



Benetton Group

**Integrated
Report**
2018



UNITED COLORS
OF BENETTON.

Benetton Group

Integrated
Report
2018

UNITED COLORS
OF BENETTON.

Contents

| | |
|--|------------|
| Letter from the Chairman | 7 |
| Highlights 2018 | 9 |
| Benetton Group profile | 15 |
| Our values | 18 |
| Our history | 20 |
| Governance | 22 |
| Business Model | 29 |
| The Group's initiatives | 32 |
| Risk management | 36 |
| Our brands | 39 |
| United Colors of Benetton | 42 |
| The store in Oxford Street | 44 |
| Sisley | 46 |
| A design company | 49 |
| Product research | 52 |
| Dress Safe | 53 |
| Digital innovation | 54 |
| Priority to ideas | 55 |
| Fabrica Circus | 58 |
| A people company | 61 |
| Human resources | 64 |
| Mittelmoda International Lab | 74 |
| Human rights | 75 |
| The new faces of an Italy that studies and works | 80 |
| A green company | 83 |
| Sustainable materials | 86 |
| Management of environmental impact | 88 |
| Detox Commitment | 89 |
| Towards a circular economy | 94 |
| B-Care | 95 |
| A numbers company | 97 |
| Financial capital | 100 |
| Production capital | 102 |
| Appendix | 105 |
| Methodological notes | 106 |
| GRI content index | 112 |
| Independent Auditors' report | 121 |



**Letter from
the Chairman**



Dear Stakeholders,

2018 saw the first encouraging results of the development project we implemented and Benetton Group has gathered new momentum.

However, 2018 was also a year of great pain and major losses. Gilberto and Carlo passed away, two of our most cherished people, who contributed to the foundation and success of our brands.

Although with heavy hearts, we looked ahead with respect for those who believe in the Company, starting from the 7 500 workers in Italy, Europe and the rest of the world, who are doing an excellent job, and it is our firm intention to involve and engage them more and more.

The relaunch of Benetton Group aims to bring the Company back to creating value in order to ensure a solid and profitable future. But our future is rooted in the legacy of our extraordinary history, made of ideas, innovations and unique values that we are repossessing. We aim to be competitive again, in a market where we have been undisputed pioneers.

Thanks to a new creative director, we have recovered the style elements that are part of our DNA and make our garments immediately recognizable all over the world: color and knitwear. And, with them, we have recovered the drive and the determination to experiment with new styles, materials and techniques.

Our challenge is twofold. On one hand, we intend to offer genuinely Benetton products, i.e. at the best price with quality, which we intend to further improve, enhancing our production in the Mediterranean area. In this way, we will also attain greater efficiency and faster procurement.

On the other hand, our stores must return to being synonymous of color, light and knitwear, offering consumers a purchase experience that also integrates digital technology. A clear and well-defined vision that we will implement in Italy and abroad, thanks to a massive program of new openings which is already in an advanced roll-out phase.

For some time, Benetton Group risked thinking small, seconding the choices made by other mass market brands. Today that time is past; the Company has begun to dream big again and color the world. It is our firm determination to continue doing so.

Luciano Benetton
Chairman
Benetton Group



Highlights 2018

 **1 230** mln
of €
of net sales

UNITED COLORS
OF BENETTON.
UNDERCOLORS
OF BENETTON.
S I S L E Y



 **4 718**
stores

85 
markets

 **101** mln
garments produced*

25 
online markets

*Data includes local production of Benetton India Pvt. Ltd.
and Benetton Korea Inc.

70%
of employees
involved in training
initiatives

74% **26%**
Employees
7 510

Green Campus:
-5% electric
energy
consumption,
-10% natural
gas consumption

Banca
Ore Etica
2 800 hours

27.7%
sustainable
cotton

87% of segregated
and recycled
waste

Product
safety tests
>43 000

CSR audits
2016-18: 935

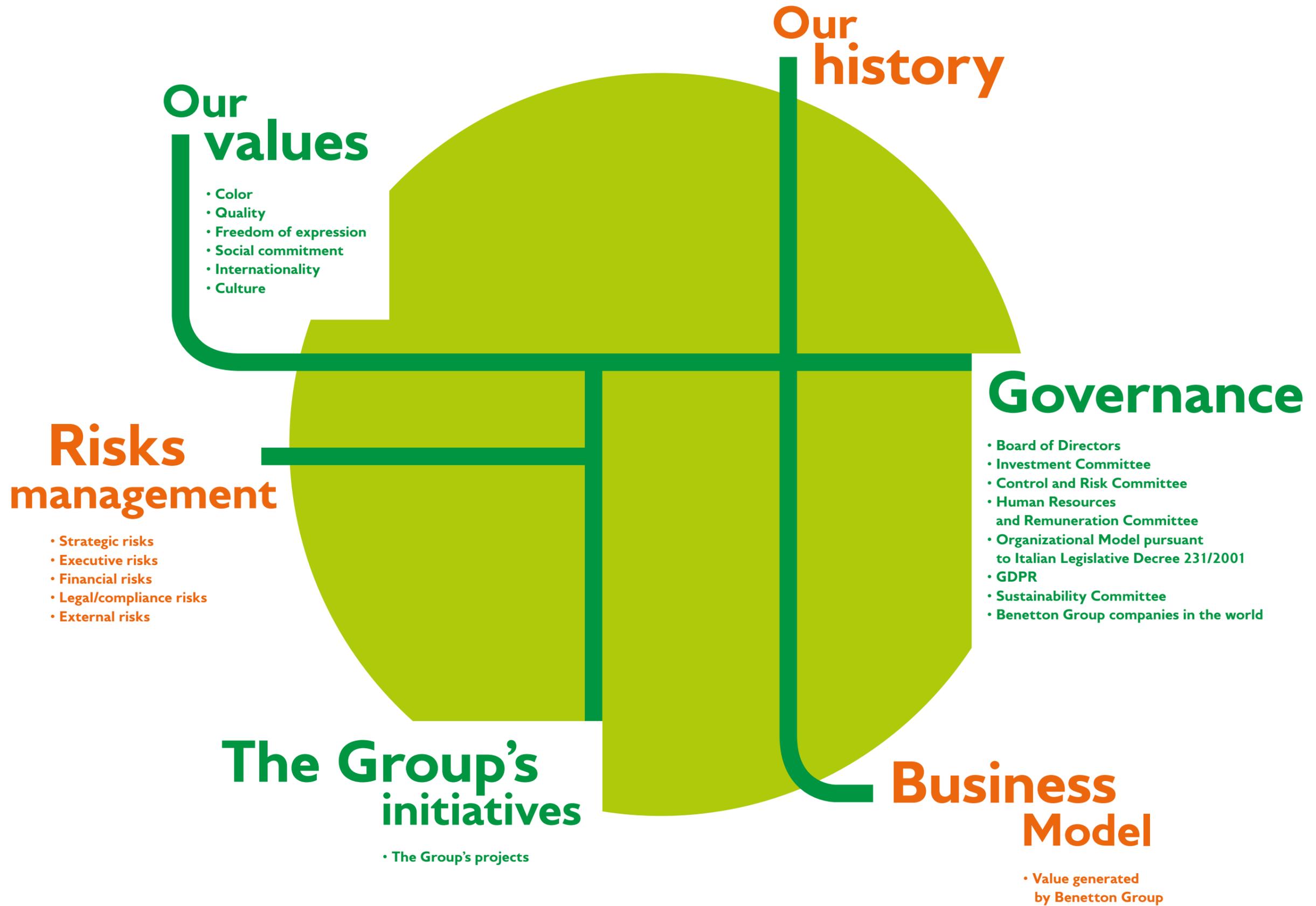


Benetton Group profile

Since its establishment in 1965, Benetton Group has grown to become one of the world's best-known apparel companies. Color has definitely been always its distinctive element and the merit is not only of a kaleidoscopic style that has left its mark in the history of fashion, but also of an approach that is attentive to the dignity of people and to the transformations of society.

Style, affordable quality, internationality and social commitment are the values that define the Group's identity, globally present with over 4 700 stores in the main markets and two brands, United Colors of Benetton and Sisley.

Faced with the challenges posed by globalization, Benetton Group has not stood by and has, in fact, made targeted investments and developed its business model, with the aim of increasing processes speed and facilitating channels control.



Our values

Color

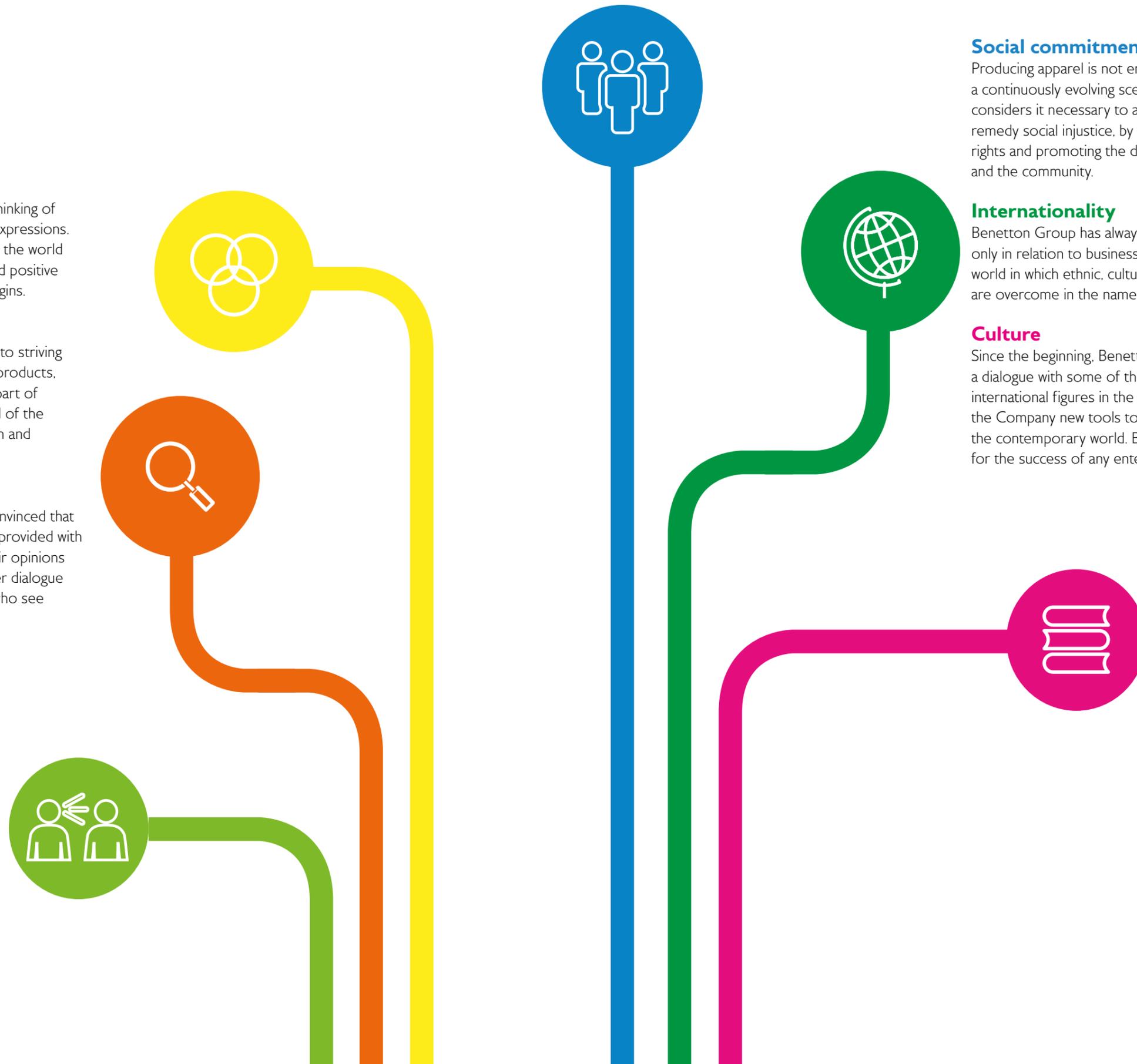
The first thing that comes to mind when thinking of the Benetton Group is color, in all of its expressions. The colorful knits that have revolutionized the world of fashion are a metaphor for a playful and positive approach to life, celebrating our Italian origins.

Quality

Benetton Group is constantly committed to striving for the highest level of quality in all of 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 our 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.



Social commitment

Producing apparel is not enough. As key player 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 are overcome in the name of global citizenship.

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.

Our history

1955 Luciano and Giuliana Benetton have the intuition to develop and sell a **colorful, 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 was founded. In the same year, the factory designed by architects Afra and Tobia Scarpa was inaugurated in Ponzano, in the province of Treviso.

1966 Opening of the Group's first store in Belluno.

1969 Opening of the 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 Tyrrel 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 for the Garden.

1989 Development of the iconic green **United Colors of Benetton** logo.

1991 Development of the **Colors** magazine distributed in 40 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 Center** for the children of Benetton Group employees 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.

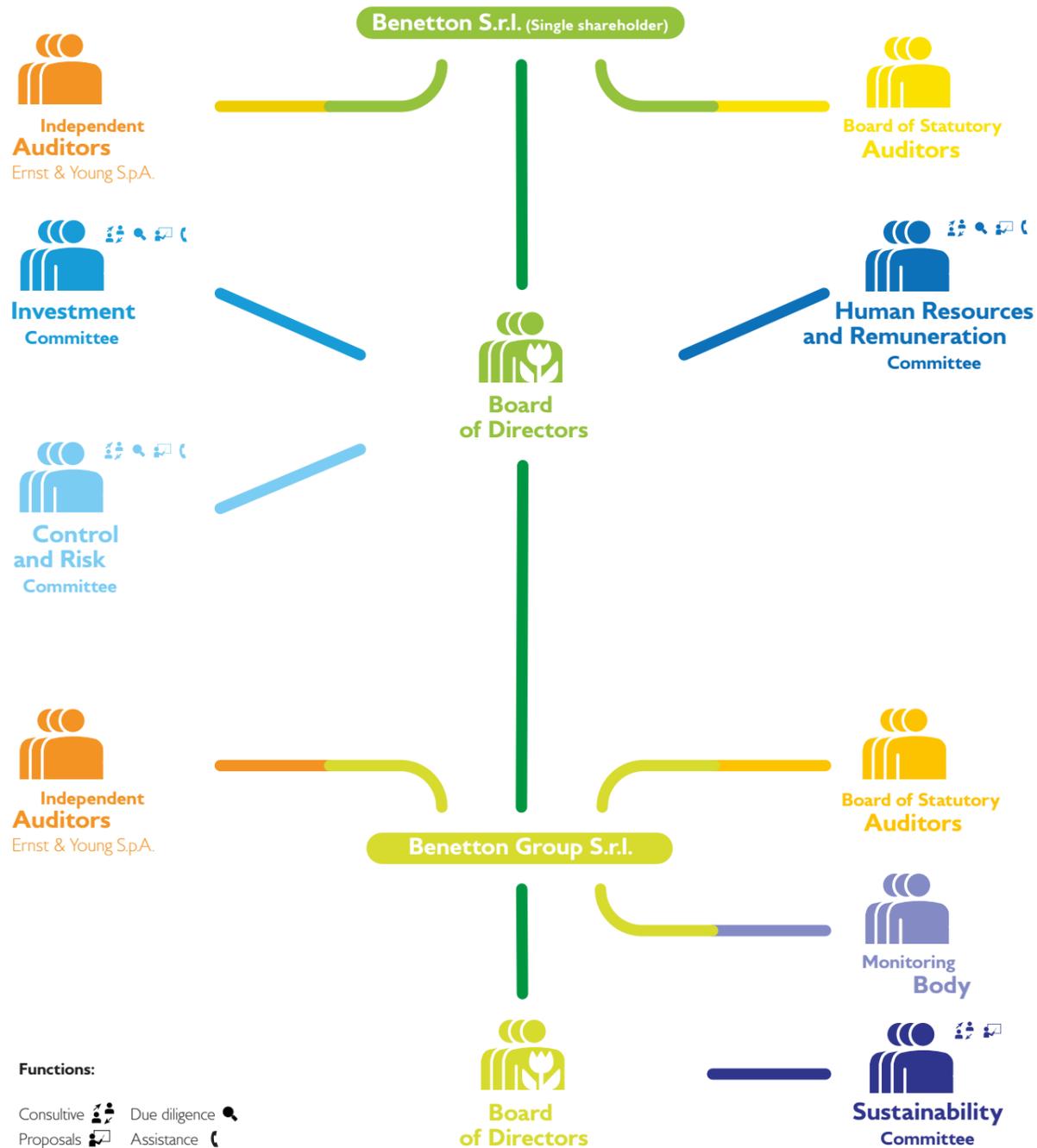
2016 In April, Benetton Group S.r.l. acquires full control of Benetton Korea Inc.

2017 Luciano Benetton appoints **Oliviero Toscani** as Creative Director.

2018 Luciano Benetton appoints **Jean-Charles de Castelbajac** as Artistic Director of the menswear and womenswear collections for the United Colors of Benetton brand.

Governance

Overview of the Company's Governance as of May 6, 2019.



