



Benetton Group

**Integrated  
Report  
2019**

Benetton Group  
Integrated  
Report  
2019

UNITED COLORS  
OF BENETTON.

UNDERCOLORS  
OF BENETTON.

S I S L E Y

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**Letter from  
the Chairman**



SUSTAINABILITY

Dear Stakeholders,

2019 marked an important milestone in the relaunch of Benetton Group. The Company's economic-financial indicators show significant recovery and a significant reduction in the losses compared to previous years.

These results are even more important because of the complex macroeconomic context in which we operated, without ever compromising our principles and values. Since 1965 we have made a point of promoting social awareness, making our Company more than "just" a fashion company, but a vehicle of values and emotions. Our customers choose Benetton not only for its apparel, but because they totally embrace the brand.

We are fully aware that this attitude brings with it great responsibility. In 2019, we adapted our operations to the objectives of the United Nations' 2030 Agenda for Sustainable Development. The Verde Campus project enabled us to reduce the waste of resources and increase recycling at our Ponzano and Castrette sites. These are important signals, because real change starts at the personal level.

As for products, we further focused research on the quality of finishes and raw materials. As evidence of this effort, our Company adheres to some of the most prominent international institutions promoting sustainable fashion, such as the Better Cotton Initiative and the International Wool Trade Organization, for which we also hosted the international conference at Castrette in April 2019.

In 2019, color – another essential element of our DNA – returned center stage in our collections thanks to our artistic director Jean-Charles de Castelbajac, and was celebrated worldwide in the first United Colors of Benetton fashion show, during the Milan Fashion Week.

This positive and recovery-oriented scenario was however impacted in the first months of 2020 by an unexpected variable – the global health crisis triggered by the Covid-19 outbreak – which is currently transforming into an economic crisis, the magnitude of which is difficult to imagine.

Many things will change. Maybe even the way we are and behave as human beings. We, on our part, will try to react as best we can. In its long history, Benetton Group has faced and overcome many difficult challenges, taking the necessary steps and always looking to the future. In this case, too, we will remain loyal to our values and close to our store managers-entrepreneurs, who are fundamental to our success.

It is in this complicated moment that Massimo Renon has been appointed our new CEO. In the past, he has covered strategic roles in major international groups – particularly in the eyewear industry – which have equipped him with a deep knowledge of manufacturing and distribution cycles. He will lead our Group towards a future of new challenges and great opportunities in a scenario where nothing will be quite the same as before.

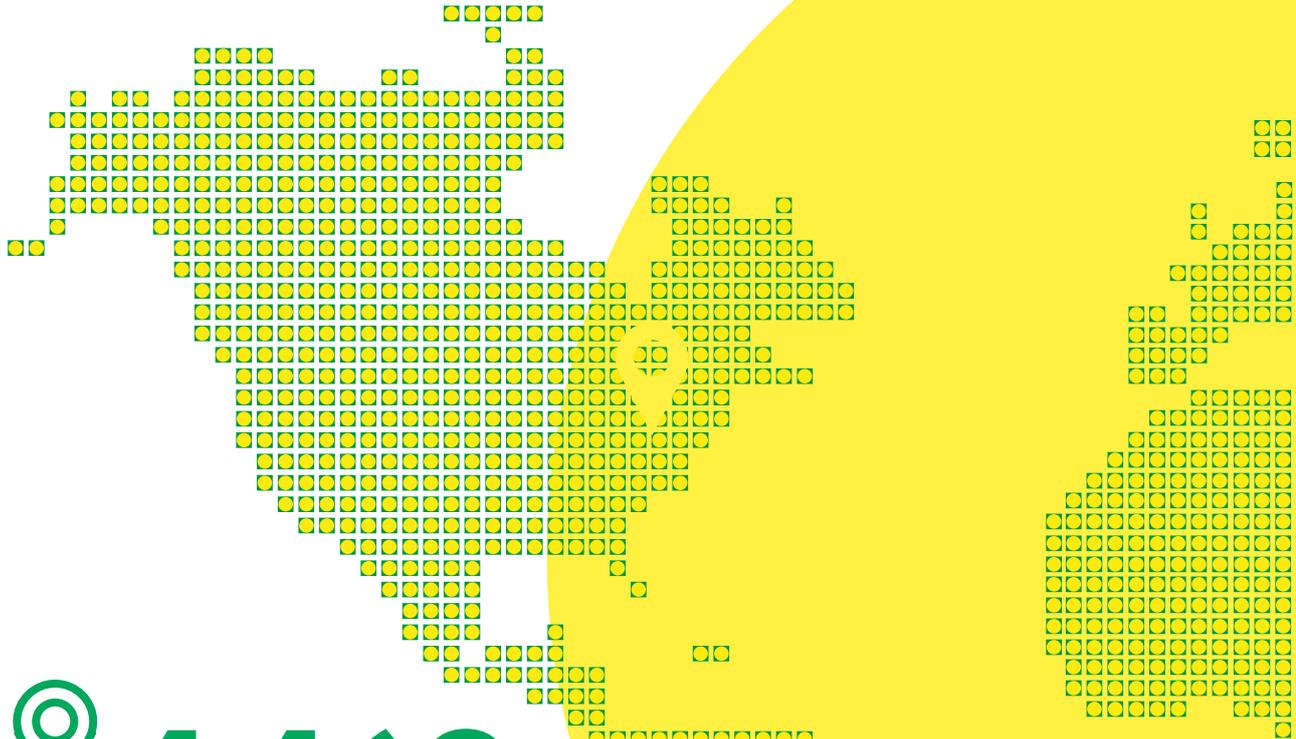
**Luciano Benetton**  
Chairman  
Benetton Group



# Highlights 2019



**1 148** mln  
of €  
of net sales



**4 468**  
stores



**76** mln  
garments produced\*

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

UNITED COLORS  
OF BENETTON.

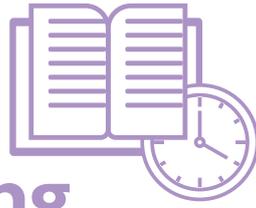
UNDERCOLORS  
OF BENETTON.

S I S L E Y



**81**   
markets

**25**   
online markets



**training  
hours  
>39 000**



**84%  
recycled waste**

**100% renewable  
energy on campus**



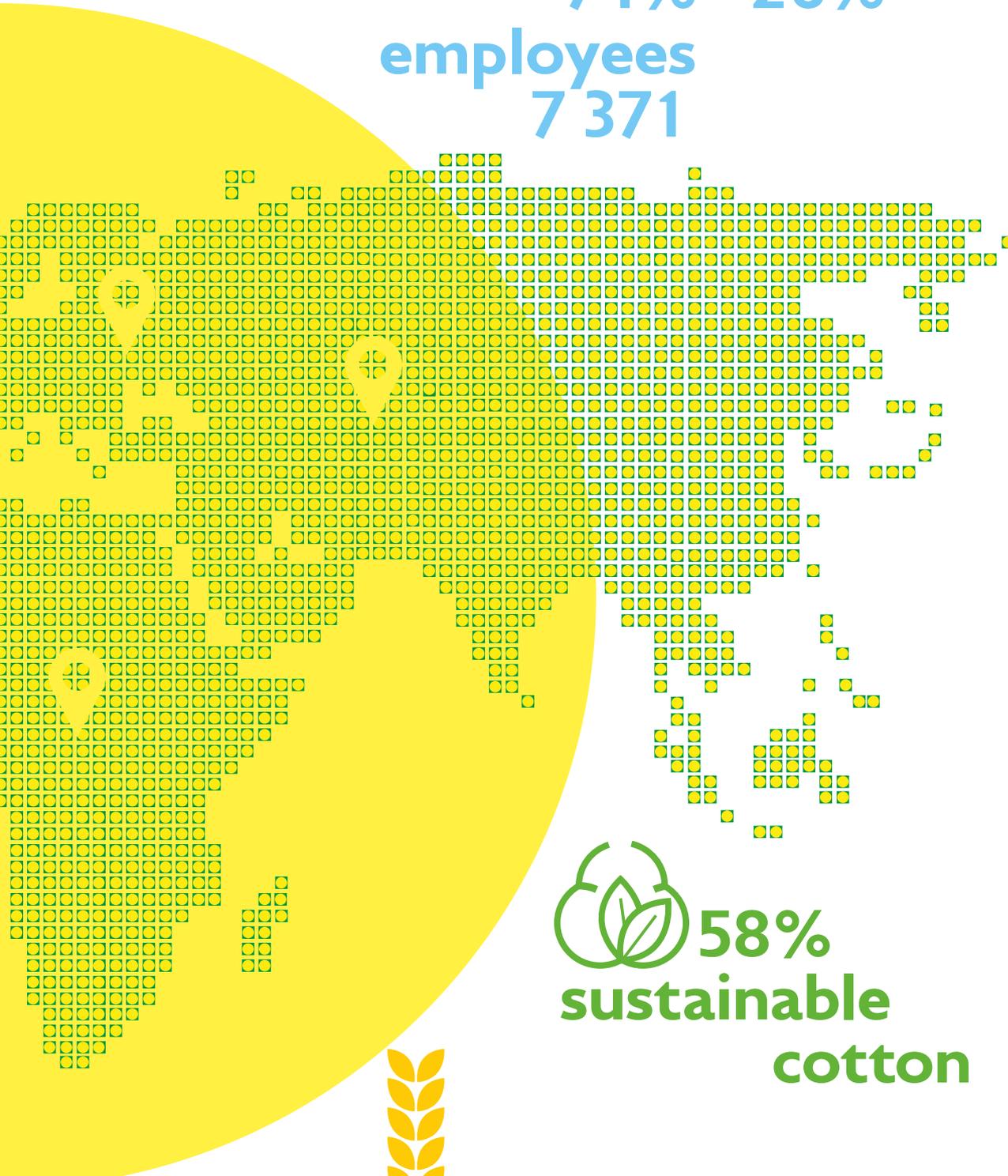


74%



26%

employees  
7 371



58%  
sustainable  
cotton



80%  
natural raw  
materials



# Awards and acknowledgements

## **Award for the 2018 Integrated Report**

The 2018 Integrated Report of Benetton Group was one of the 5 finalists shortlisted for the Sustainability Report award promoted by the Department of Economic and Management of the University of Pavia in the “large companies” category.

## **Fashion Transparency Index**

According to the Fashion Transparency Index, the analysis published by Fashion Revolution that analyzes the transparency of 200 big brands and apparel retailers, United Colors of Benetton is one of the brands most committed to divulging information about its supply chain. In 2019, we reached a percentage of 44%, two times the global average (21%) in an analysis that measures the implementation of environmental and social policies, supply chain traceability, supplier control and actions on specific themes like waste recycling or gender equality.

## **Universum Awards**

Also in 2019, Benetton Group was included in Universum’s ranking of “World’s Most Attractive Employers”, a survey which saw the participation of thousands of students from 44 universities and 130 subject areas.

Among the different categories in which the Group was mentioned, the Company is present in the Diversity & Inclusion category, where it ranks fifth in Italy, the only one in the fashion industry in the top ten.

## **Best Talent Hunter**

In December 2019, the Recruiting & Talent Acquisition team received the “Best Company for Employer Branding” award, promoted by the University of Padua.



# Benetton Group profile

Benetton Group is one of the world's most famous fashion companies thanks to its consolidated style identity, color and quality at affordable prices. Established in 1965 in Ponzano Veneto, in the province of Treviso, Benetton Group operates in the main international markets with two brands, United Colors of Benetton and Sisley.

Social commitment has always been part of Benetton Group's DNA and the Company has made itself the bearer of a universal message that transcends borders, skin color, language and political and religious beliefs.

Committed to creating increasingly sustainable products and promoting the development of individuals and their communities, Benetton Group is planning for the future today, with great attention to the environment and transforming society.

## Our values

- Color
- Quality
- Freedom of expression
- Social commitment
- Internationality
- Culture

## Risks management

- Strategic risks
- Execution risks
- Financial risks
- Legal/compliance risks
- External risks

## Objectives and initiatives

- The materiality matrix and the relevant themes
- The strategic map: themes, objectives and initiatives
- The projects



**Our  
history**

## **Governance**

- Board of Directors
- Investment Committee
- Control and Risk Committee
- Human Resources and Remuneration Committee
- Organizational Model pursuant to Italian Legislative Decree 231/2001
- GDPR
- Sustainability Committee
- Benetton Group companies in the world

**Value  
generated**

# UNITED COLORS OF BENETTON.

## 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 constantly strives to attain the highest level of quality in all of its products, processes and services. This dedication is part of the Italian textile industry's tradition and – thanks to the passion and dedication of all the Group's employees – drives all of the Company's activities.

## 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 engagement



Producing apparel is not enough. Playing a central role in a constantly evolving scenario, Benetton Group considers it necessary to take concrete action to promote the development of individuals and communities and ensure respect for human rights at a global level.

## 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 knitted sweaters in neutral colors and dyeing them based on the orders received. First development of ready to dye 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.

**1974** Sisley enters the Benetton Group's brand portfolio.

**1978** Group exports reach 60% of production.

**1983** The Group enters Formula 1 racing as sponsor of the Tyrrel team. Three years later, after the acquisition of Toleman, the Benetton Formula Limited racing team is born. The team will go on to win, two drivers' and one constructors' world championships before being acquired by Renault in 2000.

**1989** The iconic green United Colors of Benetton logo is born.

**1991** Colors magazine, distributed in 40 countries and translated in four languages, is launched.

**1994** Fabrica, Benetton Group's Communications Research Centre, is founded.

**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.

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

**1969** Opening of the first store outside Italy. The location is Boulevard St. Germain, Paris.

**1971** Registration of the 012 brand and development of the first jacquard and diamond patterned knitted sweaters.

**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 censorships, 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 International Carlo Scarpa Prize for Gardens.

**1995** The Undercolors brand is born.

**2006** Benetton Group celebrates its 40<sup>th</sup> anniversary with an exhibition and a show at the Pompidou Centre in Paris.

**2007** Launch of the Ponzano Children Center for the children of both Benetton Group employees and families of the surrounding area.

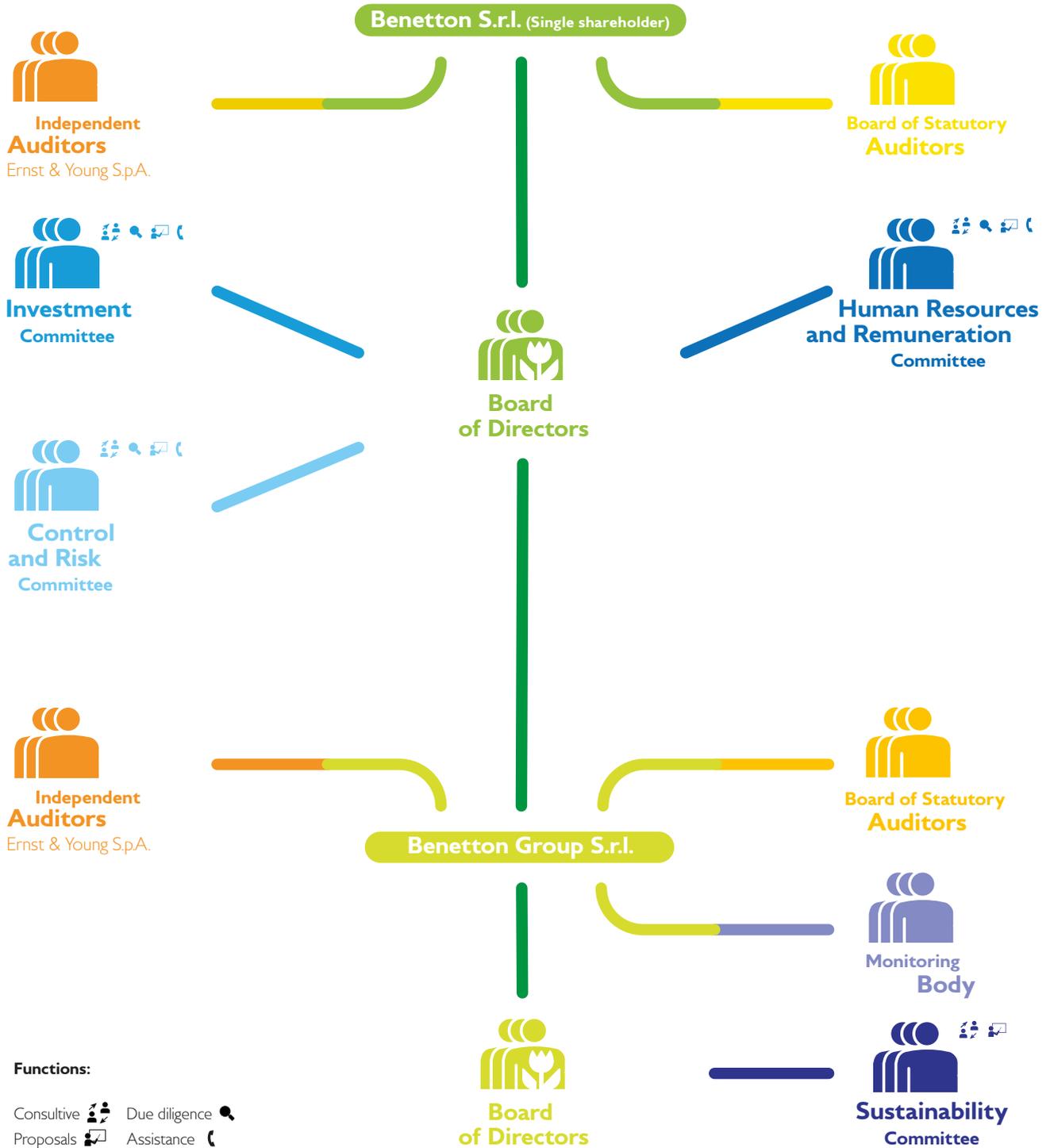
**2015** The partial demerger of Benetton Group S.r.l. is accomplished after completion of the refocus and relaunch plan.

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

**2019** United Colors of Benetton launches its first show at Milan Fashion Week to present the Rainbow Machine collection by its new artistic director Jean-Charles de Castelbajac.

# Governance

Overview of the Company's Governance as of April 23, 2020.



**Composition of corporate bodies  
at April 23, 2020**

<b>C</b> Chairman	<b>SA</b> Standing Auditor	● Executive
<b>Ceo</b> Chief Executive Officer	<b>AA</b> Alternate Auditor	● Non-Executive
<b>(1)</b> General Counsel		● Independent - Non-Executive
<b>(2)</b> Head of Internal Audit		○ Member

Board of Directors of Benetton S.r.l.	Office	Age	Investment Committee	Control and Risk Committee	Human Resources and Remuneration Committee	Monitoring Body (D.Lgs. 231/2001)
Luciano Benetton	<b>C</b> ●	>70				
Massimo Renon	<b>Ceo</b> ●	<50				
Ugo Giorcelli	●	51-69	○	○	○	
Christian Benetton	●	<50				
Franca Bertagnin Benetton	●	51-69				
Ermanno Boffa	●	51-69				
Fabio Buttignon	●	51-69	<b>C</b>	<b>C</b>	○	
Christian Coco	●	<50	○	○	○	
Nicola Pelà	●	51-69			<b>C</b>	
Ugo Fonzar						<b>C</b>
Andrea Pezzangora						○ (1)
Roberto Taiariol						○ (2)

**Board of Statutory Auditors**

Angelo Casò	<b>C</b>
Antonio Cortellazzo	<b>SA</b>
Giorgio Grosso	<b>SA</b>
Gianluca Pivato	<b>AA</b>
Graziano Gianmichele Visentin	<b>AA</b>



**Massimo Renon**  
**Chief Executive Officer**

Holding a degree in Political Science with a specialization in Business Management from Bocconi University and Columbia University in New York, Massimo Renon began his career at Giacomelli Sport, then moved to Luxottica, where he acquired important international experience. In 2010 he joined Ferrari, then Safilo and later Kering Group, where he participated in the establishment and startup of the Eyewear division. From 2017 to April 2020 he was CEO of Marcolin Group.

