due diligence, advisory and/or recommendation-making capacity in support of the Board of Directors with regard to:

- specific investment projects, assessing their consistency with the Group's strategic guidelines, their profitability targets and financial sustainability;
- Company procedures regarding investments and significant transactions.

In general, the Committee monitors the implementation of the approved investment programs by monitoring their execution in terms of costs incurred and actual return on investment (post-audit), analyzing the main criticalities.

Control and Risk Committee

The Control and Risk Committee, whose members have suitable experience in accounting and finance, has the following main tasks:

- to assist the Board of Directors in defining the guidelines of the internal controls and in determining

the criteria for deciding whether the risks faced by the Company and its subsidiaries are compatible with good and sound management practices. At the request of the Executive Chairman, it expresses opinions on specific issues concerning the identification of the principal business risks;

- to assist the Board of Directors in evaluating the adequacy, efficacy and effective functioning of the system of internal controls, which it oversees;
- to provide the Board of Directors with indications and information on compliance with corporate governance rules;
- to assess, together with the Chief Financial Officer and the Independent Auditors, the adequacy of the accounting standards adopted and their consistency for the purposes of preparing consolidated financial statements;
- to verify, with the assistance of the Head of Internal Audit, the process that generates the financial reporting data;
- to monitor the effectiveness of the auditing process and assess the results published in the Independent Auditors' report and the opinion letter;
- to receive the annual report of the Head of Internal Audit on the application of the "Organization and Management Model", pursuant to Italian Legislative Decree 231/2001, which was adopted by the Company and also includes the Code of Ethics, and to evaluate whether to present the Board of Directors with recommendations for updating and/or amending such model and its method of application;
- to assess and express an opinion in advance and as necessary requirement prior to confirming the appointment, on all auditing and non auditing services provided by the Independent Auditors;
- to assess and verify the independence of the Independent Auditors.

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee serves in a due diligence, advisory and/or recommendation-making capacity in support of the Board of Directors and in particular:

- it submits proposals on the overall remuneration of the Chairman, directors and senior managers of the Company and the Group;
- it examines performance targets and incentive plans for employees of the Company and the Group;
- it evaluates proposals regarding: composition criteria and skills profiles of the managers identified as components of management and control bodies in strategically important subsidiaries; policies for the strategic development of human resources and recruitment and appointment of senior managers of the Company and the Group.

Organizational Model pursuant to Italian Legislative Decree 231/2001

The current Organization, Management and Control Model adopted by resolution of the Board of Directors on March 1, 2016, to replace the one approved in 2008, is composed of a general part and numerous special parts. The Code of Ethics approved by the Company is treated as an integral part of the Model. Under its Code of Ethics, the Group has adopted the International Labor Standards (ILS) contained in the fundamental conventions of the International Labor Organization (ILO).

Sustainability Committee

The Sustainability Committee - set up by the Board of Directors in 2015 - defines and oversees Benetton Group's sustainability strategy. The establishment of

this Committee is further evidence of the Company's commitment, at all levels, to becoming an agent of social change through its initiatives. The objectives of Benetton Group's Sustainability Committee include:

- promoting the effective and continuous integration of sustainability initiatives into business activities and supporting the work of the CSR Director;
- harmonizing all sustainability activities;
- promoting dialogue with internal and external stakeholders on sustainability issues;
- examining and periodically reviewing corporate sustainability implementation tools - starting with the Code of Conduct for Manufacturers and its implementation procedures - also in light of possible risks related to Company and brand reputation;
- providing the Board of Directors with a constant flow of information and indications regarding the application of the corporate sustainability strategy and its tools;
- overseeing activities related to integrated reporting and the disclosure of KPIs and relevant information on environmental and social issues.

The Committee members are listed here below:

Tommaso Brusò **Chief Operating Officer**
 Lorenzo Dovesi **Chief Sourcing & Operations Officer**
 Andrea Piras **Dir. Product, Sourcing & Operations**
 Sandro Saccardi **Chief Financial Officer**
 Roberto Taiariol **Dir. Internal Audit & CSR**
 Carlo Tunioli **CEO Fabbrica**

Benetton Group companies in the world

Benetton Group S.r.l.
Ponzano Veneto
(Treviso - Italy)

IT 100%
RETAIL ITALIA NETWORK S.r.l.
Milan (Italy)

IT 100%
BENETTON SERVIZI S.r.l.
Ponzano Veneto (Italy)

IT 100%
FABRICA S.r.l.
Ponzano Veneto (Italy)

IT 100%
PONZANO CHILDREN S.r.l.
Ponzano Veneto (Italy)

IT 100%
VILLA MINELLI -
SOCIETÀ AGRICOLA a.r.l.
Ponzano Veneto (Italy)

BRANCHES

FI BENETTON GROUP S.R.L.
FINNISH BRANCH
Azets (Finland)

SE BENETTON GROUP S.R.L. ITALY
SWEDISH FILIAL
Malmö (Sweden)

CH 100%
BEN-MODE A.G.
Zurich (Switzerland)

DE 100%
BENETTON RETAIL
DEUTSCHLAND GmbH
Frankfurt am Main (Germany)

DK 100%
BENETTON DENMARK A.p.S.
Copenhagen (Denmark)

IE 100%
BENETTON AGENCY IRELAND Ltd.
Dublin (Ireland)

FR 100%
BENETTON FRANCE
COMMERCIAL S.A.S.
Paris (France)

UK BENETTON RETAIL UK
London (United Kingdom)

IE BENETTON GROUP S.R.L.
IRISH BRANCH
Dublin (Ireland)

NL BENETTON GROUP S.R.L.
DUTCH BRANCH
Breda (The Netherlands)

PT 100%
BENETTON 2 RETAIL COMÉRCIO
DE PRODUTOS TÊXTEIS S.A.
Porto (Portugal)

PL 100%
BENETTON RETAIL POLAND Sp. z o.o.
Warsaw (Poland)

GR 100%
BENETTON HELLAS AGENCY
OF CLOTHING E.P.E.
Tavros (Greece)

TR 100%
BENETTON GIYIM SANAYI
VE TICARET A.S.
Istanbul (Turkey)

IR 100%
BENETTON PARS P.J.S.C.
Tehran (Iran)

BE BENETTON GROUP S.R.L.
BELGIUM BRANCH
Brussels (Belgium)

FR BENETTON GROUP S.R.L.
SUCCURSALE EN FRANCE
Paris (France)

MC BENETTON GROUP S.R.L.
SUCCURSALE A MONACO
Principauté de Monaco

TN 100%
BENETTON DE COMMERCE
INTERNATIONAL TUNISIE S.à r.l.
Sahline (Tunisia)

TN 100%
BENETTON COMMERCIALE
TUNISIE S.à r.l.
Sousse (Tunisia)

IN 100%
BENETTON INDIA Pvt. Ltd.
Gurgaon (India)

CN 100%
BENETTON ASIA PACIFIC Ltd.
Hong Kong (China)

CN 100%
SHANGHAI BENETTON TRADING
COMPANY Ltd.
Shanghai (China)

ES BENETTON RETAIL
SUCURSAL EN ESPAÑA
Barcelona (Spain)

PT BENETTON GROUP S.R.L.
SUCURSAL EM PORTUGAL
Porto (Portugal)

DE BENETTON GROUP S.R.L.
GERMAN BRANCH
Frankfurt am Main (Germany)

TW 100%
BENETTON TRADING TAIWAN Ltd.
Taipei (Taiwan)

JP 100%
BENETTON JAPAN Co. Ltd.
Tokyo (Japan)

KR 100%
BENETTON KOREA Inc.
Seoul (South Korea)

RU 100%
BENETTON RUSSIA O.O.O.
Moscow (Russia)

RU 100%
KAZAN REAL ESTATE O.O.O.
Moscow (Russia)

AT BENETTON GROUP S.R.L.
ZWEIGNIEDERLASSUNG ÖSTERREICH
Vienna (Austria)

CZ BENETTON GROUP S.R.L.
CZECH BRANCH - ODŠTĚPNÝ ZÁVOD
Praha (Czech Republic)

HU BENETTON GROUP S.R.L. HUNGARIAN
BRANCH - MAGYARORSZÁGI FIÓKTELEPE
Budapest (Hungary)

US 100%
BENETTON TRADING USA Inc.
Somerset (USA)

MX 100%
BENETTON MEXICANA S.A. de C.V.
Mexico City (Mexico)

MX 100%
BENETTON SERVICES S.A. de C.V.
Mexico City (Mexico)

MX 100%
BENETTON SERVICES II S.A. de C.V.
Mexico City (Mexico)

SI BENETTON GROUP S.R.L.
PODRUŽNICA LJUBLJANA
Ljubljana (Slovenia)

HR BENETTON GROUP S.R.L.
PODRUŽNICA ZAGREB
Zagreb (Croatia)

IR BENETTON GROUP S.R.L.
FOREIGN BRANCH OFFICE
Tehran (Iran)

- Italy
- Rest of Europe
- Rest of the world



Business Model

The Group leveraged on the reputation of its brands to create increasingly engaging and varied experiences for its customers in order to consolidate the existing target and, in the case of United Colors of Benetton, to establish a dialogue with new consumer targets.

Customers



Purchase Experience

Innovation & digital transformation

The Group made significant investments in omni-channel distribution and in reinforcing e-commerce and digital marketing. The Group also adopted a new ERP tool with a view to more efficiently managing company processes.

Distribution

- Indirect channel (IOS+FOS)
- Direct channel (DOS)
- ecommerce @

The Group set the foundations for an omni-channel project to be launched in 2018 and to be developed in the following years, involving final consumers in a global experience that will eliminate borders between online and offline distribution channels.

Product

research & development » design » sourcing » manufacturing



The Group continued to reinforce the positioning of its brands. United Colors of Benetton extended its focus on innovation, quality and sustainability, while Sisley consolidated its strong and contemporary identity to shift towards the Bridge Premium market segment.

Brand Strategy

- United Colors of Benetton
- Sisley



Store strategy

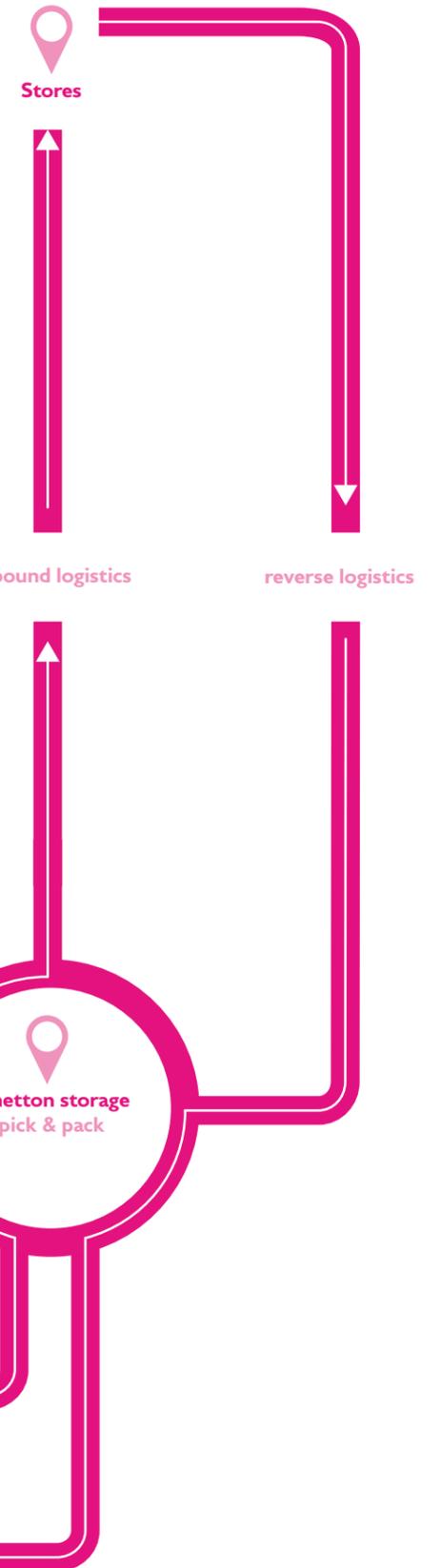
research & development » design » implementation

The Group continued to expand the implementation of two store models: On Canvas for United Colors of Benetton and Rich & Raw for Sisley. In March 2018, the new store in Oxford Street in London was opened. The store represents a new concept for UCB, featuring digital tables, click and collect functionalities, a knit library and various self-payment stations in the place of traditional cash counters.

Logistics

Inbound / Outbound Model

The Group continued its commitment to ensuring a logistic service that is almost customized according to sales requirements through the implementation of solutions like automated re-assortment, prompt product reallocation to stores and reverse logistics.



The value generated by Benetton

To carry out its business activities, Benetton Group transforms a series of tangible and intangible resources (capital), which it accesses directly (through ownership) or indirectly (through trade relations, partnerships

purchases), into outputs. The result of transforming resources into outputs is the generation of positive and negative outcomes that can create and/or consume value.

Input

- 
Social and relational capital (Brand value)
 - Long-term relationships with the main stakeholders
 - Collaborating with the main local and global institutions and organizations (UN, ILO, Accord, etc.)
 - Reflecting its core values through the brand
- 
Human capital
 - Promoting and developing people
 - Expanding skills for the creation of quality and innovative clothing
 - Identifying business partners for production and distribution
- 
Production capital
 - Distributing products through a widespread network of direct and indirect stores
 - Managing all phases of the Company production cycle
- 
Financial capital
 - Constantly investing financial resources to expand the Company's assets
- 
Natural capital
 - Using natural resources in a responsible way
- 
Intellectual capital
 - Designing attractive and recognizable collections
 - Effective Company processes through a continued focus on innovation and results
 - Research projects supporting the Company in updating its tools and anticipating consumer changes

Guidelines

Consumer centricity

- Research and development of an increasingly innovative and quality product
- New and engaging purchase experience
- More digital communication with the Company

Our people

- Training programs
- Welfare initiatives
- Incentive tools
- Programs that support women's empowerment

Sustainable business operations

- Selection and assessment of suppliers according to social and environmental criteria
- Promotion of respect for the rights of people and workers
- More efficient production processes

Innovazione e trasformazione digitale

Output 2017

- 
Social and relational capital (Brand value)
 - Confirmed participation in the Accord on Fire and Building Safety in Bangladesh
 - Winner of the India CSR Award for the Aarohi project
 - UNFPA Power Her Choice campaign
- 
Human capital
 - Winner of the Smart Working Awards 2017
 - Winner of the Almalaurea "Al lavoro" award
 - Sakhi project for Indian women employees
- 
Production capital
 - 451 new store openings
 - New sourcing balancing
- 
Financial capital
 - Economic value generated Euro 1 341 million
 - Economic value distributed Euro 1 397 million
- 
Natural capital
 - Saturation of transportation means: -511 t CO₂/year
 - 85% of fibers used are natural
 - Benetton Campus: 89% of segregated waste collection
- 
Intellectual capital
 - "Dress Safely" project: guarantee of excellence in compliance with corporate safety and security protocols
 - Publication of data on 80% of the supply chain relating to wet processes
 - Winner of the NC Digital Awards "Best Creativity / Customer Experience"
 - Ars Electronica recognition

Outcome

- Good Company reputation in line with the values expressed by the brand
- Motivation of our people and development of their skills
- Increased value for the Company's assets
- Distribution of economic value to the Group's stakeholders
- Mitigation of negative environmental impacts
- Greater process efficiency and control along the supply chain

The Group's initiatives

Benetton and the Sustainable Development Goals

In September 2015, the United Nations approved the 2030 Global Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). The implementation of this agenda requires nations, industries, businesses, financial institutions, NGOs and civil society to redirect their programs and plans towards these goals.



Benetton Group has decided to do its part to achieve these goals. In setting out its charter of commitments for the coming years, the Group chose to associate its actions with the SDGs closest to its core business and strategic action area.



SDG 5 – Gender equality

Gender equality is a necessary step for creating a peaceful, prosperous and more sustainable world for everyone. For this reason Benetton Group has launched the Women Empowerment Program, a long-term sustainability program designed to support the emancipation and legitimization of women around the world.



SDG 8 – Decent work and economic growth

Benetton Group aims to reach higher economic productivity standards through diversification and technological progress, relying on development policies that support production activities, creativity and innovation by promoting a healthy and safe working environment for all workers.



SDG 12 – Responsible consumption and production

Benetton Group leads the way in the global commitment to the elimination of the use of dangerous chemicals throughout the textile sector by 2020. The Company also implements policies for the sustainable management and the efficient use of resources and energy, as well as for the reduction of waste, also through recycling and reuse, where possible.



SDG 13 – Climate action

The Company's contribution to combating climate change involves the implementation of initiatives to reduce energy consumption and climate-altering gas emissions, as well as reducing the environmental impact connected with its logistics activities and the distribution of its products.



SDG 17 – Partnership for the goals

A successful Sustainable Development Agenda requires partnerships – built upon principles and values, a shared vision, and shared goals – that put people and the planet first. Benetton Group also works towards this goal, developing partnerships that can contribute to the achievement of the sustainable development goals.

The Group's projects



40 | Benetton Group profile

41 | Benetton Group profile

Social and relational capital (Brand value)

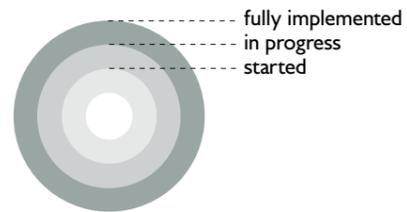
Human capital

Production capital

Financial capital

Natural capital

Intellectual capital



A design company

Product Research

1. Dress Safely project
2. Product safety tests
3. TV-31100
4. Long Cotton

Digital Innovation

5. Benetton.com
6. Multichannel

A people company

Benetton for You

7. Stretch your Time
8. Stretch your Space
9. Nice to Meet You
10. English for You
11. Welcome Back, Mom
12. "Benetton for You" Health Insurance Plan

Training and professional growth

13. Benetton on Boarding (BOB)
14. Benetton Leading People (BLP)
15. Performing UP
16. English for Young Generation
17. Green Camp
18. Benetton Engagement and Store Training (BEST)
19. UP Strategy
20. Learning from the Future
21. I love District
22. Kick FOS
23. Store Lab

Reward

24. Incentive plan

Zero Injury Target

25. Zero Injury Target Plan

Human Rights

26. CSR Audit Plan
27. Extension of the CSR Audit Plan to Korea
28. Accord on Fire and Building Safety
29. Aarohi
30. Nanhi Kali
31. Sakhi
32. United by Half
33. India - POSH: Policy on Prevention of Sexual Harassment in the Workplace

A green company

Sustainable materials

34. Sustainable cotton
35. Responsible Down Standard
36. Ban on fur

Management of environmental impacts

37. Participation in Detox Program
38. Participation in Sustainable Apparel Coalition
39. CO₂ emission reduction in logistics
40. Saturation of transportation means
41. Reduction of packaging
42. CO₂ emission reduction in the stores and HQ
43. Reduction in energy consumption
44. Use of Green Energy
45. Improvement in Data Center energy efficiency
46. Waste management

Towards circular economy

47. Rationalization of collections
48. B Long
49. Mineral Dye
50. Denim wash

Risk Management

Benetton Group focuses the utmost attention on risk management and believes it is fundamental to assess, both beforehand and continuously, the level of risk associated with strategic objectives for the creation of sustainable value.