Composition of corporate bodies at May 6, 2019

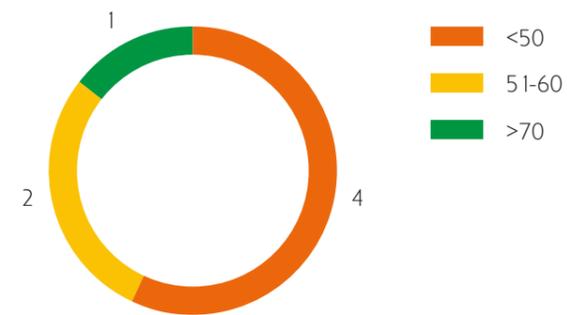
C Chairman
(1) General Counsel
(2) Head of Internal Audit
SA Standing Auditor
AA Alternate Auditor
● Executive
● Non-Executive
● Independent
 Member

| Board of Directors of Benetton S.r.l. | Office | Investment Committee | Control and Risk Committee | Human Resources and Remuneration Committee | Monitoring Body (D.Lgs. 231/2001) |
|---------------------------------------|------------|----------------------|----------------------------|--|-----------------------------------|
| Luciano Benetton | C ● | | | | |
| Christian Benetton | ● | | | | |
| Franca Bertagnin Benetton | ● | | | | |
| Sabrina Benetton | ● | | | | |
| Fabio Buttignon | ● | ○ | C | ○ | |
| Christian Coco | ● | ○ | ○ | ○ | |
| Marco Patuano | ● | C | ○ | C | |
| Ugo Fonzar | | | | | C |
| Andrea Pezzangora | | | | | ○ (1) |
| Roberto Taiariol | | | | | ○ (2) |

Board of Statutory Auditors

| Name | Role |
|-------------------------------|-----------|
| 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 from 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).

GDPR

In 2018, with the enforcement of the European General Data Protection Regulation 2016/679 (known as GDPR), the Company set up a new Privacy function, headed by Mauro Menardo as Data Protection Officer, assisted by a multidisciplinary team.

The new function, responsible for personal data monitoring, assessment and processing, enables Benetton Group S.r.l. to ensure its employees, consumers and, in general, stakeholders correct personal data protection in the performance of their activities, so that data is always processed in compliance with the applicable national and European regulations in the matter.

Sustainability Committee

The Sustainability Committee – set up by 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;
- standardizing 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](#)
 Ugo Giorcelli [Chief Staff Officer](#)
 Gianni Moscatelli [Human Resource & Organization Officer](#)
 Andrea Piras [Product, Sourcing & Operations Officer](#)
 Roberto Taiariol [Internal Audit & CSR Officer](#)
 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)

SUBSIDIARIES

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



Product » Research & development » Design » Sourcing » Production



We consolidated efforts in research and development of new materials and treatments, making a decisive impact on the United Colors of Benetton collections with the involvement of a new artistic director.



Brand » United Colors of Benetton » Sisley



We continued strengthening the positioning of our brands. United Colors of Benetton further focused on innovation, quality and sustainability, while Sisley consolidated its strong and contemporary identity to move into the Bridge Premium segment of the market.



Store » Research & development » Design » Implementation



We continued the implementation of Sisley's Rich&Raw store model. In 2018, we implemented a new store concept for United Colors of Benetton focused on knitwear and brand experience fostering integration between the online and offline channels.



Logistics » Inbound/Outbound model



We continued our commitment to ensuring logistic services with a lower environmental impact and almost personalized on sales needs through the implementation of solutions such as intermodal transportation, automatic re-sorting, prompt product-to-store allocation and reverse logistics.



Distribution » Indirect channel (IOS+FOS) » Direct channel (DOS) » e-commerce @



We implemented an omnichannel approach that will be further developed in the upcoming years, involving end consumers in a global experience, which will eliminate the boundaries between offline and online distribution channels.



Purchases » Experience



We focused on omnichannel distribution and on the reputation of our brands to create increasingly engaging and comprehensive purchase experiences for our customers.

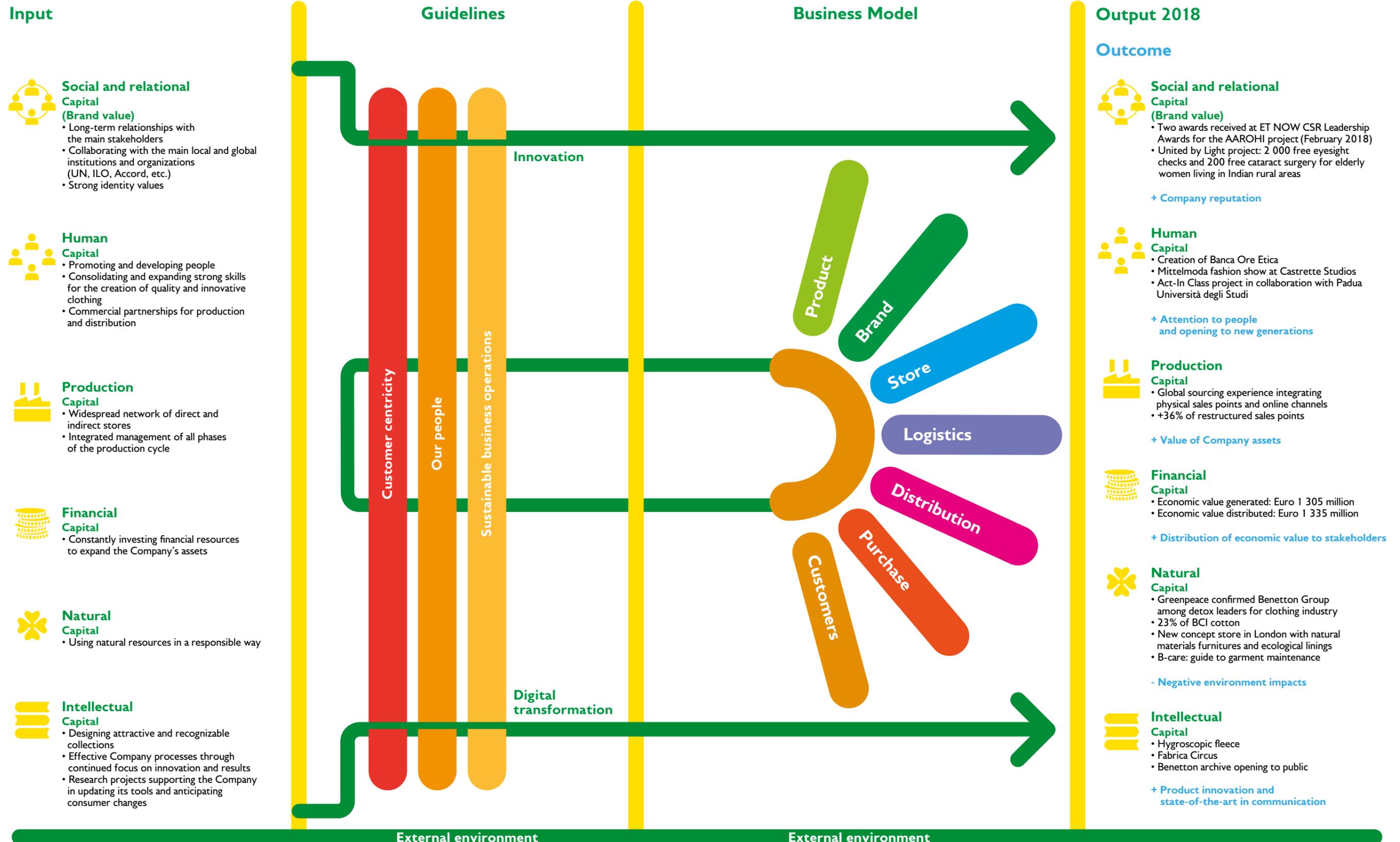


Customers

We consolidated our existing target and we developed communication lines and campaigns for United Colors of Benetton to reach out to the millennials target.

Value generated by Benetton Group

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.



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.

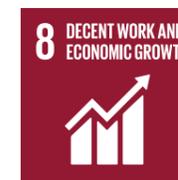


Benetton Group has decided to do its part to achieve these goals. In setting out its charter of commitments for the coming years, the Group chose to associate its actions with the SDGs closest to its core business and strategic action area.



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 projects and initiatives 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 Group'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



Social and relational capital (Brand value)

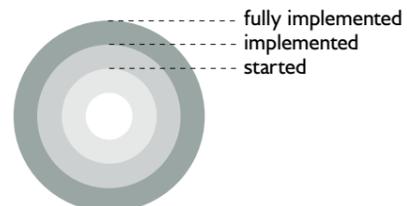
Human capital

Production capital

Financial capital

Natural capital

Intellectual capital



A design company

Product Research

1. Dress Safe
2. Product safety tests

Digital Innovation

3. Benetton.com
4. Omnichannel
5. Content Factory
6. RFID technology

A people company

Benetton for You

7. Banca Ore Etica
8. Stretch your Time
9. Stretch your Space

10. Nice to Meet You
11. English for You
12. Welcome Back. Mom

Training and professional growth

13. People Management in Colors
14. Self Efficacy in Colors
15. Ad hoc specialist training
16. Office training
17. Language training
18. Benetton on Boarding (BOB)
19. Green Camp
20. Benetton Engagement and Store Training (BEST)
21. UP Strategy
22. Omnichannel training
23. Selling in Colors
24. We Love Sisley Journey
25. Kick FOS

Reward

26. Incentive plan

Zero Injury Target

27. Zero Injury Target Plan

Human Rights

28. CSR Audit Plan
29. Extension of the CSR Audit Plan to Korea
30. Accord on Fire and Building Safety
31. Aarohi
32. Nanhi Kali
33. Sakhi
34. United by Light
35. Clothes for a Cause
36. India - POSH: Policy on Prevention of Sexual Harassment at Workplace

A green company

Sustainable materials

37. Sustainable cotton
38. Responsible Down Standard
39. Ban on fur

Management of environmental impacts

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

Towards circular economy

50. Rationalization of collections
51. B Long
52. Mineral Dye
53. Denim treatment

Risk management

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

In 2016, a new Risk Assessment process was carried out to identify 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 prior to 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 business calendar (included in the broader concept-to-shelf program) can impact global margins.

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 United Colors of Benetton 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 disclosures 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.

Fiscal 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

United Colors of Benetton and Sisley are the two brands of the Benetton Group.

United Colors of Benetton is the brand of color and knitwear. A perfect combination of Italian creativity and global research, it offers quality garments for the whole family. Sisley is a brand with a strong contemporary aesthetics that makes it immediately recognizable and appreciated.

Together, United Colors of Benetton and Sisley contribute to consolidating an idea of style, passion and quality that is perfectly integrated and includes the definition of strategies, the management of the entire design cycle, product production and distribution, sales network coordination and external relations.

United Colors of Benetton

- Collections
- Stores
- Experience
- Undercolors
- Focus: The store in Oxford Street

Sisley

- Collections
- Stores
- Experience

United Colors of Benetton

United Colors of Benetton is the lifestyle 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 0 to 12, yet the colorful United Colors of Benetton knits are a synonym of optimism, diversity and creativity for consumers of every age bracket as demonstrated by the level of popularity of the brand all over the world.

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.

The objective for the future years 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.

Collections

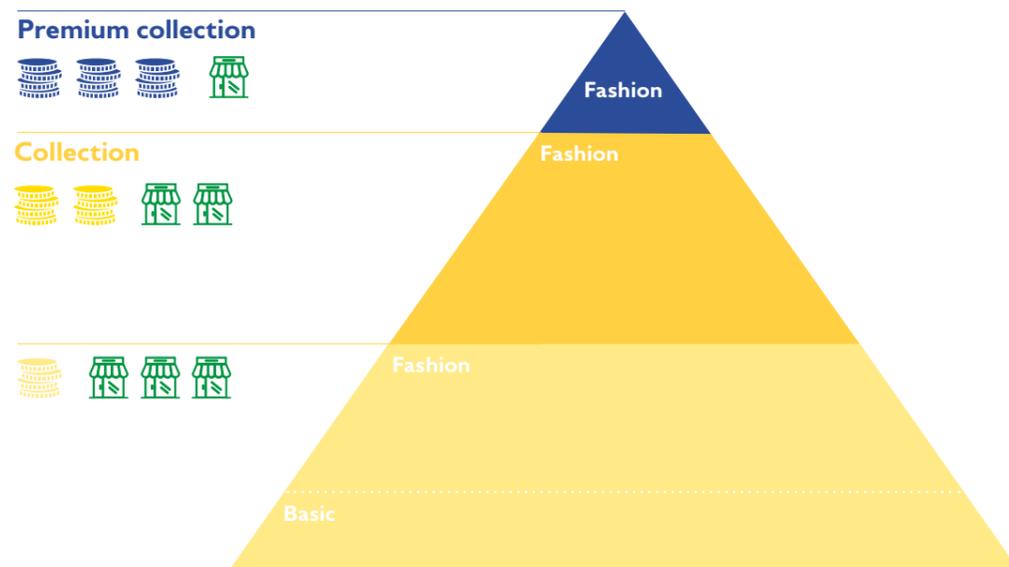
United Colors of Benetton collections feature colorful, comfortable, informal, high quality and timeless garments for everyday use, suitable for work, school and leisure time.

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.

In 2018, the structure of the collections was updated by adding a premium level composed of highly experimental garments and higher price pieces to the traditional range of basic and fashion items.

Structure of 2019 autumn | winter collection



Stores

The majority of 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.

In 2018, the Group presented a new store concept in London and replicated it also in Padua and Turin later on. Developed to be a true temple of knitwear, the London concept store combines Italian-style interior design, high-tech content, attention to sustainable materials and a focus on the consumer's shopping experience.

In September 2018, we also presented a capsule collection in a retail corner at Selfridges in London, the most famous fashion and luxury department store in the UK. This step is part of a distribution strategy that will bring the premium level of the United Colors of Benetton collections to the world's most renowned department stores, starting with Tokyo, Hong Kong, Paris and Los Angeles.

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 2018, 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 2019 the London concept store will also be opened in Düsseldorf, Zagreb, Barcelona and New Delhi. In the meantime, the concept will be further developed to make it more sustainable, with advanced systems, fabrics with innovative features and materials that make end-of-life recycling possible.

In 2019 we will develop a new store concept – called Light – that will facilitate the development of the indirect network. The first Light store will open in Tirana, Albania.

Undercolors

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

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

Today, 60% of the total sales generated by Benetton Undercolors are made up by the over 300 specialist monobrand stores and 40% by the retail corners inside the main United Colors of Benetton stores in Italy and in Europe.

In 2019 the retail distribution channel will exceed 50% of total turnover for the first time.

The store in Oxford Street



On March 15, 2018, the Group opened a new Benetton store in London. Located on the east side of Oxford Street, close to the new Elizabeth Line underground station on Tottenham Court Road, the store is part of an evolving area that is set to become a key commercial hub in the city.

On the street, a twelve-meter-high counter-façade of arches recalls classical architecture, while the innovative lining of LED screens projects interactive contents designed by Fabrica.

Once inside, people are free to explore a total area of 1 500 square meters – furnished with natural materials such as wood, iron and stone – that goes beyond the traditional store concept to offer a total brand experience.

There is a knitwear lab, where dedicated staff presents the universe of Benetton knitwear. A lounge, where customers can relax and read books and design magazines. A series of touch tables that customers can use to interact with the entire collection and view the most significant content of the brand.

Consumers can walk freely through the three floors – dedicated to menswear, womenswear and kidswear – connected by a flight of stairs that unfolds like a ribbon through the floors of the store ending up with a series of cash counters, replacing the traditional ones.

The new Oxford Street store is Benetton's outpost in the UK – a market where the brand already has 55 stores and plans to expand its reach – and an important step in the implementation of the omnichannel strategy, which integrates physical store and online shopping.



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 is characterized by urban and dynamic lifestyles. The woman is modern and sensual, the man ambitious and hedonist. Both like to explore contemporary styles.

The objective is to increase the perceived quality of the product and continue the repositioning of the brand in the bridge market segment, which proved positive in the last years thanks to a growing niche of more demanding consumers searching for fashion products at affordable prices.

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 700 stores distributed in the main global markets. In 2018, 15 Rich&Raw stores were opened in Italy, five in Korea, eight in France, six in Turkey and two in Russia.

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 reflects the brand's universe with a captivating mix of seduction, contemporaneity and coolness. 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 2018, the brand organized dozens of events and commercial activities in its stores with dedicated shop windows. In April, for the Milan Design Week, the shop windows of the Sisley stores of Piazza San Babila displayed the work of designer Gala Carlota Fernández and artist Giorgia Ricci together with the work of the members of the San Patrignano community.

What you get is what we are.
#sexy #ironic
#selfconfident #liberal
#exciting #youthful

S I S L E Y

Consistently with the repositioning process in the bridge market segment, in 2019 the brand will increase the offering of accessories, handbags and shoes, which will be distributed also in dedicated retail corners in specialist multibrand stores.

In 2019, the Group intends to organize events and commercial activities in Sisley stores located in different countries, collaborating with artists like designer Gala Carlota Fernández or the Argentine illustrator Guillermo Tragant.



A design company

Even more than a synonym of style, the word design indicates an approach to project planning that combines creative research and functionality with a view to creating innovation.

This is why design has always been one of Benetton Group's core values since the very beginning. From the intuition of developing a yellow sweater, an unprecedented product, to experimentation in the digital field and interactivity, every activity implemented by the Benetton Group has always been and remains 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

- Jean-Charles de Castelbajac
- Garment dyed
- Long Cotton
- Hygroscopic fleece
- Benetton archive
- Focus: Dress Safe

Digital innovation

- E-commerce
- Omnichannel
- Content Factory
- Digital marketing
- RFID technology

Priority to ideas

- The campaigns
- Fabrica
- Focus: Fabrica Circus

Product research

Benetton Group is a universal synonymous for innovation. It all began in 1965, when Luciano and Giuliana Benetton had the intuition of producing brightly colored sweaters, overturning the grey or brown color trend of those years. The Group then went on, over the years, to propose a series of innovations that contributed to the evolution of the fashion industry.