## Board of Directors

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

- guidelines for the Group's operations;
- proposals concerning organization and corporate governance;
- general guidelines regarding the management of human resources;
- proposals for the re-organization of the Company's structure;
- result of operations;
- extraordinary corporate actions;
- 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 adherence to/alignment 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 overseeing 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:

- 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;

- assist the Board of Directors in evaluating the adequacy, efficacy and effective functioning of the system of internal controls, which it oversees;
- provide the Board of Directors with indications and information on compliance with corporate governance rules;
- 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;
- verify, with the assistance of the Head of Internal Audit, the process that generates the financial reporting data;
- monitor the effectiveness of the auditing process and assess the results published in the Independent Auditors' report and the opinion letter;
- 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 evaluate whether to present the Board of Directors with recommendations for updating and/or amending such model and its method of application;
- 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;
- 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:

- submits proposals on the overall remuneration of the Chairman, directors and senior managers of the Company and the Group;
- examines performance targets and incentive plans for employees of the Company and the Group;
- 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 Sustainability 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:

Massimo Renon **Chief Executive Officer**

Ugo Giorcelli **Chief Staff Officer**

Gianni Moscatelli **Human Resources**

**& Organization Officer**

Andrea Piras **Product, Sourcing & Operations Officer**

Roberto Taiariol **Internal Audit & Sustainability Officer**

Carlo Tunioli **CEO Fabbrica**

# Benetton Group companies in the world

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

**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)

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

**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)

**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)

**CY** 100%  
**SABBIA Ltd.**  
Nicosia (Cyprus)

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

## SUBSIDIARIES

**FI** **BENETTON GROUP S.r.l.  
FINNISH BRANCH**  
Azets (Finland)

**SE** **BENETTON GROUP S.r.l. ITALY  
SWEDISH FILIAL**  
Malmö (Sweden)

**UK** **BENETTON RETAIL UK**  
London (United Kingdom)

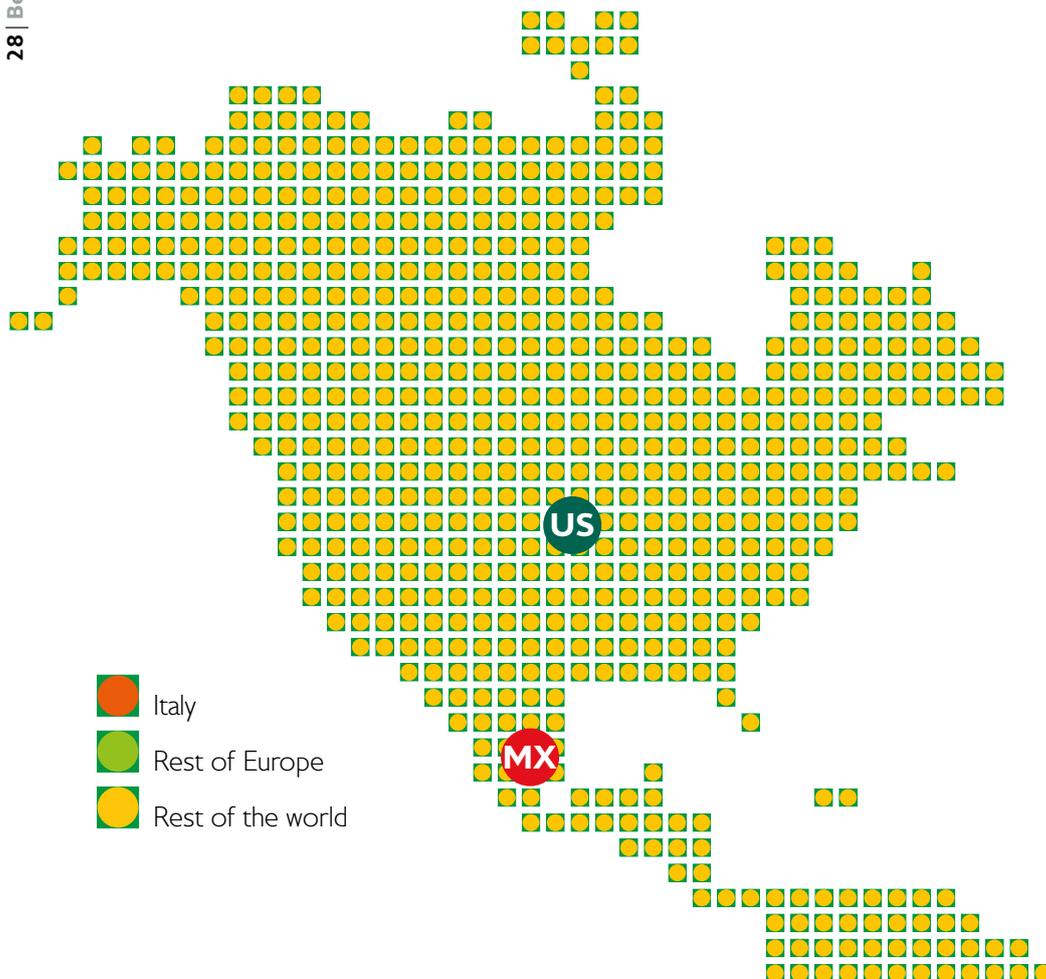
**IE** **BENETTON GROUP S.r.l.  
IRISH BRANCH**  
Dublin (Ireland)

**NL** **BENETTON GROUP S.r.l.  
DUTCH BRANCH**  
Breda (The Netherlands)

**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



- Italy
- Rest of Europe
- Rest of the world

**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.  
Gurugram (India)

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

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

**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)

**US** 100%  
BENETTON TRADING USA Inc.  
Miami (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)

**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)

**AT** BENETTON GROUP S.r.l.  
ZWEIGNIEDERLASSUNG ÖSTERREICH  
Vienna (Austria)

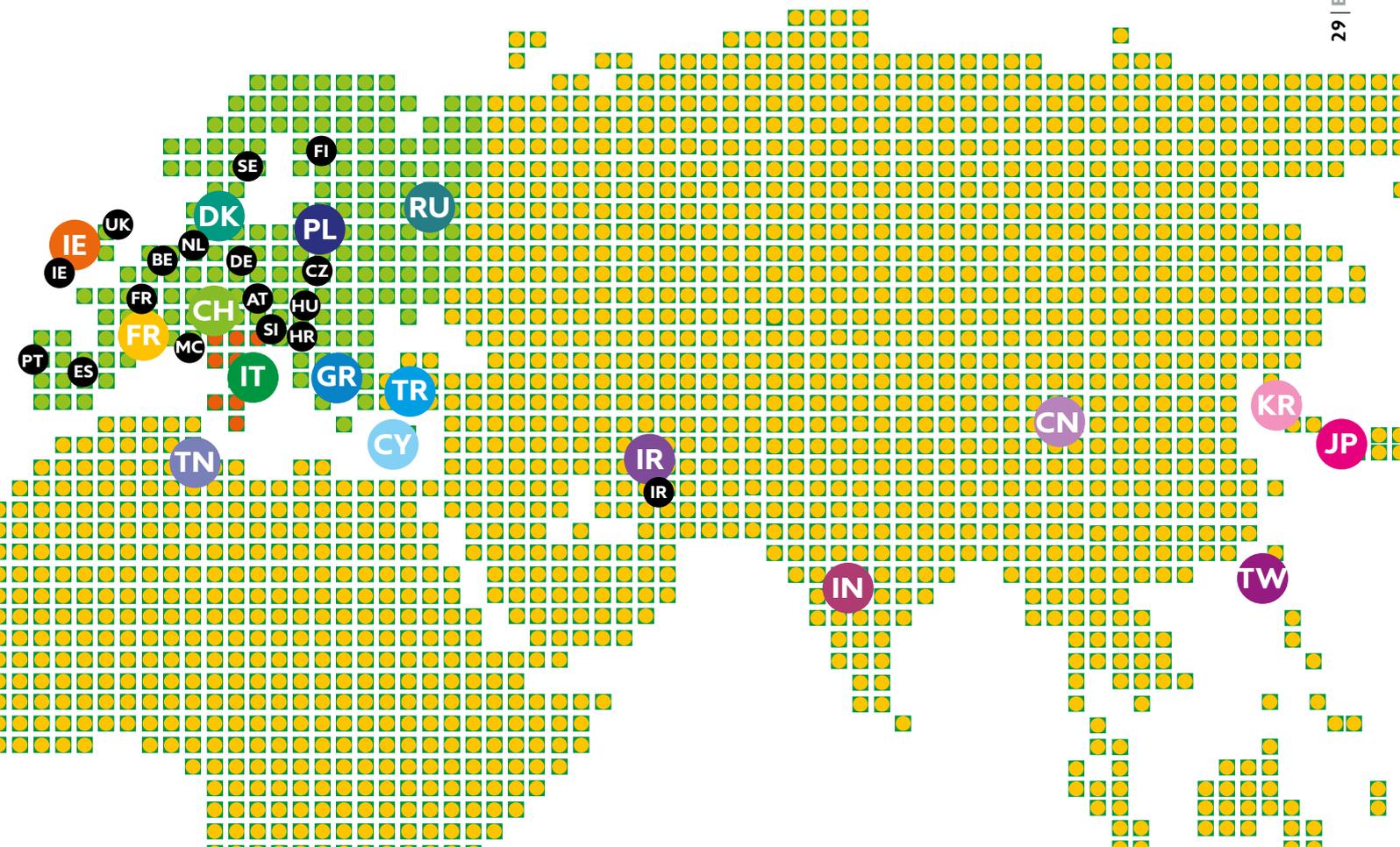
**CZ** BENETTON GROUP S.r.l.  
CZECH BRANCH - ODŠTĚPNÝ ZÁVOD  
Prague (Czech Republic)

**HU** BENETTON GROUP S.r.l. HUNGARIAN  
BRANCH - MAGYARORSZÁGI FIÓKTELEPE  
Budapest (Hungary)

**SI** BENETTON GROUP S.r.l.  
PODRUZNICA LJUBLJANA  
Ljubljana (Slovenia)

**HR** BENETTON GROUP S.r.l.  
PODRUZNICA U RIJECI GLAVNA  
PODRUZNICA - Rijeka (Croatia)

**IR** BENETTON GROUP S.r.l.  
FOREIGN BRANCH OFFICE  
Tehran (Iran)



# Value generated

## Inputs



### Social and relational Capital (Brand value)

- Long-term relationships with the main stakeholders
- Collaborating with the main local and global institutions and organizations (UN, ILO, Accord, etc.)
- Strong identity values



### Human Capital

- Promoting and developing people
- Consolidating and expanding strong skills for the creation of quality and innovative clothing
- Commercial partnerships for production and distribution



### Production Capital

- Widespread network of direct and indirect stores
- Integrated management of all phases of the production cycle



### Financial Capital

- Constantly investing to expand the Company's assets



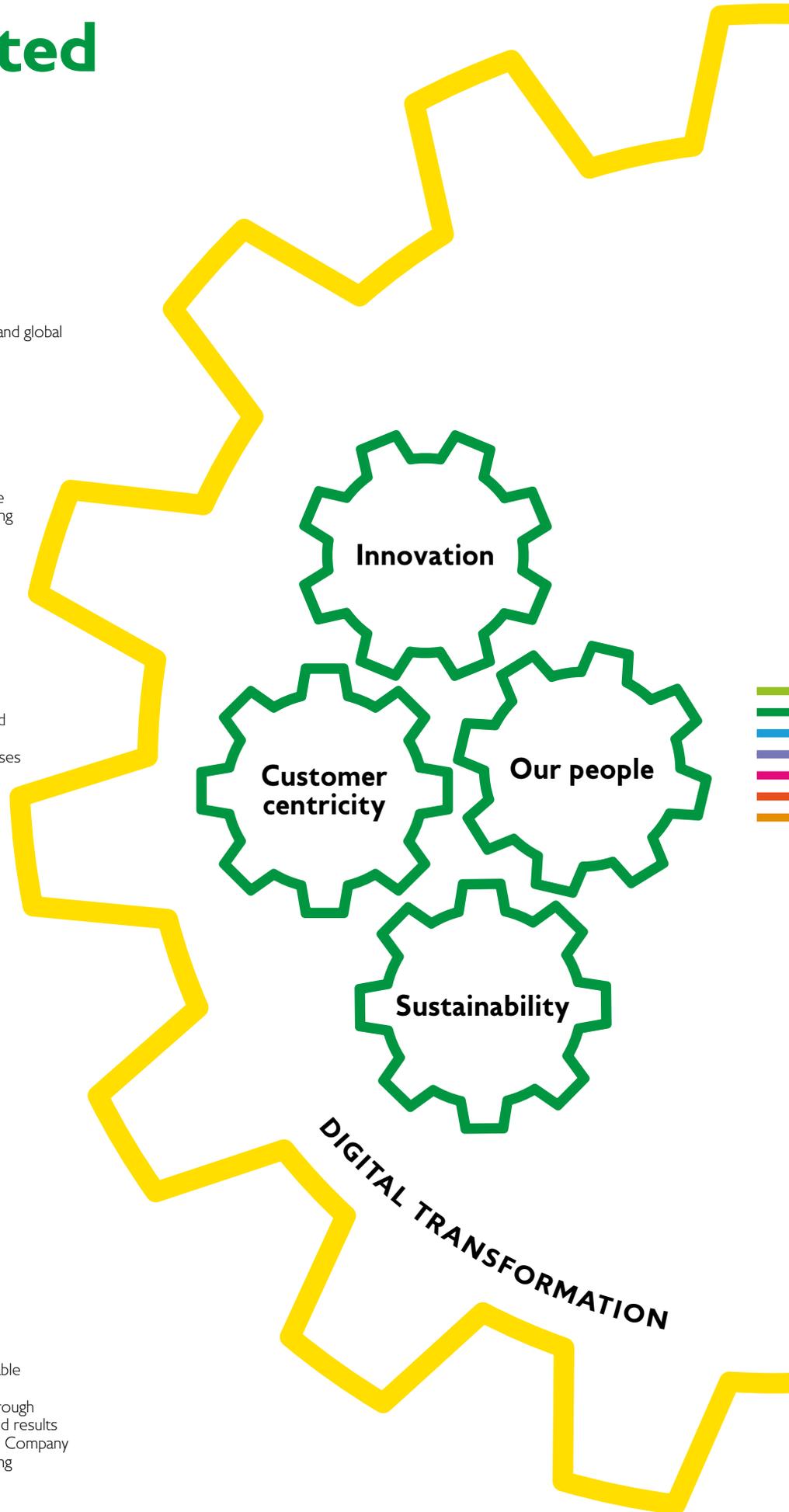
### Natural Capital

- Using natural resources in a responsible way



### Intellectual Capital

- Designing attractive and recognizable collections
- Effective Company processes through continued focus on innovation and results
- Research projects supporting the Company in updating its tools and anticipating consumer changes



To carry out its business activities, Benetton Group transforms into outputs a series of tangible and intangible resources (capital), which it accesses directly (through ownership) or indirectly (through trade relations, partnerships, purchases). The result of transforming resources into outputs is the generation of positive and negative outcomes that can create and/or absorb value.



### Product

We have taken a decisive turn for the collections of our brands, which includes a consolidation in the use of natural raw materials and a renewed focus on the quality of the garments and style, with the first collections designed by Jean-Charles de Castelbajac for United Colors of Benetton.



### Brand

We continued the repositioning of our brands. United Colors of Benetton focuses on affordable fashion, while Sisley consolidated its contemporary identity to move into the Bridge Premium segment of the market.



### Stores

We continued the implementation of Sisley's Rich&Raw store model. As for United Colors of Benetton, we introduced the Light Colors concept, for light and fast openings, and continued with the implementation of the London concept, focused on the brand experience.



### Logistics

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



### Distribution

In 2019, United Colors of Benetton's retail distribution channel accounted for approximately half of total sales. In addition, we recorded significant growth in sales volumes on our e-commerce channels.



### Purchasing

We continued with the omnichannel implementation, which involves the end consumer in a global experience, breaking down the boundaries between analog and digital distribution channels.



### Customers

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

EXTERNAL ENVIRONMENT

## Outputs 2019 Outcome

### Social and relational Capital (Brand value)

- Sampark Project: 1 830 rehabilitated girls were included in educational programs or in sustainable social programs
- 350 social audits carried out along the supply chain

+ Company reputation

### Human Capital

- 2 500 training hours dedicated to the omnichannel project
- "Best Company for Employer Branding" award promoted by the University of Padua and received by the Recruiting & Talent Acquisition team

+ Attention to people and opening to new generations

### Production Capital

- 68 refurbished stores
- Light Colors concept development

+ Value of Company assets

### Financial Capital

- Economic value generated: Euro 1 190 million
- Economic value distributed: Euro 1 125 million

+ Distribution of economic value to stakeholders

### Natural Capital

- > 90% wet process test results published
- 90% reduction in CO<sub>2</sub> emissions thanks to use of train/road transport for imports of goods from China

- Negative environment impacts

### Intellectual Capital

- Involvement of 134 stores in the Omnichannel project
- Dress safe

+ Product innovation and state-of-the-art in communication

# Objectives and initiatives

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.

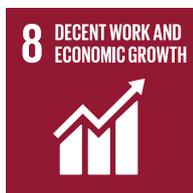


Benetton Group has decided to do its part to achieve these goals. In setting out its charter of commitments for the coming years, the Group chose to associate its actions with the SDGs closest to its core business and strategic action area.



### **SDG 5 Gender equality**

Gender equality is a necessary foundation for 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 empowerment 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 end 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 materiality matrix and the relevant themes

The degree of detail with which the relevant 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 in the external context. In 2019, the material issues identified the previous year were confirmed, reflecting the Group's re-launch strategy and objectives over the three-year period, as well as the international context.

In terms of procedures, the necessary inputs were collected on the most relevant issues for the purpose of confirming and strengthening data collection and sustainability reporting in this 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.

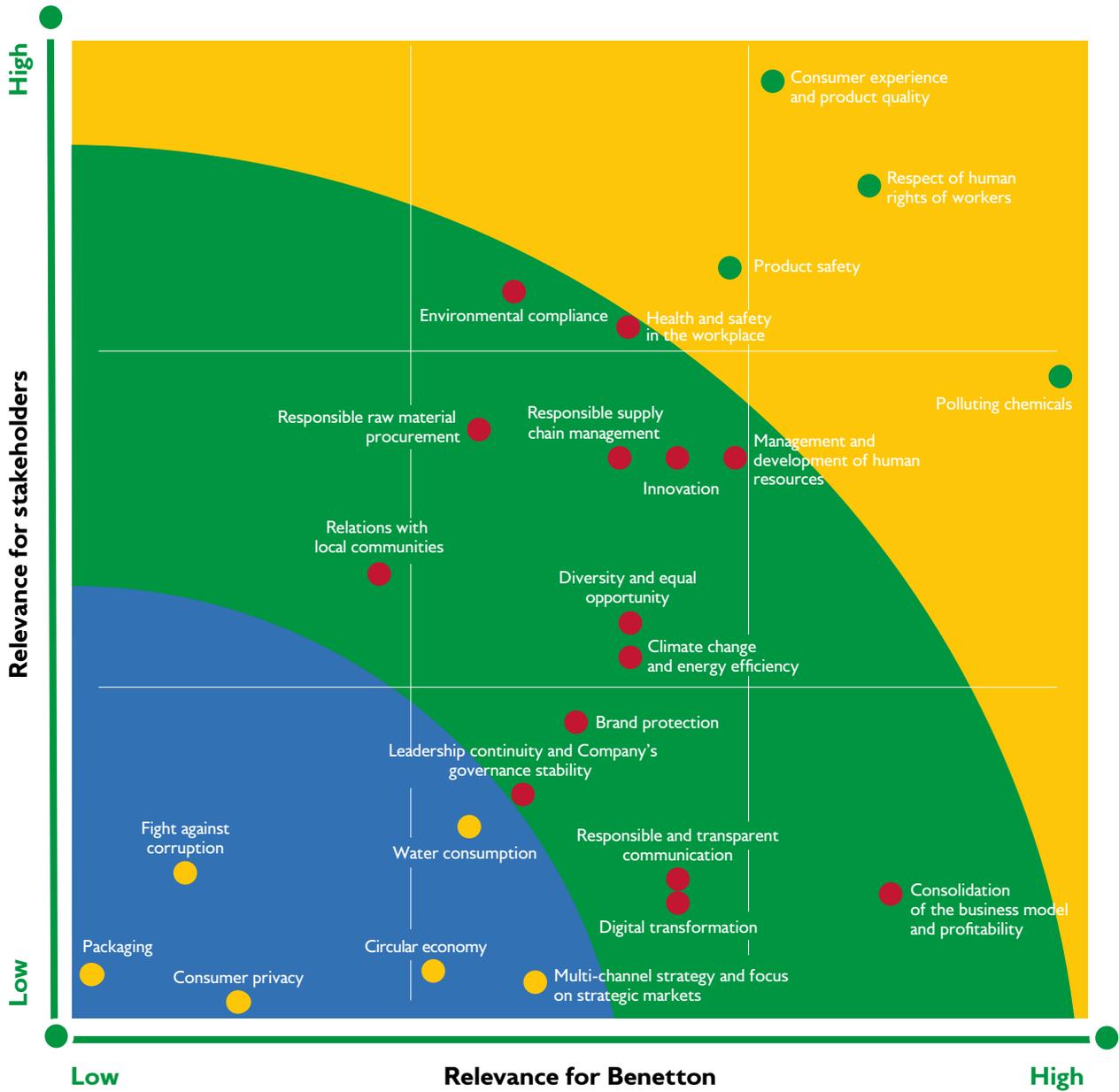
As regards the relevance for Benetton Group the following factors were considered:

- 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, the specific relevance of the different topics for the sector in which Benetton Group operates has also been considered.

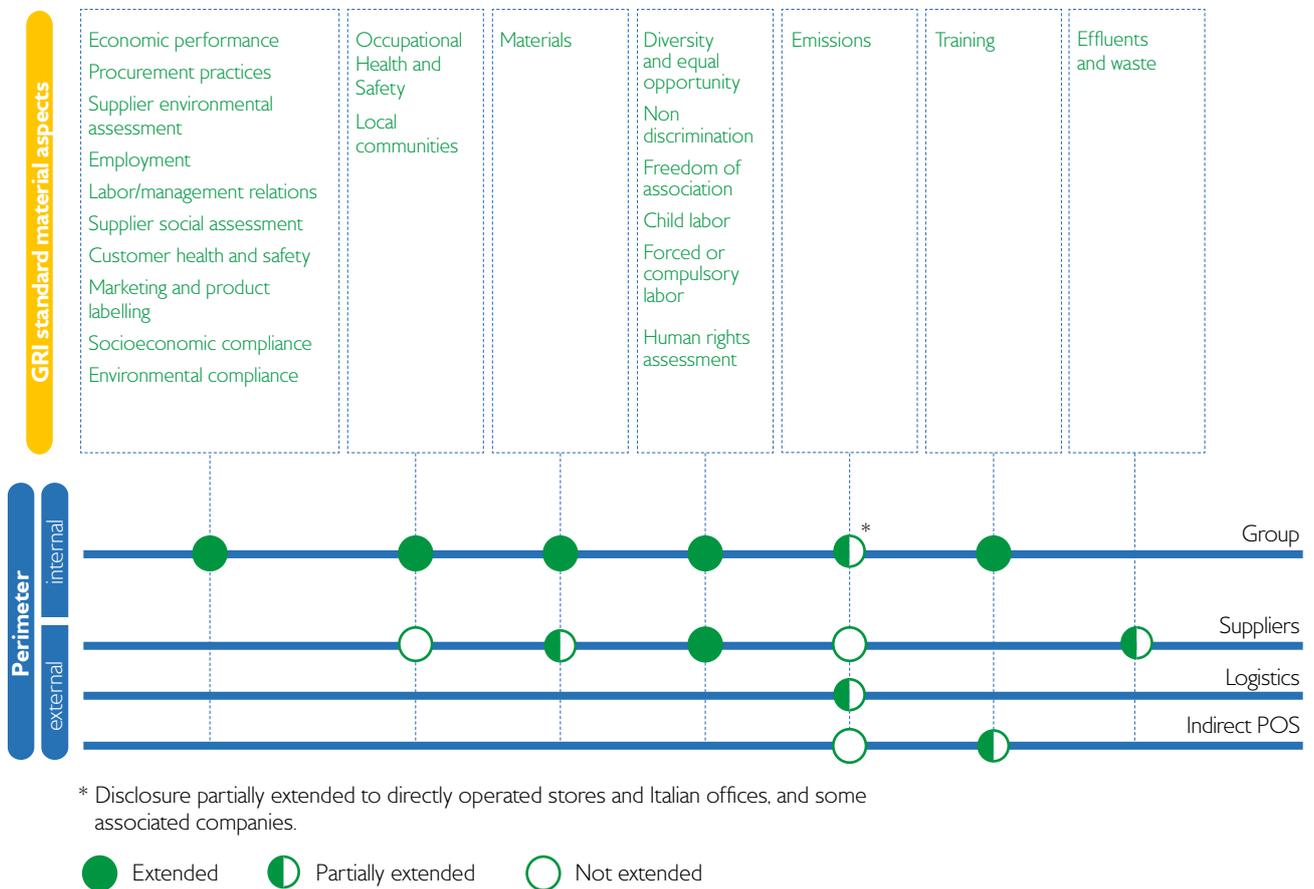
Once the issues had been prioritized for stakeholders and the Company management, data were consolidated, so as to obtain the materiality matrix which led to the definition of the contents for the Integrated Report.