In 2016, a new Risk Assessment process has been carried out ex-novo to identify, update and manage internal and external risks, as well as to identify corrective actions in order to lower the residual risk level to values regarded as acceptable.

Strategic risks

These are risks that could threaten the Company's current competitive position and the pursuit of its strategic objectives.

Brand strategy

Risks connected with the United Colors of Benetton brand repositioning strategy. Incorrect timing and development could result in losing current consumers without acquiring new customers.

Distribution channels

Risks deriving from the failure to meet new store opening goals as well as the uncontrolled growth of the online market (e-tailers in particular), which may create conflicts with the Company's other strategic objectives, with potential negative effects also on brand positioning.

Supply chain

The ability of the supply chain to respect the delivery times of finished products established by the commercial calendar (included in the broader concept-to-shelf program) can impact global profit.

Country strategy and market presence in India and Korea

The entry of international brands in the Indian and Korean markets, which are very important to Benetton, requires the delicate transition of the content of the UCB brand collection towards more global styles compared with the current ones, which have a strong local influence.

Executive risks

The risks of losses inherent in the Company's operations, deriving from: human error; the incorrect

functioning of the organization; internal processes and the use of systems; unlawful behavior connected with fraudulent conduct; legal risks; inappropriate conduct with customers and suppliers that could compromise the ability to meet strategic objectives.

Business organization

The staff's resistance to change could limit or slow down the business transformation process taking place in the Company. Other risks include the development of inadequate organizational structures and the inability to attract and retain key, talented people.

Product and product quality

The Group's inability to identify the tastes of consumers and offer them products that satisfy their needs in terms of quality (considering the characteristics of the fabrics and materials used and the fit).

Time-to-market

An overly long time-to-market may prevent the Company from quickly following market trends with subsequent loss of sales opportunities.

Business interruption of the logistic platform

Natural disasters may result in business interruption of the logistic platform of Castrette, the hub handling most of the distribution flows.

Corporate Social Responsibility

The inappropriate management of Corporate Social Responsibility issues could cause serious reputational damage.

Financial risks

This is the risk category most immediately perceived by businesses, also thanks to the implementation of the International Accounting Standard (IAS) and the requests for additional information in financial reports deriving from national civil law.

Financial risks include risks connected with exchange rates, interest rates, counterparties and liquidity risk. The most keenly felt risk is that relative to foreign exchange transactions as the Group presents significant sales volumes denominated in Euro and considerable purchase volumes denominated in US dollars.

Legal/compliance risks

Compliance risk is the risk deriving from the failure to comply with laws, regulations and internal rules. This can result in negative effects connected with fines, penalties, economic losses and, in more serious cases, damage to the Company reputation with subsequent losses, requests for compensation, damage to the Company image, etc.

Company procedures

The possible inadequacy of Company procedures designed to guarantee respect for the main Italian and international regulations to which the Group is subject. Also of particular relevance are problems connected with security, antitrust and privacy regulations.

Tax compliance

The Group's presence on the international panorama means it is exposed to various tax obligations. The evolution of related regulations may expose the Group to the risk of default.

Control model

Delays in the development and roll-out of the new Control Model in the Group's subsidiaries could result in the inconsistency and/or unavailability of data to support decision-making processes.

External risks

These risks concern the effects of external events that may impact negatively on the Group's activities.

Social and political instability of some nations

Delays in the regular delivery of finished goods due to political instability in some of the countries where the Company's suppliers are located.

Climate variations

The Group's business is to some extent sensitive to the weather. For example, an excessively mild winter may lead to lower sales of higher-margin products, with a negative effect on the Company's economic results and financial position.





Our brands

Benetton Group's values are reflected in its brands: United Colors of Benetton and Sisley. Each brand has its own identity and specific role within the Company's strategy and both contribute to consolidating the Group's identity, developed on the concept of style, authentic fashion, passion and quality.

The Group's task is to drive the process of focus, definition and implementation of the strategies at every level, manage the entire design cycle, manufacture and distribute products, and co-ordinate directly operated stores and relations with external partners, with a view to making the two brands complementary.

United Colors of Benetton

- Collections
- Stores
- Experience
- Undercolors

Sisley

- Collections
- Stores
- Experience

United Colors of Benetton

the life style brand
that celebrates freedom of expression,
bringing joy and happiness to people.

True to its DNA composed of knits and colors, United Colors of Benetton designs and renews Italian casualwear.

Today, its target consumers are adult men and women, and boys and girls aged from zero to twelve, yet the colorful United Colors of Benetton knits are a synonym of optimism, diversity and creativity for consumers of every age bracket and the brand enjoys a very high level of popularity.

The kids' collections make for over 40% of United Colors of Benetton total sales. They are designed by a dedicated creative team and presented to the commercial network through specific events, testifying to the brand's attention to this target segment.

The objective is to regain our leadership in Italian-style knitwear and casualwear, retaining our consumer targets while trying to attract new consumers, namely men and women in the 25-35 age bracket.

Collection

United Colors of Benetton collections feature colorful, comfortable, informal, high quality and timeless garments for everyday use, suitable for work, school and leisure time.

United Colors of Benetton key items are knits, polo shirts, t-shirts and sweaters, but the collections also include shirts, jeans, dresses, knit accessories, skirts, trousers, jackets and outerwear. In addition, a broad range of accessories are offered: handbags, shoes, sunglasses, watches, fragrances and luggage.

colorful
casual
informal
suitable for work and school
comfortable
timeless

Stores

The United Colors of Benetton stores follow the On Canvas concept: welcoming, functional and dynamic. On Canvas is inspired by the knitting loom and features a solid, yet invisible structure upon which seasons, collections, colors and materials are developed. Italian by style and elegance, On Canvas puts the consumer in relation with the brand through an authentic experience that involves design, technology and emotions.

In 2017, we opened new On Canvas stores in Lisbon, Madrid, Moscow and Bari. In some of these, like the one on the Gran Via of Madrid or in Palazzo Mincuzzi in Bari, the UCB On Canvas store integrates with the pre-existing architectural environment. The concept was also applied to the United Colors of Benetton stores opened in department stores and outlets.

We are working on a new store concept, designed to emphasize knitwear and offer our customers events, a community and an exponential sensory experience. The new, informal and digital store is the natural extension of the online purchase experience, moving towards omni-channel distribution. The new store is expected to be tested in 2018 and launched Europe-wide in 2019.

Experience

Celebrating diversity, eliminating barriers, fighting against stereotypes, promoting tolerance and freedom of thought and expression. Those entering the universe of United Colors of Benetton do it not only for the colors and the quality of the garments, but also to share an entire set of recognized values, communicated by a consistent and immediately recognizable brand.

In 2017 we also launched a series of initiatives and projects designed to establish strong and long lasting relations with hundreds of millions of consumers the world over. These were communication campaigns, in-store initiatives and ongoing dialogue on our social media, the preferred channel of today's and tomorrow's consumer experience.

In 2018, our objective is to reach out to a younger target, leveraging on a brand's experiential approach through ongoing storytelling on digital media.

Undercolors

Undercolors of Benetton is Benetton Group's brand translating the colorful, positive and casual personality of United Colors of Benetton on all products that are worn in direct contact with the skin.

Developed in 1995 to penetrate the Italian market of underwear, pajamas, beachwear and coordinated accessories, Undercolors products are today characterized by comfort and the quality of the materials and finish treatments.

Benetton Undercolors collections are distributed in the main United Colors of Benetton stores and in over 300 specialist monobrand stores in Italy and in Europe.

Sisley is a sexy and contemporary clothing brand that creatively interprets the latest fashion trends. Founded in the '60s as a denim brand for women, Sisley was acquired by Benetton Group in 1974 and evolved further over the years. Since 2014, the brand repositioned as an urban lifestyle brand in the bridge market segment.

Today, the brand's target of reference are women and men aged 25-40. Modern and sensual, the woman is an explorer of contemporaneity. The man has a dynamic personality, seeking success in work and in his personal life, but without neglecting pleasure and fun in leisure time.

Collections

Sisley's men and women's collections reflect the latest trends and contents of global fashion and represent not only a look, but also a search for a strong and recognizable identity.

Sensitive to the phenomena that attract younger generations, Sisley expresses its avant-garde approach in the style of its accessories, colors and fabrics. Sisley is refined style with no frills and with an excellent price-quality ratio, guaranteed by ongoing research and development in the textile sector and in the new technologies applied to it.

Sisley's key items are denim and outerwear for men and women, women's dresses and men's jackets. The collections also include shirts, trousers, knits, t-shirts, sweaters, accessories and footwear.

Stores

Inspired by Bernardo Bertolucci's movie – The Dreamers – Sisley's Rich&Raw store concept juxtaposes *rich* elements – like brass, marble, mirrors, wainscoting, glossy and lacquered surfaces – with *raw* elements, like exposed brick walls, metal components and vintage wooden flooring.

The first Rich&Raw store was opened in 2014 in Berlin, the city symbol of cultural, artistic and creative rebirth, to reflect the brand's repositioning efforts. Subsequently, the format was extended to the majority of the brand's commercial network. Today, Sisley has approximately 800 stores distributed in the main global markets. In 2017, the brand opened

13 Rich&Raw stores in Italy, two in Korea and one each in Turkey, Portugal, Mongolia and Lebanon. The concept was also replicated in department stores, with 20 corners in France (Printemps and Galeries Lafayette) and 71 in Korea.

Experience

From the very start, Sisley – an unconventional brand par excellence – has established relations with its consumer targets in an original and irreverent way, launching collaborations with world famous artists, participating in music events and exploiting modern tools and codes. Consumers receive a fully engaging, ongoing brand experience through the stores, the digital channels, traditional media and the social media.

In Sisley's newly adopted strategy, advertising showcases the brand's universe with a captivating mix of seduction, contemporaneity and cool. In this light, the recent ad campaigns succeeded in capturing the rhythmic, urban, irreverent style that is synonymous with Sisley and is integrated with the online activities and the social interactions with the growing fan community.

In 2017, the brand organized over 50 events and commercial activities in its stores with dedicated shop windows. In addition, the brand also organized a contest for all of its consumers which resulted in the awarding of tickets for the MTV Europe Music Awards in London for two winners. The contest was communicated through the digital media, social media, on TV and in the stores, reaching out to more than two million consumers and generating over 250 000 posts.

SEXY BOLD SPIRIT SHARPLY IRONIC

The objective is to increase the product's perceived quality and consolidate the brand's repositioning towards the bridge segment, which showed positive trends in recent years, thanks to a growing niche of evolved consumers and a proposal of fashion products.

S I S L E Y
#SEXY #IRONIC #SELFCONFIDENT #LIBERAL #EXCITING #YOUTHFUL





A design company

Today, design – intended as approach to project planning and orientation towards innovation – is an essential value for anyone engaged in business in a continuously evolving society.

Deep down, we are convinced that long-term vision should always prevail over problem-solving. From the intuition of developing colorful sweaters to the invention of garment dyed apparel, from disruptive social communication to experimentation in the digital field and interactivity, the Benetton Group has always tried to stay a step ahead of the market and society at large.

Today, this approach translates into a series of projects and initiatives revolving around our products, our communication and our business model.

Product research

- Dress Safely
- TV-31100
- Long Cotton
- Focus: The Benetton archive

Digital innovation

- Our channels

Priority to ideas

- The campaigns
- Fabrica
- Focus: I See Colors Everywhere

Product research

The rainbow revolution of Benetton sweaters began more than 50 years ago, based on the intuition of developing and selling a yellow knit – unprecedented at that time – and grew year after year with garment dyed pieces, a process innovation that translated into a huge commercial success.

Today, innovation continues with a series of projects and initiatives that start from researching new materials and finishing treatments, from the analysis of more efficient and sustainable processes and from the intuition of new aesthetics, capable of interpreting fashion trends while remaining loyal to our brands' DNA.

Dress Safely

"Dress Safely" is a guarantee label that informs and reassures customers about the excellent quality of our items and their compliance with the Company's safety protocols. From raw material processing to the finished product, all Dress Safely products are free of toxic chemicals and substances potentially harmful to human health. Today, the Dress Safely label is attached to all Benetton Group's kidswear textile products and the Undercolors of Benetton womenswear and menswear lines.

Stringent controls

All Dress Safely products are subjected to ongoing controls in order to avoid any potential physical/mechanical risks, and specific chemical analyses are carried out according to the type of materials and elements used.

Chemical analysis

At different stages in the production cycle, all of our products are subjected to chemical analyses, carried out in independent laboratories selected from the most accredited in the world.

Corporate sustainability

As we eliminate all substances harmful to human health, we also prevent their release into the environment during production cycles and product disposal.

Transparency and legislation

Dress Safely evolves over time thanks to an open and transparent dialogue with our consumers and our commitment to adjusting our standards to the most stringent international regulations on textile sustainability.



TV-31100

TV-31100 is a new knit concept, inspired by Benetton's heritage but with a great added value in terms of innovation. Seamless, it takes its name from Treviso's postal code and was created in our laboratories starting from a unique yarn to provide an ideal fit in terms of comfort, versatility and elegance. A special merino wool and cashmere blend was developed for the Fall and Winter season and a cotton blend for Spring and Summer.

Long Cotton

The Undercolors collections for 2017 confirmed the use of long fiber cotton. Its filaments exceed 28 mm in length and thus result in a more resistant, softer and refined fabric than normal. Along with our know-how in the field of materials, long fiber cotton in combination with an elastomer fiber enabled us to manufacture one size underwear items for women and other products in different sizes for men and children.



The Benetton archive



Benetton Group's history of innovation is preserved in its archive. Established in 2009, the archive contains the historic knits and the iconic products of United Colors of Benetton, together with sketches, paper patterns, technical charts and color charts from the late '70s to the present.

Located at the Studios in Castrette, the archive covers a surface of 1 200 sq m with a section set aside for storage and warehousing and another one reserved for research and consulting activities. It contains 30 000 boxes filled with documents, 1 000 linear meters of documents and loose materials, more than 124 000 iconographic materials, nearly 2 000 numbered multimedia materials and 12 000 knit items. The area also includes some vintage machinery, including the first dyeing basins and weaving machines, testifying to Benetton's steady technological evolution.

In addition to the section dedicated to products, the archive also contains Benetton's legacy in terms of communication, including catalogues, advertising campaigns, commercials, billboards, window signs, magazines, images and the 16 racing cars used by the Benetton F1 racing team.

The Benetton archive is a workshop of ideas, where the future is built day after day. For this reason, the archive is open to Benetton Group's collaborators and designers and, on request, to analysts, researchers and other professionals.

In November 2017, it opened its doors to the community for the first time on the occasion of the Corporate Culture Week, promoted by Confindustria.



Digital innovation

We live in exponential times. From product design to logistics, from sales to distribution, in the last decade the digital revolution has radically changed the way we do business. Today, a more mature use of web channels and social media allows companies to reach out to single consumers, targeting the satisfaction of their desires directly while establishing a relationship of reciprocal trust.

Benetton Group has always paid close attention to the communication potential of its digital channels and in the last few years it has invested massively in the optimization of its e-commerce platform in the framework of a multi-channel strategy that aims to offer consumers a global purchasing experience that starts with the smartphone and continues on the web site and in the stores.

Our channels

2017 was a year of breakthroughs in the digital field for the Benetton Group. We acquired direct control of our e-commerce channel, which contains a huge library of customer data and information, to get ready for market growth and prepare a multi-channel offering for our customers.

Benetton.com

In 2017, we launched the new benetton.com web site. Completely restyled in its graphics and with improved features, the web site is translated into seven languages and is accessible from 24 countries. Navigation has been designed for smartphone devices, which today represent the favorite navigation tool for over one half of internet users. The architecture of the web site developed from listening and analysis of customer

behaviors and needs and resulted in a clean and essential design. Thanks to a completely restyled menu and a new internal search engine, with a few clicks users can view a broad selection of proposals in line with their needs.

UCB e-commerce

In 2017, United Colors of Benetton passed from an e-commerce web site managed by third parties to a proprietary e-commerce channel within benetton.com. In November and December, the transition resulted in sales increases of 80% to 130% compared to the same period of the previous year.

Starting from April 2018, the United Colors of Benetton e-shop will become accessible also in the United States. Furthermore, this Spring, 26 stores in the Lombardy region will engage in a pilot omni-channel project targeted to the indirect channel. Other tests will follow in other Italian locations and at the London store. A European roll out is expected in 2019.

Multi-channel

The enhancement of e-commerce – along with other key factors like dedicated logistics and the new customer care for online and offline stores – is part of a strategy implemented in 2017 targeting multi-channel distribution. In line with the evolution of purchasing models, consumers will be accompanied in their purchasing process through several channels, thus promoting integration between online and offline stores, thanks to the click-and-collect options, the product locator, endless eye and return in the point of sale.

Black Friday

On Black Friday, we received 50 000 orders for a total of Euro 1 300 000 in sales. On the same day in 2016, sales had peaked at Euro 450 000.

NC Digital Awards

In 2017, we were awarded the “Best Creativity/ Customer Experience” prize at the NC Digital Awards. Thanks to Programmatic Buying, a tool that selects desirable digital advertising spaces using Artificial Intelligence metrics, we expressed a perfect congruence between the message conveyed in our advertising campaigns and the context of our customers’ experience.

Digital marketing

This year too, we have implemented a comprehensive strategy for the use of digital marketing channels – including newsletters, online advertising, Facebook, Instagram and Twitter – with the objective of increasing sales and developing content that will amaze and increase our fan base.