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

Jean-Charles de Castelbajac

In October 2018, Luciano Benetton appointed Jean-Charles de Castelbajac as Artistic Director of the menswear and womenswear collections for the United Colors of Benetton brand. Castelbajac has had a long career, ranging from design to painting, from advertising to street art. He has inspired fashion trends such as the "anti-fashion" movement and the alternative use of objects to decorate garments. Developing at a crossroads between punk and pop, his style is characterized by the use of bold colors and pop icons, combining the mix of old and new with an irreverent and extravagant touch. Castelbajac's project for Benetton is to create the wardrobe of tomorrow, bringing beauty and style to everyday life at affordable prices.

Garment dyed

In the 1960s, Benetton was a worldwide pioneer in garment dyeing: the idea of producing raw yarn knitwear and then dyeing it based on order quantity was a huge commercial success. A guarantee for long-lasting and soft-touch items, garment dyeing is still used in 40% of our collections.

Long Cotton

The Undercolors collections for 2018 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 fits all underwear items for women and other products in different sizes for men and children.

Hygroscopic fleece

In 2018 we added an exceptionally comfortable sweatshirt to our men's and women's collections. Developed exclusively by Benetton, the sweatshirt is made of a yarn with outstanding hygroscopic characteristics, i.e. the ability to absorb water and moisture, and thermal insulation, i.e. the ability to protect from both heat and cold.

Benetton archive

Benetton Group's history of innovation is stored in its archives. Developed in 2009, it contains a selection of iconic knitwear items – taken from the product archive which including 12 000 historical garments – as well as sketches, paper patterns from the late seventies to the present day, technical cards, color and material charts – catalogues, advertising materials, periodicals, press reviews – from the origins to the present day.

The Benetton archive is not a museum, but a workshop from which designers and colleagues draw inspiration, day after day, for new projects. In November 2018, the archive opened its doors to the public during the 17th Week of Business Culture promoted by Confindustria.



Dress Safe



"Dress Safe" is Benetton Group's project designed to raise awareness and reassure consumers about garment quality and safety, especially with regard to kidswear.

Attached to all children's products of United Colors of Benetton, and all the Sisley Young and Undercolors of Benetton collections, the Dress Safe tag certifies that the garments have been tested and controlled according to the materials they are made of and their characteristics.

Entrusted to independent laboratories, selected from among the most prestigious in the world, the tests verify that the products meet the most stringent safety parameters in the field of textile sustainability.

Another series of tests carried out during the design stage ensures that garment accessories – especially the small accessories such as buttons, sequins, buttonholes, trim and lace – do not present any danger of suffocation or entrapment for children.

Dress Safe evolves over time thanks to an open and transparent dialogue with consumers and the ambition not only to comply with international standards, but, where possible, to achieve even more challenging goals.



Digital innovation

Today, all links in the supply chain of a large company like the Benetton Group involve the use of digital channels.

Benetton Group has always paid close attention to the communication potential of its digital channels and in recent 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 in the web site and in the stores.

E-commerce

Back in 2017, United Colors of Benetton had already implemented an e-commerce system inside its website benetton.com. At the beginning of 2019, average data showed positive double-digit growth on a year-on-year basis. In 2018, dedicated UCB and Sisley e-commerce platforms were launched in the United States.

Omnichannel

In line with the previous year, also in 2018 the Group continued to focus on digital activities and, specifically, on the development of the omnichannel strategy, designed to increase sales and reduce stock by increasing the offering of customer-oriented services. The omnichannel strategy favors integration between offline and online stores through the following functions: product locator, which enables customers to know in which store they can find a specific product; click&collect, which allows customers to order a product online and pick it up in the store; endless aisle, which enables customers in the store to buy a specific product which is not momentarily available and then pick it up at a later time; product return, which allows customers to go to the store to return or change a product bought online.

Content Factory

In 2018 we laid the foundations for the development of the content factory, a platform for producing and sharing product and collection content, such as technical descriptions, images and videos. The content factory is designed to facilitate communication in a unique and consistent manner across multiple channels and different markets.

Digital marketing

Over the past year, we have implemented storytelling initiatives to communicate our brands and attract new customers through all digital touchpoints by leveraging on marketing campaigns and activities dedicated to increasingly specific and defined consumer targets.

RFID technology

We have equipped our products with RFID technology, i.e. electronic tags that identify them and store the most relevant information. RFID technology has obvious applications in the field of warehouse management and anti-shoplifting and its application will expand in the future to provide customers with additional information on product origin, fit and communication.

The Group will develop a dedicated expertise center to optimize and concentrate the management of currently open markets at its headquarters along with the definition of a global expansion strategy for the two brands, United Colors of Benetton and Sisley.

In 2019, the United Colors of Benetton website will undergo a complete restyling to improve user experience and navigation. A new website is expected to be launched in 2020.

Priority to ideas

Ideas are a key ingredient in the business plans of the world's largest companies. In this regard, the Benetton Group was a pioneer with the development of Fabrica in 1994, a non-conventional research center, established to study different subjects with a multidisciplinary and global approach.

Today, Benetton Group continues to experiment with new ideas. Some provide key support to our brands in terms of communication, product and store design. Others reflect free and fundamental research activity to anticipate the inputs that will drive tomorrow's world.

The campaigns

A priest kissing a nun. A newborn baby with the 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 collective memory and of the history of advertising globally.

In 2018, our brand communication reached and captured the attention of billions of people all over the world. Here are some of our communication activities.

Naked, Just Like

In August 2018 United Colors of Benetton launched the campaign "Naked, Just Like", with a photograph by Toscani showing nine naked bodies united in a hug, a symbolic antidote to barriers, hatred and racism. The image, together with a video, was accompanied by a text inspired by St. Francis's Canticle of the Creatures.

The Sisley Way

In 2018 Sisley launched The Sisley Way, a new campaign format in which the brand presents its collections through a series of travel diaries inspired by the Sisley Diaries of the 1980s but designed to communicate with the social feeds of millennials. Ryan McGinley is the photographer called on to interpret this concept, an internationally renowned photographer famous for his portraits of NYC Lower East Side's young skaters and artists. The Spring Summer 2018 campaign was shot in Los Angeles, while the Fall Winter 2018 campaign was shot in New York.

Non fate i bravi

From January 18 to 21, 2018, Benetton organized an exhibition in the setting of Pitti Bimbo in Florence with the images of children taken by Oliviero Toscani for Benetton, from the '80s to date. On display on a three meter long rack in the courtyard of Palazzo Strozzi, the photographs also included the latest images taken by Toscani for the Benetton kids Spring Summer 2018 collection.

Benetton Race - Wanted Creativity

From November 9 to 11, 2018 in Paris and from December 14 to 21 in Milan, the shop windows of the United Colors of Benetton stores were turned into photoshooting sets, with passers-by and city residents as models. Oliviero Toscani, Settimio Benedusi and a team of photographers from Fabrica invited passers-by to join the photoshooting. The photos were then projected on the large screens of the shop window. The initiative also included a side activity that made it possible for young creative talents in the two cities to present their work and apply to join the Fabrica team.

Fabrica

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

In 2018, Fabrica also launched a series of research projects with the objective of analyzing, investigating and interpreting the forces that are making up the present with a view to the future. Here below are the most important ones.

Paradigm and Confessions

During "Reciprocity Design. Liège", an international triennial exhibition that promotes debate on the economic and cultural role of design, Fabrica presented two exhibitions: *Paradigm*, a visual exploration of essential human needs, presented during the design week, and *Confessions*, a series of self-portraits of the Fabrica team members and their vision of themselves, presented from October 5 to November 25 in Liège, Belgium.

Documentaries

In 2018, projections of Fabrica's documentaries continued, including *Devil comes to Koko* by the Italian-Nigerian director Alfie Nze; *Beatrice*, a short film by Venezuelan filmmaker Lorena Alvarado regarding the Paralympic champion Bebe Vio; *Notes from Anywhere* by Drew Nikonowicz with Mattia Mura and *Floating Islands*, an animated work on the theme of migration by Dominican illustrator Tomás Pichardo-Espaillet.

Wanted Creativity per Kartell

On the occasion of Milan Design Week, Fabrica accepted Kartell's invitation to participate in "Crossing Generation". Inside the Kartell flagship store in Milan, the Papyrus chair became the stage from which to broadcast "Wanted Creativity", Fabrica's call for young creative talents. Fabrica, "enveloped in the hug" of the Kartell chair, was projected through a screen broadcasting the call for the search for new Generation X talents.

Agile work week

Among the various events hosted during the year, on May 21 Fabrica hosted the conference "Working time and quality of life: the future of organizations", an initiative promoted by the Veneto Region that was part of the Agile Work Week, developed to raise awareness and involve an increasing number of companies and male and female workers on the work-life balance issue.

Library

The Fabrica library comprises over 7 000 books on photography, industrial design, arts, graphic design and subjects connected 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 and the catalogue is available on the Fabrica website.

Educational Center

Fabrica is an Educational Center recognized in accordance with Regional Resolution No. 359/2004. It is therefore a structure suitable for providing training to young unemployed and non-employed students with secondary high school diplomas and/or university

degree, through training projects recognized by the Veneto region and the Italian government. Fabrica also offers training courses financed by European funds to young graduates residing or domiciled in the Veneto region, holding at least a secondary high school diploma. The Educational Center's status was confirmed in 2018 after completion of the audit performed in February, with updates in December.

Training

The collaboration between the Municipality of Villorba and Fabrica continues with the training project financed by the Veneto Region, i.e. Regional Decree No. 1904/2011 "Fotogrammi veneti, i giovani raccontano - G.I.F.T. Giovani, Innovazione, Futuro e Tecnologia" (Venetian images, the young tell their stories; Youth, Innovation, Future and Technology), which provides free training and hands-on courses for young people aged 16 to 29 helping them acquire multimedia skills through the development of an audiovisual product. The new orientation, revolving around the sounds of technology, was presented at Fabrica and will be carried out in 2019.

In 2019 Fabrica will launch Camera Oscura, a video format of visual and critical analysis of images. Stimulated by Oliviero Toscani and his team, people born after 2000 (and not only) will be invited to describe themselves through their imagination.

Starting from March 2019, Radio Capital will broadcast "Fabrica" on Sundays, a new radio program featuring Oliviero Toscani and Nicolas Ballario, dealing with topics like moms, fear, beauty and ugliness, God, the future and much more.

Fabrica will continue its series of meetings, conferences and workshops. Among the guests scheduled for 2019 are British photographer Martin Parr, Spanish designer Patricia Urquiola, French street artist JR and Italian artist Maurizio Cattelan. On April 6 and 7, Fabrica will host Confusion, a festival dedicated to integration.



A people company

Benetton Group believes in a society centered on the individual and acts in full respect of diversity, free of prejudice about skin color, gender, sexual orientation and political or religious beliefs.

Aside from being the key concept of the Group's globally renowned advertising campaigns, this idea has always inspired the work we do every day. We look after our employees, because the wellbeing and growth of the men and women who work for us is a key element of the Company's success.

Furthermore, we are also active in developing initiatives to protect human rights, concentrating on the most vulnerable members of our society, like children, women and migrants.

Human resources

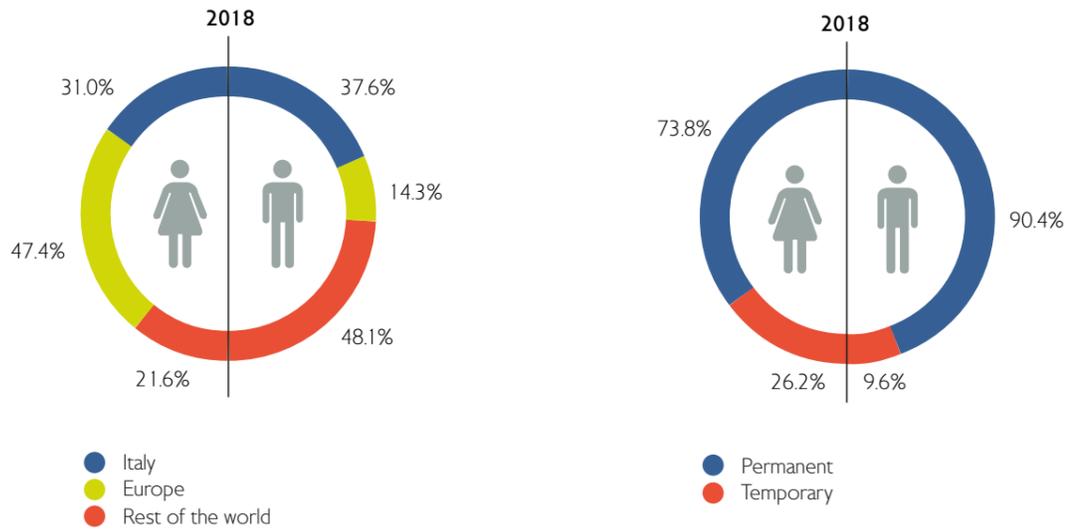
- Benetton for You
- Ponzano Children
- Training
- Employer Branding
- Reward
- Industrial relations
- Zero Injury Objective
- Focus: Mittelmoda International Lab

Human rights

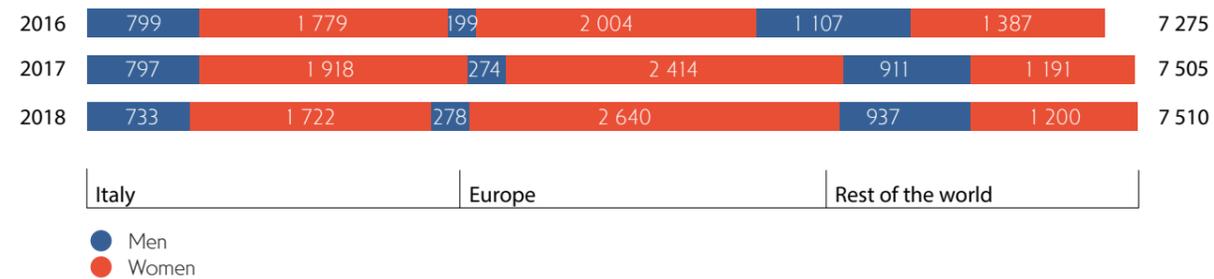
- Supply chain management
- Social communication
- Women's empowerment in India
- Focus: The new faces of an Italy that studies and works

Human resources

A global company like Benetton Group, with over 7 500 employees and 4 700 stores in more than 70 countries worldwide, knows that human resources are key to building success.



Employees by geographic area



GRI 102-8 Employees by:

| | 2016 | | | 2017 | | | 2018 | | |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Employment contract | | | | | | | | | |
| Permanent | 1 660 | 3 882 | 5 542 | 1 728 | 3 898 | 5 626 | 1 761 | 4 105 | 5 866 |
| Temporary | 256 | 1 277 | 1 533 | 254 | 1 625 | 1 879 | 1 87 | 1 457 | 1 644 |
| Other | 189 | 11 | 200 | | | | | | |
| Total | 2 105 | 5 170 | 7 275 | 1 982 | 5 523 | 7 505 | 1 948 | 5 562 | 7 510 |
| Employment type | | | | | | | | | |
| Full Time | 1 770 | 3 042 | 4 812 | 1 709 | 3 149 | 4 858 | 1 688 | 3 164 | 4 852 |
| Part Time | 334 | 2 126 | 2 460 | 273 | 2 374 | 2 647 | 260 | 2 398 | 2 658 |
| Other | 1 | 2 | 3 | | | | | | |
| Total | 2 105 | 5 170 | 7 275 | 1 982 | 5 523 | 7 505 | 1 948 | 5 562 | 7 510 |

For this reason, also in 2018 we developed and increased the number of initiatives addressed to our employees' wellbeing and requests in order to attract new talents and reward those who already work with 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 employees' family members. The program is extended to all employees of the Italian offices, regardless of their seniority and employment contract, while abroad the Group launched local People Care initiatives to respond to country-specific needs. The program covers four areas: work/life balance, health, family and savings, with each area including several annual and multiannual projects.

Banca Ore Etica

In 2018, the Benetton for You program was enriched by an important solidarity initiative: Banca Ore Etica. Introduced in September 2018 in application of the supplementary Company agreement, Banca Ore Etica is a tool consisting of holidays and leave permits donated by employees, on a voluntary basis, in favor of colleagues who are in particular situations of need. The Company participates in the collection by contributing an equal number of hours for each donation. Employees who have special health care needs or whose family members do and who have already exhausted all their hours of paid leave and leave accrued, may benefit from these hours of solidarity. Each request is examined by a dedicated committee and treated strictly confidentially.

Open Day Archive

The Benetton Studios and archive were opened on for four evenings to Benetton Group employees, their families and friends. This was an opportunity to take part in a special guided tour of the Benetton archive, which preserves the Company's historical heritage, and of the exhibition area, which hosts a selection of images of the Group's advertising campaigns and Formula 1 cars. The event, which was sold out on all

the dates with more than 250 participants, was very successful and will be repeated in 2019.

Stretch

Stretch is a flexibility project that offers employees more flexibility in organizing their working hours (Stretch your Time) and the possibility of working from home one day a week (Stretch your Space) for all compatible positions. The initiative, introduced in 2016 and further extended during 2018, aims to promote a culture of results through a more agile way of working, based on delegation and mutual trust.