The material topics were then cross-checked against the aspects defined by the GRI Standards, as set out in the following representation. This representation 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 material aspects: reporting perimeter and disclosures



## Our stakeholders

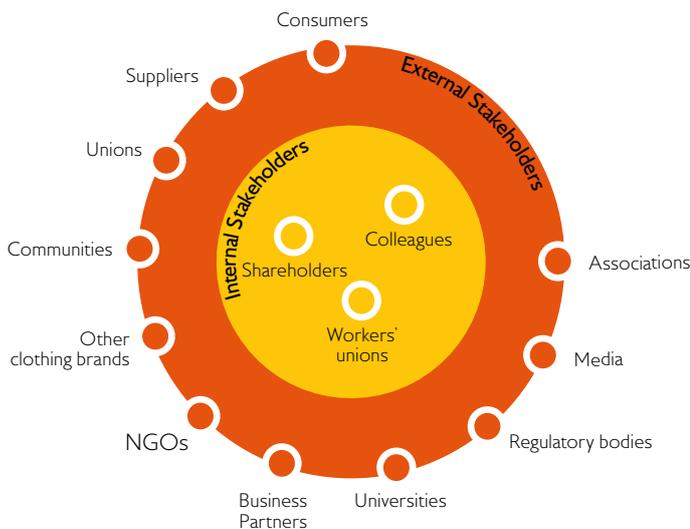
Taking the areas of Company activity into account, Benetton Group has mapped its stakeholders, dividing them into:

- **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.

Following this exercise, 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 2019, 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", monitors installed in the headquarters of Ponzano and Castrette, displaying key content regarding the life of the Company.

Benetton employees have been periodically involved in sustainability initiatives also through a periodic newsletter that summarizes in "bullet points" the Company's attention to its people and the environment.

Benetton Group's commitment to building solid relationships with its stakeholders also includes participation in specific working groups promoted by the Sustainable Apparel Coalition (SAC) and Zero Discharge of Hazardous Chemicals (ZDHC), whose aim is to identify standard processes and common solutions to make the textile sector more sustainable, while minimizing the negative impact on the environment and creating a positive social impact on communities. In April 2019, on the occasion of the 88th annual Congress of the International Wool Textile Organisation, Benetton hosted both the conference and its participants, giving concrete proof of its commitment to sustainability and transparency of the wool supply chain and contributing to building a dialogue on important current issues, such as recycling, yarn quality research and traceability.

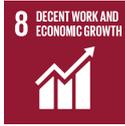
In addition, during the year Benetton Group carried out an ongoing legislation monitoring activity with the aim of identifying issues potentially subject to regulation, institutional dynamics and movements of opinion, thus enabling it to interpret the political, institutional and social context in which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

The main aspects subject to monitoring in 2019 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.

# Strategic maps: themes, objectives and initiatives

## Respect of workers' human rights



### Strategic initiatives

#### Specific Objectives

Increased attention to human rights

Specific policies on topics regarding human rights

Respect in the implementation of the Code of Conduct along the supply chain

CSR audit programs

Extension of the perimeter in the testing phase of the Higg Index social module

Internal educational programs on topics regarding human rights and auditing activities along the supply chain

Training program dedicated to internal employees

External training on human rights

Drafting of Guidelines and design of training activities

## Product safety



### Strategic initiatives

#### Specific Objectives

Product compliance

Increased number of substances monitored

Responsible product design

Internal training on product safety

## Polluting chemicals



### Specific Objectives

From chemicals to water: a commitment shared with Greenpeace and ZDHC

Education: training activities for suppliers and awareness raising activities targeting collaborators

Connection: search for scalable solutions for the industry

Ongoing improvement: from the audit protocol to transparent management

### Strategic initiatives

Progress and elimination of 11 groups of substances banned after the commitment with Greenpeace

Capacity building, internal personnel training on topics relating to the Detox Programme (ZDHC & SAC)

Monitoring and follow-up of the wet process non-conformities measured against the ZDHC and Detox Programme requirements

Adoption of ZDHC and MRSL by the wet processes and control of the level of conformity of the Chemical Inventory List

## Consumer experience and product quality



### Specific Objectives

Improvement of the quality performance of our products

Increased customer engagement

### Strategic initiatives

B-Long Project

Valuation of the level of customer satisfaction in relation to product quality aspects

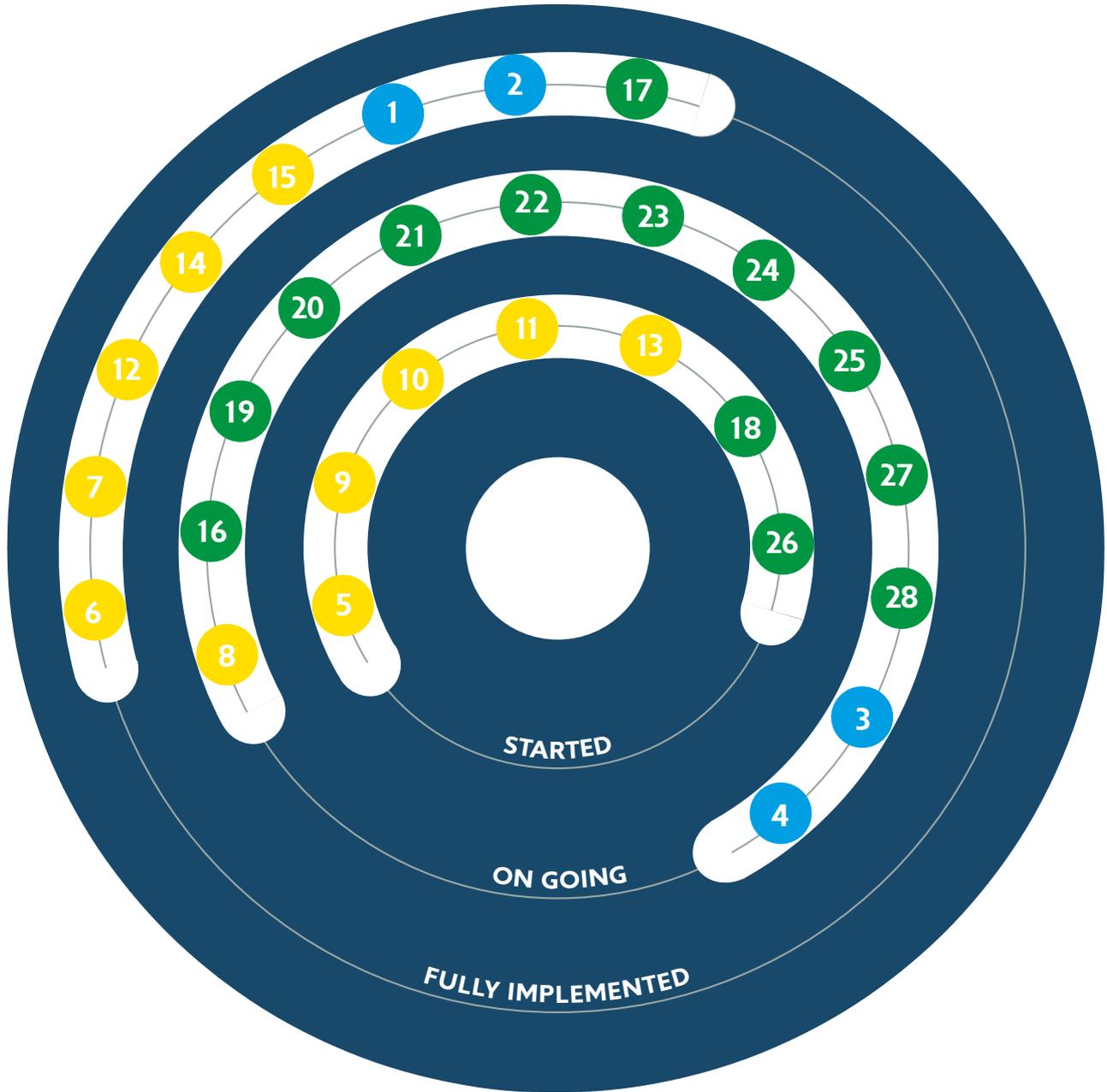
Development of a single customer data repository

Launch of a new loyalty program

Initiatives targeted to the socio-environmental context

Product personalization

# The projects



	<b>A design company</b>	
	<b>A people company</b>	  
	<b>A green company</b>	  

## A design company

### Product research

- 1. Dress Safe 
- 2. Product safety testing 

### Digital transformation

- 3. Omnichannel  
- 4. Content Factory  

## A people company

### Our people

- 5. The International HR Family 
- 6. Benetton for You 
- 7. Zero Injury Objective 
- 8. United by Color 
- 9. Working@Retail 
- 10. People Development 
- 11. HR Digital Transformation 

### Human rights

- 12. CSR Audit Program  
- 13. SAC Higg Index Factory Social Labour Module 
- 14. Accord on Fire and Building Safety 
- 15. Female empowerment in India 

## A green company

### Sustainable materials

- 16. Sustainable cotton 
- 17. Responsible Down Standard 
- 18. Materials from recycling and recovery 

### 21. SAC Higg Index Factory

Environmental Module 

- 22. Sustainable logistics 
- 23. Energy efficiency 
- 24. Green Energy 
- 25. Verde Campus 
- 26. Green Fridays 

### Management

### of environmental impacts

- 19. Detox Program 
- 20. ZDHC roadmap commitment 

### Towards a circular economy

- 27. B-Long  
- 28. B-Care  

 **Social and relational capital (Brand value)**

 **Natural capital**

 **Financial capital**

 **Intellectual capital**

 **Production capital**

 **Human capital**

# 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, update and manage internal and external risks, as well as to identify corrective measures aimed at lowering 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 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.

### Execution risks

The risks of losses inherent in the Company's operations, deriving from: human error; the incorrect functioning of the organization and internal processes;

incorrect 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 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 logistics platform

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

### Cybersecurity

IT systems are exposed to threats that may exploit vulnerabilities and lead to attacks aimed at accessing data or undermining the functionality or availability of the services provided. Often the security of the data stored in terms of availability, confidentiality and integrity depends on the efficient operation of the IT system.

### **Corporate Social Responsibility**

Mismanagement of Corporate Social Responsibility issues could cause serious reputational damage.

### **Covid-19**

The Covid-19 pandemic could bring about significant changes in consumer behavior and needs, with impacts that cannot yet be assessed on business models and the socioeconomic context.

### **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 those 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 generates 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 including fines, penalties, economic losses and, in more serious cases, damage to the Company's reputation with subsequent losses, requests for compensation, damage to the Company's 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 international reach exposes it to various tax obligations. The evolution of related regulations may expose the Group to the risk of default.

### **Internal control system**

Changes or misalignments in the development and roll-out of the internal control system 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.

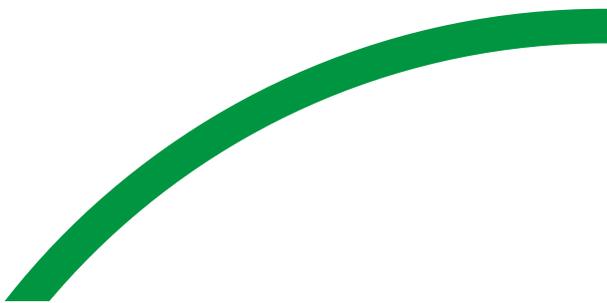


# Our brands

United Colors of Benetton and Sisley: two fashion brands that together express dedication and attention to quality, the two key pillars of Benetton Group.

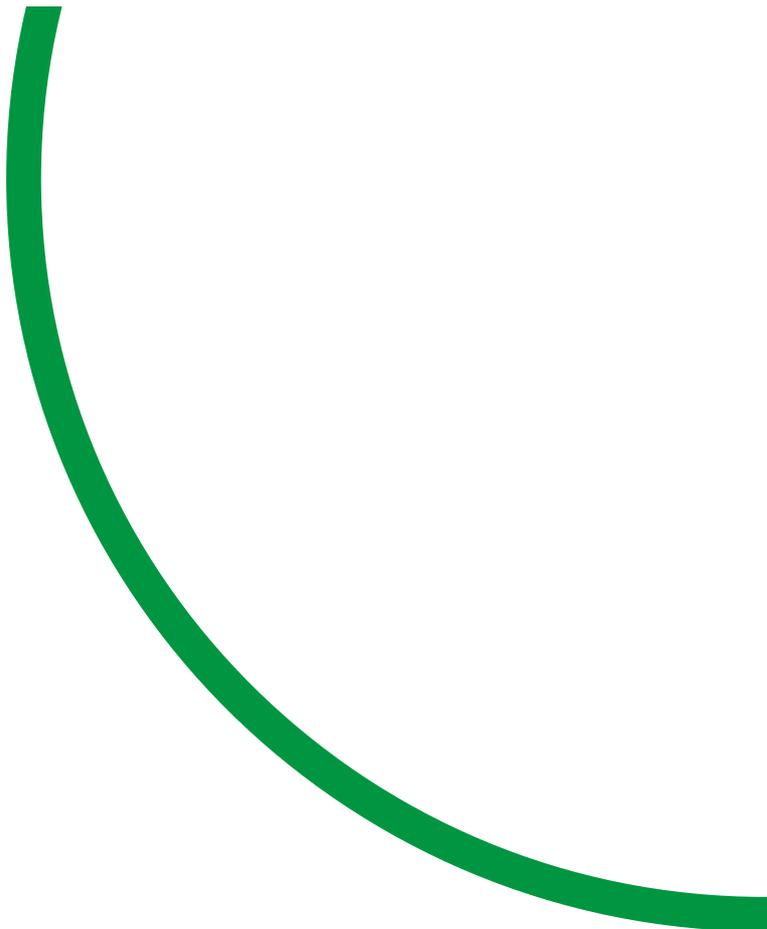
For decades United Colors of Benetton has been synonymous worldwide with knitwear, vivid colors and social commitment. Today, the Group is building on its global reputation to consolidate its standing as an ambassador of accessible fashion.

Sisley is a strongly contemporary brand, always in line with current trends, strengthening its position as an interpreter of urban lifestyle for a niche of consumers looking for affordable fashion products.



# United Colors of Benetton



- Collections
  - Stores
  - Experience
  - Undercolors
  - Focus: The fashion shows at Milan Fashion Week
- 



# Sisley

- Collections
- Stores
- Experience
- Focus: Sisley's Cinema collection in Venice

# 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, it designs and renews Italian casualwear.

Today, its target consumers are adult men and women, as well as boys and girls aged from 0 to 12. 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 account for over 40% of total sales. They are designed by a dedicated creative team and presented to the commercial network through specific events.

United Colors of Benetton's objective for the coming years is to regain its leadership in Italian-style knitwear and casualwear, retaining its 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.

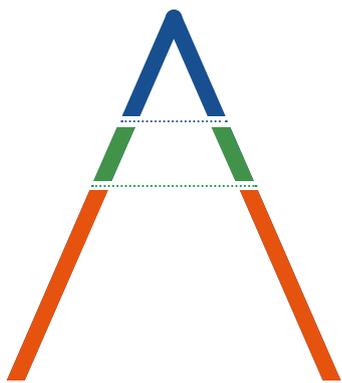
United Colors of Benetton key items are knits, polo shirts, t-shirts and sweaters, but the collections also include shirts, jeans, dresses, knit accessories, skirts, trousers, jackets and outerwear. In addition, a broad range of accessories are offered: handbags, shoes, sunglasses, watches, fragrances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

In 2019, the Group updated the composition of its collections, adding an intermediate level that creates

a bridge between Fashion items and Basics. The Volume Driver level includes items characterized by contemporary components and details, in solid colors or neutral patterns. In the year, the Group also recorded an increase in the use of licenses, with Snoopy and Popeye becoming ambassadors of sustainability for United Colors of Benetton, with a view to promoting a widespread emphasis on the development of products with a reduced environmental impact.

**In 2020, the brand repositioning in terms of affordable fashion will continue through the rationalization of the collections and a consolidation in prices.**

## Collection new structure



	Functionality	Keypoints	Price
<b>Fashion</b>	Products with a high fashion content, in line with market trends. All in tune with the brand DNA.	These products generate averagely low volumes and come with a concentrated color chart. They contribute to increasing the average price slip.	Medium-high prices
<b>Volume driver</b>	Products with a high commercial content in support of the themes of the season. Representing a bridge from basic to fashion, these products can be defined as modern basics.	These are essentials to ensure volumes and meet market needs. In support of fashion themes, they generate medium-high sales.	Medium-entry prices
<b>Basic</b>	Versatile and functional products, slightly restyled from season to season or carry over items.	Partially restyled when necessary, while iconic products are maintained. These products generate high sales volumes.	Medium-low prices

## Stores

Today, the distribution network of United Colors of Benetton includes nearly 4 500 stores.

In 2019, we implemented the London concept, launched in 2018, in several Italian and foreign locations, including Oslo and Düsseldorf. Developed to be a true temple of knitwear, the London store combines Italian-style interior design, high-tech content, attention to sustainable materials and a focus on the consumer's shopping experience.

In 2019, we also launched the Light Colors concept, conceived by Benetton's Retail Design department in collaboration with architect Tobia Scarpa. Light Colors is an agile and lean store concept, with an emphasis on light, developed to allow a quick and flexible commercial roll out. In 2019, this new store design was rolled out in the Italian cities of Novara, Rome, Palermo, Faenza, Naples and Trapani, as well as in international locations like Istanbul, Bangalore and Deauville.

In 2019 United Colors of Benetton also increased its presence in the world's most prestigious department stores, including Printemps in Paris and Westfield in London, along with a pop-up store at Santa Monica Place in Los Angeles.

**In 2020, two new United Colors of Benetton stores will be opened in Barcelona, on Avenida Diagonal and Paseo de Gracia.**

## 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 2019, 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 social media as well as two exclusive fashion shows that drew the attention of the world of fashion and beyond.

**In 2020, we will launch Casa Benetton, the new United Colors of Benetton collection that includes home textiles, tableware and kitchen utensils, developed by integrating the brand's multicolored style with sustainability-oriented materials and processes.**

## Undercolors

Undercolors of Benetton is Benetton Group's brand translating the colorful, positive and casual personality of United Colors of Benetton across product categories such as underwear, nightwear, beachwear and coordinated accessories for all consumers.

First introduced in 1995, Undercolors offers a range of products characterized by comfort and quality of raw materials and treatments. In recent years, the focus has been on research and optimization of materials of natural, organic and recycled origin.

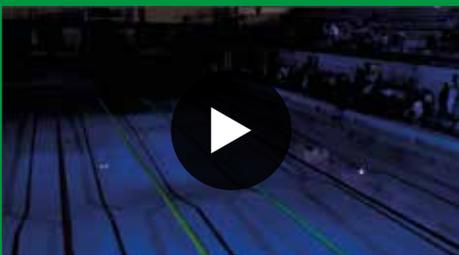
Currently, 60% of Undercolors' turnover is generated by over 300 specialized single-brand stores and 40% by corners in the main United Colors of Benetton stores in Italy and Europe.

# The fashion shows at Milan Fashion Week



In February 2019, for the first time ever, United Colors of Benetton presented a collection at Milan Fashion Week: The Rainbow Machine.

The rainbow is a common code between Luciano Benetton and Jean-Charles de Castelbajac, who developed a collection based on primary colors: yellow, red, green, blue and a few touches of black.



The show was staged in a setting composed of knitting machines and huge close-ups of products photographed by Oliviero Toscani, a tribute to Benetton's long-time industrial tradition, expertise and unique know-how in the world. In the background, an industrial soundtrack

specifically composed by Michel Gaubert, one of the world's most renowned sound designers.

The catwalk experiment was replicated in September with The Color Wave, a fashion show designed to present United Colors of Benetton's Spring Summer 2020 collection. The brand used the historic Cozzi swimming pool in Milan, an extraordinary structure built in the 1930s, as the backdrop to present a collection inspired by the sea, water and the world of sailing, evergreen themes of the Benetton style, interpreted as a metaphor for travelling among the most beautiful and characteristic ports of the Mediterranean.



# Sisley

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 label has been 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 hedonistic. Both like to explore contemporary styles.

The current 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

Today, Sisley has approximately 600 stores distributed in the main global markets. In 2019, Sisley opened 142 stores, including locations in Como and Venice, modelled on Rich&Raw concept.

Inspired by *The Dreamers*, a movie directed by Bernardo Bertolucci, the Rich&Raw concept of the Sisley stores plays on the contrast between rich elements – such as brass, marble, mirrors, wood paneling and glossy and lacquered surfaces – and other raw elements, such as exposed bricks, metal accessories and vintage wood flooring.

## 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 2019, the brand organized dozens of events and commercial activities in its stores, with dedicated shop windows, live performances and product customization initiatives.

**In 2020, we will launch Sisley Future Labs, a platform dedicated to sustainability that will involve the brand and its consumers in imagining a different future for fashion, summarized by the claim "Look Good. Do Good".**



# Sisley's Cinema collection in Venice



On the occasion of the 76<sup>th</sup> Venice Film Festival, the shop windows and the interior layout of the Sisley store in Campo San Bartolomeo, Venice, were transformed into the set of a photographic exhibition celebrating socialite events and the tradition of cinema production in Venice.

Pier Paolo Pasolini, Brigitte Bardot, Sophia Loren, Paul Newman, Marcello Mastroianni and Mick Jagger were just some of the celebrities portrayed in Venice between 1946 and 1987, playing a central role in the “Collezione Cinema - A Tribute to Venice Film Festival” exhibition.

The shots were selected from approximately 320 000 black and white negatives on film and glass plate, kept at the Cameraphoto Archive. The archive was established in 1946, the year in which Dino Jarach founded – in Venice – the photography agency Interphoto, whose name was later changed into Cameraphoto.

The exhibition was organized at the new Sisley store in Campo San Bartolomeo, a stone's throw from the Rialto Bridge. The store was opened in April 2019 and features two floors on a surface of about 200 sq m. In a warm, elegant and homey atmosphere, the layout combines the distinctive traits of the Rich&Raw concept with particular elements that pay homage to the city of Venice.

The Sisley store showcased historical images of movie stars and of the world of culture alternated with items from the Fall Winter 2019 collection, reinforcing the link between Venice, the brand and the world of showbiz.



Photo: Benetton Group



# A design company

Design is not solely an attribute of beautiful objects and artifacts. Design can be defined as the ability – following a rigorous method – to match functionality with beauty, constraints with opportunities, demand with supply, creating new solutions that will last over time. It is in this sense that Benetton Group is a design company.