In 2018, we will launch Sisley’s e-shop, which will enable brand lovers to view the collections and experience the brand universe from any device. The Sisley’s e-shop will be immediately available in four languages and accessible in Italy, France, Germany, the United Kingdom and the United States.

In 2018, we will lay the foundations of our content factory. This infrastructure will enable the brand to produce, manage and distribute new contents and more effective communication campaigns with a view to increasing the brand visibility through search engines and offering a consistent and impactful experience to its increasingly demanding customers across all of its digital channels.

Priority to ideas

In the past 20 years, creativity has been one of the pillars of the business plans of the largest companies and in the programs of the world's most renowned educational institutions. In this regard, the Benetton Group was a pioneer with the development of Fabrica, an unconventional research center, in 1994, which was established to research different themes with a multi-disciplinary approach and based on the principle that ideas must be put into practice without being afraid to make a mistake.

Today, Benetton Group continues to experiment with new ideas. Some provide a key support to our brands in terms of communication, product and store design. Others are tests for the future that will enable us to interpret the world of tomorrow and plan our evolution over time.

The campaigns

A priest kissing a nun. A newborn baby with umbilical cord attached. A giant condom on the obelisk of Place de la Concorde in Paris. The campaigns of United Colors of Benetton developed by Fabrica have become part of our collective memory and of the history of global advertising.

In 2017, our brand communication reached and captured the attention of billions of people all over the world. Here are some of our communication activities.

Revolutions by United Colors of Benetton

Shot at the end of 2017, the 2018 Spring Summer campaign of United Colors of Benetton is a triumph of flowers worn by men, women and children. The photography is unmistakably by Oliviero Toscani: clean faces celebrating ethnic and gender diversity; a white background exalting the originality of the faces and the brightness of the items; bold styling between batik fabrics and exclamation prints, horizontal stripes and crewneck knits, blue suits and colorful tutus. The photographer's signature is also visible in the catalogue: "Revolutions begin in Spring", a reference to the heritage of United Colors of Benetton and the renewed collaboration between Toscani and the Benetton Group.

Vanessa Beecroft for Sisley

Men and women of different ethnicities and with different styles, together in a solid and indivisible formation. This was the concept of Sisley's Spring Summer 2017 ad campaign developed by Vanessa Beecroft, a versatile artist with exhibitions in the world's most renowned contemporary art venues, like the Guggenheim Museum of New York, the National

Gallery in London and the Biennale in Venice.

The images of the ad campaign, featuring rectangular formations of 35 male and female models, positioned to form various color-based figures, reflect Beecroft's fascination for assemblages and groupings, a typical element of her work.

Bettina Rheims for Sisley

A group of people wearing Sisley's iconic outfits in a warehouse in front of a series of wooden boxes normally used for transporting large works of art. A closer look reveals that all the models are challenging gender stereotypes, both with their look and lifestyle choices. This is the concept behind "One of a Kind", Sisley's Fall Winter 2017 campaign by Bettina Rheims, one of the world's most provocative contemporary photographers, who has been investigating gender issues throughout her career.

Fabrica

Fabrica is Benetton Group's communication research center. It is located in a 17th century Venetian villa, restyled by the Japanese architect Tadao Ando in the '90s. Since its establishment in 1994, it hosted over 700 creative talents under 25 from more than 65 countries on five continents. They are photographers, illustrators, artists, writers, copywriters, directors, musicians, videomakers, journalists, graphic designers, developers, hackers and designers.

In 2017, Fabrica also launched a series of research projects with the objective of analyzing, investigating and interpreting the forces that are shaping the present with a view to future. Here below are the most important ones:

Stella with the European Space Agency

In March 2017, Fabrica launched Stella, a music project inspired by the sounds recorded by Rosetta, an ESA space mission, and, in particular, the "song" emitted by the 67P/Churyumov-Gerasimenko comet, on which Rosetta landed. Stella was presented at the ESA mission control center in Darmstadt, Germany.

Recognition at Ars Electronica

In September Fabrica presented Recognition at Ars Electronica, one of the world's premier platforms for digital art and multimedia culture. Launched in 2016, Recognition is an AI project developed in collaboration with the Tate Gallery of London, combining images of classical art with photographs taken from the news cycle. Recognition won the IK Prize in 2016, an award promoted by the Tate Gallery to celebrate the best creative talents in the digital field.

Up to Now. Fabrica photography

Up to Now is a comprehensive retrospective covering 20 years of Fabrica photography, presented in May 2017 at the Festival of European Photography in Reggio Emilia and, later, at the Landskrona Foto Festival in Sweden. It includes Fabrica's researchers and collaborators' works, applying photography to a wide variety of codes, from documentary films to editorial projects and communication campaigns to artistic research.

Beatrice and Francesco

Beatrice and Francesco are two short movies by the Venezuelan director Lorena Alvarado, produced by Fabrica in collaboration with the Italian Special Olympics Committee (Veneto region). The short movies tell the stories of two Italian paralympic champions: the fencer Beatrice Vio, nicknamed Bebe, and the swimmer Francesco Bettella. Beatrice was presented in preview at DOC NYC in the "The future is feminine" section and took first prize as the best documentary film at the New York Short Film Festival.

Workshops & conferences

In 2017, Fabrica also hosted a series of conferences, events and laboratories held by some of the world's most accredited professionals in the field of arts,

design and communication. Worth mentioning are, among others: the writer Roberto Saviano, the musician John Cale, the food designer Francesca Sarti, the curator Maria Cristina Didero, the director Carlos Casas, the calligrapher Luca Barcellona and many others.

Library

The Fabrica library comprises over 7 000 books on photography, industrial design, arts and graphic design, subjects related to visual communication, a collection of reference texts and a broad variety of international magazines as well as more than 400 music CDs from all over the world and over 600 videocassettes and DVDs. It is open to the public by appointment.

Educational Center

Fabrica is an Educational Center recognized in accordance with Regional Resolution no. 359/2004. It is therefore a structure designed to provide training to young people with secondary high school diplomas and/or a university degree, who are either unemployed or seeking employment, through training projects recognized by the Veneto region and the Italian government. Fabrica also offers training courses financed by European funds (ESF) to young graduates residing or domiciled in the Veneto region who have at least a high school diploma.

In 2018, Fabrica will host a series of events including conferences, performances, projections, workshops, concerts and exhibitions dedicated to various topics, from poetry to politics and from food to spirituality and artificial intelligence. The center will be open 24 h a day, 7 days a week, 365 days a year.





A company made of people

The advertising campaigns that made us globally famous have always put the individual at the center, conveying a vision of a society free of prejudice about skin color, ethnicity, sexual orientation and political or religious beliefs.

This is not only communication. Benetton Group is a company – first and foremost – made of people. Its success is built by the women and men of its work force, who do their best all over the world, so that the Group's brands will thrive in a healthy and competitive market. Benetton Group is also active in developing initiatives to protect human rights, concentrating on the most vulnerable categories of our society, like children, women and migrants.

Human resources

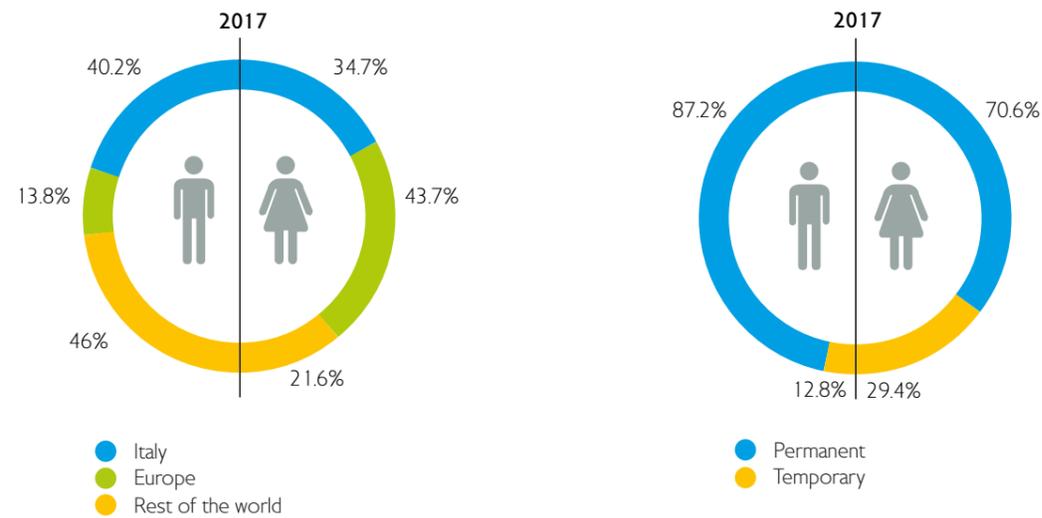
- Benetton for You
- Focus: Ten years of Ponzano Children
- Training
- Employer Branding
- Focus: Master's Degree in knitwear design
- Reward
- Industrial relations
- Zero Injury Objective

Human rights

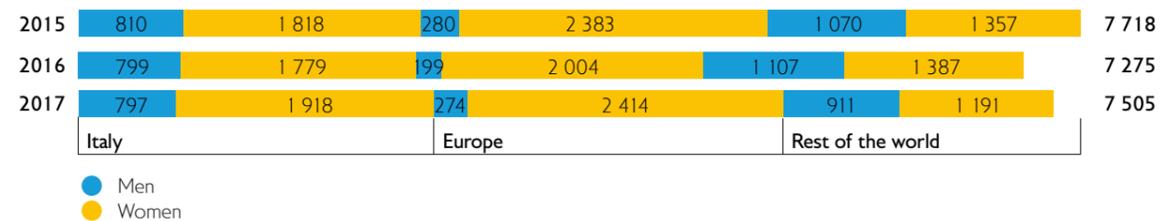
- Supply chain management
- Social communication
- Focus: A multiethnic school
- Women's empowerment in India
- Focus: United by Half

Human resources

Benetton Group has over 7 500 employees, equally distributed in Italy, Europe and the rest of the world. Over 70% are women and over 5 500 have a permanent employment contract.



Employees by geographical area



GRI 102-8 Employees by:									
	2015			2016			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Type of contract									
Permanent	1 915	4 165	6 080	1 840	3 702	5 542	1 728	3 898	5 626
Temporary	226	1 250	1 476	256	1 277	1 533	254	1 625	1 879
Other	145	17	162	189	11	200			
Total	2 286	5 432	7 718	2 285	4 990	7 275	1 982	5 523	7 505
Work-time length									
Full Time	1 824	3 388	5 212	1 771	3 041	4 812	1 709	3 149	4 858
Part Time	333	2 171	2 504	335	2 125	2 460	273	2 374	2 647
Other	1	1	2	1	2	3			
Total	2 158	5 560	7 718	2 107	5 168	7 275	1 982	5 523	7 505

We are fully convinced that the quality, wellbeing and growth of our employees are the key to the Group's success and, therefore, in 2017 we have also launched or enhanced a series of initiatives designed to address our employees' wellbeing and requests, attract new talents and reward those who already work for us.

Benetton for You

Benetton for You is the People Care program that the Group launched in 2015 to promote employee wellbeing in the central offices of Ponzano and Castrette, extending its benefits also to our employees' family members. The program covers four areas: work/life balance, health, family and leisure time, with each area including several projects.

Stretch

Introduced in 2016, Stretch is a flexibility project that offers employees flexibility in organizing their working hours (Stretch Your Time) and a possibility of working from home one day a week (Stretch Your Space) for all compatible positions. We were the first textile organization in Italy to introduce a smart working program. In 2017, the program involved more than 400 employees of the Treviso-based operations. The project has generated benefits in terms of performance and environmental impact, along with economic savings, and obtained a special mention at the 2017 Smart Working Awards of the Smart Working Observatory of the Milan Polytechnic.

Annual savings by employee working from home one day a week

Source: Partners4Innovation

Hours: **70 hours**

Costs: **Euro 1 142**

CO₂ emissions saved: **503 kg**

Nice to Meet You

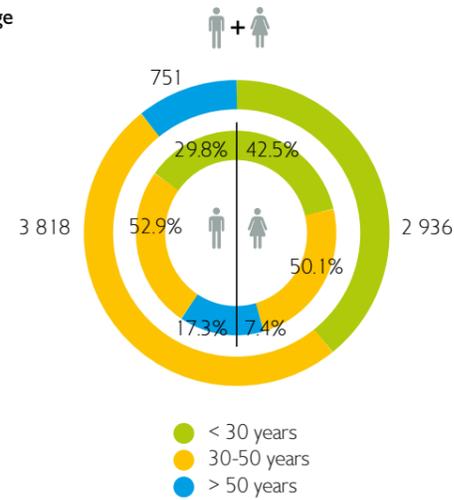
Nice to Meet You is a day dedicated to our employees' children. Launched in 2016 and replicated in 2017, the project involved 30 graduates and young people about to graduate or with a new degree, who were given a chance to visit the company's key locations and receive information and guidance from Benetton's Recruiting & Talent Acquisition office regarding how to face the world of work and perform well in job interviews.

English for You

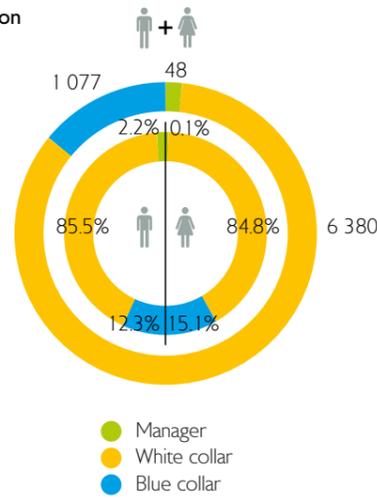
English for You offers a series of English language courses at different levels for employees and their family members at discounted prices.

Benetton Group: 2017 - Employee breakdown

• by age



• by qualification



GRI 405-1 Employee breakdown by qualification, gender and age					
	Age	Italy	Europe	Rest of the world	Total
Manager					
Men	< 30 years				
	30-50 years	16	2	6	24
	> 50 years	16	2	2	20
Total Men		32	4	8	44
Women	< 30 years				
	30-50 years	3			3
	> 50 years	1			1
Total Women		4			4
Total		36	4	8	48
White collar					
Men	< 30 years	90	98	377	565
	30-50 years	351	102	454	907
	> 50 years	184	19	20	223
Total Men		625	219	851	1 695
Women	< 30 years	552	835	645	2 032
	30-50 years	1 052	740	508	2 300
	> 50 years	240	78	35	353
Total Women		1 844	1 653	1 188	4 685
Total		2 469	1 872	2 039	6 380
Blue collar					
Men	< 30 years		26		26
	30-50 years	53	24	41	118
	> 50 years	87	1	11	99
Total Men		140	51	52	243
Women	< 30 years		313		313
	30-50 years	24	440	2	466
	> 50 years	46	8	1	55
Total Women		70	761	3	834
Total		210	812	55	1 077
TOTAL		2 715	2 688	2 102	7 505

Welcome Back, Mom

Welcome Back Mom is a project designed to assist our female employees when they come back to work after maternity leave, to help them find a new work/life balance. Launched in 2015, this project included individual and group meetings with a specialist coach. In 2017, 39 moms participated in the project. One year after returning, nine in ten female workers of the operations in Italy were still working in the company.

Health Plan

In 2017, the Company's Health Plan covered approximately 1 400 employees of Benetton Group and Fabrica and over 550 family members were included in the insurance policy extension. Specifically, health coverage includes specialist visits and diagnostic assessments (over 3 500 assessments) and prevention packages (nearly 1 000).

GRI 401-3 Return to work and retention rates of employees who took parental leave				
	Italy	Europe	Rest of the world	Total
Employees entitled to:				
Maternity	72	884	149	1 105
Paternity	15	134	141	290
Total	87	1 018	290	1 395
Employees who took a parental leave				
Maternity	72	160	52	284
Paternity	15	3	13	31
Total	87	163	65	315
Return to work after parental leave ended				
Maternity	86%	46%	46%	56%
Paternity	100%	100%	85%	94%
Total	89%	47%	54%	60%
Retention rate – employees who returned to work after parental leave ended and still working 12 months after their return				
Maternity	64	63	30	157
Paternity	4	2	5	11
Total	68	65	35	168
Maternity	89%	39%	58%	55%
Paternity	27%	67%	38%	35%
Total retention rate	78%	40%	54%	53%

La Ghirada

Developed by the Benetton family, La Ghirada – the City of Sports, is a 22 hectare space located in Treviso dedicated to sports and outdoor activities. In 2017, La Ghirada organized competitive activities and summer

camp offered to all the Group's employees and their family members at discounted prices. This is one of the over 80 conventions that the Benetton Group has activated to offer its employees a broad spectrum of activities to engage in during their leisure time.

In 2018, we intend to extend our Stretch program to the entire organization, thus offering the benefits of Smart Working to all the Company departments.

Ten years of Ponzano Children



In 2017, the Ponzano Children children's center celebrated ten years of activity.

Back in 2007/2008 the Group decided to open a children's center to host the children of the employees working in Ponzano and in other adjacent municipalities. An educational service that hinges on building relationships, research, the wellbeing of children and the community.

Ponzano Children is located in a building designed by the Spanish architect Alberto Campo Baeza. It includes five sections for different ages, of which two for infant day care, one nursery school and two kindergartens, with a total capacity of approximately 100 children aged from 9 months to 6 years.

The pedagogical project is modeled on the values developed in the nurseries and kindergartens of Reggio Emilia. The idea is that the child must always be at the center, the real protagonist of his/her own growth.

Ateliers and labs promote experimentation with different materials and tools, embracing and supporting the children's different expression and symbolic languages. Parents are considered as active interlocutors in this educational project.

The tenth anniversary of Ponzano Children was celebrated with a series of events and courses involving both parents and children, with themes that ranged from cuisine to the digital world, with the objective of confirming the identity of a contemporary school, constantly projected towards the future.



Training

Training our people is a key to the Group's success. In 2017, more than half of the Company's population in our headquarters was involved in training and development initiatives. This includes a portfolio of courses that range from leadership to language courses and from the development of soft skills to technical-specialist training, with the objective of aligning performance to corporate targets and accompanying employees in their career development.

Here below is a description of the Benetton Group's main training activities, offered to the employees of the headquarters.