Nice to Meet You

Nice to Meet You is a day dedicated to our employees' children. Now in its third edition in 2018, the initiative involved 25 young graduates, undergraduates and recent graduates, 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: 2018 - Employee breakdown



| GRI 405-1 Employee breakdown by qualification, gender and age | | | | | |
|---|-------------|--------------|--------------|-------------------|--------------|
| | Age | Italy | Europe | Rest of the world | Total |
| Manager | | | | | |
| Men | < 30 years | | | | |
| | 31-50 years | 9 | 1 | 6 | 16 |
| | > 50 years | 20 | 2 | 3 | 25 |
| Total Men | | 29 | 3 | 9 | 41 |
| Women | < 30 years | | | | |
| | 31-50 years | 2 | | | 2 |
| | > 50 years | 2 | | | 2 |
| Total Women | | 4 | | | 4 |
| Total | | 33 | 3 | 9 | 45 |
| White Collar | | | | | |
| Men | < 30 years | 56 | 136 | 395 | 587 |
| | 31-50 years | 320 | 105 | 453 | 878 |
| | > 50 years | 200 | 26 | 28 | 254 |
| Total Men | | 576 | 267 | 876 | 1 719 |
| Women | < 30 years | 401 | 1 228 | 663 | 2 292 |
| | 31-50 years | 1 025 | 1 301 | 499 | 2 825 |
| | > 50 years | 240 | 103 | 35 | 378 |
| Total Women | | 1 666 | 2 632 | 1 197 | 5 495 |
| Total | | 2 242 | 2 899 | 2 073 | 7 214 |
| Blue collar | | | | | |
| Men | < 30 years | | 2 | | 2 |
| | 31-50 years | 48 | 5 | 38 | 91 |
| | > 50 years | 80 | 1 | 14 | 95 |
| Total Men | | 128 | 8 | 52 | 188 |
| Women | < 30 years | | 3 | | 3 |
| | 31-50 years | 15 | 4 | 3 | 22 |
| | > 50 years | 37 | 1 | | 38 |
| Total Women | | 52 | 8 | 3 | 63 |
| Total | | 180 | 16 | 55 | 251 |
| TOTAL | | 2 455 | 2 918 | 2 137 | 7 510 |

Welcome Back, Mom

Also in 2018, the Welcome Back, Mom project continued, focusing on the value of the Company's female employees. Launched in 2015, this project assists moms when they come back to work after

maternity leave, with a dedicated coaching path to help them find a new work/life balance. The path includes four two-hour meetings and two group workshops. In 2018, 31 mothers participated in the project for a total of 177 training hours.

| 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 | 76 | 925 | 123 | 1 124 |
| Paternity | 20 | 128 | 30 | 178 |
| Total | 96 | 1 053 | 153 | 1 302 |
| Employees who took a parental leave | | | | |
| Maternity | 76 | 168 | 36 | 280 |
| Paternity | 20 | 1 | 11 | 32 |
| Total | 96 | 169 | 47 | 312 |
| Return to work after parental leave ended | | | | |
| Maternity | 50 | 96 | 19 | 165 |
| Paternity | 20 | 1 | 11 | 32 |
| Total | 70 | 97 | 30 | 197 |
| Maternity | 66% | 57% | 53% | 59% |
| Paternity | 100% | 100% | 100% | 100% |
| Total | 73% | 57% | 64% | 63% |
| Retention rate – employees who returned to work after parental leave ended and still working 12 months after their return | | | | |
| Maternity | 15 | 95 | 29 | 139 |
| Paternity | 11 | 1 | 9 | 21 |
| Total | 26 | 96 | 38 | 160 |
| Maternity | 88% | 57% | 81% | 75% |
| Paternity | 100% | 100% | 82% | 94% |
| Total retention rate | 93% | 57% | 81% | 77% |

La Ghirada

Also in 2018, Group employees and their families had access to advantageous rates for the summer camps organized by La Ghirada - Città dello Sport, the 22-hectare sports complex built in Treviso by the Benetton family.

area. An educational service that hinges on building relationships, research, the wellbeing of children and the community, following the guidelines set by the nurseries and kindergartens of Reggio Emilia. Ponzano Children is located in a building designed by the Spanish architect Alberto Campo Baeza. Today, 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 nine months to six years.

Ponzano Children

Founded in 2008, Ponzano Children is a children's center to host both the children of employees and children of Ponzano and other municipalities in the

Training

In 2018, more than half of our Company's population was involved in training and development initiatives. This percentage increases to 70% if we also consider the staff of the directly operated stores. Benetton Group's main projects dedicated to staff training include a portfolio of courses that range from leadership to language courses and from the development of soft skills to technical-specialist training. The training activities catalog is designed by our Education, Growth & Engagement department and includes training, development and engagement initiatives. Most of the initiatives are shared with foreign subsidiaries, which take action to customize the programs and engage employees locally.

People in Colors

In 2018, colors represented one of the main drivers in the Group's projects dedicated to mindfulness and relationship development. In particular, we introduced People in Colors, a model that identifies in each person four cognitive styles or ways of thinking and acting, each of which corresponds to a color: blue, yellow, green and red. Nine editions of People Management in Colors and Self-Efficacy in Colors were developed, involving 144 colleagues for a total of 1 268 hours of training.

Ad hoc specialist training

Dedicated technical and specialist training initiatives were developed for some corporate functions, in particular in the AFC, Logistics, Retail Design and Visual Merchandising areas. These training courses involved 53 colleagues for a total of 612 hours of training.

In 2019, the People in Colors project will be extended to all the colleagues of our offices, with a specific focus on the essence of our Brands.

Office training

Office training included Excel and PowerPoint courses, divided into basic, intermediate and advanced levels, for a total of ten editions. Office training courses involved 91 colleagues for a total of 1 280 hours of training.

Language courses

In 2018, the Core English training program (individual and group English courses) continued. In addition, a new course "ESP_English for specific purposes" was introduced, focusing on public speaking skills. The training courses involved 183 colleagues for a total of 1 663 hours of training.

BOB

Benetton on Boarding (BOB) is a welcome program dedicated to newly hired employees and includes a series of eight digital books, developed to provide all the basic information and instructions regarding the organization.

In addition to on campus training, training is also provided to store personnel through our Retail Academy, which involves personnel from both the Directly Operated Stores (DOS) and the Franchising Operated Stores (FOS). In 2018, store-specific training initiatives focused on the restyling of the Sales Training program through the implementation of the "Selling in Colors" projects for the United Colors of Benetton and "We Love Sisley Journey" for Sisley. The consolidation of BEST and the dedicated Omnichannel project were important innovations in the Group's Store 2018 training program.

Selling in Colors

Selling in Colors is a training course designed to provide support to store personnel in their daily relationship with customers. Based on the People in Colors model, its objective is to facilitate the recognition of the different types of customers entering the stores by offering an additional tool

to increase the efficacy of the selling process through interaction with customers based on simple and immediate criteria. In 2018, 31 editions of Selling in Colors were organized in Italy, involving a total of 367 people, including store personnel and FOS partners, and a total of 137 resources from directly operated stores (DOS).

We Love Sisley Journey

The focus of this journey is the Sisley consumer target. This course evolves from the proposal of the ten golden rules to support store personnel in the development of customer relationships on a daily basis, while conveying to final consumers the brand's soul and identity. In 2018, two editions were organized involving colleagues from the head office and the DOS and FOS stores; a special edition was also dedicated to the Store Managers of the TOP DOS stores for a total of 41 people and 436 hours of training.

Omnichannel

The training plan represents a key step in the implementation of the Omnichannel strategy. In particular, between June and November, training was provided to all pilot stores – located in the Lombardy region, Padua and London – with regard to the product locator and endless aisle services, launched in correspondence with the training. In December, click&collect and return in store services were rolled out for just two stores. In 2018, 95 resources were involved in the Omnichannel strategy training, including store personnel and partners (DOS, FOS, IOS) for a total of 676 hours of training.

Green Camp - London

On the occasion of the reopening of the London Store in Oxford Street, we developed a Green Camp focused on the distinctive elements of our Company and our brand. The Green Camp combines the presentation of the collection at the stores, from a sell-out perspective, with training on other topics

offered by our In-Store Training Academy. The 40 colleagues from the London Store were involved in two days of training and discussions in order to deepen their knowledge of our target consumers and thus increase sales performance. The Green Camp was in fact dedicated to store managers and analyzed issues including product, selling techniques, visual merchandising and people management.

BEST

Launched in September 2017, BEST (Benetton Engagement and Store Training) is the interactive digital platform dedicated to DOS and FOS store personnel. In 2018, the platform supported the main training and business projects, such as Ominichannel, with a dedicated section, and Selling in Colors, with a schedule of content and exercises designed to involve the entire sales network. In addition, the platform was enriched with a glossary of fashion terms that currently includes 80 entries. A total of 115 contents, 1 113 comments, 16 videos and 124 photos were published.

In 2019, we will launch an important sales support plan dedicated to the Fall/Winter 2019 collection. A series of training stores will be selected to provide numerous training sessions.

UP Strategy

In 2018, the UP talent management strategy of our directly operated stores was further consolidated, combining moments of assessment of one's potential (Growing UP), and one's performance (Performing UP) as well as training activities by role (In Store UP). In particular, in 2018 the strategy involved a total of 36 resources in three paths divided by role: My Store for 12 UCB Store Managers; My Floor for 14 Store Department Managers; and Visual Paths for 10 In-Store Visuals. In almost all cases, these initiatives referred to internal upgrades, thus enhancing the Company's know-how.

Employer Branding

In 2018, Benetton Group participated in numerous employer branding initiatives in close collaboration with leading schools and universities. The aim is to attract new talent with a view to renewing and diversifying human resources.

Act-In Class – University of Padua

In September 2018, we launched the Act-In Class Project in collaboration with a group of students from the Faculty of Management Engineering of the University of Padua. The group, made up of seven students, worked on aspects regarding the development and planning of collections, analyzing them directly with the people of reference of the Company departments involved: Supply Chain Planning, Merchandising, Sales Planning, Master Calendar, Sourcing. The project and the presentation of the ideas by the students were useful both to meet new talents and to bring new insights and ideas to the Company.

Master MFI – Milano Fashion Institute

Founded in 2007 by three Milanese universities – Bocconi, Cattolica and Politecnico – the Milan Fashion Institute is an inter-university consortium for higher education in the field of fashion, whose goal is the creation of a multidisciplinary training center of

| GRI 404-1 Average year training hours by employee and gender | | | | | | |
|--|--------|-------|--------|-------|--------|-------|
| Training hours | 2016 | | 2017 | | 2018 | |
| | Men | Women | Men | Women | Men | Women |
| Italy | | | | | | |
| Total training hours provided | 16 659 | | 9 735 | | 12 490 | |
| Training hours by employee | 7 | | 4 | | 5 | |
| of which provided to: | 5 | 9 | 5 | 3 | 6 | 5 |
| Europe | | | | | | |
| Total training hours provided | 20 919 | | 6 977 | | 6 448 | |
| Training hours by employee | 9 | | 3 | | 2 | |
| of which provided to: | 10 | 7 | 3 | 3 | 2 | 2 |
| Rest of the world | | | | | | |
| Total training hours provided | 18 069 | | 13 299 | | 10 906 | |
| Training hours by employee | 8 | | 6 | | 5 | |
| of which provided to: | 10 | 8 | 7 | 5 | 4 | 3 |
| Benetton Group | | | | | | |
| Total training hours provided | 55 647 | | 30 029 | | 29 844 | |
| Training hours by employee | 8 | | 4 | | 4 | |
| of which provided to: | 9 | 7 | 7 | 3 | 6 | 3 |

excellence at international level. In 2018, the Recruiting & Talent Acquisition Team held a conference for Master's students dedicated to job orientation and first job search.

Master Creative Knitwear Design

Also in 2018 we hosted the students of the Master in Creative Knitwear Design of the Academy of Costume and Fashion in Rome at the Studios and the Seamless Knitwear Area. After receiving a creative briefing from our knitwear design team, the students designed a capsule collection inspired by United Colors of Benetton. Giuliana Benetton selected the two best projects, which will be produced and sold in our stores. The two winners, Dario Tubiana and Lisette Estefania Bazan, will also have an opportunity to spend a month at the Company during the design of the collections that will be presented at Pitti Filati in January 2019 and participate in an internship in the knitwear design office.

Digital Recruiting

We received more than 66 000 visits on our Work with Us web page and on our LinkedIn page, and over 40 000 resumes. Today, candidates can send their curriculum vitae directly from any store thanks to the QR code technology.

The close collaboration with the Milan Fashion Institute will continue also in 2019: the Recruiting & Talent Acquisition team will meet the students of the different Master courses in a lecture dedicated to job-related issues.

In 2019, we will launch “Undercolors Of Creativity” a project in collaboration with IED in Rome, in which five students of the second year of the Fashion Design course will work for two months on the design of a Capsule Womenswear Collection by United Colors of Benetton, with a focus on the Homewear and Loungewear product categories.

As part of the Mittelmoda District project – an event dedicated to professional fashion institutes – in 2019 we will welcome 300 students from six schools in Friuli, who will visit our Company headquarters.

Reward

In 2018, the Group's remuneration policy was focused on the implementation of a series of fixed and variable components for the Group's Italian and foreign operations, with particular attention to young

employees and key resources and a view to rewarding team results. The objective is motivating and retaining the best resources already present in the Company and in the stores, with a view to ensuring continuity and medium-long term planning.

| Salary Gender Gap Index 2016-2018 - Italy | | | | | | |
|---|--------------|------|------|--------------------|------|------|
| Headquarter | Salary ratio | | | Remuneration ratio | | |
| | 2016 | 2017 | 2018 | 2016 | 2017 | 2018 |
| Managers * | 91% | 100% | 88% | 85% | 97% | 85% |
| Executives | 95% | 95% | 96% | 91% | 93% | 95% |
| White collars | 90% | 89% | 90% | 90% | 89% | 90% |
| Blue collars | 98% | 99% | 98% | 96% | 98% | 97% |
| Store | Salary ratio | | | Remuneration ratio | | |
| | 2016 | 2017 | 2018 | 2016 | 2017 | 2018 |
| Executives | 81% | 83% | 71% | 78% | 80% | 66% |
| White collars | 92% | 93% | 90% | 91% | 92% | 88% |

* The manager category is referred to senior managers only.

Management by Objectives

In 2018, we formalized the Management by Objectives Plan (MBO), which includes the assignment of economic benefits to managers who reach specific corporate targets, consistently with the Group's strategy. Today, the plan is operating in 17 Countries and involves over 120 managers, of whom 30% are abroad. The plan's structure and operation differentiates among Corporate roles, linked to Group economic-financial targets, and Country/Business roles, linked to economic-financial perimeter targets. A three-year Long Term Incentive Plan (LTIP) was also formalized, with the objective of focusing Top Management in Italy and abroad on the medium-long term business KPIs included in the 2018-2020 Business Plan.

Sales Incentive Plan

In 2018, the Group continued its efforts to standardize sales incentives for the Group companies' commercial staff, differentiated by sales channel (DOS - IOS - FOS), with an increasingly "glocal" (global and local) approach in order to orient behaviors towards the ongoing improvement of business performance. In particular, for the Franchising (FOS) channel we consolidated a specific sales incentive plan for the channel-specific management and development roles for both UCB and Sisley. For the direct channel

(DOS), the plan dedicated to the Group's directly operated stores was revised with a view to effectively driving an approach focused on further improving the sales performance of the points of sale by rewarding the best performers of the network with additional benefits. To date, over 2 300 people from approximately 300 directly operated stores in Italy and Europe have received the benefits.

Industrial relations

Another key element to ensure growth and the success of Benetton Group's human resources is the ongoing and productive dialogue with trade unions. In 2018, we consolidated, in a very innovative manner, the content of our supplementary agreement for the 2018-2020 period and of the relevant performance bonuses at the national level.

Organizational turnaround

In line with the previous year, in 2018 additional targeted organizational turnaround actions were implemented in some areas of the Company, already started in the previous year, with extremely positive results in terms of productivity and rationalization of activities.

Performance bonus

For the new second level supplementary agreement,

applicable for the 2018-2020 three-year period, we re-confirmed the criteria already applied in the previous year, for the determination of efficiency to define performance bonuses.

As to notice periods relative to significant organizational changes, the Company recognizes the value of collective bargaining as a privileged tool for determining contractual conditions and for regulating relations between Company management and trade unions and confirms its full compliance with all national collective labor agreements (SMI Textile, Trade, Executives, etc.). In the absence of National Collective Bargaining Agreements at the foreign subsidiaries, employment relations are managed in compliance with national laws, with the expectation of derogations that might be more favorable to workers.

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. Risk assessment, supplemented by the improvement plan, is constantly updated by the Prevention and Protection Service, present in all Benetton Group companies, also in relation to organizational changes. Particular attention is paid to the management of interferences with external companies engaged in setting up, providing services or maintenance activities, with the concurrent optimization of the relevant documentation and the request made to such external companies to comply with specific requirements regarding equipment, personal protection devices, training and emergency management. The dissemination of the culture of prevention takes place through basic training and advanced courses at all levels, coordinated by the Prevention and Protection Service, taking opportunities for moments of dialog, listening, evaluation of possible improvements both during normal activities and in emergency situations and with the analysis of accidents and "near misses". Awareness raising activities are also organized to manage the residual risk of certain activities with the delivery of specific safety instructions.

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 | | | | | |
|--|--|-------|--------|-------------------|-------|
| | Unit | Italy | Europe | Rest of the world | Total |
| 2016 | | | | | |
| Injury rate | No. of injuries/Hours worked x 1 000 000 | 10 | 1493 | 2016 | 1505 |
| Lost day rate | Lost days/Hours worked x 1 000 | 0.3 | 0.2 | 0.06 | 0.18 |
| 2017 | | | | | |
| Injury rate | No. of injuries/Hours worked x 1 000 000 | 10.3 | 1807 | 2.7 | 1016 |
| Lost day rate | Lost days/Hours worked x 1 000 | 0.26 | 0.42 | 0.02 | 0.27 |
| 2018 | | | | | |
| Injury rate | No. of injuries/Hours worked x 1 000 000 | 12.23 | 1853 | 2.27 | 11.3 |
| Lost day rate | Lost days/Hours worked x 1 000 | 0.49 | 0.86 | 0.22 | 0.29 |



Mittelmoda International Lab



In the summer of 2018 we hosted the final event of the twenty-fifth edition of Mittelmoda International Lab at the Benetton Studios of Castrette.