Today, our design efforts are applied to our products, which have been the focus of research into style, materials, treatments and production processes since 1965. They are also applied to our marketing actions, which include omnichannel distribution and today's digital tools, without betraying the long communication tradition of our brands. Last but not least, they apply to creativity free from the constraints of the market and oriented to the generation of new ideas at the service of the society.

# Product research

- The collections  
by Jean-Charles  
de Castelbajac
- Benetton Archive
- Long Cotton
- Ready to dye
- Dress Safe
- Focus: The S68  
Glamour Sneaker

# Digital transformation

- UCB website restyling
- Sisley website optimization
- E-commerce
- Omnichannel
- Digital marketing
- Competence center
- Content Factory
- Focus: The L.A. pop-up store

## Ideas in the forefront

- The campaigns
- Fabrica

# Product research

The success of Benetton Group is based on continuous experimentation with materials, design, processes and finishes. It all began more than fifty years ago, when Luciano and Giuliana Benetton produced a wool sweater in yellow instead of the neutral colors that were customary at the time. This approach continued over the decades, with innovations that progressively improved our products, even the apparently simplest ones.

Today, that journey is reflected in a series of projects and initiatives involving the introduction into our collections of yarns, treatments, concepts and aesthetic solutions that enable our brands to create a bridge to the future.

## **The collections by Jean-Charles de Castelbajac**

2019 was the first year in which the United Colors of Benetton collections were created by Jean-Charles de Castelbajac, a globally renowned fashion designer who has inspired fashion trends in the past, such as the “anti-fashion” movement and the alternative use of objects to decorate garments. Appointed Artistic Director of Menswear and Womenswear collections in October 2018, Castelbajac stated that his mission would be to create the wardrobe of tomorrow, bringing beauty and style into everyday life at affordable prices. His style became immediately recognizable in the garments that featured an extravagant touch – like the entirely handmade maxi coat with the fancy pattern of colored sheep in relief – and the recovery of the brand’s heritage, reflected in the pop and cool reinterpretation of the iconic Benetton logo. During the year, Castelbajac was awarded the Creative Talent Award at the 2019 Cosmo Awards in Madrid and the Visionary of the Year Award, assigned by Vogue India.

## **Benetton Archive**

The Benetton Archive is a workshop where Benetton Group’s designers and employees can find inspiration for their new projects. Developed in 2009, it contains a selection of iconic knitwear items - selected from among the 12 000 housed in the product archive as well as sketches, paper patterns, technical cards, color and material charts (catalogues, advertising materials, magazines, press reviews) from the origins to the present day. In November 2019, the Archives opened

its doors to the public during the 18<sup>th</sup> Week of Business Culture promoted by Confindustria. Visitors had the opportunity to observe the link between business, beauty and social commitment that has transformed the Treviso-based company into one of the world’s most famous fashion brands.

## **Long Cotton**

Long Cotton is a type of cotton whose filaments exceed 28 mm in length and for this reason the resulting fabric is more resistant, softer and refined 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. In 2019, long-fiber cotton was a best seller of the Undercolors collections.

## **Ready to dye**

In the ‘60s, Luciano Benetton had an intuition that would permanently change the core business of his company – and the clothing industry in general – forever. Until then, colored sweaters were produced directly from colored yarns. After months of experimentation, Benetton managed to produce sweaters using raw yarns and color them at a later stage, based on the orders received. The intuition generated an enormous commercial success and was adopted by all the major fashion players. A guarantee for long-lasting and soft-touch items, garment dyeing is still used in 40% of our knitwear collections.

## Dress Safe

“Dress Safe” is Benetton Group’s project dedicated to garment quality and safety, especially with regard to kidswear. The Dress Safe tag, always present on the United Colors of Benetton kidswear collection and on the Sisley Young and Undercolors of Benetton lines, certifies compliance with the strictest textile safety parameters and ensures that the details and components of our products do not present any danger of suffocation or entrapment.



The decrease in 2019 tests realised is mainly due to the lower volumes of garments produced and to the rationalisation of fabrics and suppliers.

## Tests on products

Tests on our garments go beyond normal international mechanical and chemical safety standards.

**NO** hazardous chemical substances like carcinogenic or allergenic colorants, phthalates, formaldehyde and heavy metals.

**NO** hazardous components, like easily detachable parts or excessively long strings.

2019 39 979

2018 43 891

2017 40 873

# S68 Glamour special edition



With the Spring Summer 2019 collection, Sisley presented an iconic sneaker: the S68 Glamour.

Designed to add a pop touch to the seasonal trend of city sneakers, the S68s immediately became an iconic item for both men and women. Extra-large and vibrant, but also lightweight and breathable, the S68 comes

in five different versions – Racy, Naughty, Gutsy, Greedy and Feisty – each in a different color palette.

They feature solid profiles, a “high” tongue, fluo detailing and a suede toe. They are made from a mix of mesh fabric and leather, a compensated aerodynamic sole and glossy leather inserts.

The S68 special edition is unique because of its level of customization: all the sneakers are personalized by hand thanks to an artisanal process that ensures that each pair is unique. In addition, the sneakers are delivered to the customer in a personalized reversible bag.

The innovative personality of the S68 sneakers was also reflected in the shopping experience. They were on display in only five selected stores – Venice, Rome, Milan, Florence and Naples – and could only be purchased online. The launch was supported by communication activities that involved influencers on the TikTok and Instagram social channels.

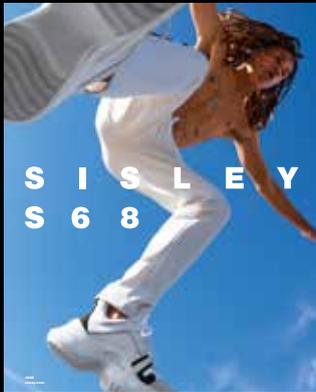


Photo: Ryan Mcginley

# Digital transformation

In recent years, Benetton Group has invested resources and energy in the progressive digitization of its business, a strategic, fundamental measure to keep up with the times and be increasingly flexible in facing today's challenges.

With regard to digital channels, major investments are currently focused on omnichannel distribution. However, the future challenge is creating an ongoing interaction between the digital experience and the real world, on a global level.

## UCB website restyling

In 2019, United Colors of Benetton completely restyled its website with a view to improving its usability and making the online shopping experience more enjoyable. The website has become an editorial platform for Company storytelling from different points of view. The new "Inside" section allows users to browse through product cards and content related to the brand's expertise, the latest news articles and information about events, quizzes and anecdotes drawn from the history of the brand. In addition, images and content self-produced by users have been attached to the product cards.

## Sisley website optimization

After launching the e-commerce channel in 2018, the sisley.com website has been optimized in terms of technical performance and conversion process.

## E-commerce

In 2019, United Colors of Benetton e-commerce average again recorded a double-digit growth against the previous year. In addition, during the year Benetton products began being distributed through third party e-tailers, like Amazon and Zalando, with Benetton maintaining brand consistency on the platforms. In the year, Sisley grew by approximately 50% in active online markets and, at the beginning of 2020, average data confirmed a very promising growth rate on a year-on-year basis.

## Omnichannel

In 2019, United Colors of Benetton recorded a boom in omnichannel distribution, the strategic model based on the integration of the physical stores with the digital world, for the purpose of increasing sales and minimizing stocks while offering an increasing range of services to consumers. Omnichannel distribution involves

**In 2020, the contents of the "Inside" benetton.com section will be integrated into e-commerce. The purchase of any product will thus become a 360° experience, a window on the Company's heritage, know-how and style.**

**The weather forecast function will soon become available, enabling users – thanks to geolocation – to choose the most appropriate garments for the weather conditions wherever they happen to be.**

**In 2020, the United Colors of Benetton e-commerce platforms will be launched in India and Japan.**

134 UCB-branded stores – both directly operated and franchises – in Italy, and it is expected to be extended globally in the future. The Company invested massively in sales force training on active services: the product locator function, to find out which stores sell what products; the click&collect function, to order a product online and collect it from the store; the endless aisle function, to buy a product that is currently not available in the store and collect it later; and the returned in store function, to return or exchange a product purchased online. In 2019, the Company focused on laying the groundwork to develop the omnichannel strategy for Sisley as well.

**In 2020, the omnichannel strategy will be enhanced by the integration of the reserve-in-store service, which will enable consumers to book their purchases and later go and try them on in the store, as well as the ship-from-store service, which will allow products to be shipped to customers directly from the store and not from the e-commerce warehouse. This means stock optimization and especially better logistics - key factors in improving sustainability.**

**The redefinition of our brands' loyalty programs includes the introduction of a digital card and new rewarding systems, designed to retain to the youngest segment of the population.**

## Digital marketing

Over the past year we have optimized online marketing, with the aim of improving our ability to reach out to consumers. The digital communication activities of United Colors of Benetton are always on, both in hot moments like sales and in the case of the launch of new collections, as well as during "cooler" moments, when we concentrate on taking advantage of new storytelling opportunities. Also with a view to optimization, we outsourced all online activities (displays, socials, investment and performance) to a single agency, with the advantage that all the marketing levers can be coordinated according to the objectives established for the period. For Sisley, the foundations have been laid

for the development of an effective online advertising strategy aimed at improving the production of content, focusing on video and displays with a view to increasing awareness. All this without neglecting activities aimed at creating traffic on the website through the optimization of search and social strategies.

**In 2020 we plan to merge our brands' active customer databases, which are currently still working separately between offline and online channels. This will allow us to deploy more efficient and integrated engagement strategies.**

**The Group expects to launch a Benetton app in 2020, which will be updated according to user profiles and tastes.**

## Competence center

The Group operates a dedicated competence center for the purpose of concentrating the management of currently open markets at its headquarters and for defining a global expansion strategy for the two brands, United Colors of Benetton and Sisley. On a weekly rotation, all the countries interact with the marketing department to get support on content production and budget management.

## Content Factory

In 2019, the development of the Content Factory continued and it was launched in early 2020. This is the platform where product and collection content is produced and shared, including technical descriptions, images and videos.

# The L.A. pop-up store



On October 25, 2019 the United Colors of Benetton pop-up store was opened in Los Angeles. Located in the Santa Monica Place mall, the pop-up store served as the brand's showcase on the West Coast for four weeks.

After over four years of absence from the U.S. market, the Santa Monica Place pop-up store was intended to show the Group's broad e-commerce offer, available on the new U.S. platform [us.benetton.com](https://us.benetton.com).

The pop-up store contained only display items that consumers could look at, touch, try on and then proceed to buy through the in-store online portal; purchases were then delivered to customers' homes.

A perfect integration between online and offline strategies, the initiative proved successful in engaging consumers, who were given a chance to interact with all the items offered on the digital platform, including some lines presented concurrently with the Milan autumn fashion shows.

With a burst of colorful energy, the pop-up store also showed the evolution of the brand according to Jean-Charles de Castelbajac's new creative direction, and contributed to consolidating the image of United Colors of Benetton as a company in step with the digital revolution.



Photo: Benetton Group



# Ideas in the forefront

There is no project without ideas. This is the reason why – in 1994 – Benetton Group founded Fabrica, a non-conventional research center established to experiment with different themes using a multidisciplinary and global approach.

Ideas are the basis of all projects: the most creative ideas provide a fundamental support to the storytelling around brands, products and stores. Insights then unleash free research for a deeper understanding of our times, enabling Benetton Group to find answers to the great questions of the future.

## The campaigns

Everyone remembers the image of a black mother nursing a white baby. Everyone also remembers the image of the three identical hearts, one next to the other, each representing a different race. Everyone who saw these images directly or studied them in the manuals of advertising history cannot but confirm that the United Colors of Benetton campaigns by Fabrica show how a brand can leverage on disruptive communication. The same holds for Sisley: its sensual and provocative campaigns in the early 2000s inaugurated a new photographic language in the fashion world.

The effort to innovate in the field of communication is part of Benetton Group's DNA. Even in 2019, our campaigns reached millions of people around the world, with ideas and images that captured attention and remained impressed in people's minds.

## United in Diversity

Fabrica developed United in Diversity, the institutional campaign of United Colors of Benetton. Key players are Luciano Benetton and Ayak Mading. The shots by Oliviero Toscani portray the eighty-four-year-old Chairman of Benetton Group and the Sudanese model wearing the same United Colors of Benetton item. Different in age, background and skin color, they have the same smile, looking to the future with confidence.

## United Colors of Benetton – Fall Winter 2019 Campaign

Two girls with mushroom cloud hair styles. A pale guy with a red cap. A colorful group of smiling friends. These are some snapshots from United Colors of Benetton's Fall Winter 2019 campaign. The images by Oliviero Toscani evoke the optimistic, colorful and unconventional world that has made the history of the brand.

## The Sisley Way

The legendary Joshua Tree natural park, dotted with cacti and mugwort, provided the backdrop for Sisley's Spring Summer 2019 collection. This was the third chapter of The Sisley Way, the campaign developed to present the brand's collections in iconic locations, through the eyes of Ryan McGinley, a photographer known for his portraits of young Americans.

## Grand Hotel Stockholm

For the presentation of the Autumn Winter 2019 campaign Sisley inaugurated a new format that will take the brand to several European and North American capitals over the coming seasons. Shot in a Stockholm hotel by Eric Broms, with styling by Lisa Lindqwister, the campaign depicts a weekend among friends with the typical intimacy and irony of Sisley's campaigns.

## Wanted Creativity

2019 also saw the continuation of Wanted Creativity, the initiative scouting new faces and talents through the organization of events in United Colors Benetton stores (Zurich, February 15-16 and Padua, June 22-23), photography exhibitions (Ospedaletto Con/ temporaneo in Venice, May 11 - November 24) and portfolio days in Venice, Turin and San Teodoro in Sardinia. The events were attended by dozens of creative young individuals interested in participating in the Fabrica selection process.

## Fabrica

Fabrica, the Benetton Group's communication research center, is housed in a 17<sup>th</sup> century Venetian villa, refurbished in the 1990s by Japanese architect Tadao Ando. Founded in 1994, in over twenty-five years Fabrica has hosted over 700 creative talents aged under 25 – including photographers, illustrators, artists, writers, advertising specialists, directors.

musicians, videomakers, journalists, graphic designers, developers, hackers and designers – from over 65 countries around the world.

In 2019 Fabrica also launched a series of research projects, with the objective of analyzing, investigating and interpreting the forces that form the present, in order to imagine the future.

### **36 hours of CON-FUSION**

Stories, debates, workshops, music, theater, cinema and creative improvisation, but above all a lot of CON-FUSION: in 2019, on April 6 and 7, at Fabrica the topics explored revolved around the future, integration and optimism. Numerous speakers from the world of culture and contemporary social and political debate participated in the cycle of conferences: Emma Bonino, Gad Lerner, Vittorio Sgarbi, Francesco Merlo, Massimo Giannini, Isabella Bossi Fedrigotti, Domenico Quirico, Elly Schlein, the spokesmen of Doctors Without Frontiers, Mediterranea, Sea-Watch and Caritas, Marco Müller, Claudio Giovannesi and many others. A busy agenda dealing with the evolution of the human and social condition, migration flows and aspects regarding integration today and, especially, tomorrow. The topic was analyzed from all different perspectives, from the facile fallacies we hear every day to the tragedies in the Mediterranean sea, from efficient integration models to the changes to be expected in our countries in the coming years.

### **Camera Oscura**

Camera Oscura is a television format for image analysis and observation. Designed and produced by Fabrica, it aired on LA7 in July and August 2019. Thirty people standing in a minimalistic space commented a series of photographs hanging on the wall. Two themes were discussed in two other episodes: integration and the body. Oliviero Toscani, together with the art critic and journalist Nicolas Ballario, moderated the discussion.

### **Radio Fabrica**

Radio Fabrica is a radio show conducted by Oliviero Toscani and Nicolas Ballario, on the air every Sunday at noon on Radio Capital since March 2019. The show explores a different issue every time, topics like:

motherhood, fear, beauty and ugliness. God, and the future. The topics are analyzed from original and surprising perspectives, with external contributions, music and voice messages.

### **COLORS Magazine**

In 2019, the Group resumed the publication of the COLORS magazine with a new editorial format on Instagram as @colorsmagazine, an “about the rest of the web” profile. Six “issues” dedicated to integration, ecology, addiction, prohibitions, instability and fake news were produced.

### **OltrApe**

Leonardo Angellotti, Fabrica's young videomaker, documented his month-long journey through Europe with a three-wheeled Piaggio Ape-Car on teen radio station Radioimmaginaria. The adventure began in Castel Guelfo in Bologna and ended in Stockholm, the city where activist Greta Thunberg was born. Objective: understand how the global environmentalist protest currently under way got started.

### **Library**

In 2019, the Fabrica library was enriched with a collection dedicated to color, belonging to architect Manlio Brusatin. From architecture to graphic design, from art to photography, the collection consists of 1 500 volumes on the history of color theory and its various applications.

### **Training**

Since 2012 Fabrica has been recognized as a structure suitable for providing training to young unemployed and non-employed students with secondary high school diplomas and/or university degrees, through training projects recognized by the Veneto region and the Italian government. In October 2019 a new Garanzia Giovani - Work Experience course – called Segno&Stile – was launched for the specialist training of nine graphic designers under the age of 30. Segno&Stile will prepare students to enter the world of work by providing them with a 176 hour classroom course and 3-month internships at communication and design studios and three Benetton Group graphic design offices.



# A people company

Benetton Group always puts people at the very center: the people who work for or collaborate with the Company, the people who buy the products, everyone.

The Company's human resources policies aim at developing a constructive dialogue with employees at all levels and everywhere in the world, without discrimination of any kind, in order to stimulate an open and correct exchange that promotes the development and enhancement of human capital.

In addition, the Company expresses the value it attributes to human rights through its advertising campaigns, developed to raise awareness regarding the most controversial topics of our times, but also, and above all, through initiatives that guarantee dignity, freedom and equality to all of our employees in every part of the world.

# Our people

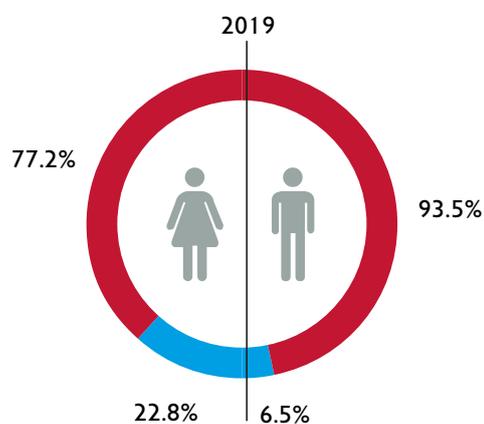
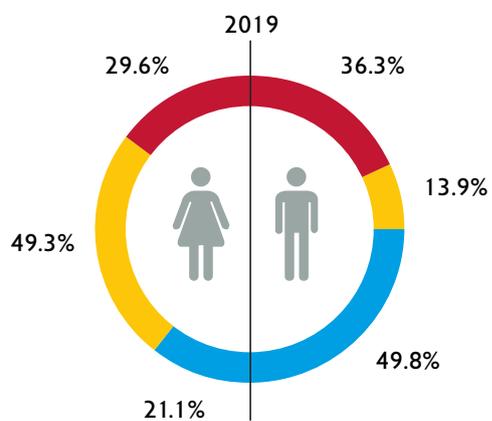
- Organizational structure
- The International HR Family
- Benetton per Te
- Ponzano Children
- Zero Injury Objective
- Training
- People Development
- HR Digital Transformation
- Employer Branding
- Reward
- Industrial Relations



# Human rights

- Supply chain management
- Social communication
- The “Naked” photographic project
- Women’s empowerment in India

# Our people



## Employee by geographic area

2017	797	1 918	274	2 414	911	1 191	7 505
2018	733	1 722	278	2 640	937	1 200	7 510
2019	687	1 622	264	2 701	942	1 155	7 371
	Italy		Europe		Rest of the world		

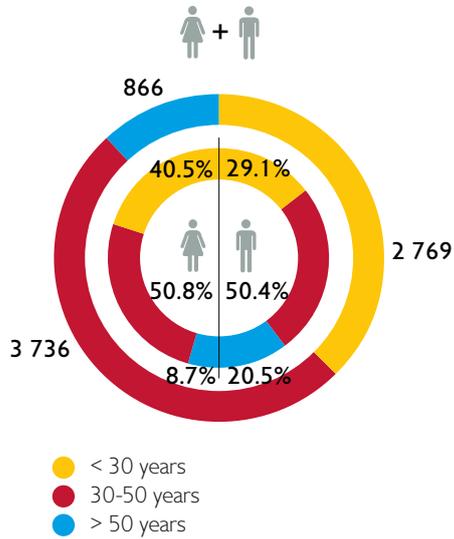


## GRI 102-8 Employees by:

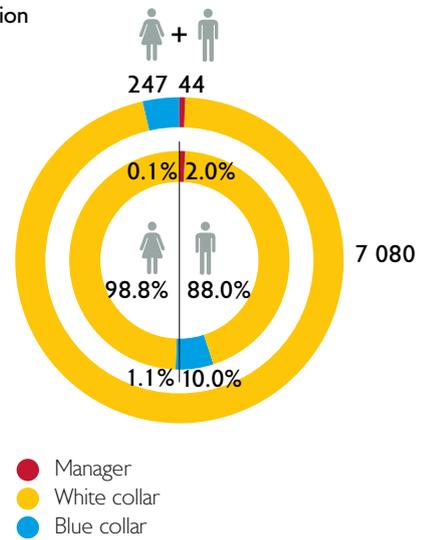
	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Employment contract</b>									
Permanent	1 728	3 898	5 626	1 761	4 105	5 866	1 770	4 229	5 999
Temporary	254	1 625	1 879	187	1 457	1 644	123	1 249	1 372
Other									
<b>Total</b>	<b>1 982</b>	<b>5 523</b>	<b>7 505</b>	<b>1 948</b>	<b>5 562</b>	<b>7 510</b>	<b>1 893</b>	<b>5 478</b>	<b>7 371</b>
<b>Employment type</b>									
Full Time	1 709	3 149	4 858	1 688	3 164	4 852	1 627	3 093	4 720
Part Time	273	2 374	2 647	260	2 398	2 658	266	2 385	2 651
Other									
<b>Total</b>	<b>1 982</b>	<b>5 523</b>	<b>7 505</b>	<b>1 948</b>	<b>5 562</b>	<b>7 510</b>	<b>1 893</b>	<b>5 478</b>	<b>7 371</b>