BOB

Benetton on Boarding (BoB) is a welcome program dedicated to newly hired employees. It combines moments of sharing in the classroom and self-training through a series of eight digital books, developed to provide newly hired employees with all the basic information and instructions regarding the organization.

BLP

BLP (Benetton Leading People) is a leadership course developed in collaboration with the Luiss Business School. In 2017, it involved 15 People Managers, with the objective of triggering insights about leadership skills and resource management.

Performance Management

Launched in 2016, Performing UP is a process by which Benetton Group intends to facilitate and enhance employees' ability to set and achieve targets, supporting employees' professional growth and development based on an ongoing dialogue between the supervisor and the worker. In 2017, training on target identification and subsequent assessment involved approximately 300 people at the headquarters. The same project was also launched in Turkey and Korea, for a total of 30 people involved abroad.

English for Young Generation

A series of language courses in English for employees under 32 was launched, characterized by non-conventional teaching and use of multimedia tools.

Each course included ten weekly meetings for a total of 15 hours. In 2017, this initiative involved 40 young colleagues.

In addition, the Group organizes training activities dedicated to store personnel. An example to follow in the industry is our Retail Academy, which involves both the personnel of DOS (Directly Operated Stores) and FOS (Franchise Operated Stores) through a series of handbooks and training activities. In 2017, the focus was on a few important training events.

Green Camp

One Brand, One Voice: this is the mantra at Green Camp, a large training campus developed to provide store managers and partners with all the tools they need to manage a point of sale. This is an innovative concept that links training to our core business, alternating moments dedicated to learning and growth with others focused on the arrival of the collections in the stores. In July 2017, over 200 store managers of the franchising channel and of the Italian and Portuguese monobrand stores were invited to participate in a two-day workshop in Castrette, including three labs – Sales, People, Product – with moments of learning and discussions designed to fine-tune the knowledge of our final consumer and increase sales. The initiative was repeated in October 2017 in Porto, Portugal, with the participation of 80 people, with the objective of extending the Green Camp initiative to other countries.

BEST

Launched in September, BEST (Benetton Engagement and Store Training) is the new interactive digital platform developed to include more than 2 000 people in one single business community, including store managers and sales assistants of the direct and franchising channels. The platform displays and shares information about products, processes, sales and visuals.

In 2018, we intend to extend the BEST digital platform to Portugal and Spain and offer the BOB series to all employees.

UP Strategy

In 2017, the UP Strategy was consolidated. This is a talent management strategy designed for our directly operated stores that combines moments of assessment of one's Potential (Growing UP) and of one's Performance (Performing UP) as well as training activities by role (In Store UP). In particular, 42 UCB and Sisley store managers participated in the My Store program, an in-house master course dedicated to store management.

Learning from the Future

With 250 participants, the Learning from the Future event for United Colors of Benetton focused on the role of Partner/Store Manager and sales.

I Love District

I Love District is a pathway dedicated to raising awareness on the role of the District Manager, which in 2017 involved 20 district managers of United Colors of Benetton.

Kick FOS

With two editions and a total of 25 participants, in 2017 Sisley consolidated its training activity dedicated to store managers who joined the new Kick FOS franchising format.

Store Lab

Store Lab is a sales coaching workshop dedicated to the personnel of Sisley Franchise Operated Stores. In 2017, 16 editions were organized with a total of 110 participants.

GRI 404-1 Average year training hours by employee and gender

Training hours	2015		2016		2017	
	Men	Women	Men	Women	Men	Women
Italy						
Total training hours provided	18 101		16 659		9 735	
Training hours by employee	7		7		4	
of which provided to:	6	8	5	9	5	3
Europe						
Total training hours provided	16 224		20 919		6 977	
Training hours by employee	6		9		3	
of which provided to:	7	4	10	7	3	3
Rest of the world						
Total training hours provided	11 569		18 069		13 299	
Training hours by employee	6		8		6	
of which provided to:	8	6	10	8	7	5
Benetton Group						
Total training hours provided	45 894		55 647		30 029	
Training hours by employee	6		8		4	
of which provided to:	7	6	9	7	7	3

After a period of consolidation of the training offer for the headquarters in 2015-2016, numerous changes were implemented in the organization in 2017, which forced the Company to put various previously planned initiatives on stand-by, resulting in a reduction in the training hours provided. The total number of hours of training provided in 2017 does not include digital training (BEST), the two/three-day full immersion courses (Learning from the Future, Green Camp) and the training hours dedicated to FOS personnel, which increased by 21%.

In 2018, we also intend to organize a Green Camp on the occasion of the opening of the new store in London and we will use the same format to train store personnel in relation to the 2018 Fall/Winter collection.

Employer Branding

A large global group must know how to attract new resources on an ongoing basis in order to enrich the Company's know-how through new, fresh ideas, specialist expertise and enthusiasm.

In order to reach these objectives, in 2017 Benetton Group carried out more than 3 500 job interviews and activated a broad spectrum of employer branding initiatives. More than half were dedicated to the fashion industry.

Alma laurea "We Hired More" Prize

In January 2017, we received the Alma laurea "Al lavoro" prize as the organization that did the most hiring during the Career Days organized in 2016 at the international and national level in the sector of clothing, fashion and luxury.

Universum Awards 2017

In October 2017, we came in third in the "Most attractive company for induction and diversity in Italy" Universum ranking, one of the world's most respected employer branding institutions. The ranking was drafted based on a survey carried out by Universum involving over 38 000 students from 44 universities.

Digital Recruiting

We received more than 66 000 visits on our Work for Us web page and on our LinkedIn page, and over 34 000 resumes from our web page, i.e. nearly 100 every day. Today, candidates can send their curriculum vitae directly from any store thanks to the QR code technology.

MIB

In the wake of the projects launched in 2016 with MIB, the Trieste Business School, at the Castrette headquarters in May 2017 we hosted students enrolled in the International Business and Insurance and Risk Management master course, which included the Benetton Group in its Made-in-Italy excellence tour.

2018 is the year in which we will celebrate the 25th anniversary of Mittelmoda, the contest for young designers organized by Matteo Marzotto. United Colors of Benetton has always been a partner of this initiative and in July it will host the final catwalk show at the Studios located in Castrette. During the event, 30 finalists from over 500 international fashion schools will present their collections and be assessed by a jury panel composed of globally renowned fashion figures.

Master's Degree in knitwear design



The Master in Creative Knitwear Design, organized by the Costume and Fashion Academy of Rome in collaboration with Modateca Deanna, is the only European master course focusing on knitwear collections.

Every year, approximately 20 accurately selected students attend a program including theoretical lectures, workshops with the industry's experts, lab activities, hand-in exercises and visits to companies and sector-specific trade shows.

Also in 2017, Benetton Group was one of the master course's partner companies. In particular, we sponsored a study grant that covered the master course fees and accommodations for a student and we invited everyone to participate in the Benetton Experience, a one-day tour of the Castrette Studios and Knitwear area.

The results were extraordinary. Gabriela Braga Rodrigues, the 24-year-old Brazilian student we sponsored, was given a chance to develop her project in our company: a brilliantly colorful knitwear collection. The collection was presented at the Pitti trade show and was awarded first prize at the first edition of the Talents Lineapiù award, a program organized by the Lineapiù Foundation dedicated to supporting emerging talents in the knitwear sector. Gabriela was then hired by Benetton's style office as knitwear designer.

The Group's collaboration with the Knitwear Master will continue in 2018. After visiting the Company and viewing Giuliana Benetton's personal archive, the students will develop a capsule collection inspired by Benetton. The

winning project, directly selected by Giuliana Benetton, will be developed and sold in our stores.



Reward

The success of Benetton Group is not only based on attracting new talents, but also on motivating and retaining the best resources already operating in the organization and in the stores, who are strategic to ensure continuity, team work and medium-long vision.

In 2017, the Group's remuneration policy was revised to include a series of fixed and variable components for the Group's Italian and foreign operations, with a particular focus on young employees and key resources and a view to rewarding team results.

Management by Objective Plan (MBO)

In 2017, we have formalized the Management by Objectives Plan (MBO), which includes the assignment of economic benefits to managers who reach specific corporate and individual targets, consistently with the Group's strategy. Today, the plan is operating in 17 countries and involves over 140 managers, of whom 30% are abroad. The plan's structure and operation differentiates among Corporate roles, linked to Group's targets, and Country/Business roles, linked to perimeter targets.

Sales Incentive Plan

In 2017, the Group continued its efforts to standardize sales incentives for the Group companies' commercial staff. In particular, for the direct channel (DOS – Direct Operated Stores), incentives dedicated to the Group's stores were revised to support the UCB and Sisley brand strategies and effectively drive sales teams' approaches. To date, over 2 500 people from over

300 directly operated stores in Italy and Europe have received the benefits.

Industrial relations

Another key element to ensure productivity and growth of the Benetton Group human resources is the ongoing and productive dialogue with trade unions.

In 2017, we consolidated the content of our supplementary agreement for the 2015-2017 period and of the relevant performance bonuses at the national level.

Organizational turnaround

In 2017, we have developed organizational turnaround actions that had already been launched in the previous year with extremely positive results.

Performance bonus

We re-confirmed the criteria already applied in 2016 for the determination of efficiency to define performance bonuses.

As to notice periods relative to significant organizational changes, the Company acts in full compliance with the variously applicable National Collective Labor Contracts covering all the employees of the Italian subsidiaries.

In April 2018 we have stipulated a new supplementary agreement for the 2018-2020 three-year period. We concentrate efforts on increasing welfare, providing more flexibility for our newly hired employees, greater supplementary health insurance coverage, more employee services and training with a view to promoting human resources.

Zero Injury Objective

Benetton Group has always been committed to ensuring suitable workplaces for the performance of its business activities and implementing ongoing improvements and preventive actions to manage all aspects that pertain to employee health and safety.

In addition to the applicable national regulations, the Group also adheres to the specific indications provided in the matter to guarantee that these elements are fully complied with. Risk assessment, integrated by the improvement plan, is constantly updated by the Prevention and Protection Service functions of all Benetton Group subsidiaries, taking any organizational changes into account. The dissemination of a culture promoting prevention is pursued through targeted training, coordinated by the Prevention and Protection

Service functions, provided across all levels, awareness campaigns regarding "near misses" and dangerous attitudes and employee engagement in favoring an active role in ensuring safety and security. In particular, on-the-job training is provided on equipment-related risks as well as training on the increasingly specific management of emergencies based on real case scenarios.

Each Group company drafts a report on work-related injuries on an annual basis, including statistical indexes and the identification of any corrective actions. Thanks to increasing attention paid to employee health and safety – which also envisaged the introduction of defibrillators in the main offices – in 2017, we succeeded in getting closer to the Zero Injury Objective.

Injury ratios

GRI 403-2 Rates of injury at work, occupational diseases, lost days, absenteeism and number of work-related fatalities, broken down by geographic area and gender					
	Injury index	Italy	Europe	Rest of the world	Total
2015					
Frequency	No. of injuries /Hours worked x 1 000 000	105	1788	1683	159
Severity	Lost days /Hours worked x 1 000	01	016	015	015
2016					
Frequency	No. of injuries /Hours worked x 1 000 000	10	1493	2016	1505
Severity	Lost days /Hours worked x 1 000	03	02	006	018
2017					
Frequency	No. of injuries /Hours worked x 1 000 000	103	1807	2.7	1016
Severity	Lost days /Hours worked x 1 000	026	042	002	027

Human rights

Benetton Group has always taken care to convey a single, universal message: respect for diversity: every woman and every man in the world deserves equal access to the fundamental human rights.

Over the past 30 years we have talked about peace, work, freedom of expression and many other rights, often in collaboration with institutions and non-governmental associations, including the World Health Organization, FAO, the United Nations Agency for Refugees and Reporters Without Borders.

Our social communication goes hand in hand with a series of concrete initiatives covering a broad spectrum of topics, ranging from women's empowerment and fight against violence to respect of any sexual, political or religious orientation.

Supply chain management

Our first commitment in the field of human rights is to the people who work in the Group. Over the years, we have implemented a series of procedures and initiatives designed to ensure that all those involved in our supply chain are treated fairly and correctly.

Supplier selection

We select our suppliers not only based on product quality, competitive prices and transparency, but also on their compliance with social, ethical and environmental principles. A list of our active suppliers located all over the world is available on our web site.

www.benettongroup.com/sustainability/sustainable-supply-chain/

Code of conduct

Any individual or company that establishes a business relationship with us undertakes to comply with the Benetton Group's Code of Conduct, founded on compliance with human rights and protection of the environment. The Group's Code of Conduct implements the most relevant international regulations with particular reference to the UN Business and Human Rights of June 2011 and the Communication from the European Commission on the Renewed Strategy on Corporate Social Responsibility of October 2011.

CSR Audit

Benetton has implemented an audit program to monitor adherence with the Code of Conduct for Manufacturers, which applies to all finished garment producers, with particular attention to those located in

regions where respect for human rights and workers is considered more at risk. Suppliers to be audited are identified jointly by the CSR Management and the Operations & Sourcing functions, while the operating organization for the performance of the audits is entrusted with the CSR Management function. Audits are carried out by globally recognized independent auditing firms and based on a checklist developed internally according to the principles contained in the Code of Conduct for Manufacturers.

The CSR Audit function carries out audits on all producers of finished products regularly, repeated every six months as a minimum and every two years as a maximum, according to the results achieved and the need to correct procedures identified as critical in previous audits. In 2017, Benetton expanded controls on these issues and mostly carried out unannounced audits, while also updating the main tools used for the management of the audit process. In 2017, 314 (46%) suppliers were audited on their social impact. Of these, approximately 80% fulfilled the requirements. Eighteen relations were terminated due to deficiencies in implementation of corrective actions agreed upon.

In 2018, a specific CSR technical training will be carried out focusing on supplier audits and addressed to all employees of the headquarters and of the Group's foreign subsidiaries.

	2015	2016	2017
GRI 414-1 New suppliers that were screened using social criteria			
No. of new suppliers	78	68	59
of which:			
New suppliers screened based on their social impact	57.7%	67.6%	62.7%
GRI 414-2 Negative social impacts in the supply chain and actions taken			
No. of suppliers	718	622	677
of which:			
Screened based on their social impact	299	315	314
Identified as having significant negative social, real and potential impacts in relation to the community	35	62	60
Identified as having significant negative social, real and potential impacts in relation to the community with which improvement actions were agreed in order to mitigate the social impacts	65.7%	64.5%	76.7%
Identified as having significant negative social, real and potential impacts in relation to the community with which relations were terminated after assessment	62.9%	45.2%	26.7%

Accord on Fire and Building Safety in Bangladesh

In December 2017, Benetton Group confirmed its participation in the Accord on Fire and Building Safety in Bangladesh, launched in May 2013 after what is universally remembered as the “Rana Plaza tragedy”. The Accord, of which Benetton was one of the first signatories, is an independent initiative engaging over 200 businesses operating in the clothing industry worldwide, trade union associations, the International Labor Organization (ILO) and various other non-governmental organizations. The Accord, developed to guarantee safety and security in the clothing factories located in Bangladesh, also envisages the performance of independent audits and the transparency of the local textile supply chain.

The main points of the agreement are:

- a program including independent inspections supported by the signatory companies, including employees and trade unions;
- transparent communication of the list of the production sites, audit reports and corrective action plans;
- commitment by the signatory companies to ensuring the effective implementation of the corrective actions and maintaining ongoing commercial relations;
- the development of democratically elected

committees for health and safety in all the sites to identify the main risks linked to employee health and safety;

- employee upgrading through broad-based training, and
- the implementation of grievance reporting mechanisms and the right to refuse to work under unsafe conditions.

Social communication

Fabrica makes its social communication creativity and know-how available in order to assist humanitarian organizations in disseminating their messages. Below is a description of some projects that we have followed in the last years.

All for one, one for all.

In 2015, United Colors of Benetton celebrated the International Day to End Violence against Women with a campaign focusing on equal opportunities and non-discrimination including the sale of a limited edition orange colored item, the revenues of which were entirely donated to UN Women.

United to End Violence against Women

In 2016, United Colors of Benetton celebrated the International Day to End Violence against Women with a video signed by a group of Fabrica female authors with a choreography involving the participation of ballet

dancers Lucy Briaschi and Tiziana Bolfe.

Safe Birth. Even Here

Designed by Fabrica and launched in 2016 in partnership with UNFPA – the UN Population Fund – the “Safe Birth. Even Here” campaign was presented in New York during the 61st session of the UN Commission on the status of women. Composed of three images and a video, the campaign is designed to protect women’s and girls’ reproductive rights in humanitarian contexts.

Power Her Choice

All girls and women have the right to freely decide if and when they want to get pregnant. This is the key message that United Colors of Benetton and UNFPA, the UN Population Fund, conveyed through the “Power Her Choice” campaign on the occasion of the summit on family planning held in London. Designed by Fabrica, the campaign shows a light bulb shaped like a womb, a metaphor for how UNFPA can help to spark a new level of awareness among young women all over the world in relation to the benefits of family planning.

Because I am a Girl

In 2017, the Italian United Colors of Benetton stores hosted “Because I’m a Girl” pink corners, a project developed by the Italian Plan International agency, one

of the first international humanitarian organizations, to promote girls’ and young women’s empowerment in developing countries.

Tejiendo Futuro

In October and November 2017, Benetton Mexico launched the sixth edition of Tejiendo Futuro, weaving in the future, a contest in which young Mexicans were invited to shoot a short video on the future of their country. The initiative generated over a million views on youtube. The four winning videos – selected by a jury panel composed of representatives of United Colors of Benetton, Fabrica and the local.mx platform – were given a prize and shown on screens in three United Colors of Benetton stores in the city of Puebla.

Colorful Minds

In September and October 2017 we implemented the Colorful Minds project in Mexico, a campaign designed to encourage boys and girls to read more. With a minimum amount spent in the United Colors of Benetton stores and in the malls in Liverpool, our customers received the book by the British author Robert Winston entitled *What Makes Me Me?* as a gift. Promoted in the stores, on the Mexican radio and printed media, the initiative proved successful and was extended despite the earthquake that hit the country in the same period.

A multiethnic school



The creative partnership between United Colors of Benetton and Oliviero Toscani has re-started with a campaign revolving around a topic historically linked to the brand, brought again to the focus of international public attention in the last years.

"The problem of our world is integration. The future will depend on how much and how we will use our brain to integrate diversity, while overcoming our fears," said Oliviero Toscani.