Launched in the early '90s, Mittelmoda is an international competition for young designers supported by some of the main fashion bodies, such as the Italian National Chamber of Fashion, Fondazione Industrie Cotone Lino and Confindustria Moda, in collaboration with several companies, including the Benetton Group.

The objective of Mittelmoda International Lab is to develop an international network of Art & Design schools and colleges to promote and foster international creativity. Mittelmoda International Lab is a valuable opportunity for meetings and aggregation, which is increasingly necessary to facilitate the professional and personal growth of young people.

On Friday, July 20, 23 finalist proposals from 17 countries around the world were presented in the Benetton Studios and evaluated by an international jury, chaired by Matteo Marzotto, Mittelmoda president, and composed of experts and representatives of high standing fashion companies.

During the day, two Absolute Prizes were awarded to the most creative and experimental collection, the Lectra Prize by the main sponsor of the event, four Origin Prizes dedicated to the use of leather, stone, fabrics and technology and, last but not least, two Special Prizes dedicated to the use of denim and cuprum.



Human rights

Peace, work, freedom of expression and equal opportunity: Benetton Group has always believed in a world where basic human rights are always guaranteed, without exception.

For over thirty years, our social communication campaigns have unfailingly reiterated this message. Today, the effect of our communication echoes a series of concrete initiatives that we implement, covering our corporate headquarters and our suppliers, on a range of topics ranging from health to women's empowerment and the fight against violence to respect for 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 all around the world. 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/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. For the benefit of active business partners worldwide, the Code of Conduct is available on our website in several languages.

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 to 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 checklist includes SA8000 Standard provisions and is designed to verify working conditions, environmental protection, transparency and compliance with the applicable local and international regulations. In particular, Benetton Group is very sensitive to the protection of human rights and has carried out an internal analysis of potential risks relating to issues such as child and forced labor.

No significant risks have been identified in the European Union, because the legislation adequately protects workers' rights and the compliance controls of the various bodies in charge are considered effective; as a preventive measure, Benetton Group is supporting its suppliers in formalizing procedures and sharing some best practices. All suppliers located outside the European Union, on the other hand, present a significant risk in terms of respect for fundamental human rights and are therefore subject to precise controls by means of audits.

The CSR Audit function carries out audits on all producers of finished products regularly, repeated every six months as a maximum and every two years as a minimum, according to the results achieved and the need to correct procedures identified as critical

in previous audits. In 2018, 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 addition, a periodic monitoring activity was introduced, which provides for the forwarding of updated corrective plans and evidence of the resolution of non-conformities on a periodic basis in order to supervise the remediation process with a view to continuous improvement. Finally, to support suppliers in the operational implementation of the requirements of the Code of Conduct, the Guidelines for Benetton Group Code of Conduct for Manufactures were drafted, which sets out Benetton's expectations for safe working conditions, while respecting workers' rights and the environment. The aim is to make the Code of Conduct more understandable and easy to apply, providing operational solutions and practical examples that can help suppliers in the proper

management of their sites. More than 300 suppliers were assessed for social impacts during the year. Of these, about 60% undertook a process of correcting non-conformities, while 24 business relationships were interrupted.

Non-discrimination

While respecting the tradition and culture of the countries in which our suppliers operate, Benetton Group believes that every company must commit to rejecting any form of discrimination, ensuring fair and respectful treatment of its people in all circumstances. In particular, in 2018, no employee reports of discrimination were received through the Whistleblower service.

In addition, 93% of our suppliers meet the requirements of our Code of Conduct in the matter.

Occasionally, Benetton collaborated with a few suppliers located in France, Moldavia, Ukraine, Bulgaria and Brazil for the performance of minor production processes. Given the occasional nature of the relationship and the low level of risk associated with these activities, no assessment was carried out locally with regard to the compliance of these plants with the respect of human rights.



The non-conformities identified refer to procedural aspects, all of which were corrected during the year.

Accord on Fire and Building Safety in Bangladesh

In December 2017, Benetton Group confirmed its adherence to the Accord on Fire and Building Safety in Bangladesh, launched in May 2013 following the event that is universally remembered as "the tragedy of Rana Plaza". The Accord, of which Benetton was one of the first signatories, is an independent initiative involving more than 200 clothing companies worldwide and also engaging trade unions, the International Labor Organization (ILO) and various non-governmental organizations. The Accord, developed to secure all apparel manufacturing facilities in Bangladesh, also provides for independent inspections and transparency of the local textile supply chain.

The main points of the agreement include:

- an independent inspection program supported by the signatory companies, involving employees and trade union associations;
- transparent communication of the list of production facilities, inspection reports and corrective action plans;
- the commitment of the signatory companies to ensure the effective implementation of the corrective action plans and to maintain ongoing business relations;
- the establishment of democratically elected health and safety committees in all factories to identify the main risks related to workers' health and safety;
- the development of workers through a broad-based training program;
- the implementation of complaint mechanisms and the right to refuse to work in unsafe conditions.

| | 2016 | 2017 | 2018 |
|--|-------|-------|-------|
| GRI 414-1 New suppliers that were screened using social criteria | | | |
| No. of new suppliers | 68 | 59 | 128 |
| of which: | | | |
| New suppliers screened based on their social impact | 46 | 37 | 82 |
| Percentage of new suppliers screened based on their social impact | 67.6% | 62.7% | 64.1% |
| GRI 414-2 Negative social impacts in the supply chain and actions taken | | | |
| Total no. of suppliers | 622 | 677 | 707 |
| of which: | | | |
| Suppliers screened based on their social impact | 315 | 314 | 325 |
| Suppliers identified as having significant negative social, real and potential impacts in relation to the community | 62 | 60 | 59 |
| Suppliers 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 | 40 | 46 | 35 |
| Percentage of suppliers 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 | 64.5% | 76.7% | 59.3% |
| Suppliers identified as having significant negative social, real and potential impacts in relation to the community with which relations were terminated after assessment | 28 | 16 | 24 |
| Percentage of suppliers identified as having significant negative social, real and potential impacts in relation to the community with which relations were terminated after assessment | 45.2% | 26.7% | 40.7% |

Social communication

The choice of social themes, the collaboration with bodies concretely committed to solidarity and the support to causes that otherwise could not have been communicated on a global scale have given meaning and value to Benetton communication, helping to build a serious and ongoing dialog with different actors around the world.

Universal Declaration of Human Rights

For the United Nations High Commissioner for Human Rights, Fabrica designed a series of creative proposals to celebrate the 70th anniversary of the Universal Declaration of Human Rights.

World AIDS Day

On the occasion of December 1, 2018, the World AIDS Day, the ASA AIDS Solidarity Association invited Oliviero Toscani and Fabrica to participate in an exhibition-show at 10 Corso Como Tazzoli, in Milan, designed to change our way of thinking about people who live with HIV.

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, some years ago Benetton India launched a series of initiatives designed to promote women's empowerment and equality between men and women.

Sakhi

Sakhi means "friend" in Hindi 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 Guargaon area. Through the program, these women have access to health checkups, foreign language courses on a weekly basis and craftsmanship labs, thus increasing their skills and promoting their economic independence. In 2018, the craftsmanship labs concentrated on the upcycling of production scraps to be used for the creation of daily use objects like handbags, vases, carpets and beauty cases.

Aarohi

"Aarohi. Wings of Empowerment" is a project developed in 2017 to improve the health of Indian women and girls during the menstrual phase, while decreasing the ecological footprint of Benetton India. Aarohi relies on the use of production scraps deriving from Benetton garments to create high quality cotton sanitary napkins. The pads, produced by a group of 100 dressmakers in Bangalore, are soft, easily washed with soap and water and can be reused up to 72 times. More than 40 000 pads were distributed in 2018, with the help of the partner organizations – HelpAge India, Child Rights & You (CRY), Wockhardt Foundation and NAARI Wellness – active in different regions of the country, which also provide concrete help involving educational support to combat the taboos still widespread in India about menstruations. The Aarohi project received two prizes at the ET NOW CSR Leadership Awards, a contest held in Mumbai in February 2018.

Nanhi Kali

Through the Nanhi Kali project, Benetton Group supports the extra-curricular education of 600 students from disadvantaged families in the Indian cities of Gurgaon and Noida, providing them with a complete study kit, shoes for the school uniforms, stationery products and after-school support. 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.

United by Light

United by Light is a project carried out in collaboration with HelpAge India, aimed at restoring independence of elderly women through the treatment of cataracts, a disease particularly widespread in India, where there is only one ophthalmologist per 100 000 inhabitants. In 2018, Benetton India organized more than 2 000 free eyesight checks and around 200 free cataract operations for elderly women living in rural areas or without the means to afford them.

Clothes for a Cause

Working in partnership with a network of local non-governmental organizations such as Samarapan Homes, CanKids and the Uday Foundation, Benetton India donates defective or returned garments to the needy through the Clothes for a Cause charity initiative.

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 is protected against sexual harassment in the workplace.

The new faces of an Italy that studies and works

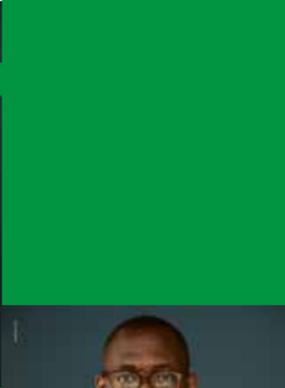


In 2018, United Colors of Benetton and Fabrice published two new images on integration by Oliviero Toscani. The subjects photographed are first and second generation immigrants who carry out or will carry out fundamental tasks in Italian civil society.

The first photo represents a group of university medical students. Among them are a Nigerian, an Indian, a Chadian, an Anglo-Sri Lankan and an Italian-Nigerian, who are studying to make their contribution to the Italian national health system.

The second photograph shows a group of professionals: a police officer from the Enna police headquarters, a councilor in charge of public education from the municipality of Scandicci, a priest from the province of Pavia, an imam from Rome, a doctor and a lawyer from Milan. They originally came from Cameroon, Senegal, Indonesia, Togo and the Democratic Republic of Congo, but they are all working to build a better Italy.

Accompanied by a series of video interviews, the two photographs of *The new faces of an Italy that studies and works* are part of a larger project on integration, which Toscani and Fabrice began in autumn 2017 by taking pictures at a multi-ethnic school in Milan, and fit into the long history of fighting all forms of discrimination pursued by Benetton Group.





A green company

Understanding and respecting the environment are essential requirements for a large company, especially today with global warming and its consequences becoming increasingly visible every day.

Benetton Group's commitment to sustainability is part of the Company's DNA. Just think of the green on the United Colors of Benetton logo or the numerous environmental communication campaigns that the brand has launched since the 1990s.

Our commitment continues today, with environmental protection initiatives involving various activities: from the selection of raw materials to improving the efficiency of processes along the entire supply chain.

Towards a circular economy

- Rationalization of collections
- Wasatex Project
- Experimental treatments
- Focus: B-Care

Sustainable materials

- Wool
- Sustainable cotton
- Certified down
- Bio-based fibers

Management of environmental impact

- Reduction in the use of chemical pollutants
- Logistics
- Focus: Detox Commitment
- Headquarters and stores

Sustainable materials

Consumers demand Benetton Group increasingly sustainable and quality products. For this reason, we carefully select the raw materials, preferring those with a reduced environmental impact. Today, 91% of the fibers in our garments are of natural origin and can therefore be disposed of without causing damage to the environment. In addition, about half of our garments are made of monofiber material, making recycling easier.

| GRI 301-1 Raw materials | Unit | 2016 | 2017 | 2018 |
|--|----------|---------------|---------------|---------------|
| Total | t | 27 065 | 22 851 | 19 077 |
| Renewable | | | | |
| Cotton* | t | 18 875 | 16 649 | 15 539 |
| Wool* | t | 1 300 | 851 | 1 196 |
| Linen* | t | 197 | 181 | 334 |
| Mixed (natural fibers) | t | 154 | 169 | 234 |
| Non-renewable | | | | |
| Artificial fibers | t | 1 434 | 1 260 | 1 004 |
| Mixed (natural/artificial/man-made fibers) | t | 5 105 | 3 741 | 769 |

* Pure raw materials > 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 2018, we implemented and confirmed 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. In 2017, we obtained 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.

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.

In April 2019, a day of the annual congress of the International Wool Textile Organization will take place at the Benetton Studios in Castrette. The theme of this edition is "Wool in excellence": sustainability, traceability, as well as animal health and welfare, will be discussed.

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 2018, organic cotton, cultivated according to the principles of organic agriculture with no GMOs and with a lower carbon footprint, accounted for 4.7% 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. According to the prescriptions of the program, in 2018 we started procurement processes for cotton cultivated and collected by farmers trained to minimize the use of fertilizers and pesticides, using water and the soil in a sustainable way and complying with the principles of equity in labor relationships. In 2018, our BCI cotton share exceeded 23% (calculated on the annual total cotton requirement), a very promising indication which we intend to further improve in the next years.

Certified down

In May 2017, United Colors of Benetton was certified according to the Responsible Down Standard (RDS), a certification that guarantees that the feathers and down used in the Benetton and Sisley collections come from geese and ducks reared for alimentary purposes and 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 down feather 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.



Bio-based fibers

In summer 2018, United Colors of Benetton launched Bio Beachwear, a new line of women's swimwear made from a bio-based yarn.

The Bio Beachwear line ensures the performance of nylon – a man-made polymer used for the production of most of the swimsuits sold in the market – but uses a next generation hi-tech yarn, obtained from castor seeds that grow in arid areas that are not intended for agriculture. The yarn has no effect on the human or animal food chain. Moreover, less water is used for its processing and approximately 25% of CO₂ emissions are saved compared to polyamide. The patent is owned by Fulgar, an international leader in the yarn production market.

In the Undercolors 2020 Spring Summer menswear collection we will exclusively use organic cotton.

Our objective is to reach 100% of sustainable cotton used in our collections by 2025.

Management of environmental impact

Benetton Group's contribution to the fight against climate change is extended to the Group's entire supply chain – from manufacturing to logistics and the stores – and translates into a series of initiatives designed to reduce energy consumption, the use of chemical pollutants and CO₂ emissions in our processes.

Reduction in the use of chemical pollutants

In 2018, Benetton Group continued to concentrate efforts to eliminate the most harmful chemicals from its production processes.

ZDHC Wastewater Guidelines

In 2018, the wet process water testing programs that Benetton Group started in 2013 were supported by the adoption of the "ZDHC Waste Water Guidelines", a protocol shared and developed by the ZDHC (Zero Discharge of Hazardous Chemical) working group of which Benetton Group is a founding member. Recognized as the industry's best practice, the protocol facilitated the dialogue between the brands and the suppliers.

SAC and Higg Index

In 2017, we joined SAC (Sustainable Apparel Coalition), the largest alliance promoting sustainable production, including fashion, footwear and textile brands. As SAC members, starting from 2018 we began to use the Higg Index, i.e. a series of tools that enable brands and retailers to measure their sustainability performances. Thanks to the Higg Index, we evaluated a significant percentage (approximately 70% by volume) of wet processes using the FEM module (i.e., the Facility Environmental Module), which monitors the adoption of environmental management systems, the use of water and energy, the emissions into the atmosphere and the use of chemicals. The Higg FEM includes about 80 questions based on an application-oriented principle and is organized as a supplier self-assessment. It can also be verified by a third party entity approved by SAC. There are no monitoring visits or follow-up audits, but the supplier is engaged in an ongoing improvement and transparency process subject to assessment at year end. Overcoming the traditional "pass or fail" logic, Higg FEM provides benchmarks that allow companies to identify weaknesses and possible actions to be taken. Benetton, at least for the first year, has decided to avoid setting any minimum value threshold in the evaluation of the ratings obtained

by its suppliers; consequently, no action was undertaken in relation to the least performing wet processes. Finally, the FEM module enabled the Group to quantify the impact of water uptake along the value chain: in 2017, the Ponzano and Soave plants of Olimpias, a strategic supplier to Benetton Group, discharged 398 670 m³ of water. Of these, about 48% were directed to water treatment plants and the remaining 52% to the sewerage system. The Group used the "ZDHC Wastewater Guideline" standard to measure and monitor the quality of water sent to the treatment plants and in 2017 no thresholds were exceeded with regard to all water quality parameters.

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 2018, we confirmed our commitment to intermodal transportation and, in general, to the use of the least environmentally impacting transportation means with a view to reducing CO₂ emissions linked to our logistical and distribution activities. As to imports of goods from China, we have consolidated the use of the train service from Shanghai/Dalian to Warsaw (Poland), continuing with road transport to reach the Castrette factories. In 2018, a combined cargo ship and flight system was also implemented for goods that would have been shipped entirely by air transport due to a maritime transit time which was considered inadequate based on the envisaged delivery dates; this mode allows goods to be transported first by cargo ships – and thus resulting in

Detox Commitment

In 2018, Benetton Group confirmed its position as one of the most committed fashion companies in terms of sustainability, as demonstrated by the Greenpeace report "Destination Zero – Seven Years of Detoxing the Clothing Industry".

Benetton is listed among the companies that have joined the Detox Commitment, a commitment launched by Greenpeace in 2011 that provides for the total elimination of 11 groups of chemicals by 2020, the adoption and publication of a "Restricted Substances List" (RSL) and the publication of the wastewater test outcomes relating to suppliers involved in the "wet processes" (dyeworks and laundries).