## Benetton Group: 2019 - Employee breakdown

• by age



• by qualification



GRI 405-1 Employee breakdown by qualification, gender and age

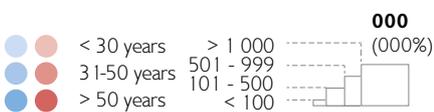
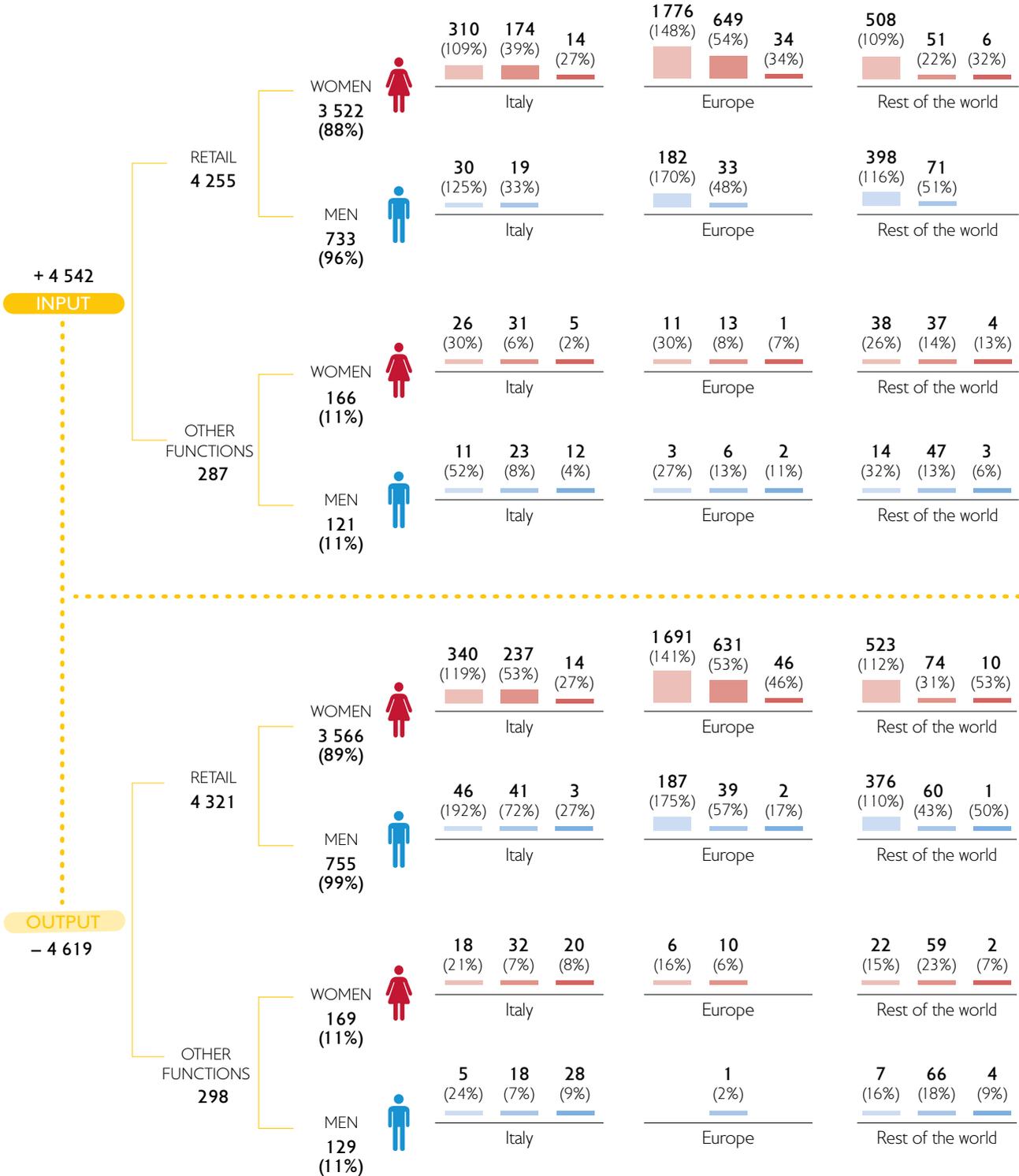
	Age	Italy	Europe	Rest of the world	Total
<b>Manager</b>					
Men	< 30 years				
	31-50 years	7	1	4	12
	> 50 years	21	3	3	27
<b>Total Men</b>		<b>28</b>	<b>4</b>	<b>7</b>	<b>39</b>
Women	< 30 years				
	31-50 years	2	1		3
	> 50 years	2			2
<b>Total Women</b>		<b>4</b>	<b>1</b>		<b>5</b>
<b>Total</b>		<b>32</b>	<b>5</b>	<b>7</b>	<b>44</b>
<b>White Collar</b>					
Men	< 30 years	42	115	387	544
	31-50 years	282	111	465	858
	> 50 years	208	24	31	263
<b>Total Men</b>		<b>532</b>	<b>250</b>	<b>883</b>	<b>1 665</b>
Women	< 30 years	372	1 234	613	2 219
	31-50 years	921	1 348	492	2 761
	> 50 years	275	113	47	435
<b>Total Women</b>		<b>1 568</b>	<b>2 695</b>	<b>1 152</b>	<b>5 415</b>
<b>Total</b>		<b>2 100</b>	<b>2 945</b>	<b>2 035</b>	<b>7 080</b>
<b>Blue collar</b>					
Men	< 30 years	3	3		6
	31-50 years	44	4	37	85
	> 50 years	80	3	15	98
<b>Total Men</b>		<b>127</b>	<b>10</b>	<b>52</b>	<b>189</b>
Women	< 30 years				
	31-50 years	12	4	1	17
	> 50 years	38	1	2	41
<b>Total Women</b>		<b>50</b>	<b>5</b>	<b>3</b>	<b>58</b>
<b>Total</b>		<b>177</b>	<b>15</b>	<b>55</b>	<b>247</b>
<b>TOTAL</b>		<b>2 309</b>	<b>2 965</b>	<b>2 097</b>	<b>7 371</b>

**Turnover 2019**

The high turnover rate is largely attributable to retail activities and is physiological considering the competition within the business sector.

Comprehensively, newly hired people are mostly young and this is evidence of the Company's commitment to investing in the generational turnover.

**GRI 401-1 New hirings and turnover**



**000 No. of employees hired (leaving) during the year (fixed-term + permanent)**

Turnover rate: total no. of employees hired (leaving) / no. of employees as at 31.12

RETAIL means staff directly employed in the store with store manager, salesperson, warehouse operator and visual merchandiser functions in the store.

Focus on communication between people. Standardize governance at the international level. Rejuvenate the Company's workforce ensuring the transmission of expertise and professionalism. Reduce costs and increase responsibilities, rewarding excellence. These were the main guidelines for our human resources strategy in 2019.

Our goal is to change mindset, because a global company like Benetton Group, with over 7 300 employees and about 4 500 stores in more than 70 countries, must know how to adapt to change while remaining true to its identity. People are the key to achieving such an ambitious goal. Below is a description of a series of initiatives aimed at organizing our employees in the best possible way, facilitating communication between different areas and countries, fostering employee well-being and listening to requests, attracting new talent and rewarding those who are already with us.

## **Organizational structure**

In 2019, the HR & Organization Department promoted the redefinition and communication of Benetton Group's new first-tier organizational model, with a view to increasing accountability and transparency in the decision-making process. Two main organizational areas were defined in order to ensure a more effective control of the business: "Commercial & Sales" and "Product & Supply Chain". The Company subsequently designed and implemented the second-tier organizational structures of the UCB Commercial area and the Product & Supply Chain area, which operates for all Benetton Group's brands and merchandise categories.

The structure of the HR & Organization Department was also subject to organizational changes in 2019, including the creation of two specific functions, HR People Development and HR Digital Transformation, tasked with the transformation of the Company, so facilitating the generational transition.

## **The International HR Family**

In 2019, a series of international meetings was organized with the participation of all country human resources managers, in order to standardize processes, rules and policies, share best practices and rationalize the global outputs and KPIs. In the future, these meetings will be continued and scheduled also thanks to the use of new video conferencing technologies.

## **Benetton for You**

Benetton for You is the People Care program that the Group launched in 2015 to promote the wellbeing of all the employees of the Italian offices, regardless

of their seniority and type of 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.

## **Flexible benefit**

Flexible benefit was launched in 2019. In March, thanks to the opportunities introduced by the Corporate Supplementary Agreement, the employees covered by the collective national labor agreement of the textile industry were given the choice to receive their productivity bonus in the form of Welfare Credit, to be spent together with the Welfare Bonus on an extensive catalogue of goods and services, including school fees, gym subscriptions, travel, cinema tickets and vouchers. The initiative also allowed for the possibility to customize services based on one's needs, thanks to the on-demand agreement option. Employees could therefore benefit from a twofold advantage: firstly, the Welfare Credit is not subject to taxes or pension contributions and, secondly, the productivity bonus was increased by up to 20% if translated into Welfare Credit.

To inform beneficiaries as to how to convert the productivity bonus and spend the welfare credit, 20 ad-hoc meetings were organized in the three offices of Ponzano Veneto, Castrette and Milan.

Any remaining welfare credits, not spent as at 30 November 2019 were paid to employees with their December salaries, except for the part of the credit deriving from the Welfare Bonus, the residual value of which was allocated to Banca Ore Etica, funding an important solidarity institute already present in the Company.

**58%:**  
percentage  
of headquarters  
employees  
who chose  
to convert the  
productivity  
bonus into  
Welfare Credit

#### **Banca Ore Etica**

The fund raising activity with the allocation of the residual amounts to Banca Ore Etica continued in 2019. 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 Archives**

The Benetton Studios and Archives were opened on for eight evenings to Benetton Group employees, their families and friends. This was an opportunity to take part in a special guided tour of the Benetton Archives, which preserves the Company's historical heritage, and of the exhibition area, which hosts a

**91%:**  
percentage  
of Welfare  
Credit spent  
by employees.  
The residue  
deriving from  
the Welfare  
Bonus was  
allocated to  
the Banca  
Ore Etica

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 500 participants, was very successful and will be repeated in 2020.

#### **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.

#### **La Ghirada**

Also in 2019, 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.

## Ponzano Children

Founded in 2008, Ponzano Children is a children's center that hosts both the children of employees and children of Ponzano and other municipalities in the surrounding area. An educational service that hinges on building relationships, research, the wellbeing of children and the community, the center follows 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 9 months to 6 years.

GRI 401-3 Return to work and retention rates of employees who took parental leave				
	Italy	Europe	Rest of the world	Total
<b>Employees entitled to:</b>				
Maternity	61	147	50	258
Paternity	16	3	9	28
<b>Total</b>	<b>77</b>	<b>150</b>	<b>59</b>	<b>286</b>
<b>Employees who took a parental leave</b>				
Maternity	61	147	40	248
Paternity	16	3	9	28
<b>Total</b>	<b>77</b>	<b>150</b>	<b>49</b>	<b>276</b>
<b>Return to work after parental leave ended</b>				
Maternity	45	94	30	169
Paternity	16	3	9	28
<b>Total</b>	<b>61</b>	<b>97</b>	<b>39</b>	<b>197</b>
Maternity	74%	64%	75%	68%
Paternity	100%	100%	100%	100%
<b>Total</b>	<b>79%</b>	<b>65%</b>	<b>80%</b>	<b>71%</b>
<b>Retention rate – employees who returned to work after parental leave ended and still working 12 months after their return</b>				
Maternity	49	88	18	155
Paternity	20	1	8	29
<b>Total</b>	<b>69</b>	<b>89</b>	<b>26</b>	<b>184</b>
Maternity	98%	92%	78%	92%
Paternity	100%	100%	73%	91%
<b>Total retention rate</b>	<b>99%</b>	<b>92%</b>	<b>76%</b>	<b>92%</b>

## 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 measures 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, in relation to specific issues and the implemented organizational changes. A special synergy is developed with outsourcers engaged in set-up, service or maintenance activities in order to manage interference risks.

The dissemination of the culture of prevention takes place through basic training and advanced courses at all levels, with integrated and personalized courses depending on the role covered, previous training and the need for updating, coordinated by the Prevention and Protection Service, taking opportunities for moments of dialogue, listening, evaluation of possible improvements both during normal activities and in emergency situations and with the analysis of accidents and "near misses". In addition to the training activities related to regulatory compliance, awareness-raising activities are also organized to manage the residual risk of certain activities, aimed at correcting inappropriate behavior and updating prevention measures with the delivery of specific safety prescriptions.

## 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
<b>2017</b>					
Injury rate	No. of injuries/Hours worked x 1 000 000	10.3	1807	2.74	1016
Lost day rate	Lost days/Hours worked x 1 000	0.26	0.42	0.02	0.27
<b>2018</b>					
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	0.16	0.22	0.29
<b>2019</b>					
Injury rate	No. of injuries/Hours worked x 1 000 000	6.95	1943	3.18	9.15
Lost day rate	Lost days/Hours worked x 1 000	0.22	0.17	0.03	0.12

## Training

In 2019, more than half of our Company's workforce was involved in training and development initiatives. This percentage increases to 70% if we also consider the staff of the directly operated stores. The main training projects are divided into a portfolio of courses ranging from product and sales training to technical-specialist training.

The catalogue of activities is designed on site by our training office and includes training and engagement initiatives dedicated to the staff of our headquarters and stores. Most of the initiatives are shared with foreign subsidiaries which take action to customize the programs and engage employees locally, together with the training team.

### United by Color

In 2019 all headquarters staff was involved in United by Color, a four-stage engagement project: Meet, Learn, Build and Dream. Color is one of the main drivers of the project inspired by the values of the brand. It aims to improve relationships between colleagues and increase continuous and effective collaboration towards a shared business goal. In 2019, we completed the first two phases of the project.

The first "Meet" phase was organized in the canteen of the two Company offices. The approximately 1 270 participating employees were given the opportunity

to meet new colleagues and get to know each other better, increasing their sense of belonging to the Company while generating positive energy. In addition, 12 "Learn" sessions were held, involving 437 colleagues for a total of 1 740 hours of training inspired by People in Colors, a model that identifies for each person four cognitive styles or ways of thinking and acting, each of which corresponds to a color: blue, yellow, green and red.

The objective was to promote insights along the path of self-awareness and relations with others.

**In 2020 the objective is to complete the last two phases of the United by Color engagement project, relating to the "Build" and "Dream" sessions.**

### KICK FOS

In 2019 we renewed and increased our partner training offer. KICK FOS is an induction project aimed at guiding the new franchisees in store management and providing them with proprietary guidelines and tools, starting from the Store Basics&Fundamentals Benetton manuals. In 2019, two 6-day-each editions – one for UCB and one for Sisley – were held, involving a total of 37 participants.

## **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 2019, 22 editions of Selling in Colors were organized, involving a total of 195 people, including store personnel, franchisees, directly operated stores and partner franchisees with a total of 866 training hours.

The project was also implemented in France in collaboration with the local team, with the involvement of 26 colleagues for a total of 104 training hours.

**In 2020, the Selling in Colors training course will involve the staff of Undercolors stores (directly operated stores and franchisees) in Italy.**

**In 2020 the objective is to complete training on the four services of the omnichannel strategy across the entire sales network in Italy (approx. 100 stores) and to expand the services to the Sisley brand. In the latter part of the year the project will be shared and customized for implementation in France and Spain.**

## **Omnichannel**

The training plan, with its four services, represents a key step for the implementation of the omnichannel strategy in the sales network. In 2019, a blended training course was developed, combining e-learning and in-class sessions. In particular, in January-

November training was carried out at 132 points of sale in Italy (directly operated stores and franchisees), and the same training was also extended to the London store. In 2019, the project involved 543 colleagues for a total of 2 532 training hours.

## **Green Camp**

In 2019, we kicked off the first edition of the Undercolors Green Camp, an event dedicated to the levers of store management, dealing with various topics, including sales, product, visual merchandising and operations. The event involved 93 colleagues for one day and a half of training.

## **SS19/FW19 Product Training**

A collection increasingly inspired by the brand's DNA and the new artistic director made it necessary for the Company to design dedicated brand and product content. Therefore, roadshows were organized, both in store and in the agency, involving the personnel of the directly operated stores and franchisees, with the aim of providing useful knowledge and tools on collections and inspirational themes while analyzing in depth the details of the garments and developing greater awareness of the brand identity. The training was carried out for the SS19 and FW19 collections and was divided into 31 editions involving 843 colleagues for a total of 3 463 training hours in Italy. Two editions were also held abroad: one in France with the participation of 26 colleagues for a total of 208 training hours and the other in Malta with nine colleagues for a total of 54 training hours.

**In 2020, we will launch an important, highly innovative and almost entirely digital product training project dedicated to the entire sales network and including interactive training exercises.**

## Working@Retail

Working@Retail is a set of initiatives launched in the second half of 2019 with the aim of strengthening a cross-channel retail approach, implementing standard tools for even more effective sales management, including reporting and digital tools for managing and monitoring store activities. Born from the collaboration between the human resources and commercial functions, this is the first company-wide project involving all channels (directly operated stores, franchisees and independently operated stores)

and all brands (UCB, Sisley, Undercolors). As part of the project, a contest was organized to stimulate the commercial performance of the United Colors of Benetton, Sisley and Undercolors stores.

**In 2020, Working@Retail will be extended to foreign countries, with the ambition to also extend the contest.**

GRI 404-1 Average year training hours by employee and gender						
Training hours	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
<b>Italy</b>						
Total training hours provided	9 753		12 490		17 774	
Training hours by employee	4		5		8	
of which provided to:	5	3	6	5	8	8
<b>Europe</b>						
Total training hours provided	6 977		6 448		10 475	
Training hours by employee	3		2		4	
of which provided to:	3	3	2	2	3	4
<b>Rest of the world</b>						
Total training hours provided	13 299		10 906		11 288	
Training hours by employee	6		5		5	
of which provided to:	7	5	4	3	6	5
<b>Benetton Group</b>						
Total training hours provided	30 029		29 844		39 537	
Training hours by employee	4		4		5	
of which provided to:	7	3	6	3	6	5

## People Development

In 2019, a new function was established, dedicated to the development and growth of key resources within the Company and the sales network, with a focus on managerial training to support key skills for the future.

### People Management in Colors

In 2019, in line with the corporate training initiatives and engagement programs, a training course was provided for new managers, i.e. colleagues who have been tasked with a responsibility role for less than a year. The "People Management in Colors" course is based on the People in Colors model and aims to increase awareness about one's own leadership style while at the same time developing and consolidating

a professional and managerial approach to people management. The course includes in-class sessions and individual coaching and involved 13 HQ colleagues for a total of 236 training hours.

In addition, for some key resources, individual coaching courses were activated with the aim of supporting them in this phase of important professional growth. A total of 30 coaching hours were provided.

### Up Strategy

In 2019 we designed and delivered role training for 35 sales network resources (Sisley and Benetton) as part of our Up Strategy, an established approach to talent management. The course combines a preliminary session dedicated to the assessment of individual potential

(Growing Up) with traditional in-class training (In Store Up), followed by a session dedicated to the assessment of individual performance and sharing within a final Growing Committee and corresponding assessment of the adequacy of the skills developed by the individual to cover the requested role (Performing Up). A total of 1 104 training hours were provided in 2019 for this specific project, with a view to strengthening organizational, managerial and technical skills. The courses enabled 22 Store Managers and 13 Store Department Managers, most of whom had been promoted from within the Group, to develop the skill sets needed to best fill their roles.

**In 2020, we will address the issue of ageing, i.e. the cohabitation of four generations in the Company, with the aim of enhancing skills and promoting the professional retraining of senior resources, increasing opportunities for exchange and sharing with junior resources.**

**In 2020 we will focus on the definition of succession plans for all the positions identified as key, encouraging the growth of internal resources, with the aim of promoting synergy between countries and accompanying talents in their growth pipeline.**

## HR Digital Transformation

Another function developed in 2019 within the Human Resources area is digital transformation. The objective is to promote the digitization of the Company, identifying solutions, tools and methodologies that target time management and process streamlining, while encouraging innovation within the Company.

## BEST

BEST (Benetton Engagement and Store Training) is the digital learning platform that has been a reference point for the staff of both directly operated stores and franchisees since 2017. Again in 2019 the platform supported the main training and business projects, with updates, newsletters, exercises and dedicated content. An important focus was dedicated to product training, with the publication of Product Training Kits, video content, interactive exercises and a “virtual dialogue” with our Artistic Director. Other relevant projects target the omnichannel distribution strategy, with a dedicated e-learning path, and Selling in Colors, which included an in-depth analysis and hands-on exercises based on the theoretical content provided in class. In addition, the HR World section was launched, allowing more than 70 colleagues from 16 different countries to access the platform’s content in English, French and Spanish.

## Workplace

In November 2019, we launched Workplace, a social platform developed by Facebook that will enable all Sisley resources (headquarters, directly operated stores and indirectly operated stores) to create, share and comment on brand, product, communication and community content.

**In 2020, we will launch BE Digital, an e-learning and in-class training initiative on digital issues and the correct use of social platforms in the Company.**

**In 2020, we will activate Moodle, a customizable e-learning platform developed with the aim of circulating key information concerning United Colors of Benetton company-wide.**

## Employer Branding

In 2019, 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. Our efforts were acknowledged in the assignment of two prestigious awards: the Universum Award and the Best Talent Hunter.

### Veneto Youth Rethink the Future

In March 2019, we collaborated with Fabbrica in the organization of the “Veneto Youth Rethink the Future” event, inviting about 200 high school students from the Veneto region to our Company offices. The event, organized in collaboration with Confindustria Veneto SIAV and Fondazione Centro Produttività Veneto, enabled the participating students to learn more about the functioning and dynamics of a large company and to receive useful advice on how to approach the world of work.

### 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 excellence at the international level. In 2019, the Recruiting & Talent Acquisition Team held a conference for master’s students dedicated to job orientation and first job search. The collaboration with the master program will continue in 2020 with the involvement of new students.

### Pitti Filati

In January 2019, Dario Tubiana and Lisette Estefania Bazan – students of the Master in Creative Knitwear Design at Rome’s Accademia Costume & Moda, and winners of a competition organized by Benetton Group in 2018 – presented their collections at our design offices during a fashion show organized at Pitti Filati.

## Mittelmoda District

In 2019, as part of the Mittelmoda District project, dedicated to vocational fashion schools, we invited about 200 students from four fashion schools located in the Friuli-Venezia Giulia region to visit our Company offices. The project will continue in 2020 with the involvement of other schools.

## Digital Recruiting

We recorded nearly 70 000 visits on our Work for Us web page and on our LinkedIn page, and over 45 000 résumés. Today, candidates can send their curriculum vitae directly from any store thanks to QR code technology.

## “Undercolors of Creativity”

In early 2019, five students attending the second year of the Fashion Design course at IED in Rome participated in the “Undercolors of Creativity” project. The students were invited to a full-day visit of our Company and received a briefing by the Undercolors product team. They subsequently worked for two months on the design and development of a Womenswear Capsule Collection whose aim was to communicate the identity of the brand by introducing new stylistic and conceptual elements to the Homewear and Loungewear categories with dedicated lingerie lines. After completion of the assessment process by the Undercolors product team, one student, Giordana Marcucci, was offered an internship in the Company.