The first of the two images of the campaign shows 28 children smiling in front of the photographer's lens in a Milan school classroom. They belong to thirteen different nationalities and come from four different continents.

The second shows ten pupils of a multiethnic class – from Burkina Faso, the Philippines, Italy and Senegal – surrounding a teacher reading Pinocchio aloud.

The two images – revolving around the concept of education as the key to building a better future – were published in November 2017 on the main Italian and international media.

They represent the beginning of a broader project addressing integration, one of the topics on which Fabrica will work in 2018.



UNITED COLORS OF BENETTON.



UNITED COLORS OF BENETTON.



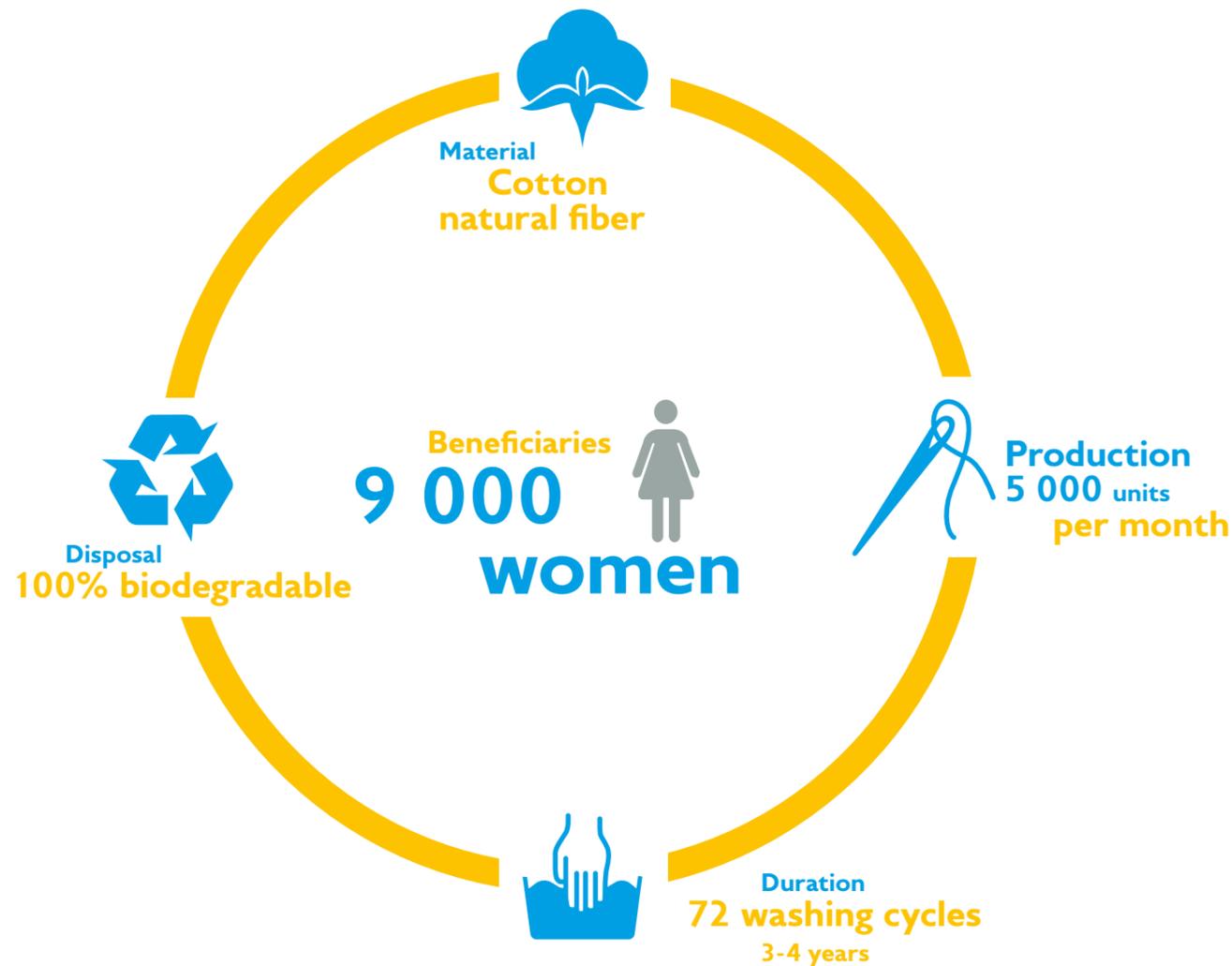
Women's empowerment in India

One of the most deeply felt social ills in India, the main market for Benetton Group outside Italy, is gender inequality. For this reason, in 2017 Benetton India launched a series of initiatives designed to promote women's empowerment and equality between men and women.

Aarohi

Aarohi is a project developed in 2017 to improve women's and girls' health during the menstrual phase, while concurrently reducing Benetton India's carbon

footprint. Aarohi is based on the use of Benetton's production scrap to develop high quality cotton sanitary napkins. The napkins, produced by a group of 100 Bangalore tailors, are soft, re-usable and easy to wash with soap and water. More than 20 000 napkins were distributed in 2017 by a series of partner organizations that operate in different regions of the country and combine assistance and education to fight the still widespread taboos in India in relation to menstruation. The Aarohi project received India's 2017 CSR Award.



Miss Woman with a Voice

In 2017 Miss Diva, the most famous beauty contest in India, hosted the Miss Woman with a Voice prize, sponsored by Benetton Group. Sixteen participants were encouraged to use their social profiles to raise funds in favor of the CRY Foundation. In one month, Rupia 2 118 044 (more than Euro 26 000) were raised to provide education for 600 young women involved in the Sparsha project, collaborating with 700 disadvantaged families living in Mumbai. The participant who raised the largest amount of funds was crowned Miss Woman with a Voice.

United by Purpose

In November 2017, Benetton India launched United by Purpose, a platform that enables communities of local artisans to develop items and accessories that will become part of the United Colors of Benetton collection. Developed with Devbhumi, an association engaging over 6 000 women residing in the Himalayan villages located in Utrakhand, the first capsule collection includes a series of scarves produced with a precious local silk variety. Revenues will be donated to Devbhumi, which will use them to protect the delicate local ecosystem.

Nanhi Kali

Through the Nanhi Kali project, Benetton Group supports the extra-curricular education of 600

students from disadvantaged families of the Indian cities of Gurgaon and Noida. Nanhi Kali was launched in 1996 by K. C. Mahindra Education Trust, a long-standing Indian humanitarian organization, which has provided access to education for more than 200 000 girls and young women.

Sakhi

Sakhi means "friend" in Hindi language and is a program that Benetton India launched in 2016 in favor of a group of its female employees with a low level of education and coming from disadvantaged classes in the Gurgaon area. Through the program, these women have access to health controls, foreign language courses and craftsmanship labs.

POSH

Since March 2015, Benetton India has translated the Indian law that provides protection to women from sexual harassment in the workplace within the context of the POSH (Policy on Prevention of Sexual Harassment at Workplace) project. Through POSH, Benetton India ensures that the work environment promotes equal opportunities and professional growth and that every woman working in the company receives equal treatment, is treated with dignity and respect and receives protection against sexual harassment in the workplace.

With the Aarohi project we intend to reach out to more than 12 000 Indian women in 2018 and 50 000 in the next three years, with special focus on teens.

United by Half



In India, women are less educated and have fewer opportunities than men. Moreover, they are all too often subject to physical and psychological violence and restriction of their individual freedom.

On February 14, 2017, on Valentine's Day, Benetton launched "United by Half", a communication campaign

designed to challenge gender stereotypes and promote a culture based on equality between women and men in India.

Immediately after the launch of the campaign, the hashtag #UnitedbyHalf became a trending topic in India, a result that repeated regularly in the subsequent months.

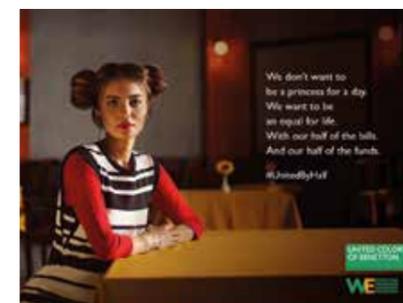
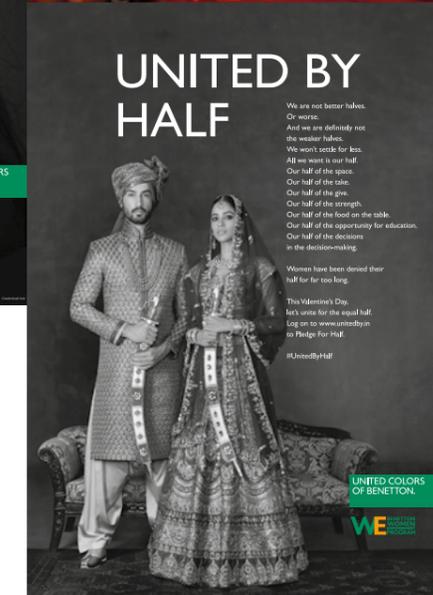
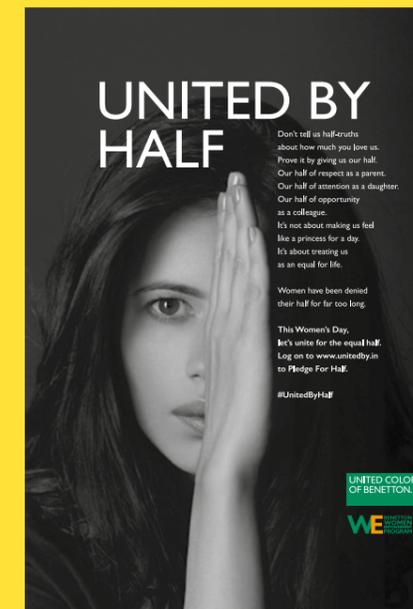
The video of the campaign, showing women demanding a place in Indian society, was viewed over ten million times on the social media and by eight million viewers at the cinema and on television. The press and the radio campaigns reached out to nearly six million people.

Various magazines and celebrities published articles and comments regarding the campaign online, contributing to fueling 20 000 online discussions on United by Half, on women's empowerment and gender equality topics.

On the occasion of March 8, International Women's Day, United by Half was re-launched globally.

The success of the campaign was particularly significant if we consider that in India, Benetton Group's largest market outside Italy, the brand is particularly popular among men. The campaign is addressed to them, encouraging them to treat women as their peer partners.

In the period immediately after the campaign, Benetton India increased both its sales and reputation among the Indian population.







A green company

Green is not just the color of the United Colors of Benetton brand. It is also a philosophy that has permeated the Benetton Group culture for decades. Born in the '60s, when the concept of sustainability was in its early days, the Group has grown in a society in which environmental protection has become the pillar of any successful business.

Today, our commitment is reflected in a series of projects and strategies designed to reduce the carbon footprint of our activities by accurately selecting materials and constantly improving process efficiency in every link of our supply chain.

Projects for the environment

Sustainable materials

- Wool
- Sustainable cotton
- Certified down

Management of environmental impact

- Reduction in the use of chemical pollutants
- Logistics
- Focus: The Castrette logistics hub
- Headquarters and stores

Towards a circular economy

- Rationalization of collections
- Experimental treatments

Projects for the environment

Product life cycle



Stores

- Energy efficiency
- » Renewable energy » LED lighting
- » FSC papers (shoppers, cardboard, ...)

Head quarters

- Waste management » Energy efficiency
- » Renewable energy

Logistics



- Intermodal transports » CO₂ reduction
- » Saturation of transportation » Reduction of packaging

Manufacturing



- Dress Safely » Product tests
- » Detox (Wet process, ZDHC)
- » Whole Garment Tech (TV-31100)

Research & Development



- Mineral Dye » B-Wool » B-Long » TV-31100

Sourcing



- Detox (Wet process, ZDHC) » IWTO » BCI
- » Sustainable cotton » Responsible Down Standard

Sustainable materials

One of our priorities is the selection of outstanding quality raw materials with reduced environmental impact. Today, 85% of the fibers that we use to make our garments are natural, and approximately 50% of our items are monofiber, i.e. easier to recycle.

We make this effort on a daily basis on behalf of our customers, who demand increasingly sustainable and sophisticated products also for the future of our planet, which will only be bright if we use resources responsibly and respect the world around us.

GRI 301-1 Raw materials	unit	2015	2016	2017
Total	t	33 682	29 939	25 761
Renewable				
Cotton*	t	23 856	20 994	18 806
Wool*	t	1 353	1 376	926
Linen*	t	391	386	370
Mixed (natural fibers)	t	199	230	244
Non-renewable				
Artificial fibers	t	1 838	1 811	1 636
Mixed (natural/artificial/synthetic fibers)	t	6 044	5 142	3 779

* pure raw material > 35%

Data refers to Benetton Group S.r.l., Benetton India Private Ltd. and Benetton Korea Inc.

Wool

Benetton Group's core business is knitwear and outstanding quality wool is a must. In 2017, we implemented a series of initiatives to obtain certification of the quality of our wool, a fiber that can be regenerated, and to consolidate our position as global stakeholder for all the decisions that involve the queen of all of the fibers we use.

Woolmark

94% of the wool garments (monofiber) produced by the Benetton Group are made of 100% pure wool, with no regenerated fibers or other fibers added. Since 2017 this effort has been rewarded by the Woolmark certification, a global authority for wool. Its brand on our products provides assurance to consumers on the fact that our products have been rigorously tested and stand out for their absolute quality.

94% of our garments are made of **pure wool**

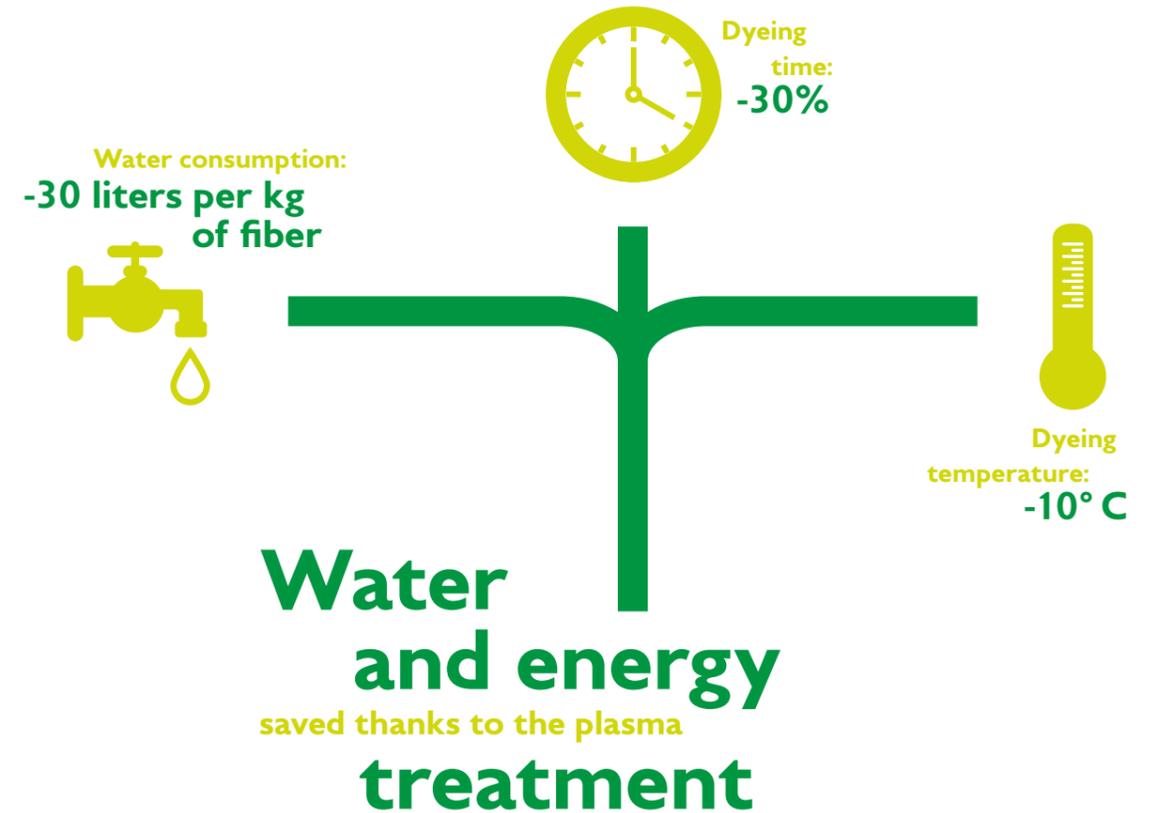
IWTO

In 2017 we were the first fashion company in Europe to join the IWTO, the International Wool Textile Organization. As members, we will be constantly updated on the latest news in the industry, we will promote a dialogue with the other players, share costs and decisions, reduce risks, maximize resources and influence the choices that shape the future of the wool market at the global level.

B-Wool

In 2017 we implemented an experimental project that resulted in four products made of B-wool, a new type of wool that is treated with atmospheric plasma processes with low environmental impact. These

treatments make it possible to wash the item in the washing machine, preventing the development of surface fuzz, improving its look and making ordinary maintenance easier.



Source: Olimpias Tekstil d.o.o.

In 2019, the international conference organized by the International Wool Textile Organization will be held in Venice. Underscoring the Group's commitment, one of the days of the conference is scheduled to take place in our offices at Castrette.

Sustainable cotton

From polo shirts to sweaters, from t-shirt to the Undercolors branded items, cotton is another fundamental fiber in our collections. For this reason, we are committed to continuously increasing our sustainable cotton supply to produce quality items with a reduced carbon footprint.

Organic cotton

In 2017, organic cotton, cultivated according to the principles of organic agriculture with no GMOs and with a lower carbon footprint, accounted for 5.5% of the overall production of all of our cotton products.

BCI

In 2017 we joined BCI (Better Cotton Initiative), the world's largest project dedicated to cotton sustainability. From now on, a growing percentage of the cotton included in our collections will be cultivated and collected by farmers trained to minimize the use of fertilizers and pesticides, use water and the soil in a

sustainable way and comply with the principles of equity in labor relationships.

Certified down

In May 2017, United Colors of Benetton obtained the Responsible Down Standard (RDS), a certification that guarantees that the feathers and down used in its collections come from geese and ducks reared in accordance with the principles and criteria of animal wellbeing.