In addition to transparency in the publication of results and progress achieved, the report indicates that Benetton Group distinguished itself in the process of replacing chemicals with other less impacting substances as well as in its ability to monitor its suppliers. By the end of 2017, the Company published already 80% of the test results carried out on the wastewater of suppliers involved in the so-called wet processes.

Since 2013, the year in which the Group joined the Detox Commitment, United Colors of Benetton has taken important steps towards eliminating harmful chemicals from its processes and products, as demonstrated by its success in 2016, when it was nominated one of the three leading brands worldwide according to Greenpeace's Detox Catwalk index.



Photo: Alessandro Vona/Greenpeace

In 2019, we will convert part of the air transport in rail transport for the orders of goods with destination Mongolia and the eastern regions of Russia.

reduced emissions compared to cargo flight transport – and then continue with air transport for the final portion of the journey. Finally, since 2018, dedicated orders have been produced for clothing destined for Mexico, one of our main foreign markets, to anticipate delivery in Castrette and convert a percentage of air transport into a fast maritime service, with 97% CO₂ emissions expected to be saved.

Methane

In 2018, we consolidated the use of methane-fueled vehicles in inbound flow of merchandise from the ports of Genoa/La Spezia/Trieste/Venice to Castrette, reaching 10% of the total volume. Transport on methane-fueled vehicles resulted in 10-15% CO₂ emissions saved compared to the use of diesel-fueled vehicles.

Reverse logistics

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

| CO ₂ emissions reductions | Unit | 2016 | 2017 | 2018 |
|--------------------------------------|------------------------------|--------|--------|--------|
| Logistics | t CO ₂ | 20 821 | 25 744 | 24 580 |
| Intensity index | g CO ₂ /item x km | 0068 | 0087 | 0027 |

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

| GRI 301-1 Packaging | Unit | 2016 | 2017 | 2018 |
|----------------------|----------|--------------|--------------|--------------|
| Total | t | 5 911 | 5 553 | 5 010 |
| Renewable | | | | |
| Paper and cardboard | t | 4 825 | 4 563 | 4 127 |
| Non-renewable | | | | |
| Polyethylene (PE) | t | 1 084 | 989 | 881 |
| Iron | t | 2 | 1 | 2 |

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

In 2019, the French company TK Blue will implement for Benetton Group a new procedure for calculating the annual environmental impact of inbound and outbound transport, which will not be limited to the calculation of emissions, but will analyze it by mode of transport and geographical area of destination, thus allowing concrete actions to be taken, targeting the reduction of environmental impact in relation to transport.

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.

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.

water-based inks. FSC is the global trademark that identifies products deriving from controlled forests managed according to social and environmental sustainability criteria.

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. Thanks to a project including the

redistribution of workspaces and plant management and revamping, also in 2018 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.

| GRI 302-1 Energy consumption | Unit | 2016 | 2017 | 2018 |
|--|----------------------|-------------------|-------------------|-------------------|
| Energy consumption in the headquarters | kWh | 18 196 465 | 18 124 756 | 18 690 493 |
| | GJ | 65 507 | 65 249 | 67 286 |
| Energy consumption in the stores | kWh | 30 096 006 | 36 146 392 | 38 855 632 |
| | GJ | 129 946 | 130 127 | 139 880 |
| Total energy consumption | kWh | 48 292 471 | 54 271 148 | 57 546 125 |
| | GJ | 195 453 | 195 376 | 207 166 |
| Total gas* | m³ | 1 122 963 | 1 331 664 | 1 210 994 |
| | GJ | 39 326 | 46 787 | 42 691 |
| Diesel oil** | l | 54 104 | 57 351 | 441 914 |
| | GJ | 1 945 | 2 062 | 15 856 |
| Gasoline** | l | 91 002 | 114 097 | 168 369 |
| | GJ | 2 978 | 3 733 | 5 514 |
| District heating | kWh | 131 929 | 131 000 | 121 825 |
| | GJ | 475 | 472 | 439 |
| Total energy consumption | GJ | 240 177 | 248 430 | 271 666 |

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

Data relative to the consumption of natural gas in 2016 include only a certain number of stores in Italy.

** 2016-2017 the consumption is limited to heating. 2018 the consumption includes also vehicle fleet.

Data Center

Work began in 2012 and continued through 2018 to improve the efficiency of the Ponzano Data Center, absorbing about 7% of the total energy of the campus. These interventions mainly concerned the power supply and air conditioning system of the Data Center and resulted in a reduced consumption of approximately 750 000 kWh/year.

Further projects targeted to the improvement of the Data Center power supply efficiency (UPS) are scheduled for 2019, with a projected reduction to be achieved by December of about 50 000 kWh/year and 2020-year projections of about 120 000 kWh.

Renewable energy

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

Non-commercial investments

Over one-half of the non-commercial investments made in 2018 targeted plant safety improvement. Moreover, we continued the replacement of the lighting with energy efficient, long lasting LED bulbs in some of the areas of the factories of Ponzano and Castrette.

| GRI 305-1 / 305-2 Emissions | Unit | 2016 | 2017 | 2018 |
|---|-------------------------|---------------|---------------|---------------|
| Scope 1 Emissions (GRI 305-1) | | | | |
| Consumption of natural gas in the headquarters and in the directly operated stores* | t CO ₂ | 2 195 | 2 615 | 2 388 |
| Diesel oil | t CO ₂ | 143 | 152 | 1 167 |
| Gasoline | t CO ₂ | 218 | 274 | 404 |
| Total | t CO₂ | 2 557 | 3 040 | 3 959 |
| Scope 2 Emissions (GRI 305-1) – Location Based | | | | |
| District heating | t CO ₂ | 74 | 77 | 23 |
| Energy consumption in the headquarters | t CO ₂ | 6 503 | 6 479 | 6 158 |
| Energy consumption in the directly operated stores | t CO ₂ | 10 959 | 11 350 | 14 326 |
| Total | t CO₂ | 17 462 | 17 829 | 20 507 |
| Scope 2 Emissions (GRI 305-1) – Market Based | | | | |
| District heating | t CO ₂ | 74 | 77 | 23 |
| Energy consumption in the headquarters** | t CO ₂ | 8 507 | 426 | 1 472 |
| Energy consumption in the directly operated stores | t CO ₂ | 17 513 | 12 340 | 14 106 |
| Total | t CO₂ | 26 020 | 12 766 | 15 601 |

* The breakdown of CO₂ linked to the consumption of natural gas between headquarters and stores is not available.

** The reduction of CO₂ emissions in 2017 is due to the purchasing of green energy. In 2018 the consumptions of Benetton India Pvt. Ltd. and Benetton Korea Inc. – not reported in 2016-2017 – are also included.

Store

In 2018, we presented “London”, a new store concept, also replicated in Turin and Padua, where we have used furniture in natural materials and environmentally sustainable linings, limiting the use of plasterboard. This

effort integrates recent activities targeted to energy efficiency and implemented in the On Canvas store concept, which features LED lamps, high efficiency air conditioning systems, FSC (Forest Stewardship Council) certified wood furniture and Leed certified ceramic.

Europe average API

| | |
|----------|-------|
| API 2016 | 00712 |
| API 2017 | 00680 |
| API 2018 | 00563 |

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.

In 2018, energy consumption monitoring in the stores improved, enabling the Group to collect more representative data regarding store performance in Europe.

In 2018, the API index, already down in the previous period, reduced further (-17%) thanks to store refurbishment and restyling, the continued installation of innovative high-efficiency air conditioning systems,

the replacement of traditional light bulbs with LED ones and the implementation of specific metering devices for the main consumption centers. The Group's future objective is the development of a system that collects, analyzes and quantifies store data with a view to further improving the monitoring and implementation of an automated management system that optimizes energy consumption.

The relamping activity and the consequent increase in efficiency will be continued in a massive manner also in 2019 according to the relevant investment plan.

In 2019, we will launch the “B-Green” project, a new sustainability-based store format characterized by the use of digital mannequins and decorative materials derived from production residues and waste of the textile industry, along with increased energy efficiency through an automated management of all plants through the analysis of Big Data and artificial intelligence.

In 2019, we will launch an internal communication campaign aimed at stimulating more sustainable behavior among our employees during their daily life in the Company. The campaign will encourage water, electricity, paper and ink savings and is the first of a series of initiatives aimed at making our factories in Castrette, Ponzano and Fabrica more efficient and sustainable.

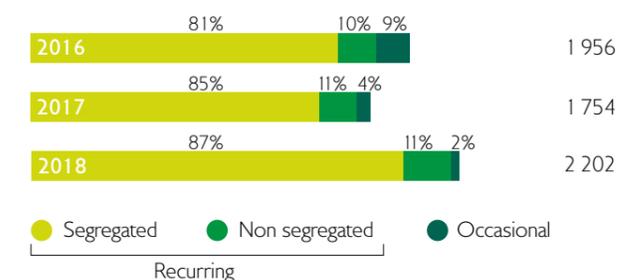
Waste management

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 | Unit | 2016 | | 2017 | | 2018 | |
|-------------------------|------|--------------|------------|--------------|------------|--------------|------------|
| | | Total | % | Total | % | Total | % |
| Total | t | 1 956 | 100 | 1 754 | 100 | 2 202 | 100 |
| of which: | | | | | | | |
| Recurring waste | t | 1 781 | 91 | 1 679 | 96 | 2 152 | 98 |
| of which segregated | t | 1 593 | 81 | 1 492 | 85 | 1 916 | 87 |
| of which non segregated | t | 188 | 10 | 187 | 11 | 236 | 11 |
| Occasional waste | t | 175 | 9 | 75 | 4 | 50 | 2 |

Waste production (t)



Towards a circular economy

In 2018, Benetton Group continued and launched a series of initiatives intended to improve the circular supply chain, from design to production to consumption and product end-cycle.

The aim is to develop a medium-term strategy of circular economy, designed to improve the sustainability of our production processes, by gradually limiting the quantity of inbound materials and energy, while concurrently reducing waste and outbound losses.

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.

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 and mechanical tests designed to assess the technical-quality characteristics, an in-depth analysis of consumers' real needs and communication campaigns to provide our customers with detailed instructions on garment care and repair.

Wasatex Project

Developed in 2014-2016 thanks to EU funding, the Wasatex project allowed the textile factory of the Olimpias Tekstil Group in Osijek, Croatia, to reuse purified wastewater in its industrial production cycle. The aim of the project is to recycle up to 90% of the process water when the plant is fully operational. Olimpias Tekstil is a long-standing partner of Benetton Group.

Experimental treatments

In the year, we have experimented alternative treatments for our collections, with the objective of reducing waste of resources and the use of chemicals harmful to the environment.

Mineral-based dyes

In 2018, we continued the project regarding the garment-dyed process using mineral-based dyes on an organic cotton men's t-shirt line. This project follows the experimentations of the past years in the field of more sustainable, mineral-based dyes.

Denim

In the year, we developed a laser-treated "denim color" for men's and women's denim items.

Over the next few years, we will be working on a series of garments featuring strong sustainability and recyclability characteristics, i.e. combining characteristics such as monofiber, organic cotton, natural fibers, cellulose-based labels, mineral-based dyes and laser and ozone-based treatments.

B-Care



In a society hinged on disposable fashion, Benetton Group is committed to producing garments that last over time. However, their duration also depends on how consumers treat them. That is why in 2018 we published B-Care, an online garment maintenance guide for our consumers.

Under the slogan "Wear. Care. Repair", the guide includes a series of video tutorials and written instructions that explain how to simply take care of one's garments at home in order to make them last longer.

In addition, the guide also explains how to read garment labels and how to wash garments by hand and in the washing machine in order to prevent color fading or product shrinking; how to remove pilling, i.e. the small balls of fiber that form on the weave, as a result of use; how to mend garments, sew buttons, patch a cotton jersey or repair an item by using needle and thread.

These actions, if carried out frequently and with care, considerably increase the life cycle of a garment, thus helping to reduce the carbon footprint of the fashion industry.





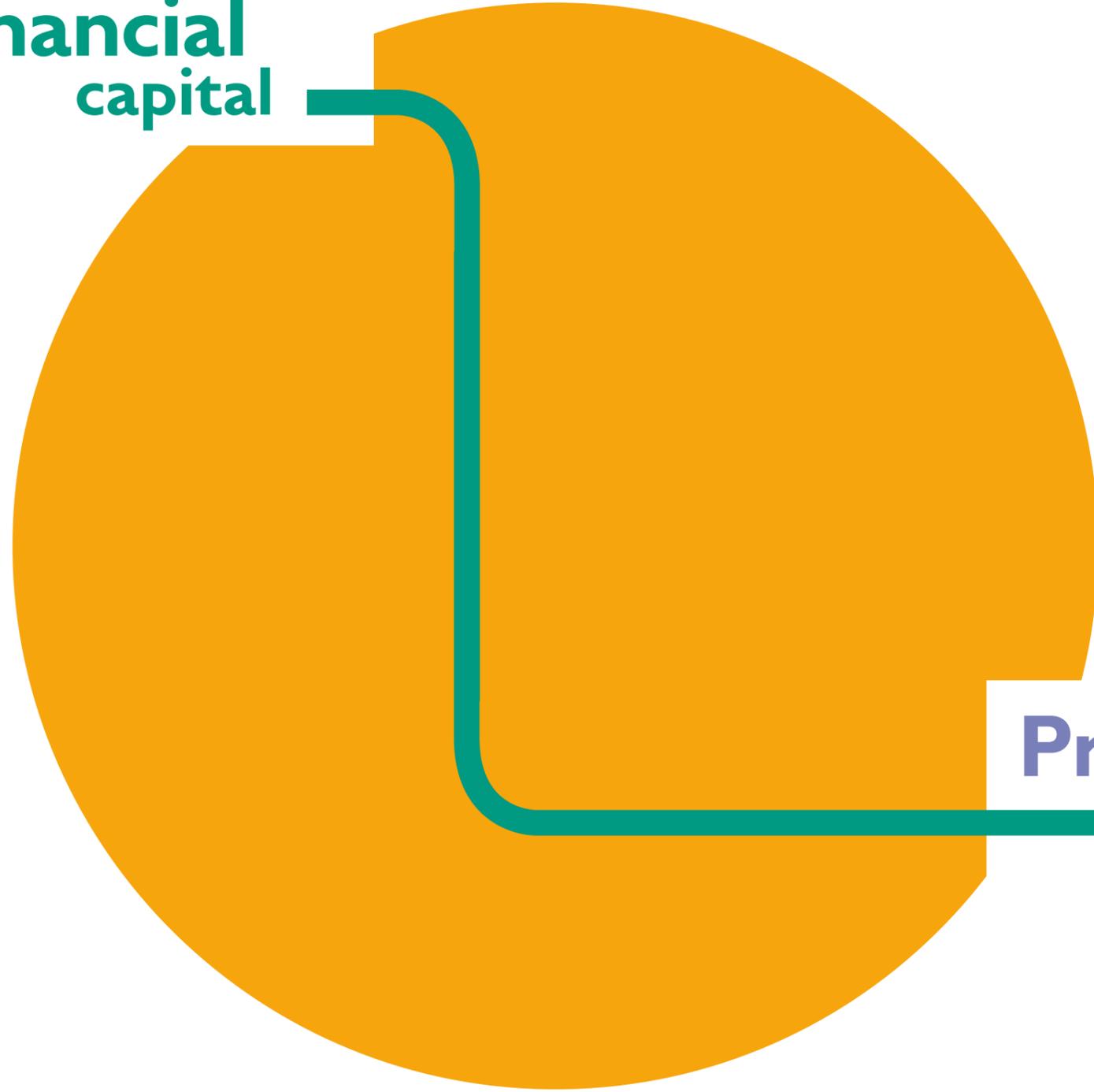
A numbers company

In 2018 a new wave of optimism swept over the clothing market, despite the uncertainties and the still unresolved challenges: the volatility of the macroeconomic context, the instability of some emerging markets, the drive towards digitalization, new consumer purchasing habits and the need to revise traditional retail mechanisms made a total recovery of the industry difficult, but still a few stimulating innovation opportunities were offered.

For Benetton Group, the year just ended was a period of transition, during which action was taken on the product, by enhancing innovation and improving the attractiveness of the collections; on communication, by investing in storytelling and on the integration between online and offline stores to offer customers a new, informal and digital shopping experience. Despite innovation and investments, the recovery of the Group's profitability is still uncertain: sales in the intermediate seasons were affected by adverse weather conditions and the worsening of the geopolitical situation in some countries, and especially in the Middle East, constituted a further element of difficulty.

For Benetton Group, 2018 represents the beginning of a new course, thanks to its rediscovered identity of quality and color, which we expect to be seen translated into an improvement in overall profitability, thanks to sales uptrend, improved margins and cost containment measures.

**Financial
capital**



**Production
capital**

Financial capital

In 2018, product transformation and evolution, distribution and brand repositioning had a negative impact on the Group's economic results.

| GRI 201-1 Value generated and distributed by Benetton (thousand Euro) | | | |
|---|------------------|------------------|------------------|
| | 2016 | 2017 | 2018 |
| Economic value generated | 1 489 759 | 1 341 314 | 1 304 758 |
| Economic value distributed | 1 461 274 | 1 397 451 | 1 334 651 |
| Operating costs | 1 187 930 | 1 126 330 | 1 082 198 |
| Value distributed to employees | 224 017 | 232 263 | 223 820 |
| Value distributed to investors | 12 807 | 15 720 | 13 918 |
| Value distributed to P.A. | 33 548 | 20 751 | 13 223 |
| Value distributed to the community | 2 970 | 2 384 | 1 493 |
| Total retained economic value | 28 485 | (56 137) | (29 893) |

The economic value generated by Benetton amounts to Euro 1 304 million, the economic value distributed totals Euro 1 334 million and the economic value retained is negative for about Euro 29 million.