## CUOA Business School

After visiting our corporate offices with a view to learning more about the history and identity of United Colors of Benetton, the students of the Master in Brand Ambassador at CUOA Business School carried out a project aimed at identifying the ideal testimonials to communicate Benetton to 20-year-olds and developed an online and offline ad hoc communication campaign. In June 2019, the students presented the projects to a group of HR and Digital representatives.

**In 2020, we will again collaborate with Fabrica for the development of the Segno & Stile project, a free training course on graphics design addressed to unemployed individuals and young NEETs (Not in Education, Employment or Training) financed by the European Social Fund.**

**In 2020, we will also continue our collaboration – through assignment of a scholarship – with Rome's Accademia di Moda e Costume and Modateca Deanna.**

**In 2020, we will organize a new edition of the Nice to Meet You event, a day of professional orientation dedicated to the children of our employees in search of their first job after completing their studies.**

## **Reward**

In 2019, 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 focus on young employees and key resources, and with a view to promoting team results. The objective is to motivate and retain the best resources already present in the Company and in the stores, to ensure continuity and medium-long term planning, and contribute to building the future of the Company.

## **Management by Objectives**

In 2019, we formalized the Management by Objectives Plan (MBO), which includes the assignment of economic benefits to managers who reach specific corporate and individual targets, consistently with the Group's strategy. Today, the plan is operating in 17 countries and involves over 120 managers, of whom 30% are abroad. The structure and mechanism of the plan include objectives linked to both the economic and financial performance (at Group or Country/Region/Brand level) and individual performance, in order to orient behavior towards the effective achievement of business results.

## **Sales Incentive Plan**

In 2019, the process of standardization of the incentive plans dedicated to sales personnel continued in all the Group's countries, with a differentiated approach by sales channel (DOS - IOS - FOS), increasingly "glocal" (global and local) in order to direct behavior towards promoting ongoing improvement in business performance. For the direct channel (DOS), the plan dedicated to all the roles operating in the stores was revised with a view to effectively driving an approach focused on further improving POS sales performance by rewarding the best network performers with additional benefits. Within the Working@Retail2020 framework, the Company introduced the BUS Contest, the first cross-channel and cross-brand initiative, which involved approximately 600 DOS and FOS stores

in Italy, belonging to the three brands – Benetton, Undercolors and Sisley – in the last months of 2019. The objective is to support the sales network by

giving the stores a continuous stimulus to improve performance and engagement, encouraging teamwork and rewarding the best results.

GRI 405-2 Salary Gender Gap Index - Italy						
	2017	2018	2019	2017	2018	2019
<b>Headquarter</b>	<b>Salary ratio</b>			<b>Remuneration ratio</b>		
Managers *	100%	88%	79%	97%	85%	76%
Executives	95%	96%	95%	93%	95%	92%
White collars	89%	90%	89%	89%	90%	89%
Blue collars	99%	98%	98%	98%	97%	97%
<b>Store</b>	<b>Salary ratio</b>			<b>Remuneration ratio</b>		
Executives	83%	71%	87%	80%	66%	94%
White collars	93%	90%	87%	92%	88%	85%

\* The Managers category is referred only to senior managers.

The worsening of the 2019 indicators for the management category is justified by the reduced number of the sample. New hires and leaving managers as well as those promoted to top management

positions can have a considerable impact on the final result when considering of a gender-neutral reward policy.

## Industrial Relations

A key element in guaranteeing the growth and success of Benetton Group's human resources is constant and continuous dialogue promoting the identification of innovative solutions targeting employee wellbeing and the improvement of working conditions within the Company. To this end, numerous meetings are organized at all levels with workers' trade unions. At a national level, in 2019 the Company further consolidated, with highly innovative results, the content of the supplementary company agreement for the 2018-2020 period and the related performance-linked bonus, with particular reference to the work carried out by the three Joint Commissions on the issues of training, company welfare and employee classification.

## Organizational turnaround

Many targeted organizational turnaround actions were continued from the previous year in some specific areas of the Company. These actions recorded very positive results, both in terms of productivity and process rationalization, with a particular focus on the Sales and Product areas.

## Performance bonus

The new Level 2 Supplementary Agreement, coming to its last year of application in 2020 before renewal, implemented the same criteria for the determination of performance used in the three-year 2015-2017 period. The criteria proved effective in defining the bonus amounts. In 2019, the aforementioned bonuses were increased in value thanks to the possibility to convert them – partially or fully – into goods and services, via the use of an integrated, user-friendly online platform that could be accessed by each individual employee, remotely if so desired.

As to notice periods relative to significant organizational changes, the Company has a proven track record in recognizing the value of collective bargaining as a privileged tool for determining contractual conditions and for regulating relations between Company management and trade unions. The Company also fully complies 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 exception of derogations that are more favorable to workers.

# Human rights

Dignity, freedom, equality, Right to work and to education. Protection of vulnerable groups such as women, children, indigenous peoples, refugees and migrants, and LGBTQI+ people. Benetton Group has always believed in a society based on respect for human rights, without any exception.

The Company states this firmly in its social campaigns and does it every day at the workplace – from the initiatives implemented in its offices around the world to supplier selection – for the purpose of ensuring equal treatment and respect for diversity: from skin color to gender, from sexual orientation to political and religious opinions.

## Supply chain management

Over the years, Benetton Group has implemented a series of procedures and initiatives designed to ensure that all individuals and entities involved in our supply chain are treated fairly and correctly. Respect for human rights is not only an ethical imperative, but also a pressing demand from consumers as well as a necessary prerequisite for doing business.

In confirming its commitment to respecting human rights, Benetton Group published a statement in 2019 based on Section 54 of the Modern Slavery Act of 2015 concerning the measures adopted to prevent and mitigate the risk of all forms of slavery along the supply chain and to actively promote respect for human rights.

## 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 active suppliers located all over the world is available on our web site for consultation.

[www.benettongroup.com/sustainability/supply-chain/](http://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 [benettongroup.com](http://benettongroup.com) in several languages.

Finally, to support suppliers in the operational implementation of the requirements of the Code of Conduct, the Company circulated the Guidelines for the Benetton Group Code of Conduct for Manufacturers, specifying Benetton's expectations regarding safety in the workplace, respect for workers' rights and environmental protection. The aim is to make the Code of Conduct more understandable and easier to apply, providing operational solutions and practical examples that can help suppliers in the proper management of their sites.

Based on the contents of the Code of Conduct and the Guidelines, a targeted training activity was carried out in 2019 for employees involved in sourcing and quality control activities, with a view to raising awareness about social and environmental responsibility issues.

## 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; the CSR Management function is entrusted with organizing the audits themselves.

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 impact, 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.

Audits are almost exclusively unannounced, for the purpose of obtaining a more objective representation of the level of compliance of our supply chain as well as to enable identification of the most critical non-conformities.

With a view to continuous improvement, Benetton supports its suppliers in the remediation process through a monitoring activity that involves the periodic forwarding of updated corrective plans and evidence of the resolution of the identified non-conformities. In 2019, as an active member of the Sustainable Apparel Coalition, Benetton Group also launched



Occasionally, Benetton collaborated with a few suppliers located in Albania, Bosnia and Spain 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.

a test of the FSLM (Facility Social Labor Module) with ten strategic suppliers in China, who completed the verification process. The module focuses on the verification and promotion of fair and safe working conditions along the supply chain and the assessment of effectiveness and efficacy of the social management systems. Benetton intends not only to guarantee and give evidence of respect for human rights for its direct and indirect workers, but also actively collaborates with other brands, suppliers, worker representatives and associations in order to define a common standard to assess social impacts and monitor progress in ensuring safe and respectful working conditions.

More than 300 suppliers were assessed for social impacts during the year. Of these, about 70% undertook a process of correcting non-conformities, while 18 business relationships were interrupted.

### Non-discrimination and freedom of association

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 2019, no employee reports of discrimination were received through the Whistleblower service.

In addition, 96% of our suppliers meet the requirements of our Code of Conduct in the matter. The non-conformities identified refer to procedural aspects, all of which were corrected during the year.

In 2019, three events were recorded in which there was no worker representation and eight cases in which worker representation was insufficient, failing to meet local legal requirements.



## 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 involving 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 enhancement of workers’ skills through a broad-based training program;
- the implementation of complaint mechanisms and the right to refuse to work in unsafe conditions.

	2017	2018	2019
<b>GRI 414-1 New suppliers that were screened using social criteria</b>			
No. of new suppliers	59	128	72
of which:			
New suppliers screened based on their social impact	37	82	42
Percentage of new suppliers screened based on their social impact	62.7%	64.1%	58.3%
<b>GRI 414-2 Negative social impacts in the supply chain and actions taken</b>			
Total no. of suppliers	677	707	594
of which:			
Suppliers screened based on their social impact	314	325	350
Suppliers identified as having significant negative social, real and potential impacts in relation to the community	60	59	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	46	35	41
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	76.7%	59.3%	69.5%
Suppliers identified as having significant negative social, real and potential impacts in relation to the community with which relations were terminated after assessment	16	24	18
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	26.7%	40.7%	30.5%

## Social communication

For over thirty years, Benetton Group has been using its global communication channels to spread social messages, aimed at turning the spotlight on injustices and problems in our society and stimulating a constructive debate to identify solutions. Once again this year, Benetton Group contributed – through the initiatives of Fabrica and others – to raising awareness about certain fundamental issues that are particularly close to our heart.

### I'm hungry

Fabrica launched the #lavocedeibambini campaign for Fondazione L'Albero della Vita, a project concentrating on child poverty in Italy, an emergency situation involving 1 child out of 8. "Daddy, Daddy, why are we poor? I'm hungry," says a child. Simple, direct and immediate, the message addresses hunger, but also evokes hunger for social justice, equality and dignity affecting 1.2 million children in Italy every day.

### In Between

In Between is an urban installation that stimulates interpersonal exchange, making it inevitable: two mobile walls in the middle of a pedestrian area restrict the space for people to walk and, by creating blind alleys, force individuals to "bump" into each other in an unpredictable encounter.

The In Between initiative was developed during Gianluca Vassallo's workshop at Fabrica in March 2018, with the participation of individuals from various geographical, cultural and working backgrounds, who were asked to contribute to developing an artistic proposal revolving around the theme of integration. The work was developed in the following months and resulted in the definition of the project, which was presented in the streets of the center of Treviso on March 30-31, 2019.

### #STANDUP4HUMANRIGHTS

Two hands entrapped by barbed wire; a man, in the darkness of his exile, arms wide open to reach out to freedom: these are just some of the works included in the Imago Mundi collection, presented as key images of #STANDUP4HUMANRIGHTS, a communication campaign on human rights created for the United Nations High Commission for Human Rights. The

campaign, developed by Fabrica, covers three key topics, each one referring to a different article of the Universal Declaration of Human Rights, and includes three works by artists from different countries to show how art can cross borders to facilitate the development of personal relationships and freedom of expression and to remind us that we are all responsible for defending and protecting human rights.

### United By

United By è un format di campagna sociale lanciato United by is a social campaign format launched in 2016 by Benetton India. In four years it has attracted the attention of the whole world. Last year Benetton India continued the project and launched two important social campaigns: #UnitedByVote, emphasizing the importance of democracy and universal voting rights in a manifesto, and #UnitedByHarmony, which explains in a video how simple gestures of compassion and mutual understanding can result in peaceful coexistence in India between people of different religions and backgrounds. In 2019, the United By format obtained awards and acknowledgments, including the 2019 Images Retail Awards in the Most Admired Retailer of the Year category: Marketing & Promotions, the 2019 Big Bang Awards in the Integrated Media Campaigns category (Bronze) and the 2019 IPRCCA for the best campaign in the Entertainment & Lifestyle category (Gold).

# The “Naked” photographic project

Fabrica was invited by the Italian Paralympic Committee to design a photographic project – Naked – to describe the power of sports, while portraying disability as it really is, rejecting the tyranny of the dominating aesthetic codes and affirming the uniqueness of every individual regardless of shape and thoughts.

12 Paralympic champions participated in the photoshoot organized by photographer Oliviero Toscani, ready to unveil themselves as they are and confirm that it is high time to overcome all cultural and physical barriers.

The exhibition is composed of giant-size triptychs. In Toscani’s vision, the athletes are shown in closeup, dressed for competition and naked.

The project was exhibited at Palazzo del Bo in Padua, within the framework of the Festival of Paralympic Culture (November 5-7, 2019), in Piazza del Campidoglio in Rome (December 3-19, 2019) and aims to follow the Paralympic athletes to the next Olympic Games.



Courtesy of the Italian Paralympic Committee  
Photo: Pietro Rizzato

## Women's empowerment in India

For some years now, Benetton India has carried out a series of initiatives designed to promote women's empowerment and gender equality in the workplace and the outside world.

### 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 Gurgaon 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 2019, 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.

### AARHOI

"AARHOI 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. AARHOI relies on the use of production scraps deriving from Benetton garments to create high quality, 100% biodegradable 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 (from 3 to 4 years). More than 100 000 pads were distributed in the 2017-2019 three-year period, with the help of the partner organizations – HelpAge India, THDC, Child Rights & You 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.

### Nanhi Kali

Through the Nanhi Kali project, Benetton India 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. Benetton started supporting Nanhi Kali in 2017. Nanhi Kali is an important

project promoted in collaboration with 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 2019, the project focused on widows undergoing economic hardship in the city of Vrindavan. In the last two years, free screenings were carried out on more than 3 500 elderly women as well as about 300 surgical procedures, with the subsequent distribution of eyeglasses.

### 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 adopted the Indian law that provides protection to women from sexual harassment in the workplace through creation of the POSH project. Through POSH (Policy on Prevention of Sexual Harassment at Workplace), 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.

### Sampark Project

In the state of Madhya Pradesh, the Bedia community follows a tribal tradition whereby adolescent girls and younger girls prostitute themselves with the consent of their families. In 2019, Benetton India collaborated with the Child Rights & You (CRY) NGO to combat this social scourge and rehabilitate 1 830 young girls in eight different locations, giving them access to education and sustainable employment.



# A green company

Green is not only the color of the United Colors of Benetton brand. It is a philosophy that has permeated the culture of Benetton Group for decades, when discussions on sustainable development were just starting to take place.

Now that the consequences of global warming are evident in our daily lives, environmental protection has become an absolute priority. Our commitment is 360°, from the selection of sustainable raw materials to the reduction of the environmental impact of our activities along the entire production chain, with a view to developing virtuous processes increasingly targeting a circular economy.

# Sustainable materials



- Wool
- Sustainable cotton
- Certified down feather
- Focus: Benetton on the “wool road”

# Management of environmental impact

- Reduction in the use of chemical pollutants
- Sustainable logistics
- Headquarters and stores
- Supply chain
- The commitment to the environment in India
- Go Green
- Focus: Verde Campus

## Towards a circular economy

- Investment in quality
- B-Care

# Sustainable materials

Benetton Group has always paid special attention to the selection of raw materials, with a predilection for the most sustainable ones. Today, 80% of the fibers in our garments are of natural origin and therefore have a lower impact on the environment. In addition, about half of our garments are made of monofiber material, making recycling easier. Our commitment continues to focus on the selection of new materials with a lower environmental impact.

GRI 301-1 Raw materials	Unit	2017	2018	2019
<b>Total</b>	<b>t</b>	<b>22 851</b>	<b>21 846</b>	<b>23 694</b>
<b>Renewable</b>				
Cotton*	t	16 649	15 539	17 190
Wool*	t	851	1 196	1 047
Linen*	t	181	334	384
Mixed (natural fibers)	t	169	234	194
<b>Non-renewable</b>				
Artificial fibers	t	1 260	1 004	1 173
Synthetic fibers	t	2 811	2 770	2 597
Mixed (natural/artificial/man-made fibers)	t	930	769	1 109

\* Pure raw materials > 35%

Figure is referred to Benetton Group S.r.l., Benetton India Private Ltd. and Benetton Korea Inc.

For the 3-year period Korea's consumption is limited to direct procurement.

For years 2017 and 2018 India's consumption is limited to domestic production (only cotton).

2018 figures have been adjusted due to the improvement of the information monitoring and collection processes.

## Wool

Benetton Group's core business is knitwear and outstanding quality wool is a must. In 2019, 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

Since 2017, the quality of our wool is certified by Woolmark, 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.

## Sustainable cotton

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

### Organic cotton

In 2019, organic cotton, cultivated according to the principles of organic agriculture – therefore without the use of GMOs and generating a lower environmental impact – accounted for 4.4% of the overall production of all of our cotton products.

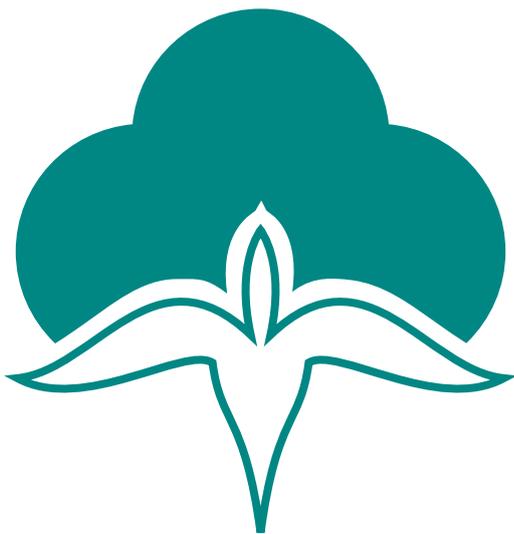
**In the Undercolors Spring Summer 2020 collection we will use only organic cotton for Baby Underwear and Men's Underwear. The same strategy will be extended in Fall Winter to Women's Underwear.**

### **Recycled cotton**

In 2019, Benetton started using recycled cotton – mainly derived from the re-use of pre- and post-consumption textile scraps – as a more sustainable alternative to traditional cotton.

### **BCI cotton**

In 2017, we joined BCI (Better Cotton Initiative), the world's largest project dedicated to cotton sustainability. According to the prescriptions of the program, we started procurement processes for cotton cultivated and collected by farmers trained to minimize the use of fertilizers and pesticides, use water and the soil in a sustainable way and comply with the principles of equity in labor relationships. In 2019, the percentage of BCI cotton totaled 54% (calculated as a percentage of total annual cotton use), a significant increase from the previous year's 23 percent.



### **Certified down feather**

In May 2017, United Colors of Benetton obtained Responsible Down Standard (RDS) certification, a protocol that guarantees that the down feathers used in the Benetton and Sisley collections come from geese and ducks reared in accordance with the principles and criteria of animal wellbeing. RDS verifies – independently, through the evaluation of neutral and specialist bodies – all aspects that refer to animal farming and care, including 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.

**The Fall Winter 2020 collections of our brands will feature a jacket made with wadding fiber, a sustainable material obtained from the recycling of PET plastic bottles.**

**54%:  
percentage  
of BCI cotton  
contained in  
our collections**

**Our objective is to use only sustainable cotton (organic, recycled and BCI) for 100% of our collections by 2025.**

# Benetton on the “wool road”



In 2019, Benetton Group invested massively in wool, one of the main fibers used in its collections.

In April, the Benetton Studios hosted “Wool in Excellence”, an international congress organized by the International Wool Textile Organization, with the participation of over 350 players operating in the global wool industry. The congress was an opportunity to confirm Benetton Group’s commitment to sustainability and transparency of the wool supply chain, while contributing to promoting dialogue on important current issues, such as recycling, yarn traceability and animal wellbeing.

For the Fall Winter 2019-20 season, United Colors of Benetton presented “Wool so Cool”, a partnership with The Woolmark company, which involved the entire sales network for the purpose of reaching out to increasingly demanding consumers, who pay a great deal of attention to the quality of the garments they wear, the origin of the fibers and their environmental impact.

The Woolmark certified jerseys are produced with Italian yarns in 100% extra fine Merino wool yarns, a completely natural and renewable fiber.



Photo: Benetton Group

# Management of environmental impact

Production, logistics and stores: every link in our business has an impact on the environment. Benetton Group is committed to fighting climate change and global warming with projects and initiatives aimed at reducing energy consumption, the use of polluting chemicals and CO<sub>2</sub> emissions.

## Reduction in the use of chemical pollutants

In 2019, Benetton Group continued to concentrate its efforts on eliminating the most harmful chemicals from its production processes.

### ZDHC Wastewater Guidelines

In 2019, the wet process water testing programs that Benetton Group started in 2013 were supported by the adoption of the ZDHC Wastewater 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, significantly expanding its reach as a reference. Evidence of this is the great number of production sites (wet processes belonging to the Benetton supply chain - dyeworks and laundries) that disclosed the results of the analyses carried out on water, which has quadrupled since the protocol's first implementation.

### SAC and Higg Index

In 2017, Benetton joined SAC (Sustainable Apparel Coalition), the largest alliance promoting sustainable production that includes fashion, footwear and textile brands. As SAC members, starting from 2018 we began to use the Higg Index, a series of tools that enable brands and retailers to measure their performance in terms of sustainability. Thanks to the Higg Index, we assessed a significant percentage (approximately 80% by garments volume) of wet processes using the FEM (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 year by year. Overcoming the traditional "pass or fail" logic, Higg FEM provides benchmarks that allow companies to identify weaknesses and possible actions to be taken.

Finally, the FEM enabled the Group to quantify the impact of wastewater along the value chain: in 2019, the plants of Olimpias, a strategic supplier to Benetton Group, discharged 1 312 526 m<sup>3</sup> of water. Nearly the total amount of wastewater was conveyed to treatment plants. The Group used the ZDHC Wastewater Guidelines standard to measure and monitor the quality of water sent to the treatment plants and in 2019 none of the water quality parameters' thresholds were exceeded.

### Detox Commitment

In 2019, Benetton Group took further steps towards the goal set seven years ago when it signed up to the Detox Commitment launched by Greenpeace that provides for the total elimination of 11 groups of chemicals, the adoption of a Restricted Substances List (RSL) and the publication of the wastewater test outcomes relating to suppliers involved in the wet processes. In 2019, Benetton Group focused on consolidating the results obtained in the previous year and on defining its future strategy.

Greenpeace acknowledged Benetton's leadership in 2016 and 2018 in promoting transparency, monitoring its supply chain and replacing chemicals with less impacting ones; in 2019, the Group's objective of disclosing at least 80% of the wastewater test outcomes relating to suppliers involved in the "wet processes" was successfully surpassed, reaching a total of 90%.