RDS verifies – independently, through the evaluation of neutral and specialist bodies – all aspects that refer to animal farming and care, including feather and down traceability from its origin to the final product.

The objective is to reassure consumers on the fact that their purchase contributes to improving the living conditions of the geese and ducks involved in the production process.

Our objective is to exceed 80% of sustainable cotton in our collections by 2020.

Management of environmental impact

Benetton Group's contribution to the fight against climate change translates into a series of initiatives designed to reduce the consumption of energy, CO₂ emissions and the use of chemical pollutants.

This commitment involves different areas of our supply chain, from production to logistics to stores.

Reduction in the use of chemical pollutants

This year too, we have confirmed our commitment, undertaken in 2013, to eliminate the most harmful chemicals from our production processes by joining the Greenpeace Detox Commitment, which foresees the total elimination of eleven groups of chemicals by 2020, the adoption and publication of a "Restricted Substances List" (RSL) and the publication of the wastewater discharges of the suppliers involved in the wet processes (dyeing and washing).

Detox Catwalk

In 2016 United Colors of Benetton was appointed leader in the Detox Catwalk, a ranking prepared by Greenpeace to reward the brands that make important inroads in reducing the use of chemicals in their collections. The success of the Detox Catwalk is the result of the Benetton Group's efforts to eliminate eleven dangerous chemicals from its

products and production processes by 2020.

ZDHC Wastewater Guidelines

Since 2013, Benetton Group has carried out a water testing program on its wet processes as it aims to eliminate harmful chemicals from its production processes and products in accordance with the Detox Commitment. Since 2017, the internal protocol was integrated and replaced by the Wastewater Guidelines, designed to consolidate the testing process, which allow for an additional and more uniform sharing of the data while ensuring greater safety for consumers, employees and the environment.

Wet Supply Chain

In 2017 we reached the objective of publishing 80% of the outcomes of the tests carried out on the waste water of the suppliers involved in the wet processes, mainly dyeing laboratories and laundries.

GRI 308-2 Negative environmental impact in the supply chain and actions taken by the Group			
	2015	2016	2017
Total number of suppliers of which:	718	622	447
Assessed for environmental impacts	42	67	66
Identified as having significant actual and potential negative environmental impacts	31	18	22
Identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment	31	18	22
Identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment	100%	100%	100%
Identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment	4	15	16
Identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment	12.9%	83.3%	72.7%

SAC

In 2017 we joined SAC (Sustainable Apparel Coalition), the alliance promoting sustainable production, including fashion, footwear and textile brands.

Logistics

The Benetton Group's business model puts the consumer at the center of all company processes. This approach contributed to the development of our logistic strategy, which hinges on service customization based on the needs of the points of sale, a reduced environmental impact and the attainment of a higher level of traceability for its garments through the "End-to-End Visibility Control Tower", which allows to manage the supply chain from one single observation point and identify at any time any Benetton product aggregation with a level of detail that reaches single SKUs.

Intermodal transportation

In 2017, in the field of intermodal transportation, we confirmed our commitment to reduce the carbon footprint of our logistical and distribution activities. The garments we produce in China are transported to Poland by train and then by truck to Castrette. We also carried out two tests that combine train+road and ship+road to the Russian Far East and Portugal, respectively.

Reduced CO ₂ emissions	unit	2015	2016	2017
Logistics	t CO ₂	26 885	20 821	25 744
Intensity index	g CO ₂ /item x km	0078	0068	0087

The closing of the Shenzhen packaging hub (China) and the resulting increase in transportation by air for exports, is the main cause of the worsening

As SAC members, starting from 2018 we will begin to use the Higg Index , i.e. a series of tools that will replace our internal protocol to measure our environmental impact on the entire supply chain.

Methane

In 2017 we tested transportation on methane fuelled vehicles in inbound flow from the ports of Genoa and La Spezia to Castrette. The test involved 5% of the containers from June to December 2017: the transportation on methane fuelled vehicles resulted in 10%-15% CO₂ emissions saved compared to the use of diesel fuelled vehicles.

Saturation of transportation

Thanks to the elimination of pallets, we have optimized packaging storage on our vehicles, eliminating one truck in five for the transportation of our merchandise in Italy and Europe. This and other measures enabled us to reduce CO₂ emissions linked to the transportation of merchandise on the road by 25%, resulting in 511 tons of CO₂ saved every year.

of 2017 figures compared to the previous year. For 2018 a series of initiatives will be launched to compensate for this factor.



CO₂ emissions
 saved as a result of saturation of transportation
511 tons

Reverse Logistics

All the unsold items are collected in a single warehouse, in Biadene della Trevisia, and from there routed to outlets and wholesalers.

Packaging

Thanks to the use of reusable metal baskets, Benetton Group saves over 1 300 tons of cardboard every year, corresponding to approximately 20 000 trees.

FSC certified paper

Today, catalogues, brochures and other paper-based communication materials used by the Benetton Group are developed in FSC (Forest Stewardship Council) paper, also used for the store shoppers, treated with water based inks. FSC is the global trademark that identifies products deriving from controlled forests managed according to social and environmental sustainability criteria.

Packaging material

GRI 301-1 Raw materials	unit	2016	2017
Total	t	6 230	5 870
Renewable			
Paper and cardboard	t	5 140	4 876
Not renewable			
Polyethylene (PE)	t	1 088	993
Iron	t	2	1

Data refers to Benetton Group S.r.l., Benetton India Private Ltd. and Benetton Korea Inc.

In 2018, with the objective of improving our traceability standards, the Benetton Group will evaluate the adoption of a software that memorizes and automatically calculates the amount of CO₂ emissions for the entire logistic network.

Starting from 2018 orders will be prepared dedicated to clothing items destined to the Mexican market, one of our main foreign markets, in order to anticipate inbound flows to Castrette and convert a percentage of transportation by air into a fast sea service, with an expected CO₂ saving of 97%.

The Castrette logistics hub



In the last few years, the evolution of the business model adopted by the Benetton Group required increased focus on logistic processes and the total integration of the same into the corporate production cycle, from order collection to packaging and delivery to the store.

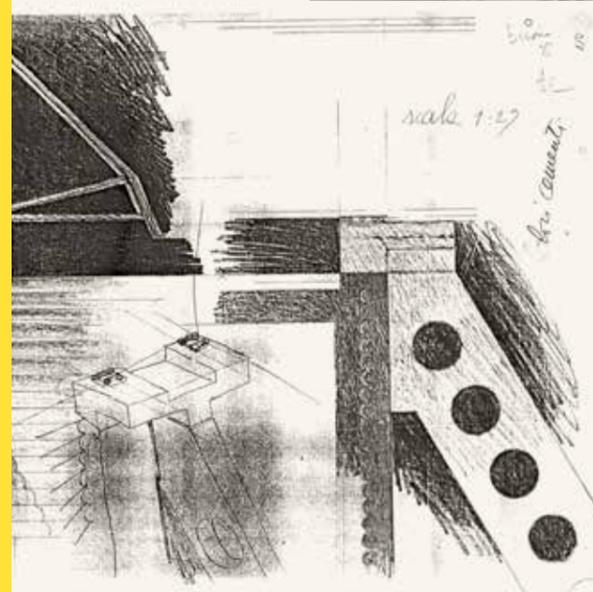
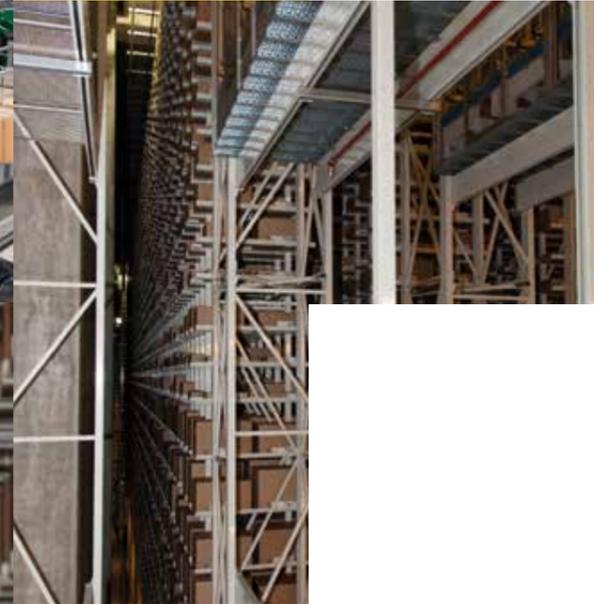
In particular, since 2015, we manage the supply chain from a single point of view, integrating the entire chain from suppliers upstream to the stores downstream.

The key center of this model is the logistic hub of Castrette. Designed by the Italian architect Tobia Scarpa, the hub is the place where all orders of all the brands owned by the Group are prepared for shipment, via road, sea and air, to over 5 000 stores located all over the world.

The hub operates round the clock from Monday to Saturday, and its potential (nominal) handling capacity is of 120 000 packaging items per day (60 000 inbound and 60 000 outbound). Expanded by the same architect Scarpa between 2007 and 2009, it is 20 meters high (five meters underground) with corridors of over 160 meters in length, and extends over a surface of approximately 30 000 sq m.

Today, the automated distribution center features 46 next generation machines (stacker cranes), that guarantee 30% energy savings: during deceleration they use inertia instead of brakes, thus generating energy that is then pre-distributed to the system.

Thanks to the completely digitalized connection with customs, inbound and outbound customs operations are also carried out at the Castrette hub. The EU AEO (Authorized Economic Operator) certification, which the Benetton Group has held since 2009 as a highly qualified operator compliant with customs regulations, ensures very high levels of efficiency.



Headquarters and stores

Since 2015, Benetton Group has carried out energy diagnosis tests on a representative sample of stores and in the headquarters of Ponzano and Castrette. These valuations provided a snapshot of the energy consumption structure of the areas analyzed, enabling the Company to identify the major criticalities and consequently define and develop a structured energy efficiency plan.

GRI 302-1 Energy consumption	unit	2015	2016	2017
Total electricity - headquarters	kWh	18 617 341	18 196 465	18 124 756
	GJ	67 022	65 507	65 249
Total electricity - stores	kWh	35 123 932	36 096 006	36 146 392
	GJ	126 446	129 946	130 127
Total electricity	kWh	53 741 273	54 292 471	54 271 148
	GJ	193 469	195 453	195 376
Total gas*	m ³	1 172 366	1 122 963	1 331 664
	GJ	41 049	39 326	46 787
Diesel	l	57 211	54 104	57 351
	GJ	2 057	1 945	2 062
Gasoline	l	89 562	91 002	114 097
	GJ	2 930	2 978	3 733
District heating	kWh	172 545	131 929	131 000
	GJ	621	475	472
Total energy consumption	GJ	240 127	240 177	248 430

* The breakdown of natural gas consumption between headquarters and stores is not available. Figures relative to the consumption of natural gas in 2015-2016 include only a certain number of stores in Italy.

Data Center

In 2012 we began works to improve the efficiency of the Benetton Data Center – absorbing approximately 35% of the total energy of the campus. These resulted in massive energy savings.

Renewable energy

In 2017, the energy feeding the entire Benetton campus and 65% of the stores in Italy was generated by renewable sources (water and ocean).

Thanks to a project including the redistribution of work spaces and plant management and revamping, in 2017 the Benetton Group was again successful in optimizing and reducing energy consumption in its headquarters. Similar efforts were made to improve energy efficiency in the stores with the installation of highly efficient air conditioning systems, the use of LED lamps and the installation of self-reading energy meters.

Non commercial investments

Over one half of the non commercial investments made in 2017 targeted plant safety improvement. Moreover, we have developed a new thermal station and replaced road lighting with energy efficient, long lasting LED bulbs in the factories of Ponzano and Castrette.

GRI 305-1 / 305-2 Emissions	unit	2015	2016	2017
Scope 1 emissions (GRI 305-1)				
Natural gas consumption in headquarters and in direct points of sales*	t CO ₂	2 292	2 195	2 615
Diesel	t CO ₂	151	143	152
Gasoline	t CO ₂	215	218	274
Total	t CO₂	2 658	2 557	3 041
Scope 2 emissions (GRI 305-1) – Location Based				
District heating	t CO ₂	36	27	26
Electricity consumption in headquarters	t CO ₂	7 012	6 854	6 829
Electricity consumption in direct points of sales	t CO ₂	13 973	14 424	14 357
Total	t CO₂	21 022	21 305	21 212
Scope 2 emissions (GRI 305-1) – Market Based				
District heating	t CO ₂	36	27	26
Electricity consumption in headquarters	t CO ₂	8 161	8 507	426
Electricity consumption in direct points of sales	t CO ₂	17 147	17 513	12 340
Total	t CO₂	25 344	26 046	12 792

* The breakdown of natural gas consumption between headquarters and stores is not available.

The decrease, compared to 2016, in emissions related to electric energy consumption is due to the purchase

of “Green energy” certificates made during 2017.

Europe average API

API 2015	007761
API 2016	008125
API 2017	007721

The API index shows a reduction in energy consumption in 2017 as a result of the energy efficient actions started in the previous year with the installation of innovative, highly efficient air conditioning systems, the adoption of LED technology lighting systems and the introduction of self-reading energy meters that identify the major use centers. The light increase in

The API (Area Performance Index) index measures annual energy consumption rates of a store in relation to its sale surface and the total of opening hours in one year. The index is used by the Group to monitor and compare energy consumption rates of the directly managed stores.

consumption rates recorded in 2016 was attributable to the particularly long winter season in the year in question. The solutions implemented in several stores in 2017 are proving efficient in the entire European perimeter and are expected to provide the opportunity for further general energy performance improvement in the future.

Towards a circular economy

On Canvas

In 2017 we developed and replicated the “on canvas” project in several locations. This store model combines architectural restyling with energy efficient actions, like the use of LED bulbs and the installation of highly efficient air conditioning systems. The furniture in our stores is in FSC (Forest Stewardship Council) – the global trademark that identifies products deriving from controlled forests managed

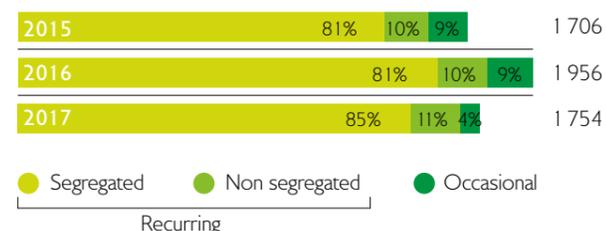
according to social and environmental sustainability criteria – certified wood and in Leed certified ceramic.

Waste management

Benetton Group operates in compliance with the industry’s regulations and behaves responsibly with regard to waste management and its ethical and environmental consequences.

Total waste production		2015		2016		2017	
	unit	Total	%	Total	%	Total	%
Total	t	1 706	100	1 956	100	1 754	100
of which:							
Recurring waste	t	1 558	91	1 781	91	1 679	96
of which segregated	t	1 390	81	1 593	81	1 492	85
of which non segregated	t	169	10	188	10	187	11
Occasional waste	t	148	9	175	9	75	4

Waste production (t)



Our initiatives in the field of environmental sustainability are not isolated, but are integrated in a medium-long term strategy of circular economy, designed to improve the sustainability of our production processes by gradually limiting the quantity of inbound material and energy while concurrently reducing waste and outbound losses.

Already in 2017 the Benetton Group launched a series of initiatives intended to improve the circular supply chain, from design to production to consumption and end-cycle.

Rationalization of collections

During the year, we have reduced the volume of production and increased the quality of our garments and materials. This strategic decision – which has a clear impact on the Benetton Group’s carbon footprint – is a response to the need to make consumers buy fewer garments, which will last for a longer time.

reducing waste of resources and the use of chemicals harmful to the environment.

Mineral-based dyes

In the year, we sold more than 160 000 items in organic fabrics, garment dyed using mineral-based dyes. This project follows the experimentations of the past years in the field of mineral-based, more sustainable dyes.

B Long

B Long is a comprehensive strategic project designed to ensure the quality and duration of our garments through the selection of raw materials, a series of functional tests, an in-depth analysis of consumers’ real needs and communication efforts to provide our customers with detailed instructions on garment care and repair.

Denim washing

In the year, we experimented with lasers and ozone-based washing for denim items. Thanks to these treatments we considerably reduced the consumption of water and the use of chemicals and we eliminated the use of potassium permanganate.

Experimental treatments

In the year, we have experimented alternative treatments for our collections, with the objective of

By end of 2018 we will complete the design of a new store format in line with sustainability principles. We are evaluating the possibility of an automated management of the systems and the use of decorative materials deriving from production leftovers.

In 2018 we will publish a series of videos to explain to consumers how to care for garments (washing, drying and ironing) and carry out small repairs on Benetton items, so that they will last longer and not be replaced.





A numbers company

For the clothing sector 2017 was a year characterized by strong ups and downs, with many brands performing well below expectations from an economic-financial perspective. In this context, Benetton Group underwent a transition as a result of the changes in its governance and a renewed focus on its core business. This led to a reduction in revenues, with negative economic results also impacted by some asset writedowns.

Despite the negative scenario, Benetton is committed to maintaining its focus on innovation and supporting its capex plan. In 2018, the Group expects a weak market performance. The recent signs of increased collection likeability and the implementation of corporate projects – like the new store layout and the promotion of multi-channel distribution – are positive both in terms of revenues and margins.

Financial
capital

Production
capital

Financial capital

In 2017, the pursuit of the Group's rationalization and restructuring strategy resulted in a negative impact on the Company's accounts.

GRI 201-1 Economic value generated and distributed by Benetton (thousand Euro)			
	2015	2016	2017
Economic value generated	1 616 803	1 489 759	1 341 314
Economic value distributed	1 553 300	1 461 274	1 397 451
Operating costs	1 285 080	1 187 930	1 126 330
Distributed to employees	232 426	224 017	232 263
Distributed to capital lenders	13 347	12 807	15 720
Distributed to PA	16 728	33 548	20 751
Distributed to the community	5 717	2 970	2 384
Total economic value retained	63 503	28 485	(56 137)

In 2017, the economic value generated by Benetton Group amounted to Euro 1 341 million, the economic value distributed was equal to Euro 1 397 million, while the economic value retained totaled Euro -56 million.