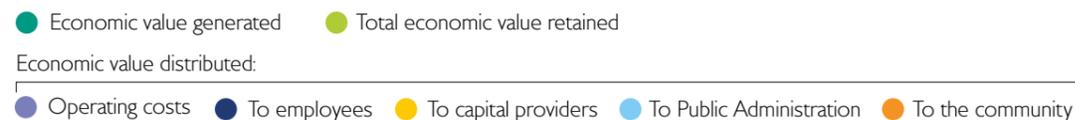
The reduction in the economic value generated is attributable to a reduction in sales by the directly operated stores, which were affected by the general context of weakness, with similar declines also in comparable stores. The reduced economic value distributed is essentially due to:

- targeted control of operating costs, receivables and inventories in order to limit operating loss, consistently with the provisions of the Three-Year Plan;
- progressive rationalization of the collections, focused

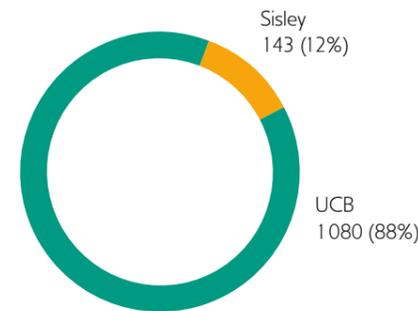
on improving product quality and increasing margins; fewer promotions along with expected short-term sales reduction, but with the commitment to increase brand attractiveness in the long term.

Despite the overall decreased economic value generated, the Group maintained the commitments to its stakeholders: the largest portion of the economic value distributed (around 81%) is allocated to supplier remuneration, in particular to the management of operating services and the purchase of raw materials. 17% is allocated to employee remuneration, including all that is provided for in the relevant contract as well as the welfare system guaranteed to employees.

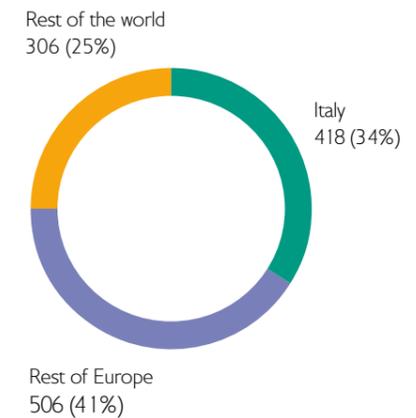
Economic value generated and distributed (thousand Euro)



2018 net sales by brand (million Euro)



2018 net sales by geographical area (million Euro)



66% of sales overseas

1 334 651 (thousand Euro)
economic value distributed

Production capital

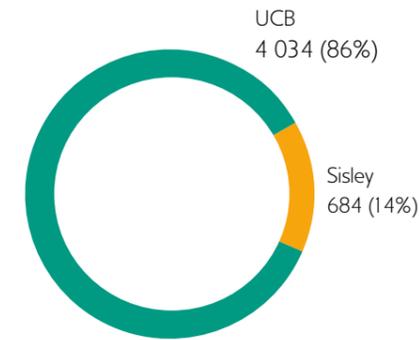
| GRI 204-1 Value of procured products (Euro) | | | | | | |
|---|--------------------|-------|--------------------|-------|--------------------|-------|
| | 2016 | | 2017 | | 2018 | |
| EMEA | 353 312 938 | 51.0% | 287 045 960 | 46.6% | 265 281 050 | 45.6% |
| Asia | 336 053 624 | 48.5% | 324 998 313 | 52.8% | 313 659 457 | 54.0% |
| Rest of the world | 3 345 159 | 0.5% | 3 418 931 | 0.6% | 2 187 476 | 0.4% |
| Total | 692 711 720 | | 615 463 204 | | 581 127 983 | |

Most of the suppliers used by Benetton Group for the production of clothing, footwear and accessories (54%) are currently located in Asia, particularly in China, India and Bangladesh. Confirming the new course started last year, the Group is re-evaluating its procurement strategy by choosing suppliers located in the EMEA*

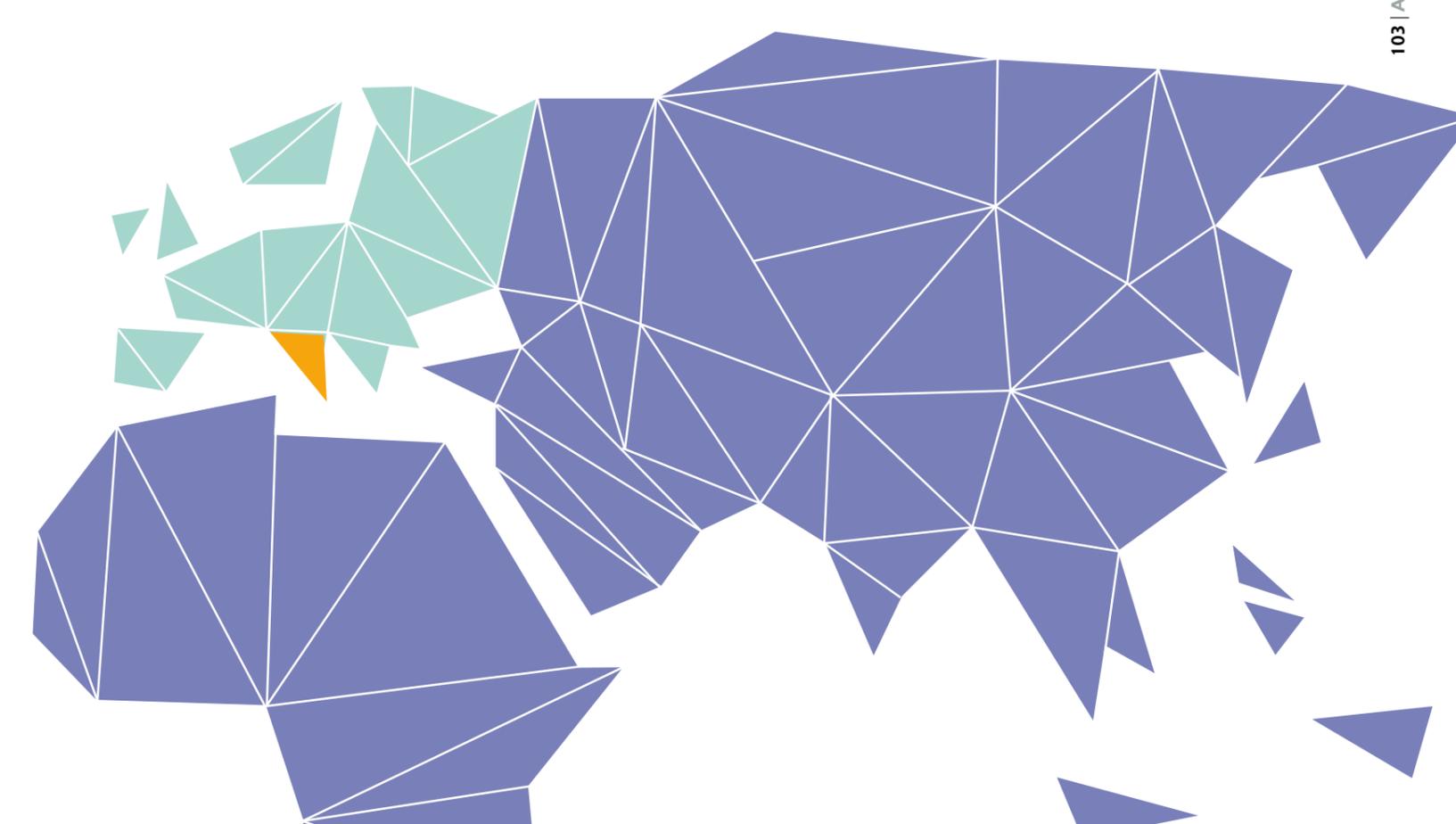
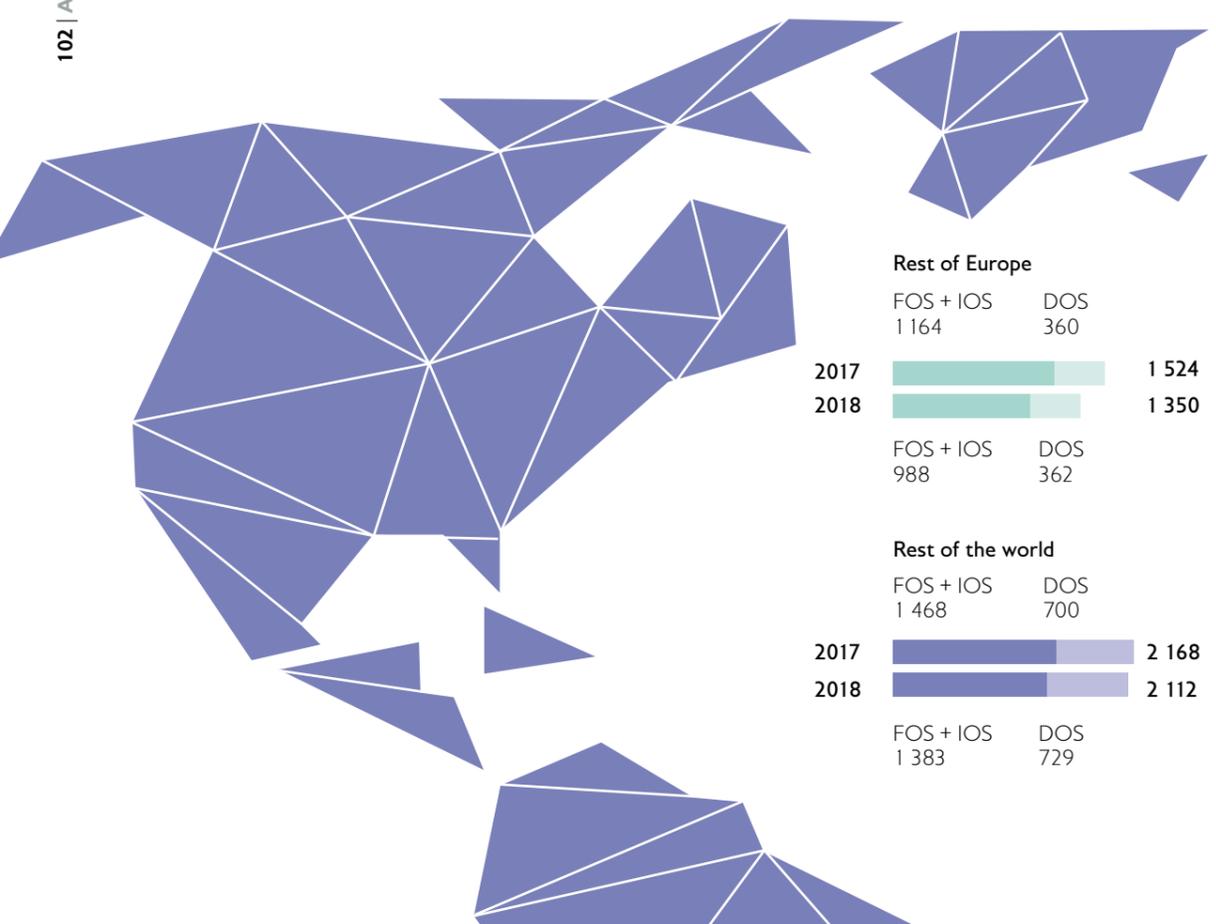
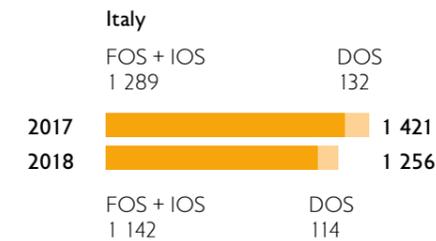
countries. The greater proximity of suppliers to the Group's headquarters, where the main operational activities are concentrated, allows faster response to creative needs, increased control of the supply chain and improved efficiency of logistics.

* The reference excludes the collections of Korea, India and Japan, which are produced by local suppliers.

Benetton Group distribution network in 2018
(no. of stores)



In a broader perspective, production capital also includes the Group's distribution network, currently involved in a complex process of development, rationalization and significant restyling. The main investments in the period targeted the provision of support to the direct sales network and the refurbishment of existing stores as well as the development of the omnichannel project. In the near future, after the consolidation of the objective of balancing directly operated stores and franchisees, Benetton Group intends to continue the restyling of the stores, the roll-out of the omnichannel project on the entire distribution network in Italy and the growth of e-commerce.





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.

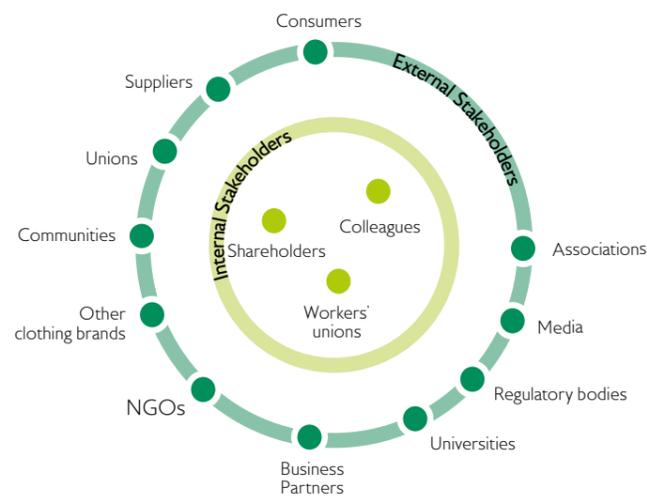
The principles and content of the "International <IR> Framework" issued in December 2013 by the International Integrated Reporting Council (IIRC) were taken into account for the drafting of the Integrated Report. The report was also prepared in accordance with the "GRI Sustainability Reporting Standards" defined in 2016 by the Global Reporting Initiative (GRI), in accordance with the 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.
- This exercise allowed to identify 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 2018, 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, which in the period concentrated on the Company's participation in several workshops focusing on social and environmental sustainability.

In October 2018, Benetton Group participated in the "Social Corporate Responsibility and Social Innovation Roadshow", which was held in Milan, testifying to its commitment to the reduction of water consumption through the Wasatex project. The project aims at purifying water allowing its industrial re-use in an environmentally friendly and efficient way from a production perspective. The event was an opportunity for Benetton Group to share relevant business and light industrial experiences with a common vision on sustainable development, oriented towards green and circular economy.

In 2018, Benetton Group took part in the SDGs collective action dedicated to circular economy, organized by the Global Compact Network Italy testifying its concrete contribution to the Sustainable Development Goals.

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 2018 regarded the following areas:

- human rights
- freedom of association
- 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 process of identification of the material items was updated in 2018 with a view to reflecting the changes applied to the Group's new governance, the priorities, the strategic orientations and the changes of the external context. The necessary inputs were then collected on the most relevant issues on which to confirm/promote data collection and sustainability reporting in the Report.

In particular, the first phase of the process of definition of the materiality perimeter included the identification of the relevant issues based on the following elements:

- 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;
- analysis of the main sector documents, sustainability indexes, documents and reports of the most relevant

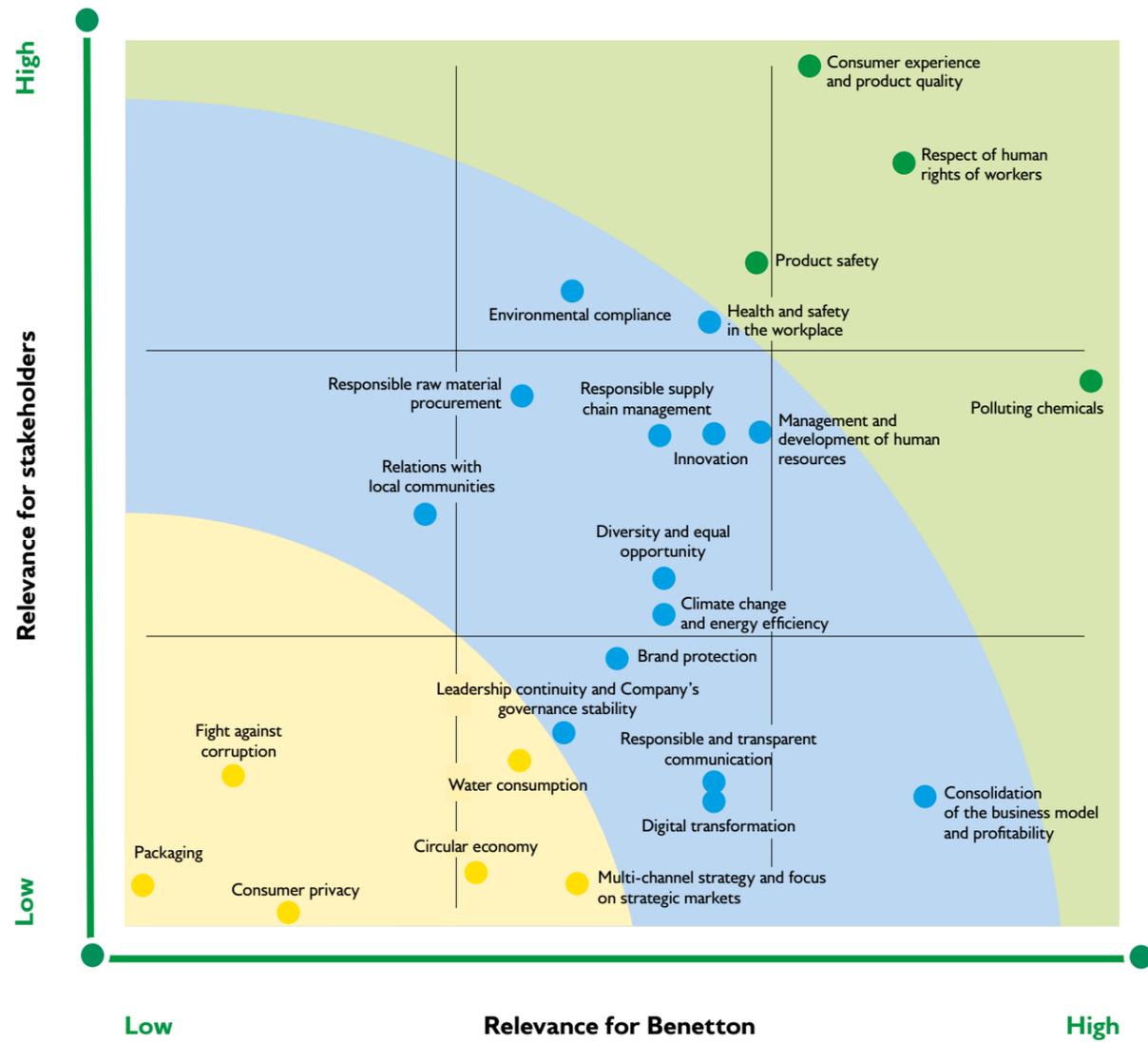
and influential non-governmental organizations and policy makers, and the main global stock exchanges in order to identify the main sustainability trends;

- mapping of priorities and strategic business objectives.