Benetton is strongly committed to cleaning up the supply chain according to its sustainability strategy, leveraging on supplier education and participation, while promoting the adoption of increasingly effective and shared tools, investing in excellence and increasingly involving all stakeholders, both inside and outside the Company.

## > 90%: wet process test outcomes published

### Sustainable logistics

Benetton Group's business model puts the consumer at the center of all company processes. This approach contributed to the development of our logistics 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 garment traceability. The "End-to-End Visibility Control Tower" allows to manage the supply chain from one single observation point and to identify, at any time, any Benetton product aggregation with a level of detail that reaches single SKUs.

Since December 2019, Benetton logistics has been managing stocks, product picking and shipping of all United Colors of Benetton and Sisley e-commerce orders from the Castrette hub, integrating end-to-end B2C flow which is directed to the final consumer.

### Intermodal transportation

In 2019, 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 CO<sub>2</sub> emissions linked to our logistical and distribution activities. In particular, we decreased our reliance on air shipments while increasing our reliance on less-polluting rail transport.

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, resulting in an approximately 90% reduction in CO<sub>2</sub> emissions.

After the first tests carried out in 2018, we have also consolidated the combined cargo ship and flight system

for goods that would have been shipped entirely by air transport due to a maritime transit time that was considered inadequate based on the envisaged delivery date. This mode allows goods to be transported for an initial leg by cargo ships in containers, and thus results in reduced emissions compared to cargo flight transport. Transport then continues with air transport for the final portion of the journey, with an estimated 50% reduction in CO<sub>2</sub> emissions.

In 2019 we also tested train transport for more than 300 containers from the ports of Genoa and La Spezia to Padua (continuing with road transport to reach the Castrette site), as an alternative to road transport (diesel oil or methane), with an estimated 60% reduction in CO<sub>2</sub> emissions.

Finally, since 2018, dedicated orders produced for clothing destined for Mexico, one of our main foreign markets, allowed us to anticipate delivery in Castrette and convert a percentage of air transport into a fast maritime service, with a 97% reduction in CO<sub>2</sub> emissions in outbound and 35% reduction in CO<sub>2</sub> emissions end-to-end.

In 2019, we shipped a part of the volumes to Mongolia with a combined road and train transport system (in alternative to the usual cargo flight and train transport). This solution, already tested in 2018, was increased by 25% in 2019, with an estimated 90% reduction in CO<sub>2</sub> emissions.

## 90%: reduction in CO<sub>2</sub> emissions on imports of goods from China resulting from train/road transport

## Methane

Also in 2019, 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% CO<sub>2</sub> emissions reductions compared to the use of diesel oil fueled vehicles.

## Saturation of transportation

Thanks to the elimination of pallets, we have optimized packaging storage on our vehicles, eliminating one truck in five for the transportation of our merchandise in Italy and Europe. This and other measures enabled us to reduce CO<sub>2</sub> emissions linked to the transportation of merchandise on the road by 25%, resulting in 511 tons of CO<sub>2</sub> "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. In addition, for the purpose of fully exploiting batch size, we use boxes of different heights.

In 2019 a team was established dedicated to the analysis of alternative solutions to plastic packaging. The objective is to identify an eco-sustainable alternative to the polybag packaging used to protect United Colors of Benetton items as they move along the supply chain, during production. The options considered include paper, recycled plastic and compostable plastic. In 2019, Benetton India replaced over three and a half million plastic bags, of all sizes, with bioplastic ones composed of a biodegradable resin of organic origin.

CO <sub>2</sub> emissions reductions	Unit	2017	2018	2019
GRI 305-3 Scope 3 Emissions - Logistics	t CO <sub>2</sub>	25 744	24 580	23 783
GRI 305-4 Emissions intensity	g CO <sub>2</sub> /item x km	0087	0027	0035

2019 figure includes Benetton India Pvt. Ltd. emissions.

Increased intensity in 2019 reflects air transport exports. The reduced percentage of this transport mode resulted in increased emissions as a

consequence of a greater use of passenger flights compared to cargo flights.

GRI 301-1 Packaging	Unit	2017	2018	2019
<b>Total</b>	<b>t</b>	<b>5 553</b>	<b>5 010</b>	<b>4 411</b>
<b>Renewable</b>				
Paper and cardboard	t	4 563	4 127	3 591
<b>Non-renewable</b>				
Polyethylene (PE)	t	989	881	819
Iron	t	1	2	1

Figure is referred to Benetton Group S.r.l., Benetton India Private Ltd. and Benetton Korea Inc.

### FSC certified paper

Catalogues, brochures and other paper-based communication materials used by the Benetton Group are made with paper certified by FSC. Forest Stewardship Council is a global trademark identifying products derived from controlled forests managed according to social and environmental sustainability criteria. FSC paper is also used for the store shoppers and treated with water-based inks. Cardboard suppliers are also selected according to these criteria: four in six are FSC certified. 80% of our cardboard boxes are made of recycled material, resulting in 1 800 tons of cardboard and 2 340 tons of CO<sub>2</sub> emissions "saved".

### 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 evaluations were repeated also in 2019 (regarding energy consumption in the previous year) and 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 2019 the Benetton Group was again successful in optimizing and reducing energy consumption in its

**Benetton Group is currently studying a new packaging option for online purchase shipments, including biodegradable self-sealing envelopes.**

**The Group is also analyzing the possibility of delivering online purchases in big cities like Milan and Rome by bicycle, thus helping reduce air pollution and delivery times.**

**The Group is evaluating allowing consumers to choose, before completing a purchase online, between home delivery or in store pickup, in line with sustainability criteria, with a view to increasing customer choice awareness.**

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	2017	2018	2019
Energy consumption in the headquarters	kWh	18 274 311	18 776 407	17 537 998
	GJ	65 788	67 595	63 137
Energy consumption in the stores	kWh	37 392 093	39 578 968	43 588 522
	GJ	134 612	142 484	156 919
<b>Total energy consumption</b>	<b>kWh</b>	<b>55 666 403</b>	<b>58 355 374</b>	<b>61 126 520</b>
	<b>GJ</b>	<b>200 399</b>	<b>210 079</b>	<b>220 055</b>
<b>Total natural gas*</b>	<b>m<sup>3</sup></b>	<b>1 331 664</b>	<b>1 210 994</b>	<b>1 251 127</b>
	<b>GJ</b>	<b>46 787</b>	<b>42 691</b>	<b>44 169</b>
Diesel oil	l	57 351	441 914	396 432
	GJ	2 062	15 856	14 224
Gasoline	l	22 361	38 221	33 843
	GJ	732	1 252	1 108
District heating	kWh	131 000	121 825	132 000
	GJ	472	439	475
<b>Total energy consumption</b>	<b>GJ</b>	<b>250 452</b>	<b>270 317</b>	<b>280 032</b>

\* The breakdown of CO<sub>2</sub> of the consumption of natural gas between headquarters and stores is not available. 2017-2018 figures have been adjusted due to the improvement of the information monitoring and collection processes.

## Non-commercial investments

Over one-half of the non-commercial investments made in 2019 targeted plant safety improvement. Moreover, in some of the areas of the Ponzano and Castrette factories we continued the replacement of the lighting with energy-efficient, long-lasting LED bulbs. The re-lamping activity and correlated energy efficiency plan will be continued in 2020.

## Data Center

Work began in 2012 and continued through 2019 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. In 2019, the new power supply system for the Data Center was completed (with the integration of a second modern UPS), and is expected to reduce energy consumption by approximately 120 000 kWh in 2020.

## Renewable energy

Since 2017, the energy feeding the entire Benetton campus and 67% of the stores in Italy is generated by certified renewable sources (hydro and ocean).

GRI 305-1 / 305-2 Emissions	Unit	2017	2018	2019
<b>Scope 1 Emissions (GRI 305-1)</b>				
Consumption of natural gas in the headquarters and in the directly operated stores*	t CO <sub>2</sub>	2 615	2 388	2 471
Diesel oil	t CO <sub>2</sub>	152	1 167	1 047
Gasoline	t CO <sub>2</sub>	54	92	81
F-gas	t CO <sub>2</sub>			488
<b>Total</b>	<b>t CO<sub>2</sub></b>	<b>2 821</b>	<b>3 647</b>	<b>4 087</b>
<b>Scope 2 Emissions (GRI 305-1) – Location Based</b>				
District heating	t CO <sub>2</sub>	77	23	23
Energy consumption in the headquarters	t CO <sub>2</sub>	6 953	6 158	5 701
Energy consumption in the directly operated stores	t CO <sub>2</sub>	14 865	14 636	17 119
<b>Total</b>	<b>t CO<sub>2</sub></b>	<b>21 895</b>	<b>20 817</b>	<b>22 843</b>
<b>Scope 2 Emissions (GRI 305-1) – Market Based</b>				
District heating	t CO <sub>2</sub>	77	23	23
Energy consumption in the headquarters	t CO <sub>2</sub>	487	1 464	1 553
Energy consumption in the directly operated stores	t CO <sub>2</sub>	12 849	14 423	16 490
<b>Total</b>	<b>t CO<sub>2</sub></b>	<b>13 413</b>	<b>15 910</b>	<b>18 066</b>

\* The breakdown of CO<sub>2</sub> of the consumption of natural gas between headquarters and stores is not available. 2017-2018 figures have been adjusted due to the improvement of the information monitoring and collection processes.

Increased energy consumption and emissions reflects more complete information; in fact, Benetton Group is

committed to providing a more accurate account of its impact year after year.

## 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		2017		2018		2019	
	Unit	Total	%	Total	%	Total	%
<b>Total</b>	t	1 753	100	2 202	100	2 112	100
of which:							
<b>Recurring waste</b>	t	1 703	97	2 167	98	2 083	99
of which segregated	t	1 438	82	1 770	80	1 777	84
of which non segregated	t	316	18	432	20	335	16
<b>Occasional waste</b>	t	50	3	35	2	29	1

2017-2018 figures have been adjusted due to the improvement of the information monitoring and collection processes.

## Store

In 2019, we continued to develop the London store concept throughout Europe, characterized by furniture made of natural materials and green paneling, with limited 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.

**In 2020, we will launch the "B-Green" project, a new sustainability-based store format characterized by the use of innovative materials, the transformation of the shop windows in digital environments and increased energy efficiency.**

## Energy consumption reduction

### World

API 2017	00672
API 2018	00586
API 2019	00576

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.

### Europe

API 2017	00678
API 2018	00608
API 2019	00614

The monitoring of store energy consumption has progressively improved over the years, allowing a different interpretation of previously collected data and a comprehensive analysis of the performance of the stores in Europe and in the world in 2019. The API index shows a progressive downward trend that is evidence of the effective store refurbishment and restyling, including high-efficiency air conditioning systems, re-lamping systems and the installation of

measuring devices for the main energy consumption centers. The reduction in the API index is particularly remarkable in the countries where the sales network is more stable (including Italy and Spain). For the future, Benetton Group is committed to further improving the quality of information and the store data monitoring process in order to optimize energy consumption through an automated management system.

## Supply chain

### Renewable energy

In 2019, in its Tunisian site, our strategic supplier Olimpias installed a solar energy heating system and launched a feasibility study for the implementation of a photovoltaic system.

### 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. In 2019, the plant was able to reuse up to 60% of the purified wastewater. Olimpias Tekstil is a long-standing partner of Benetton Group.

### The commitment to the environment in India

Our commitment to making our supply chains more and more environmentally friendly also involves overseas locations. In 2019, for example, Benetton India implemented a series of actions aimed at making its plants increasingly energy efficient, encouraging paper and water saving in the workplace and reducing the amount of waste sent to landfills. Some of the initiatives include a collaboration with carpooling companies to reduce the size of the Company fleet, the replacement of all paper cups with Chinaware mugs and the migration from CFL to LED bulbs. In addition, for the purpose of promoting a culture of environmental sustainability in the workplace, Benetton India organized

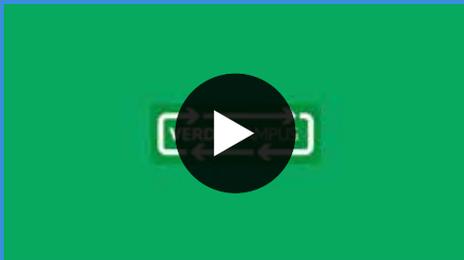
dedicated sessions, joined the Earth Hour and the World Environment Day celebrations and encouraged employees to participate in the "Adopt a plant" initiative in collaboration with environmental organizations such as WWF.

### Go Green

1 000 winners were drawn from among the Italian and Spanish customers of United Colors of Benetton who made a purchase worth at least Euro 80 between November 21 and December 22, 2019. They were invited to participate in Go Green, an initiative developed in partnership between Treedom and Benetton. Treedom is the only website that allows people and companies to plant trees, give them names and follow their stories online. It also finances the farmers taking care of the trees and follows their stories, too. The Go Green winners were each given the opportunity to plant a tree and received a 15% discount on a tree to be given as a gift to somebody else. The Benetton forest in Kenya, resulting from the initiative, counted 1 570 trees in February 2020 and contributed to a 254 000 kg reduction in CO<sub>2</sub> emissions.

**In 2020, we will launch the Green Fridays, one Friday every month, in which consumers making online purchases of United Colors of Benetton products will have the opportunity to make a small donation to an association engaged in environmental protection.**

# Verde Campus



Launched in 2019, Verde Campus is the project that aims to make Benetton Group's headquarters more efficient and sustainable through a series of initiatives targeted to employees and promoting good practices in the environmental field.

In the spring, the Company launched a communication campaign in the common areas of its Ponzano and Castrette sites to raise employees' awareness on energy saving, encouraging them to reduce the use of water, electricity, paper and ink in the workplace.

The Group also distributed separate waste bins in the same areas, encouraging employees to separate waste according to its components and to pay increasing attention to waste management.

To discourage the use of plastic, the Group introduced glass bottles, cups made of compostable material in the coffee vending machines and distributed a water bottle to every employee, personalized with the employee's name and refillable at the micro-filtered water dispensers available in the Company's common areas.

Verde Campus is also a section of the Company's Intranet, where employees can find updates on new campus sustainability-oriented initiatives.

**Un buon ambiente di lavoro deve essere buono con l'ambiente!**

PER CONOSCERE LE INIZIATIVE VOLTE A RENDERE PIÙ EFFICIENTI E SOSTENIBILI I NOSTRI STABILIMENTI DI CASTRETTE, PONZANO E FABBRICA VERDE, VISITA VERDE CAMPUS, L'AREA INTRANET DEDICATA ALLA SOSTENIBILITÀ DEI NOSTRI STABILIMENTI.

**VERDE CAMPUS**

UNITED COLORS OF BENETTON

<https://intranet.benettongroup.org/verde/campus>

**Se hai un'illuminazione in riunione, non sprecarla.**

SPORRE LE LUCI

UNITED COLORS OF BENETTON

**Anche l'acqua finisce se continui a lavartene le mani.**

CHIUDI IL RUBINETTO

UNITED COLORS OF BENETTON

**Se stacchi la spina in ufficio, risparmi energie.**

DISCONNETTI I COMPUTER

UNITED COLORS OF BENETTON

**La carta è preziosa. Stampatelo bene in testa.**

STAMPARE SOLO SE NECESSARIO

UNITED COLORS OF BENETTON

**Se in azienda tira una bella aria, è anche merito tuo.**

MANTENERE CHIUSI PORTI E FINESTRE

UNITED COLORS OF BENETTON

# Towards a circular economy

Also in 2019, the Benetton Group continued and launched a series of initiatives intended to improve the circular supply chain, from design to production, consumption and product end-cycle.

The aim is to develop a medium- to long-term “circular economy” strategy: a self-regenerating production model limiting the quantity of inbound materials and energy, while concurrently reducing waste and outbound losses.

## Investment in quality

In 2019, we continued our efforts to reduce product volume while increasing the quality of our products and materials, with the ultimate goal of persuading end consumers to buy fewer but better quality items, moving away from fast fashion. Thanks to the extension of controls on supplier laboratories, Benetton Group is progressively shifting quality assessment upstream, i.e. from the finished product to the production process. As a result of the reorganization of the production chain, in the past one year and a half we managed to reduce by 35% our main supplier Olimpias's second choice items.

**-35%**  
**second**  
**choice**  
**items**

## B-Long

In 2019, the B-Long strategic project was continued, aimed at ensuring compliance with Benetton quality standards and the durability of the materials that make up the garments produced by our suppliers. In particular, B-Long allows us to monitor the bases, derivatives and color variants of fabrics from 65 vendors. With the help of certified third-party laboratories, we tested 46% of our vendors involved in the development of our Fall Winter 2019 collection and 67% of those involved in the Spring Summer 2019 collection. The results recorded were positive. The tests also proved useful as a form of cross-checking between different production plants and optimization of the project approval and material procurement processes.

## B-Care

In 2019, we published a revised version of the B-Care guide in the Inside section of our benetton.com website. Under the slogan “Wear. Care. Repair”, the guide includes a series of written instructions and video tutorials that explain how to simply take care of one's garments at home in order to make them last much longer and contribute to reducing the carbon footprint of Benetton products.

**In 2020, sustainability will become a cornerstone of our collections and we will pay more and more attention to designing garments with distinctive characteristics of recyclability and reduced environmental impact.**



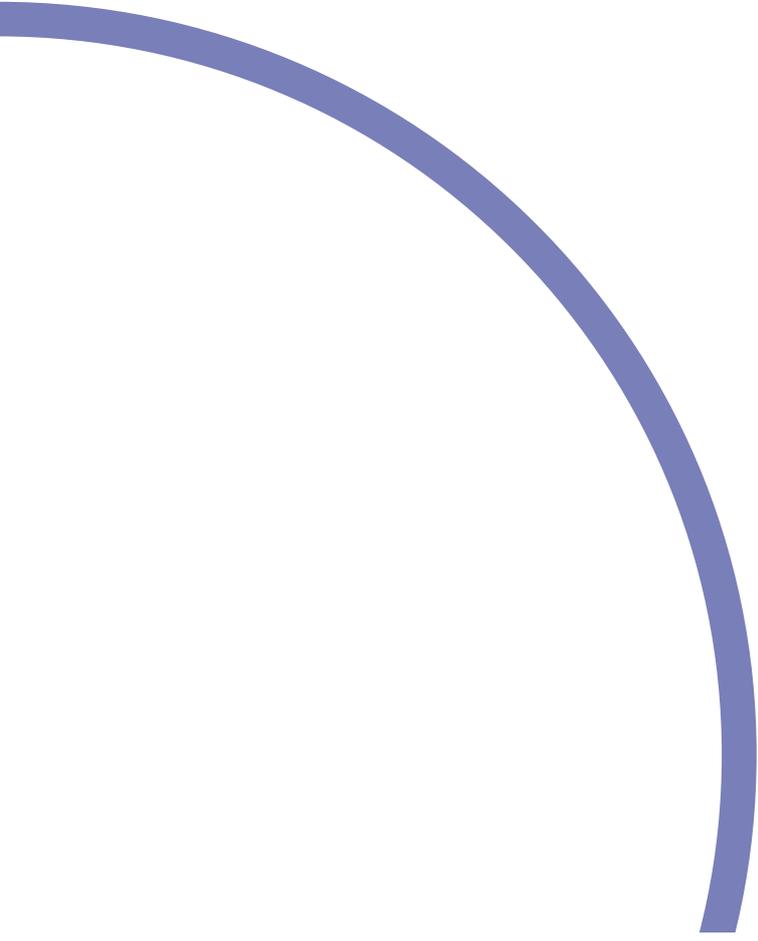
# A numbers company

In 2019 volatility was endemic in the fashion industry forcing companies to increase resilience. The same resilience was put to a hard test at the beginning of 2020 with the outbreak of Covid-19 resulting in a global health crisis with increased pessimism in all sectors, financial markets on the brink of collapsing, plummeting demand and difficulties in managing the whole supply chain.

Despite receding expectations of a widespread recovery, Benetton Group continues to work on its relaunch program, leveraging on 2019 results. In 2019, the improved economic-financial performance went hand in hand with the pursuit of the objectives set in terms of sustainability, digital transformation and innovation, i.e. the three major themes for all future-oriented fashion companies.

# Financial capital





# Production capital

# Financial capital

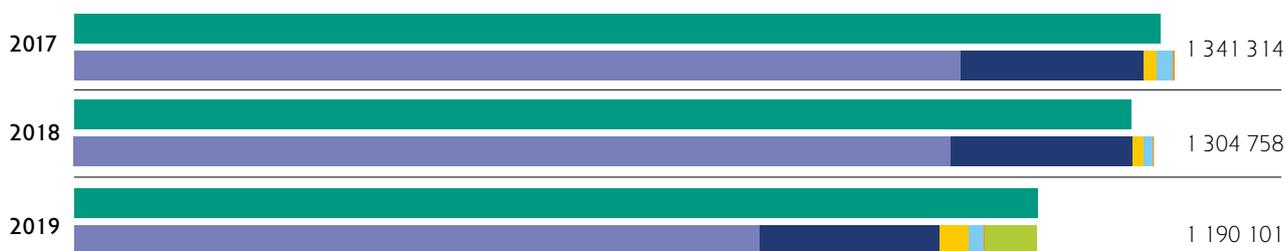
In January 2019, Benetton Group adopted IFRS 16 - Leases. This standard, which has had a significant impact on the financial statements, provides for a single accounting model for lease contracts where the lessee is required to recognize the right of use of the leased asset ("right of use") as an asset and the financial obligation as a liability ("lease liability") through the discounting of net present asset payments. This accounting model leads to a reduction in operating costs (lease payments) against an increase in depreciation and financial charges. In 2019, Benetton Group consolidated and undertook measures and initiatives designed to relaunch the Company with actions implemented in all strategic areas: from the distribution network to products and the digital channels. This is still a phase of adjustment and the objective is to reach growth in the future.

GRI 201-1 Value generated and distributed by Benetton (thousand Euro)

	2017	2018	2019
<b>Economic value generated</b>	<b>1 341 314</b>	<b>1 304 758</b>	<b>1 190 101</b>
<b>Economic value distributed</b>	<b>1 397 451</b>	<b>1 334 651</b>	<b>1 124 781</b>
Operating costs	1 126 330	1 082 198	846 189
Value distributed to employees	232 263	223 820	222 668
Value distributed to investors	15 720	13 918	35 581
Value distributed to PA.	20 751	13 223	19 272
Value distributed communities	2 384	1 493	1 071
<b>Total retained economic value</b>	<b>(56 137)</b>	<b>(29 893)</b>	<b>65 320</b>

## Economic value generated and distributed

(thousand Euro)



● Economic value generated

Economic value distributed:

● Operating costs ● To employees ● To capital providers ● To Public Administration ● To the community

● Total economic value retained

The economic value generated by Benetton amounts to approximately Euro 1 190 million, the economic value distributed totals Euro 1 124 million and the economic value retained is equal to approximately Euro 65 million. The reduction in the economic value generated is attributable to a negative trend in net sales, which were affected both by a reduction in the commercial perimeter and by adverse weather conditions during the season, with a reduction in volumes sold both in the direct and indirect channel.