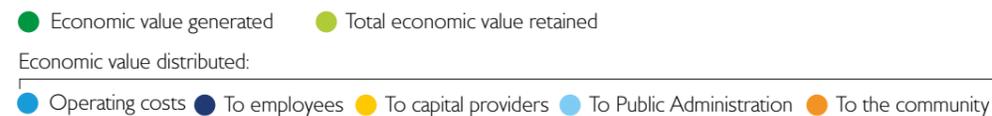
The reduction in the economic value distributed was mainly due to:

- reduced sales volumes of the Spring/Summer and Fall/Winter 2017 collections to IOS clients also as a result of a reduced number of third party stores, some of which were converted to the DOS and FOS channel, and fewer shipments relative to the Spring/Summer 2018 collection made at year end;
- the negative performance of comparable directly operated stores, in particular in Italy, Spain, Germany and Turkey; the results of the latter reflect the

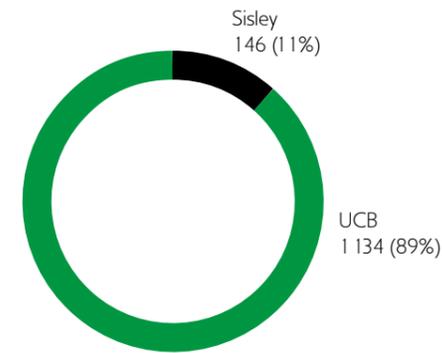
country's unfavorable political and economic climate: margins on collections, slightly down compared to 2016.

Despite the reduced economic value comprehensively generated, the Group honored the commitments undertaken vis-à-vis its stakeholders: the most relevant share of the economic value distributed (81.29%) is allocated to supplier compensation, in particular with regard to the management of the operating and management-related services and raw materials purchase. 18.7% is allocated to the compensation of Human Resources, including all the amounts envisaged in the corresponding employment contracts and the welfare system guaranteed in favor of the Group's employees.

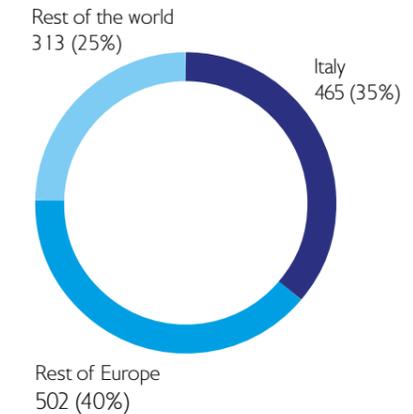
Economic value generated and distributed (thousand Euro)



2017 net sales by brand (million Euro)



2017 net sales by geographical area (million Euro)



65%
of sales
overseas

1 397 451
Economic value distributed

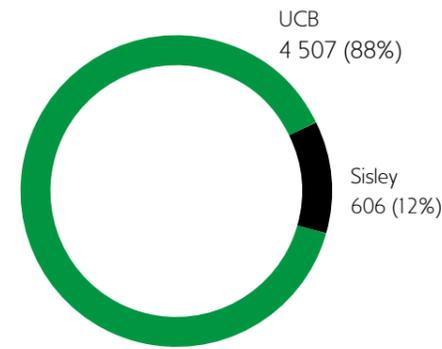
Production capital

GRI 204-1 Value of procured products (Euro)						
	2015		2016		2017	
Emea	389 985 331	50.4%	353 312 938	51.0%	287 045 960	46.6%
Asia	381 362 051	49.3%	336 053 624	48.5%	324 998 313	52.8%
Rest of the world	2 422 616	0.3%	3 345 159	0.5%	3 418 931	0.6%
Total	773 769 998		692 711 720		615 463 204	

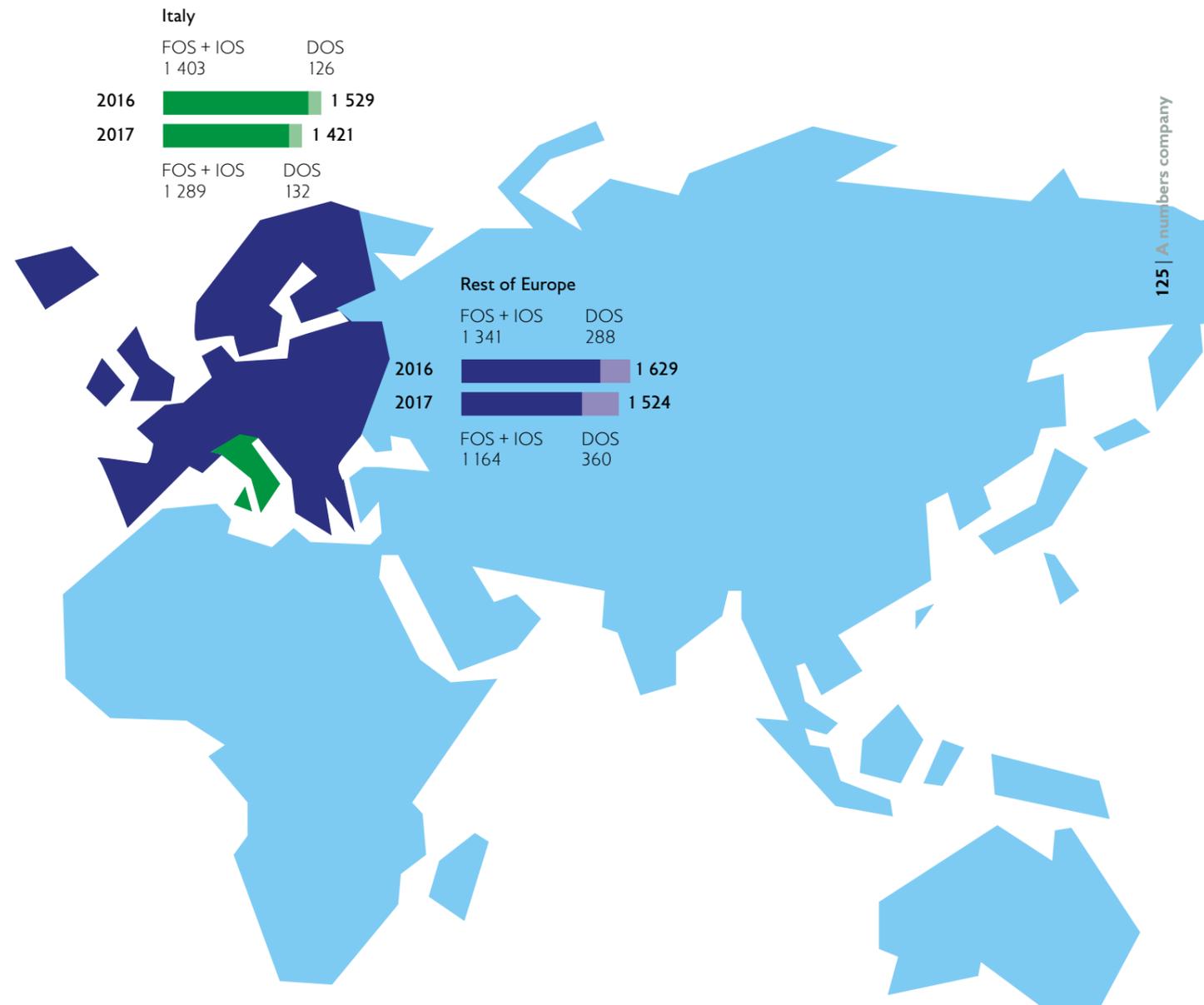
Most of the suppliers Benetton relies upon for the manufacturing of apparel and accessories are currently located in Asia (approximately 53%); China, India and Bangladesh, in particular, represent the largest share of Made-in production. Based on a long-term

perspective, in 2018 Benetton started a revision of its purchasing strategies in order to concentrate a more significant sourcing share in the EMEA countries for reasons correlated to logistics efficiency, reduced time-to-market and proximity to the Italian market.

Benetton Group distribution network in 2017 (no. of stores)



In a broader perspective, production capital also includes the Group's distribution network, currently involved in a complex process of development and rationalization, characterized by the conversion of some of the stores previously managed by IOS clients to directly operated stores, as well as new openings and restyling. In fact, the main investments in the period referred to the support for the development of the direct commercial network and the restyling and expansion of existing stores, especially in Italy, Spain, Mexico and India. Italy remains the Group's main market of reference, but the extensive distribution of the commercial network confirms Benetton as a global player.







Appendix

Methodological notes

Benetton Group's Integrated Report illustrates how value is created over time through the connections between financial and non-financial factors, and the business's primary sustainability performance indicators.

The principles and content of the "International <IR> Framework" issued in December 2013 by the International Integrated Reporting Council (IIRC) were taken into account for the drafting of the Integrated Report. The report was also prepared in accordance with the "GRI Sustainability Reporting Standards" defined in 2016 by the Global Reporting Initiative (GRI), adopting the In accordance - Core option.

Our stakeholders

Taking the areas of Company activity into account, Benetton Group has mapped its stakeholders, dividing them into:

- **internal:** people that are part of the Company;
- **external:** people that work along the Group's value creation chain or that are indirectly influenced/affected by the Company's activities.

During this operating period around 30 relevant categories of stakeholders were identified, which, through dedicated interviews and workshops with the main Company functions, were subsequently prioritized on the basis of:

- their dependence on Benetton;
- their influence on Benetton.

Benetton Group stakeholders



In 2017, Benetton Group confirmed a number of stakeholder engagement activities launched in the previous year.

In particular, the "Internal Communication" project, designed to reinforce the Group's communication and increase the level of knowledge of all Benetton employees, was further pursued with the implementation of 20 KNIT points, i.e. monitors installed in the headquarters of Ponzano and Castrette, displaying key content regarding the life of the Company.

Benetton Group's commitment to building solid relations with its stakeholders also takes the form of targeted "Public Affairs" activities. To this end, the initiatives launched by the Group in 2017 mainly focused on the Company's participation in several workshops focusing on social and environmental sustainability.

In February and October 2017, Benetton Group participated in the "Social Corporate Responsibility and Social Innovation Roadshow", which was held in Portogruaro and in Milan, testifying to its experience of excellence in adopting the Greenpeace Detox Program. Both events provided an opportunity for Benetton Group to exchange relevant business and service experiences that share a common vision on sustainable development oriented towards green economy and circular economy.

In April 2017, the Associazione Nazionale dei Tecnici Professionisti del Sistema Moda (ANTIA; the Italian Association of Fashion Operators) selected Benetton to host its spring conference focused on industry 4.0, sustainability and reshoring. The event served as a forum for professionals who operate in the technical and production areas of clothing businesses, where Benetton stands out as a model of process innovation and integration.

In June 2017, on the occasion of the London summit on family planning, Benetton Group, in collaboration with the United Nations Population Fund (UNFPA), launched the "Power Her Choices" campaign: an event

that enabled the Group to expand its network of institutional relations, confirming its engagement in humanitarian issues.

In addition, during the year Benetton Group carried out an ongoing legislation monitoring activity with the aim of identifying issues potentially subject to regulation, institutional dynamics and movements of opinion, thus enabling it to interpret the political, institutional and social context in which the Company operates. The main aspects subject to monitoring in 2017 regarded the following areas:

- human rights
- environment and product life cycle
- product-related policies (toxic substances, consumer health)
- animal welfare
- supply chain and stakeholder engagement
- ethics in business
- communication
- consumer rights

Materiality assessment

The degree of detail with which the different topics within the Report are treated reflects the results of the materiality assessment.

The materiality assessment is a process aimed at identifying, assessing and prioritizing the most significant issues from both the Company's point of view and that of its stakeholders. As envisaged by the GRI Standards, material topics are identified by considering the importance of the impacts of business activities both within and outside the reporting perimeter, meaning throughout the entire value chain of Benetton Group. The materiality assessment carried out in 2016, with the involvement of the Company's management, was

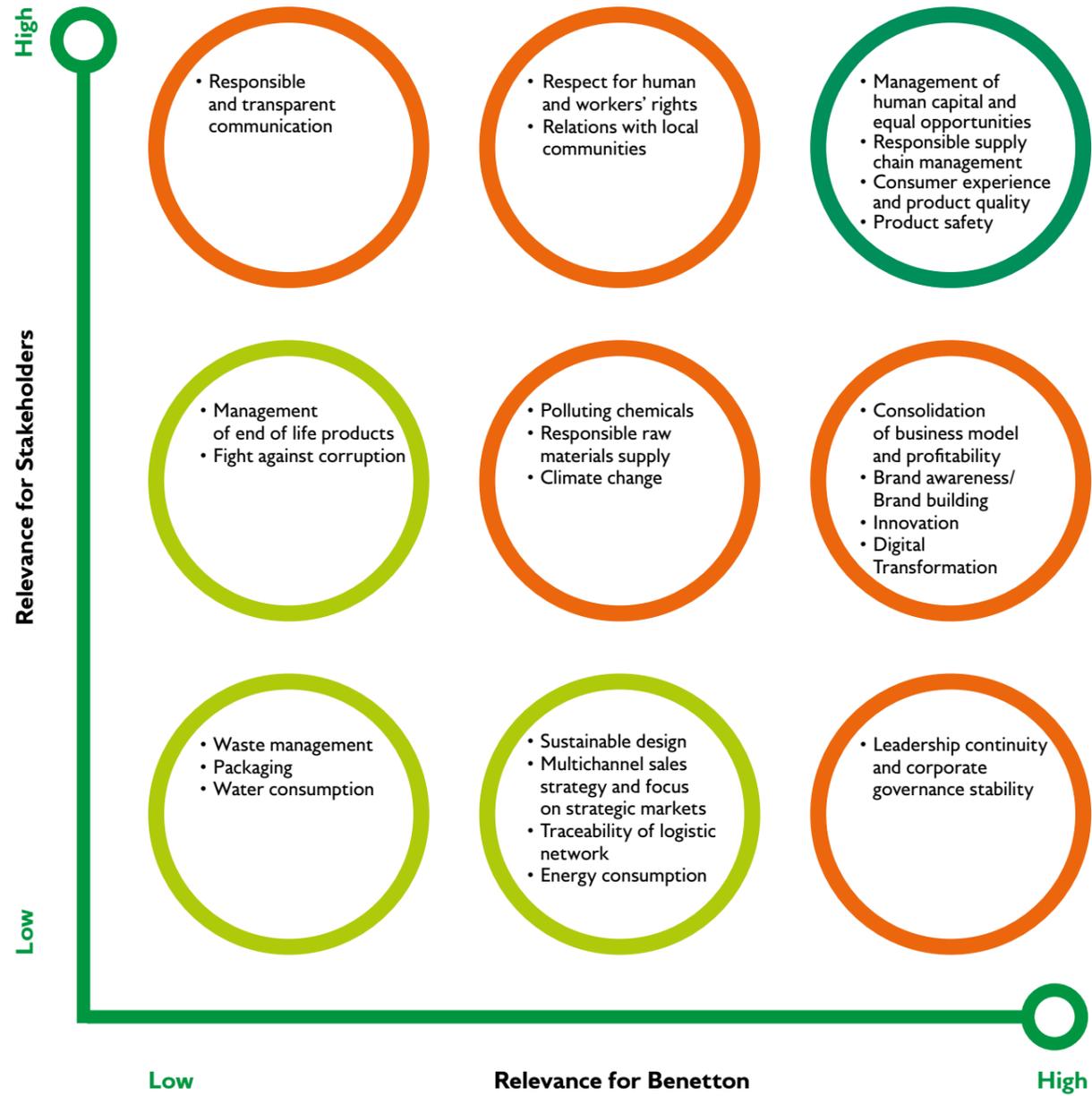
updated in 2017 in the light of the changes applied to the Group's governance and as a result of the expanded reporting perimeter. The analysis confirmed the material items identified last year through the following procedure:

- media analysis aimed at mapping media coverage and public interest in each topic;
- benchmark analysis of the topics covered by major companies operating in the same sector as Benetton Group;
- mapping of priorities and strategic business objectives;
- prioritization of the identified topics through individual interviews with management during which the key business functions were asked to rank the topics in the order of their importance for Benetton Group;
- the analysis of the relevance of the topics for stakeholders was carried out by weighting each single aspect in terms of its importance to the stakeholder in question;
- aggregation of the interview results and processing using criteria that take into account other qualitative aspects, as well as the perception of Company management.

As regards the relevance for Benetton Group the following factors were considered:

- Company commitment and policies concerning each topic;
- the impact of each topic on the Company's capital as identified by the framework <IR> (financial, manufactured, intellectual, human, natural, social and relationship capital).

With regard to the importance for stakeholders, the primary factor was the specific relevance of the different topics for the sector in which Benetton Group operates.



The material topics were then cross-checked against the aspects defined by the GRI Standards, as set out in the following table. The table also indicates the perimeter of each aspect and any limitations involving failure to extend reporting to the perimeter outside the organization

As for the material aspects outside of Benetton Group, but currently not reported, the Company will focus its attention in coming years on implementing specific activities designed to gradually extend the scope of disclosure.

GRI standard material aspects	Perimeter by aspect		Disclosure limitations on perimeter by aspect	
	Internal	External	Internal	External
Economic performance	Group	-	-	-
Procurement practices	Group	-	-	-
Raw materials	Group	Suppliers	-	Disclosure partially extended to suppliers
Effluents and waste		Suppliers	-	Disclosure partially extended to suppliers
Emissions	Group	Suppliers; Logistics; Indirect stores (IOS/FOS)	Disclosure partially extended only to direct stores and to the Italian headquarters	Disclosure not extended to indirect stores and suppliers; partially extended to logistics
Supplier environmental assessment	Group	-	-	-
Employment	Group	-	-	-
Labor/management relations	Group	-	-	-
Health and safety in the workplace	Group	Suppliers	-	Disclosure not extended to suppliers
Training and education	Group	Indirect stores (IOS/FOS)	-	Disclosure partially extended to indirect stores
Diversity and equal opportunity	Group	Suppliers	-	Disclosure not extended to suppliers
Non-discrimination	Group	Suppliers	-	Disclosure not extended to suppliers
Freedom of association	Group	Suppliers	-	Disclosure not extended to suppliers
Child labor	Group	Suppliers	-	Disclosure not extended to suppliers
Forced or compulsory labor	Group	Suppliers	-	Disclosure not extended to suppliers
Local communities	Group	Suppliers	-	Disclosure not extended to suppliers
Supplier assessment for impacts on society	Group	-	-	-
Customer health and safety	Group	-	-	-
Marketing and product labeling	Group	-	-	-
Socioeconomic compliance	Group	-	-	-

Reporting perimeter and sustainability context

This document is the second edition of Benetton Group's Integrated Report and contains a description of initiatives and activities carried out during calendar year 2017 and performance trends during the three years from 2015 to 2017, if available.