The identified issues were then prioritized through the direct involvement of the management, with a view to giving greater importance to aspects that can positively or negatively affect the ability of the organization to provide a vision and create value. 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).

The identified topics were then submitted to the stakeholders for their evaluation through a questionnaire administered to employees and end consumers and each item was analyzed based on the relevant importance for the stakeholder category considered. With regard to the importance for stakeholders, it has been considered the specific relevance of the different topics for the sector in which Benetton Group operates. Once the issues had been prioritized for stakeholders and the company management, data were consolidated, so as to obtain the materiality matrix which led to the definition of the contents for the 2018 Integrated Report.



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 possible limitation 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 | - | - | - |
| Materials | Group | Suppliers | - | Disclosure partially extended to suppliers |
| Effluents and waste | | Suppliers | - | Disclosure partially extended to suppliers |
| Emissions | Group | Suppliers; Logistics; Indirect points of sale (IOS/FOS) | Disclosure partially extended to directly operated stores and Italian offices | Disclosure not extended to the indirect points of sale and suppliers; partially extended to logistics |
| Environmental compliance | Group | - | - | - |
| Supplier environmental assessment | Group | - | - | - |
| Employment | Group | - | - | - |
| Labor/management relations | Group | - | - | - |
| Occupational Health and Safety | Group | Suppliers | - | Disclosure not extended to suppliers |
| Training and education | Group | Indirect points of sale (IOS/FOS) | - | Disclosure partially extended to indirect points of sale |
| Diversity and equal opportunity | Group | Suppliers | - | - |
| Non-discrimination | Group | Suppliers | - | - |
| Freedom of association and collective bargaining | Group | Suppliers | - | Disclosure not extended to suppliers |
| Child labor | Group | Suppliers | - | - |
| Forced or compulsory labor | Group | Suppliers | - | - |
| Human rights assessment | Group | Suppliers | - | - |
| Local communities | Group | Suppliers | - | Disclosure not extended to suppliers |
| Supplier social assessment | Group | - | - | - |
| Customer health and safety | Group | - | - | - |
| Marketing and product labelling | Group | - | - | - |
| Socioeconomic compliance | Group | - | - | - |

Reporting perimeter and sustainability context

This document is the third edition of Benetton Group's Integrated Report and contains a description of initiatives and activities carried out during calendar year 2018 and performance trends during the three years from 2016 to 2018, if available.

Performance indicators are gathered and reported on an annual basis.

The information reported refers to Benetton Group S.r.l. and its subsidiaries in Italy and abroad.

The reporting perimeter coincides with the above, except for some data relative to the following indicators: GRI 108-1, 102-41, 401-1, 404-1, 403-1, which for the 2016 period were limited to Retail Italia Network S.r.l., Fabrica S.p.A., 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.

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 was improved through the implementation of a software tool and structured so as to ensure data comparability over time, where possible, in order to provide an accurate interpretation of the information and a complete view to all stakeholders interested in trends of 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 2018 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:

- Lost day rate: number of working days lost due to injury/hours worked x 1 000
- Injury rate: 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. For the lost day

rate, the lost days by injury were calculated as calendar days from the day the incident occurred (unless the latter was worked in part) and include the days lost for commuting injuries.

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 and diesel oil for the heating of the head offices and global direct stores and gasoline and diesel oil for the company vehicles were determined using the emission factor reported in the table of national standard parameters published by the Italian Ministry for the Environment for 2016, 2017 and 2018.

Scope 2 indirect emissions: indirect emissions relate to energy and district heating; the emissions connected with the consumption of electricity are calculated according to the location-based and market-based approach. For the calculation of the location-based emissions the emission factors reported in the tables published by Terna were used regarding the international comparisons available for 2016 (the most recent version) based on Enerdata statistics, used for the calculation of the indirect emissions in 2018. Conversely, the factors used to calculate indirect emissions regarding 2017-2016

energy consumption derive from Terna previous table (2015), as it was the most updated version at the time in which the calculation was made (2017 reporting cycle). For the calculation of market-based emissions, the residual mixes reported in the "European Residual Mixes" document, published by ABI and available for the years 2016-2017, were used, where available. The emissions linked to district heating were calculated using the emission factors reported in the Defra tables available for the 2016-2017-2018 three-year period.

Scope 3 indirect emissions: for the calculation of CO₂ emissions connected with logistics transport, a methodology developed by TK Blue, an international non-financial agency specialized in transport, was used.

GRI content index

| GRI Standard | Disclosure | Page number | Omission |
|--|---|--|----------|
| GRI 102: GENERAL DISCLOSURES 2018 | | | |
| Organizational profile | | | |
| 102-1 | Name of the organization | 110 | |
| 102-2 | Primary brands, products, and/or services | 15; 39-47 | |
| 102-3 | Location of the organization's headquarters | 110 | |
| 102-4 | Countries in which the organization operates | 15; 26-27 | |
| 102-5 | Nature of ownership and legal form | 26-27; 110 | |
| 102-6 | Markets served | 54; 102-103 | |
| 102-7 | Scale of the organization | 10-11; 64; 100-103 | |
| 102-8 | Information on employees and other workers | 64-66 | |
| 102-9 | Description of the supply chain (number of suppliers, volumes and sourcing markets) | 75-78; 88-90 | |
| 102-10 | Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain | 20-21 | |
| 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 36-37 | |
| 102-12 | External initiatives | 32-33; 75-79; 88-89 | |
| 102-13 | Memberships of national and/or international advocacy organizations | 73 | |
| 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 | 7 | |
| 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 | 18-19; 30-31; 34-35; 75-78; 88-90 | |
| 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 | 22-25 | |
| Stakeholder engagement | | | |
| 102-40 | List of stakeholder groups with which the organization engages | 106-107 | |
| 102-41 | Percentage of total employees covered by collective bargaining agreements | 72 | |
| 102-42 | Basis for identification and selection of primary stakeholders with whom to engage | 106-107 | |
| 102-43 | Approach to stakeholder engagement | 106-107 | |
| 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 | 106-108 | |
| Reporting practice | | | |
| 102-45 | Entities included in the consolidated financial statements | 110 | |
| 102-46 | Defining Report content and topic boundaries | 106-109 | |

| GRI Standard | Disclosure | Page number | Omission |
|--------------|--|-------------|----------|
| 102-47 | List of material topics | 106-109 | |
| 102-48 | Restatement of information | 110-111 | |
| 102-49 | Changes in reporting | 106-111 | |
| 102-50 | Reporting period to which the social responsibility report refers | 110-111 | |
| 102-51 | Date of most recent previous social responsibility report | 110 | |
| 102-52 | Reporting cycle | 110 | |
| 102-53 | Contact point for questions regarding the social responsibility report and its contents | 124 | |
| 102-54 | Claims of reporting in accordance with the GRI Standards | 106 | |
| 102-55 | GRI content index | 112-119 | |
| 102-56 | Policy and current practice with regard to seeking external assurance for the social responsibility report | 121-123 | |

| GRI Standard | Disclosure | Page number | Omission |
|---|---|----------------|--|
| MATERIAL TOPICS | | | |
| ECONOMIC PERFORMANCE INDICATORS | | | |
| Economic performance | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 29-31; 36-37 | |
| 103-3 | Evaluation of the management approach | 29-31 | |
| GRI 201: Economic performance 2016 | | | |
| 201-1 | Direct economic value generated and distributed | 100-103 | |
| Procurement practices | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 75; 102 | |
| 103-3 | Evaluation of the management approach | 75; 102 | |
| GRI 204: Procurement practices 2016 | | | |
| 204-1 | Proportion of spending on local suppliers at significant locations of operation | 102 | |
| ENVIRONMENTAL PERFORMANCE INDICATORS | | | |
| Raw materials | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 86-87 | |
| 103-3 | Evaluation of the management approach | 86-87 | |
| GRI 301: Raw materials 2016 | | | |
| 301-1 | Materials used by weight or volume | 86-87 | |
| Emissions | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 90-92 | |
| 103-3 | Evaluation of the management approach | 90-92 | |
| GRI 305: Emissions 2016 | | | |
| 305-1 | Direct greenhouse gas emissions (Scope 1) | 92 | 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) | 92 | |
| 305-3 | Other indirect greenhouse gas emissions (Scope 3) | 90 | |
| 305-4 | GHG emissions intensity | 90 | |

| GRI Standard | Disclosure | Page number | Omission |
|--|---|---|--|
| Effluents and waste | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 88-92 | |
| 103-3 | Evaluation of the management approach | 88-92 | |
| GRI 306 Effluents and Waste 2016 | | | |
| 306-1 | Quantity of water discharged by volume and quality | 88; 94 | |
| Environmental compliance | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 88-93 | |
| 103-3 | Evaluation of the management approach | 88-93 | |
| GRI 307: Environmental compliance 2016 | | | |
| 307-1 | Non-compliance with laws and regulations in the environmental area | In 2018 the Group has not received significant fees for non-compliance with laws and regulations concerning the environmental issue | |
| Supplier environmental assessment | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 88-89 | |
| 103-3 | Evaluation of the management approach | 88-89 | |
| GRI 308: Supplier environmental assessment 2016 | | | |
| 308-2 | Negative environmental impacts in the supply chain and actions taken | 88-89 | Some information regarding this indicator is not currently available. Benetton undertakes, in the coming years, to gather the data needed to disclose this indicator |
| SOCIAL PERFORMANCE INDICATORS | | | |
| Employment | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 65-72 | |
| 103-3 | Evaluation of the management approach | 65-72 | |
| GRI 401: Employment 2016 | | | |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | 65-72 | |
| 401-3 | Return to work and retention rates after parental leave (by gender) | 67 | |

| GRI Standard | Disclosure | Page number | Omission |
|--|--|----------------------------|--|
| Labor/management relations | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 72-73 | |
| 103-3 | Evaluation of the management approach | 72-73 | |
| GRI 402: Labor/Management Relations 2016 | | | |
| 402-1 | Minimum notice periods regarding organizational changes | 73 | |
| Occupational health and safety | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 73 | |
| 103-3 | Evaluation of the management approach | 73 | |
| GRI 403: Occupational Health and Safety 2016 | | | |
| GRI 403-2 | Rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities, by region and by gender | 73 | Some 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 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 68-70 | |
| 103-3 | Evaluation of the management approach | 68-70 | |
| GRI 404: Training and Education 2016 | | | |
| 404-1 | Average hours of training per year per employee, by gender and by employee category | 70 | |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | 68-70 | |
| Diversity and equal opportunity | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 22-25; 36-37; 64-67; 79-80 | |
| 103-3 | Evaluation of the management approach | 22-25; 64-67; 79-80 | |
| GRI 405: Diversity and Equal Opportunity 2016 | | | |
| 405-1 | Composition of governance bodies and breakdown of employees according to gender, age group, minority group membership, and other indicators of diversity | 22-25; 66 | |
| 405-2 | Ratio of basic salary and remuneration of women to men | 72 | Limited to Italy |
| Non-discrimination | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 64-67; 76-77; 79 | |
| 103-3 | Evaluation of the management approach | 64-67; 76-77; 79 | |

| GRI Standard | Disclosure | Page number | Omission |
|---|---|--------------|---|
| GRI 406: Non-discrimination 2016 | | | |
| 406-1 | Number of incidents of discrimination and corrective actions taken | 76-77 | |
| Freedom of association | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 75-79 | |
| 103-3 | Evaluation of the management approach | 75-79 | |
| GRI 407: Freedom of association 2016 | | | |
| 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 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 75-79 | |
| 103-3 | Evaluation of the management approach | 75-79 | |
| GRI 408: Child labor 2016 | | | |
| 408-1 | Identification of operations and main suppliers having significant risk for incidents of child labor, and measures taken to contribute to its elimination | 76-77 | |
| Forced or compulsory labor | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 75-79 | |
| 103-3 | Evaluation of the management approach | 75-79 | |
| GRI 409: Forced or compulsory labor 2016 | | | |
| 409-1 | Operations having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to its elimination | 76-77 | |
| Human rights assessment | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 75-79 | |
| 103-3 | Evaluation of the management approach | 75-79 | |
| GRI 412: Human rights assessment 2016 | | | |
| 412-1 | Total number and percentage of suppliers subject to human rights reviews or impact assessment | 76-77 | |
| Local communities | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 75-79 | |
| 103-3 | Evaluation of the management approach | 75-79 | |
| GRI 413: Local communities 2016 | | | |
| 413-1 | Percentage of sites of operations in which local community engagement, impact assessments, and development programs have been implemented | 76-77; 78 | |

| GRI Standard | Disclosure | Page number | Omission |
|---|---|---|----------|
| Supplier assessment for impacts on society | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 75-78 | |
| 103-3 | Evaluation of the management approach | 75-78 | |
| GRI 414: Supplier assessment for impacts on society 2016 | | | |
| 414-1 | New suppliers that were screened using social criteria | 78 | |
| 414-2 | Significant actual and potential negative impacts on society and actions taken | 75-78 | |
| Customer health and safety | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 52-53 | |
| 103-3 | Evaluation of the management approach | 52-53 | |
| GRI 416: Customer health and safety 2016 | | | |
| 416-1 | Assessment of the health and safety impacts of product and service categories | 52-53 | |
| 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 in the three-year period 2016-2018 | |
| Marketing and labeling | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 55-57 | |
| 103-3 | Evaluation of the management approach | 55-57 | |
| GRI 417: Marketing and labeling 2016 | | | |
| 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 | |
| 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 labelling of products during their life cycle in the three-year period 2016-2018 | |

| GRI Standard | Disclosure | Page number | Omission |
|---|--|--|----------|
| 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 2016-2018 | |
| Socioeconomic compliance | | | |
| GRI 103: Management Approach 2016 | | | |
| 103-1 | Explanation of the material topic and its boundary | 106-109 | |
| 103-2 | The management approach and its components | 36-37; 52-57 | |
| 103-3 | Evaluation of the management approach | 36-37; 52-57 | |
| GRI 419: Socioeconomic compliance 2016 | | | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | In 2018 the Group has not received significant fees or fines for non-compliance with laws and regulations concerning the provision and use of products and services | |



Independent auditors' report on data and information included in the "Integrated Report 2018" 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 been appointed to perform a limited assurance engagement on the data and information included into the "Integrated Report 2018" of Benetton Group S.r.l. and its subsidiaries (hereinafter also "Benetton Group" or the "Group") referenced in the "GRI Content index" for the year ended on December 31, 2018 (hereinafter also "GRI disclosure of the Integrated Report").

Directors' responsibility on the GRI disclosure of the Integrated Report

The Directors of Benetton Group S.r.l. are responsible for the preparation of the GRI disclosure of the Integrated Report in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative ("GRI Standards"), as described in the paragraph "Methodological notes" of the Integrated Report 2018.

The Directors are also responsible 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 caused by fraud or not intentional behaviors or events.

The Directors are also responsible for the identification of the stakeholders and of the significant matters to report.

Auditors' independence and quality control

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

Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the GRI disclosure of the Integrated Report with the requirements of the GRI Standards. Our work has been performed in accordance with the the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of procedures in order to obtain a

limited assurance that the GRI disclosure of the Integrated Report is free from material misstatements.

Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

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

In particular, we have performed the following procedures:

- 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;
- comparison of economic and financial data and information included in the GRI disclosure of the Integrated Report with those included in the Group's consolidated financial statement;
- understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the GRI disclosure of the Integrated Report.

In particular, we have conducted interviews and discussions with the management of Benetton Group S.r.l. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of data and information to the department responsible for the preparation of the GRI disclosure of the Integrated Report.

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

- at Group level,
 - a) with reference to the qualitative information included in the GRI disclosure of the Integrated Report, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for Benetton Retail Poland Sp. z o.o. (Poland) and Benetton India Pvt. Ltd. (India), that we have selected based on their activities, relevance to the consolidated performance indicators and locations, we have carried out site visits during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the GRI disclosure of the Integrated Report of Benetton Group S.r.l. for the year ended on December 31, 2018 has not been prepared, in all material aspects, in accordance with the requirements of the GRI Standards, as described in the paragraph "Methodological notes" of the Integrated Report 2018.

Treviso, April 23, 2019

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

31050 Ponzano Veneto (Treviso) - Italy

Corporate information

Share capital: Euro 200 000 000 fully paid-in

Fiscal code/ Treviso company registrar no. 03490770264

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