These results are partly offset by positive growth in e-commerce and improved margins on collections, particularly the Fall/Winter 2019 collection, characterized by higher quality and innovative and sustainable items.

Below is a description of the main events that occurred in the year:

- restructuring of the sales network with the shutting down of excessively big or non-performing stores, maintaining control in strategic commercial locations;

- a strong cost control policy in line with the provisions of the Three-Year Plan, including a reduction in the cost of sold items attributable to the lower volume of sales of current collections and the rationalization of the commercial perimeter, followed by a strict control of overheads in the pursuit of improving the efficiency of operating processes;
- a streamlining activity and revision of the tools used for communication to end consumers with a view to focusing investments on strategies designed to support the relaunch of the brand identity.

Despite the reduced economic value generated, the value distributed to employees has remained essentially stable in absolute terms. This is the result of the combined effect between the opening of new directly operated stores in the European region and increased labour costs in India as a result of the applicable local regulations, offset by reduced costs due to the downsizing of the direct sales network, particularly in

Italy, of poorly performing stores.

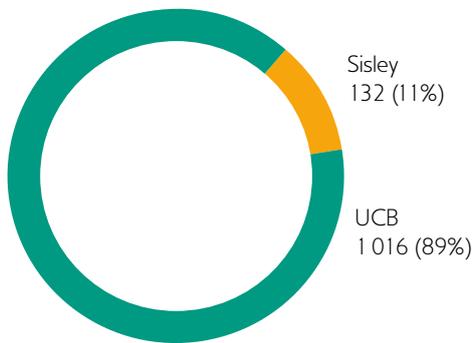
The Group's exposure to capital investors increased: financial charges reflect the impact generated by the new lease reporting methods, short-term financial debt and the hedging of exchange rate risks. Net of the effect resulting from the application of IFRS 16, the value distributed to capital investors did not change substantially.

The total economic value retained is equal to Euro 65 million, representing resources that can be invested in the Group's growth and relaunch project.

The Covid-19 epidemic, which broke out at the beginning of 2020, generated uncertainties with extremely serious implications for personal health and safety and economic damages that are currently very difficult to quantify. Benetton Group is taking all measures deemed appropriate to safeguard the health of employees, partners, suppliers and consumers with a view to limiting the spread of the virus in the regions affected by the infection.

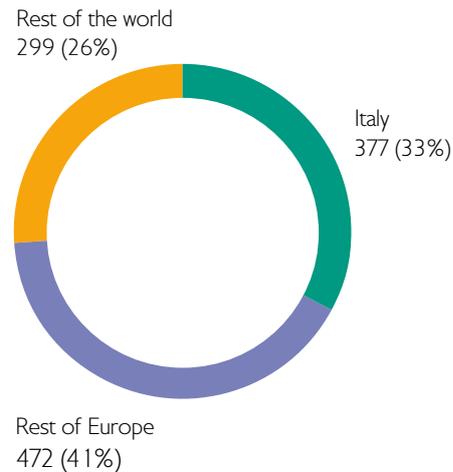
### 2019 net sales by brand

(million Euro)



### 2019 net sales by geographical area

(million Euro)



# Production capital

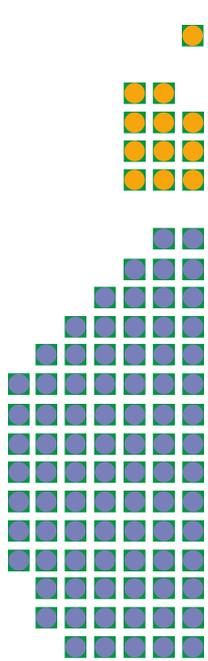
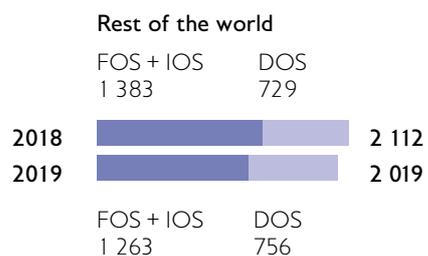
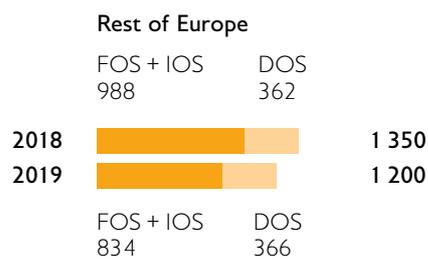
GRI 204-1 Value of procured products (Euro)						
	2017		2018		2019	
EMEA	287 045 960	47%	265 281 050	46%	277 967 813	53%
Asia	324 998 313	53%	313 659 457	54%	245 320 342	47%
Rest of the world	3 418 931	1%	2 187 476	0%	440	0%
<b>Total</b>	<b>615 463 204</b>		<b>581 127 983</b>		<b>523 288 595</b>	

In 2019, Benetton Group confirmed its sourcing strategy, prioritizing suppliers located in the EMEA region, which account for 53% of the total number of suppliers. Maintaining supplier balance enables the Group to increase control over the supply chain, reduce product development and manufacturing time

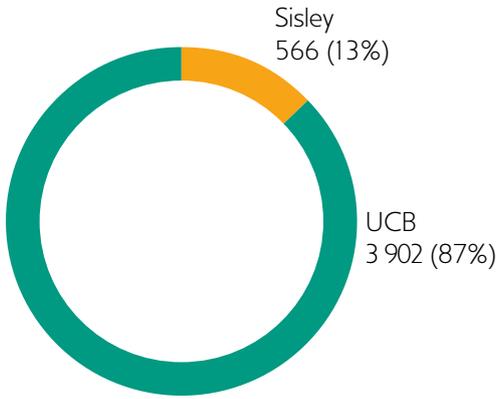
and respond quickly to market needs as well as target improved efficiency in logistics.

Lastly, in 2019, the Group ended its production activities through local suppliers in Japan, while maintaining production in India and Korea active to better meet the style and needs of local consumers.

14 | A numbers company



**2019 Benetton Group distribution network**  
(no. of stores)



**Italy**

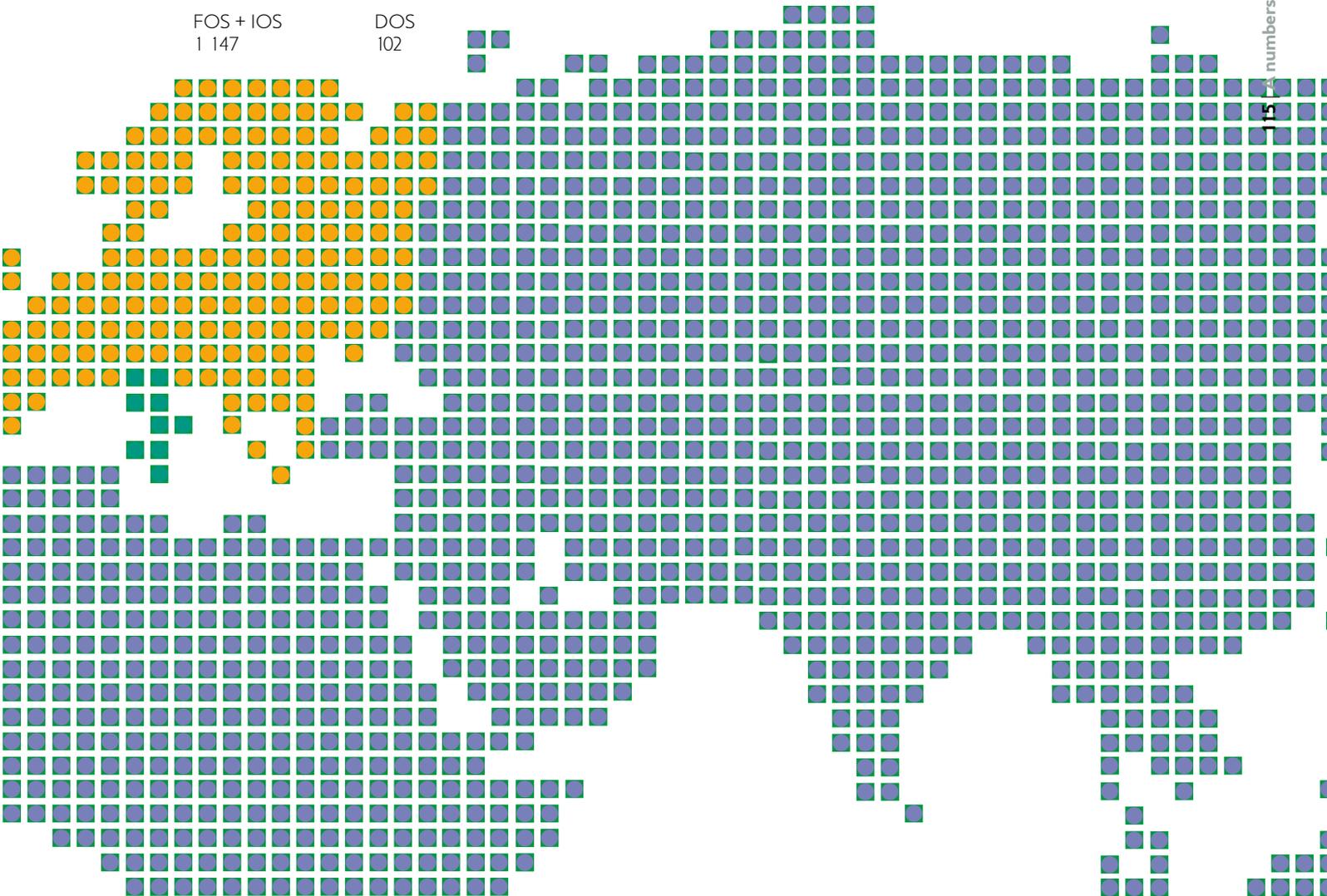
FOS + IOS 1 142      DOS 114

2018  1 256

2019  1 249

FOS + IOS 1 147      DOS 102

The broader definition of production capital also includes the Group's distribution network, which is currently subject to a relaunch strategy in order to offer consumers an innovative shopping experience in line with the DNA of the Group's brands. The Group is also pursuing a progressive readjustment of its commercial network by virtue of its new strategic positioning towards an averagely higher segment, with collections characterised by increased attention to product quality and brand identity. In the upcoming future, Benetton Group will further focus on the profitability of its stores with a view to reorganizing the network, giving priority to store formats with high profitability by sales surface in strategic commercial locations. The combination of the physical and digital worlds will also be consolidated by the continuous development and updating of the omnichannel strategy with a view to accompanying shoppers along the entire customer journey.





# 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.

In line with the GRI standard indications, Benetton Group has mapped all of its stakeholders and conducted a rigorous materiality analysis to identify the aspects that have a significant impact on its ability to create value over time. The issues identified were also used as a key to guide the Group's sustainability strategy (see the chapter "The materiality matrix and relevant themes", page 34).

## Reporting perimeter and sustainability context

This is the third edition of Benetton Group's Integrated Report. It contains a description of initiatives and activities carried out during calendar year 2019, as well as performance trends during the three years from 2017 to 2019, 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:

- figures related to Sabbia Ltd (commercial company based in Cyprus), acquired during 2019, for which only indicators for the current year are available;
- indicators 302-1, 305-1 e 305-2, that do not include energy consumption for headquarters based in France, Germany, Switzerland and UK, for which consumption figures are not available.

For 2019 Benetton Pars P.J.S.C. (Iran) has been excluded from the reporting perimeter due to the strong reduction of activity in 2019.

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 regarding 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 2019 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 previous years.

## 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 (CO<sub>2</sub>). The emission factors used to calculate the CO<sub>2</sub> 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 2017, 2018 and 2019. Since 2019, the calculation of Scope 1 emissions also includes data regarding refrigerant gas leaks from air conditioning or cooling systems installed at the Italian campus and in the Italian stores. Fluorinated gas emissions were calculated using the emission factors shown in the 2019 Defra tables.

**Scope 2 indirect emissions:** indirect emissions relate to electricity use and to 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 2017 (the most recent version) based on Enerdata statistics, used for the calculation of the indirect emissions in 2019. Conversely, the factors used to calculate indirect emissions regarding 2017-2018 energy consumption derive from the previous Terna table (2016), as it was the most updated version at the time in which the calculation was made (2018 reporting cycle). For the calculation of market-based emissions, the residual mixes reported in the "European Residual Mixes" document, published by AIB and available for the years 2017-2018, were used, where available. The emissions linked to district heating were calculated using the

emission factors reported in the Defra tables available for the 2017-2018-2019 three-year period.

**Scope 3 indirect emissions:** for the calculation of CO<sub>2</sub> emissions generated by transportation for logistics purposes, a methodology developed by TK Blue, an international non-financial rating agency specialized in transport, was used.

# GRI content index

GRI Standard	Disclosure	Page number	Omission
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## GRI 102: GENERAL DISCLOSURES 2016

### Organizational profile

102-1	Name of the organization	118	
102-2	Primary brands, products, and/or services	17; 45-53	
102-3	Location of the organization's headquarters	118	
102-4	Countries in which the organization operates	17; 28-29	
102-5	Nature of ownership and legal form	28-29; 118	
102-6	Markets served	62; 113-115	
102-7	Scale of the organization	10-11; 72; 112-115	
102-8	Information on employees and other workers	76	
102-9	Description of the supply chain (number of suppliers, volumes and sourcing markets)	85-88; 99; 105; 114	
102-10	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	22-23	
102-11	Explanation of how the precautionary approach or principle is addressed by the organization	The Company adopts a prudential approach in managing environmental, social and governance risks as illustrated on page 42-43	
102-12	External initiatives	32-33; 38-39; 85-91; 99-101; 105	
102-13	Memberships of national and/or international advocacy organizations	84	

### 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	
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### 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	20-21; 30-31; 38-41; 85-88; 99	
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### 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	24-27	
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### Stakeholder engagement

102-40	List of stakeholder groups with which the organization engages	37	
102-41	Percentage of total employees covered by collective bargaining agreements	84	
102-42	Basis for identification and selection of primary stakeholders with whom to engage	34-37	
102-43	Approach to stakeholder engagement	34-37	
102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	34-37	

### Reporting practice

102-45	Entities included in the consolidated financial statements	118	
102-46	Defining Report content and topic boundaries	34-36; 118-119	
102-47	List of material topics	34-36; 118-119	

GRI Standard	Disclosure	Page number	Omission
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102-49	Changes in reporting	36; 118-119	
102-50	Reporting period to which the social responsibility report refers	118-119	
102-51	Date of most recent previous social responsibility report	118	
102-52	Reporting cycle	118	
102-53	Contact point for questions regarding the social responsibility report and its contents	132	
102-54	Claims of reporting in accordance with the GRI Standards	118	
102-55	GRI content index	120-127	
102-56	Policy and current practice with regard to seeking external assurance for the social responsibility report	129-131	

GRI Standard	Disclosure	Page number	Omission
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## MATERIAL TOPICS

### ECONOMIC PERFORMANCE INDICATORS

#### Economic Performance

##### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	30-31; 42-43	
103-3	Evaluation of the management approach	30-31	

##### GRI 201: Economic Performance 2016

201-1	Direct economic value generated and distributed	112-113	
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#### Procurement Practices

##### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 85; 114	
103-3	Evaluation of the management approach	85; 114	

##### GRI 204: Procurement Practices 2016

204-1	Proportion of spending on local suppliers at significant locations of operation	114	
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### ENVIRONMENTAL PERFORMANCE INDICATORS

#### Raw Materials

##### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 96-98; 101-102	
103-3	Evaluation of the management approach	96-98; 101-102	

##### GRI 301: Raw Materials 2016

301-1	Materials used by weight or volume	96-98; 101	
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#### Energy consumption by the organisation

##### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 100-104	
103-3	Evaluation of the management approach	100-104	

##### GRI 302: Energy consumption by the organisation 2016

302-1	Energy consumption by the organisation	102	
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#### Emissions

##### GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 100-104	
103-3	Evaluation of the management approach	100-104	

GRI Standard	Disclosure	Page number	Omission
<b>GRI 305: Emissions 2016</b>			
305-1	Direct greenhouse gas emissions (Scope 1)	103	
305-2	Energy indirect greenhouse gas emissions (Scope 2)	103	
305-3	Other indirect greenhouse gas emissions (Scope 3)	101	
305-4	GHG emissions intensity	101	
<b>Effluents and Waste</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 99-104	
103-3	Evaluation of the management approach	99-104	
<b>GRI 306 Effluents and Waste 2016</b>			
306-1	Quantity of water discharged by volume and quality	99; 105	
<b>Environmental Compliance</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 99-104	
103-3	Evaluation of the management approach	99-104	
<b>GRI 307: Environmental Compliance 2016</b>			
307-1	Non-compliance with laws and regulations in the environmental area	In 2019 the Group has not received significant fees for non-compliance with laws and regulations concerning the environmental issue	
<b>Supplier Environmental Assessment</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 99; 105	
103-3	Evaluation of the management approach	99; 105	
<b>GRI 308: Supplier Environmental Assessment 2016</b>			
308-2	Negative environmental impacts in the supply chain and actions taken	99; 105	Some information regarding this indicator is not currently available. Benetton undertakes, in the coming years, to gather the data needed to disclose this indicator

GRI Standard	Disclosure	Page number	Omission
<b>SOCIAL PERFORMANCE INDICATORS</b>			
<b>Employment</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 73-84	
103-3	Evaluation of the management approach	73-84	
<b>GRI 401: Employment 2016</b>			
401-1	New hirings and turnover	73	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	73-84	
401-3	Return to work and retention rates after parental leave (by gender)	77	
<b>Labor/Management relations</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 84	
103-3	Evaluation of the management approach	84	
<b>GRI 402: Labor/Management Relations 2016</b>			
402-1	Minimum notice periods regarding organizational changes	84	
<b>Occupational Health and Safety</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 77-78	
103-3	Evaluation of the management approach	77-78	
<b>GRI 403: Occupational Health and Safety 2016</b>			
GRI 403-2	Rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities, by region and by gender	78	Some information regarding this indicator is not currently available. Benetton undertakes, in the coming years, to gather the data needed to disclose this indicator
<b>Training and education</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 78-81	
103-3	Evaluation of the management approach	78-81	
<b>GRI 404: Training and Education 2016</b>			
404-1	Average hours of training per year per employee, by gender and by employee category	80	
404-2	Programs for upgrading employee skills and transition assistance programs	78-81	
<b>Diversity and Equal opportunity</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	24-27; 42-43; 73-75; 90-91	
103-3	Evaluation of the management approach	24-27; 73-75; 90-91	

GRI Standard	Disclosure	Page number	Omission
<b>GRI 405: Diversity and Equal Opportunity 2016</b>			
405-1	Composition of governance bodies and breakdown of employees according to gender, age group, minority group membership, and other indicators of diversity	24-27; 73	
405-2	Ratio of basic salary and remuneration of women to men	84	
<b>Non-discrimination</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 73-75; 87; 91	
103-3	Evaluation of the management approach	73-75; 87; 91	
<b>GRI 406: Non-discrimination 2016</b>			
406-1	Number of incidents of discrimination and corrective actions taken	87	
<b>Freedom of Association</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	85-88	
103-3	Evaluation of the management approach	85-88	
<b>GRI 407: Freedom of Association 2016</b>			
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	87-88	
<b>Child Labor</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 85-88	
103-3	Evaluation of the management approach	85-88	
<b>GRI 408: Child Labor 2016</b>			
408-1	Identification of operations and main suppliers having significant risk for incidents of child labor, and measures taken to contribute to its elimination	85-87	
<b>Forced or Compulsory Labor</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 85-88	
103-3	Evaluation of the management approach	85-88	
<b>GRI 409: Forced or Compulsory Labor 2016</b>			
409-1	Operations having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to its elimination	85-87	
<b>Human Rights Assessment</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 85-88	
103-3	Evaluation of the management approach	85-88	
<b>GRI 412: Human Rights Assessment 2016</b>			
412-1	Total number and percentage of suppliers subject to human rights reviews or impact assessment	86-87	

GRI Standard	Disclosure	Page number	Omission
<b>Local Communities</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 85-88; 91	
103-3	Evaluation of the management approach	85-88; 91	
<b>GRI 413: Local Communities 2016</b>			
413-1	Percentage of sites of operations in which local community engagement, impact assessments, and development programs have been implemented	86-87; 91	
<b>Supplier Social Assessment</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 85-88	
103-3	Evaluation of the management approach	85-88	
<b>GRI 414: Supplier assessment for impacts on society 2016</b>			
414-1	New suppliers that were screened using social criteria	88	
414-2	Significant actual and potential negative impacts on society and actions taken	85-88	
<b>Customer Health and Safety</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 58-59	
103-3	Evaluation of the management approach	58-59	
<b>GRI 416: Customer Health and Safety 2016</b>			
416-1	Assessment of the health and safety impacts of product and service categories	58-59	
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 2017-2019	
<b>Marketing and Labelling</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 66-67	
103-3	Evaluation of the management approach	66-67	

GRI Standard	Disclosure	Page number	Omission
<b>GRI 417: Marketing and Labelling 2016</b>			
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 2017-2019	
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 2017-2019	
<b>Socio-economic Compliance</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	34-36	
103-2	The management approach and its components	42-43; 58-59; 66-67	
103-3	Evaluation of the management approach	42-43; 58-59; 66-67	
<b>GRI 419: Socio-economic Compliance 2016</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	In 2019 the Group has not received significant fees or 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 2019” 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 in the Integrated Report 2019 of Benetton Group S.r.l. (hereinafter “the Company”) and its subsidiaries (hereinafter also “Benetton Group” or “the Group”) for the year ended on December 31, 2019 (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 by GRI - Global Reporting Initiative (“GRI Standards”), as described in the paragraph “Methodological notes” of the Integrated Report 2019.

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 defining the commitments of Benetton Group S.r.l. regarding the sustainability performance, as well as 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 criteria established by the principle "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:

1. 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;
2. 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;
3. 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 non-financial 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 France Commercial S.A.S. (France) and Benetton India Pvt. Ltd. (India), that we have selected based on their activity, relevance to the consolidated performance indicators and location, we have carried out interviews during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

### 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, 2019 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 2019.

Treviso, May 25, 2020

EY S.p.A.

Signed by: Maurizio Rubinato, Auditor

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.*

**Photo**

Benetton Group  
Oliviero Toscani

**Registered office**

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Villa Minelli  
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**Corporate information**

Share capital: Euro 200 000 000 fully paid-in  
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