Performance indicators are gathered and reported on an annual basis.

The information reported refers to Benetton Group S.r.l. and all its subsidiaries in Italy and abroad, except for Ben Mode AG, with offices in Switzerland.

The reporting perimeter coincides with the above, except for some data relative to the following indicators: GRI 108-1, 102-41, 401-3, 403-2, 404-1, which for the 2015-2016 two-year period were limited to Retail Italia Network S.r.l., Fabrica S.r.l., Ponzano Children S.r.l., Benetton Servizi S.r.l., Benetton India Pvt Ltd, Benetton Korea Inc., Benetton Asia Pacific Ltd, Benetton Retail Sucursal en España, New Ben GmbH, Benetton Russia o.o.o., Benetton Mexicana S.A. de C.V., Kazan Real Estate o.o.o., Benetton Giyim Sanayi A.S., Benetton Group S.r.l. - Sucursal em Portugal, Benetton Japan Co. Ltd, Benetton Retail Poland Sp. z.o.o., and Benetton Group S.r.l. Succursale en France due to a change in the data collection process which does not ensure full data comparability.

Figures related to the 2015-2016 two-year period for the GRI 404-1, 403-2, 414-1, 414-2, 301-1, 308-2, 302-1, 305-1, 305-2, 204-1 indicators have been modified in respect to 2016 Integrated Report due to the

widening of the scope and the changes in the reporting methods.

Benetton Group S.r.l. has its headquarters in via Villa Minelli, in Ponzano Veneto (Treviso), while its industrial complex is located in via della Cartiera 1, in Castrette di Villorba (Treviso).

Principles for ensuring report quality

The information reported was gathered with the aim of providing a balanced and clear picture of the Company's actions and characteristics. The process of reporting the information and quantitative data has been improved thanks to an IT tool, accessible by means of a BPC account from each country, used to standardize data collection and automate data consolidation in synchrony with finance. Data reporting is structured so as to ensure data comparability over time, where possible, in order to provide an accurate reading of the information and a complete view to all stakeholders interested in trends in Benetton's performance.

Calculation methods

Details of the methods used to calculate certain indicators reported in this document are provided below. The data referred to 2017 are the best possible estimate with the information available at the time of the drafting of this Report.

Retention after parental leave

The retention rate after parental leave is calculated as the number of workers employed 12 months after

returning from maternity/paternity leave compared to the number of employees who took parental leave during the year.

Injury rates

Details of the methods of calculation used for injury rates are provided below:

- Severity rate: number of working days lost due to injury/hours worked x 1 000
- Frequency index: number of injuries / hours worked x 1 000 000

The rates for all three years have been calculated for permanent employees only and exclude interns and other staff on temporary contracts. To calculate the severity rate, lost days for injuries were calculated as calendar days from the day the incident occurred (unless the latter was worked in part).

Greenhouse gas emissions

Greenhouse gas emissions were calculated using the principles indicated in the ISO 14064-1 international standard. In particular, the only gas considered was carbon dioxide (CO₂). The emission factors used to calculate the CO₂ emissions disclosed in the Report were determined in the following way:

Scope 1 direct emissions: the emissions related to the total consumption of natural gas for the heating of the head offices and global direct stores, diesel and gasoline, were determined using the emission factor reported in the table of national standard parameters

published by the Italian Ministry for the Environment.

Scope 2 indirect emissions: emissions related to the consumption of electricity were calculated using both the location based and market based approach. The calculation of the location based emissions was made using the emission factor reported in the tables, published by Terna, of the international comparisons available for 2015, the source for which is Enerdata. The calculation of the market based emissions was made using, when available, the residual mixes reported in the document "European Residual Mixes", published by ABI and available for years 2015-2016. Emissions related to district heating were calculated using the emission factors reported in the Defra tables available for the 2015-2017 three-year period.

Scope 3 indirect emissions: the software used to calculate CO₂ emissions connected with transport in the logistics network was Ecotransit, a tool developed by the Institute for environmental and energy research (Institut für Energie- und Umweltforschung, Ifeu) of Heidelberg and Rail Management Consultants GmbH (RMCon).

GRI Content index

GRI Standard	Disclosure	Page number	Omission
GRI 102: GENERAL DISCLOSURES 2017			
Organizational profile			
102-1	Name of the organization	134	
102-2	Primary brands, products, and/or services	21; 47-53	
102-3	Location of the organization's headquarters	134	
102-4	Countries in which the organization operates	21; 32-33	
102-5	Nature of ownership and legal form	32-33; 134	
102-6	Markets served	62-63; 123-125	
102-7	Scale of the organization	14-15; 74; 122-125	
102-8	Information on employees and other workers	74-77	
102-9	Description of the supply chain (number of suppliers, volumes and sourcing markets)	107-110; 86-87	
102-10	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	27	
102-11	Explanation of how the precautionary approach or principle is addressed by the organization	The Company adopts a prudential approach in managing environmental, social and governance risks as illustrated on page 42-43	
102-12	External initiatives	38-39; 86-94; 107-108	
102-13	Memberships of national and/or international advocacy organizations	88	
Strategy			
102-14	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	9	
Ethics and integrity			
102-16	Mission, values, codes of conduct, principles relevant to economic, environmental and social performance, developed internally and state of progress in their implementation	24-25; 36-37; 86-88; 107-108	
Governance			
102-18	Governance structure of the organization, including committees of the highest governance body. Committees responsible for decision-making on economic, environmental and social impacts	28-31	
Stakeholder engagement			
102-40	List of stakeholder groups with which the organization engages	130-131	
102-41	Percentage of total employees covered by collective bargaining agreements	84	
102-42	Basis for identification and selection of primary stakeholders with whom to engage	130-131	
102-43	Approach to stakeholder engagement	130-131	
102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	34-35; 51-52; 62-66; 75-78; 82-83; 86-94; 104-108	
Reporting practice			
102-45	Entities included in the consolidated financial statements	134	
102-46	Defining Report content and topic boundaries	131-133	
102-47	List of material topics	131-133	
102-48	Restatement of information	134-135	

GRI Standard	Disclosure	Page number	Omission
102-49	Changes in reporting	134-135	
102-50	Reporting period to which the social responsibility report refers	134-135	
102-51	Date of most recent previous social responsibility report	134	
102-52	Reporting cycle	134	
102-53	Contact point for questions regarding the social responsibility report and its contents	135	
102-54	Claims of reporting in accordance with the GRI Standards	130	
102-55	GRI content index	136-143	
102-56	Policy and current practice with regard to seeking external assurance for the social responsibility report	145-147	

GRI Standard	Disclosure	Page number	Omission
MATERIAL TOPICS			
ECONOMIC PERFORMANCE INDICATORS			
Economic performance			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	34-37	
103-3	Evaluation of the management approach	34-37	
GRI 201: Economic performance 2017			
201-1	Direct economic value generated and distributed	122-123	
Procurement practices			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	86; 124	
103-3	Evaluation of the management approach	86; 124	
GRI 204: Procurement practices 2017			
204-1	Proportion of spending on local suppliers at significant locations of operation	124	
ENVIRONMENTAL PERFORMANCE INDICATORS			
Raw materials			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	104-106	
103-3	Evaluation of the management approach	104-106	
GRI 301: Raw materials 2017			
301-1	Materials used by weight or volume	104-106	
Emissions			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	112-113	
103-3	Evaluation of the management approach	112-113	
GRI 305: Emissions 2017			
305-1	Direct greenhouse gas emissions (Scope 1)	113	Some information regarding this indicator is not currently available. Benetton undertakes, in the coming years, to gather the data needed to disclose this indicator
305-2	Energy indirect greenhouse gas emissions (Scope 2)	113	
305-3	Other indirect greenhouse gas emissions (Scope 3)	108	
305-4	GHG emissions intensity	108	

GRI Standard	Disclosure	Page number	Omission
Effluents and waste			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	107-108; 113-114	
103-3	Evaluation of the management approach	107-108; 113-114	
GRI 306 Effluents and Waste 2017			
306-1	Quantity of water discharged by volume and quality	107	Some information regarding this indicator is not currently available. Benetton undertakes, in the coming years, to gather the data needed to disclose this indicator
Supplier environmental assessment			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	107-108	
103-3	Evaluation of the management approach	107-108	
GRI 308: Supplier environmental assessment 2017			
308-2	Negative environmental impacts in the supply chain and actions taken	107-108	
SOCIAL PERFORMANCE INDICATORS			
Employment			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	74-78	
103-3	Evaluation of the management approach	74-78	
GRI 401: Employment 2017			
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	74-78	
401-3	Return to work and retention rates after parental leave (by gender)	77	
Labor/management relations			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	84	
103-3	Evaluation of the management approach	84	
GRI 402: Labor/Management Relations 2017			
402-1	Minimum notice periods regarding organizational changes	84	
Occupational health and safety			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	85	
103-3	Evaluation of the management approach	85	

GRI Standard	Disclosure	Page number	Omission
GRI 403: Occupational Health and Safety 2017			
GRI 403-2	Rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities, by region and by gender	85	The information regarding this indicator is not currently available. Benetton undertakes, in the coming years, to gather the data needed to disclose this indicator
Training and education			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	80-81	
103-3	Evaluation of the management approach	80-81	
GRI 404: Training and Education 2017			
404-1	Average hours of training per year per employee, by gender and by employee category	81	
404-2	Programs for upgrading employee skills and transition assistance programs	80-81	
Diversity and equal opportunity			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	28-31; 74-77; 92-93	
103-3	Evaluation of the management approach	28-31; 74-77; 92-93	
GRI 405: Diversity and Equal Opportunity 2017			
405-1	Composition of governance bodies and breakdown of employees according to gender, age group, minority group membership, and other indicators of diversity	28-29; 74	
Non-discrimination			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	74-77; 86; 92-93	
103-3	Evaluation of the management approach	74-77; 86; 92-93	
GRI 406: Non-discrimination 2017			
406-1	Number of incidents of discrimination and corrective actions taken		The information regarding this indicator is not currently available. Benetton undertakes, in the coming years, to gather the data needed to disclose this indicator
Freedom of association			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	86; 92-93	
103-3	Evaluation of the management approach	86; 92-93	

GRI Standard	Disclosure	Page number	Omission
GRI 407: Freedom of association 2017			
GRI 407-1	Identification of operations and main suppliers in which the right to exercise freedom of association and collective bargaining may be at significant risk and measures taken to support these rights		The information regarding this indicator is not currently available. Benetton undertakes, in the coming years, to gather the data needed to disclose this indicator
Child labor			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	86; 92-93	
103-3	Evaluation of the management approach	86; 92-93	
GRI 408: Child labor 2017			
408-1	Identification of operations and main suppliers having significant risk for incidents of child labor, and measures taken to contribute to its elimination		The information regarding this indicator is not currently available. Benetton undertakes, in the coming years, to gather the data needed to disclose this indicator
Forced or compulsory labor			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	86; 92-93	
103-3	Evaluation of the management approach	86; 92-93	
GRI 409: Forced or compulsory labor 2017			
409-1	Operations having significant risk for incidents of forced or compulsory labor, and measures to contribute to its abolition		The information regarding this indicator is not currently available. Benetton undertakes, in the coming years, to gather the data needed to disclose this indicator
Local communities			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	86-87; 92-93; 94	
103-3	Evaluation of the management approach	86-87; 92-93; 94	
GRI 413: Local communities 2017			
413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	86-87	
Supplier assessment for impacts on society			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	86-88	
103-3	Evaluation of the management approach	86-88	

GRI Standard	Disclosure	Page number	Omission
GRI 414: Supplier assessment for impacts on society 2017			
414-1	New suppliers that were screened using social criteria	87	
414-2	Significant actual and potential negative impacts on society in the supply chain and actions taken	86-88	
Customer health and safety			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	60	
103-3	Evaluation of the management approach	60	
GRI 416: Customer health and safety 2017			
416-1	Assessment of the health and safety impacts of product and service categories	60	
416-2	Incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	There have been no significant incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle in the three-year period 2015-2017	
Marketing and labeling			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	64-66	
103-3	Evaluation of the management approach	64-66	
GRI 417: Marketing and labeling 2017			
417-1	Requirements for product and service information and labeling	All products marketed by the Group, regardless of product sector, report the information required by law in the country in which they are marketed on their labels. More specifically, information is provided on: country of origin, presence of toxic substances, methods of disposal	

GRI Standard	Disclosure	Page number	Omission
417-2	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	There have been no significant incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle in the three-year period 2015-2017	
417-3	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	There have been no significant incidents of non-compliance regarding consumer protection that determined the payment of monetary fines by the Group in the three-year period 2015-2017	
Socioeconomic compliance			
GRI 103: Management Approach 2017			
103-1	Explanation of the material topic and its boundary	130-133	
103-2	The management approach and its components	42-43; 60-65	
103-3	Evaluation of the management approach	42-43; 60-65	
GRI 419: Socioeconomic compliance 2017			
419-1	Non-compliance with laws and regulations in the social and economic area	In 2017 the Group has not received significant fees for non-compliance with laws and regulations concerning the provision and use of products and services	



EY S.p.A.
Viale Appiani, 20/b
31100 Treviso

Tel: +39 0422 358811
Fax: +39 0422 433026
ey.com

Independent auditors' report on data and information included in the "Integrated Report 2017" and referenced in the "GRI Content index" (Translation from the original Italian text)

To the Board of Directors of
Benetton Group S.r.l.

We have carried out a limited assurance engagement of data and information included into the "Integrated Report 2017" of Benetton Group S.r.l. and its subsidiaries (hereinafter also "Benetton Group") referenced in the "GRI Content index" as of December 31, 2017 (hereinafter also "GRI disclosure of the Integrated Report").

Directors' responsibility on the GRI disclosure of the Integrated Report

The Directors are responsible for the preparation of the GRI disclosure of the Integrated Report in accordance with the "GRI Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative that are detailed in the paragraph "Methodological notes" of the Integrated Report 2017, as well as for that part of internal control that they consider necessary in order to allow the preparation of a GRI disclosure of the Integrated Report that is free from material misstatements, even caused by frauds or unintentional behaviours or events. The Directors are also responsible for defining commitments of Benetton Group regarding the sustainability performance and for the reporting of the results achieved, as well as for the identification of the stakeholders and of the significant matters to report.

Auditors' responsibility

It is our responsibility the preparation of this report on the basis of the procedures carried out. Our work has been conducted in accordance with the criteria established by the principle "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board for the engagements that consist in a limited assurance.

This principle requires the respect with the independence and other ethical requirements in compliance with professional standards and applicable legal and regulatory requirements and the maintenance of a comprehensive system of quality control ISQC (Italy) n. 1 as well as the planning and the execution of our work in order to obtain a limited assurance that the GRI disclosure of the Integrated Report is free from material misstatements.

These procedures included inquiries, primarily with company's personnel responsible for the preparation of the information included in the GRI disclosure of the Integrated Report, document analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

The procedures were related to the compliance with the standard "GRI 101: Foundation 2016" for defining report content and quality of the GRI disclosures of the Integrated Report and are summarised below:

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

- a. comparison of economic and financial data and information included in the GRI disclosure of the Integrated Report with those included in Benetton Group's consolidated financial statements as of 31st December 2017 on which we issued our audit report on the April 27, 2018;
- b. analysis, through interviews, of the governance system and management process of the issues related to the sustainable development regarding Benetton Group's strategy and operations;
- c. analysis of the process relating to the definition of material aspects included in the GRI disclosure of the Integrated Report, with reference to the criteria applied to identify priorities for the different stakeholders categories and to the internal validation of the process outcomes;
- d. analysis of the operation of the processes that support the generation, recording and management of the quantitative data reported in the GRI disclosure of the Integrated Report. In particular, we have carried out the following procedures:
 - interviews and discussions with personnel of the Management of Benetton Group, to obtain an understanding about the information, accounting and reporting systems in use for the preparation of the GRI disclosure of the Integrated Report, as well as about the internal control processes and procedures supporting the collection, aggregation, data processing and transmission of data and information to the department responsible for preparation of the GRI disclosure of the Integrated Report;
 - on site verifications at Benetton Group Srl - Sucursal Em Portugal (Porto, Portugal) and Benetton Asia Pacific Ltd (Hong Kong);
 - analysis on a sample basis of the documentation supporting the compilation of the GRI disclosure of the Integrated Report, in order to confirm the processes in use, their adequacy and the operation of the internal control for the correct processing of data and information in relation to the objectives described in the GRI disclosure of the Integrated Report;
- e. analysis of the compliance and internal consistency of the qualitative information included in the GRI disclosure of the Integrated Report to the guidelines identified in paragraph "Directors' responsibility on the GRI disclosure of the Integrated Report" of the present report;
- f. analysis of the process relating to stakeholders engagement, with reference to procedures applied, through review existing documentation relating to the main topics arisen from discussions with them;
- g. obtaining of the representation letter, signed by the legal representative of Benetton Group, relating to the compliance of the GRI disclosure of the Integrated Report with the guidelines indicated in paragraph "Directors' responsibility on the GRI disclosure of the Integrated Report", as well as to the reliability and completeness of the information and data presented in the GRI disclosure of the Integrated Report.

Our engagement is less in scope than a reasonable assurance engagement in accordance with ISAE 3000 and, as consequence, we may not have become aware of all the significant events and circumstances which we could have identified had we performed a reasonable assurance engagement.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that data and information included into the "Integrated Report 2017" of Benetton Group referenced in the "GRI Content index" as of December 31, 2017 is not in compliance, in all material aspects, with the "GRI Sustainability Reporting Standards" issued in 2016 by the GRI - Global Reporting Initiative, as stated in the paragraph "Methodological notes" of the Integrated Report 2017.

Treviso, May 7, 2018

EY S.p.A.
Signed by: Maurizio Rubinato, Partner

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

Acknowledgements

*Thank you to all the colleagues
who give their collaboration
for the success of this project.*

Registered office

Benetton Group S.r.l.
Single shareholder company
Villa Minelli
3 1050 Ponzano Veneto (Treviso) - Italy

Corporate information

Share capital: Euro 200,000,000 fully paid-in
Fiscal code/ Treviso company registrar no. 03490770264

For information

Roberto Taiariol
Tel. +39 0422 5 19270
Nicoletta Sartori
Tel. +39 0422 5 19269

csr@benetton.it