

Sustainability Report 2016

castellobanfi.com



SUSTAINABILITY REPORT 2016



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*This document has been prepared with
the help of PwC's technical and
methodological expertise.*

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Methodological notes

PURPOSES OF THE SUSTAINABILITY REPORT

In 2015 Banfi¹ started reporting its performance on social, environmental and economic issues by drawing up its “number zero” Sustainability Report, dedicated to its Human Resources. In preparing this edition of the Sustainability Report, addressed to all its stakeholders, Banfi intends to continue with the process of reporting on CSR issues, in which it engages on a daily basis, as well as with the management of relations with its stakeholders.

The purpose of this document is also to present Banfi as a multi-faceted organization embracing several business areas which can, synthetically, be described as related to vine cultivation and wine selling, in addition to hospitality, through the common thread of CSR.

This report is thus the product of a comprehensive process involving the entire organization in the identification, agreement and formalization of the content and indicators used in the reporting.

In order to ensure complete and transparent communication of material information, the data contained in the report were gathered and verified by the various department heads, each in his or her area of responsibility. The data collection process involved the use of existing corporate information systems with the additional use of internal documentation and other official sources.

In some cases, the figures in the Report are estimates and are indicated as such in the document.

The aspects addressed in the Report are those

identified by management as of greatest importance for an organization like Banfi, considering the special features of its business and the impact of its operations on stakeholders.

This edition examines seven aspects in dedicated chapters. Each aspect is examined in relation to the stakeholders involved and a range of performance indicators that describe its specific features.

The time period covered in this initial Sustainability Report runs from January 1, 2016 to December 31, 2016. Where possible, comparable data and other information have been also provided for the previous two years (2015 and 2014), thereby offering an opportunity to compare developments over the course of the entire three years.

The reporting cycle is annual and the reporting scope comprises Banfi Agricola S.r.l. and Banfi S.r.l.. No consolidated financial statements have been prepared for those companies and the relevant financial data have been drawn from their separate financial statements.

This document was prepared with the technical and methodological support of PwC, using the guidelines issued by the Global Reporting Initiative (GRI). The list of indicators examined and their location in the document is given in the GRI Content Index at the end of this report.

¹ In this document, “Banfi” refers to Banfi Agricola S.r.l. and Banfi S.r.l..

Letter from the Chairmen

Dear friends,
with great pleasure we present the 2016 Sustainability Report of the Banfi Italia companies.

In 2016 numerous activities were started to support our companies' innovation and development, which are summarized in this Sustainability Report.

The regions in which we operate, namely Tuscany and Piedmont, urge us to promote and, at the same time, care for the environment and the culture in their territory. The needs of the territory, as well as the ability of Banfi to work with the actors of those regions "on the ground" has enabled us to grow together.

Enormous efforts have been made to carry out continuing innovative production technique processes and to improve business performance by means of projects for cultural and specialist training for the grass roots and all those working with the company.

With the Sustainability Report, Banfi intended to provide with the utmost transparency an assessment of the impact of its activities on the social and environmental context in which we operate, illustrating its remuneration policy and commitments to employees, providing information on its relationships with customers and suppliers and so on.

Far-reaching organizational changes have been made in Banfi's internal structure in order to sustain all this work, with the aim of keeping the right balance between economic and social sustainability and the realization of

the dream of fulfilling a project. These changes have been aimed at supporting growth and, at the same time, ensuring that attention is not drawn away from the people who, in their various capacities, contribute to achieving all that these pages will attempt to recount. The contribution of everyone enabled Banfi in 2016 to build, with passion and focus, all that these pages describe.

At the present time Banfi manages more than 1,000 hectares of vineyards in Tuscany and Piedmont, with a turnover that achieved Euro 72 million in 2016, and has contacts with about 90 countries.

For all of this, on behalf of the Board of Directors, we offer a heartfelt thanks to the owners, managers, Operating Committee and all employees, who continue to work so passionately with us.

CEO

Remo Grassi, Enrico Viglierchio



Remo Grassi



Enrico Viglierchio

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Banfi territories

Wines

Hospitality

Banfi in numbers

Banfi, known all over the world for its Brunello, is owned by the Mariani family, who founded Castello Banfi at Montalcino in 1978, putting together a landed property of 2,830 hectares for the production of quality wine, indissolubly bonding Banfi to this area and its development. About one-third of the estate is given over to the cultivation of specialist vineyards while the rest is occupied by woodland, olives, plum trees and other plants and crops. The historic Bruzzone winery, now Banfi Piemonte, was bought during the same period, which represents the perfect union between the age-old Piedmontese spumante (sparkling wine) tradition and the experience in wine-making acquired in Tuscany.

Its love of Tuscany recently brought Banfi to fresh scenes, among those with the strongest vocation in the Region, producing Bolgheri, Maremma, Chianti and Chianti Classico.

Banfi has always strongly believed in welcoming visitors, so much so that the Castle of Poggio alle Mura, meticulously restored, has become an extraordinary venue where hospitality is comprehensive and meticulous. After a guided tour of the winery, the many guests may appreciate the excellence of Banfi wines and savor the authenticity of Tuscan cuisine and the freshest possible ingredients at the castle's two restaurants: La Taverna for lunch, where tradition and genuine fare meet under the ancient vaults, and the elegant, refined Sala dei Grappoli for dinner. In addition to this the Enoteca Banfi recreates the environment of a true Tuscan wine shop where guests can taste the complete selection of the fine Banfi wines accompanied by local cured meats and cheeses. Castello Banfi – Il Borgo opened in March 2007 with its 14 luxury rooms, including 5 suites, completing the already wide range of products and services.

A very sincerely felt combination is that of Banfi and culture, taking the form of a number of events among which the annual Jazz&Wine festival stands out. This is a most popular occasion during the Montalcino summer, now in its twentieth edition. Another part of this cultural scene is the Wine and Glass Museum which occupies some rooms in the Castle and displays the biggest private collection of glass from the period of the Roman Empire and very rare objects from different ages down to our own times.

Banfi has considerably enlarged the range of its products in recent years. In addition to distributing its own wines, additions include Concha y Toro, one of the most renowned Chilean wineries in the world, and Emiliana, known and appreciated around the globe for its organic and biodynamic wines; Palari with its famous Sicilian wines and Joseph Perrier, whose champagne Banfi has distributed since 2004.

Banfi Vineyards

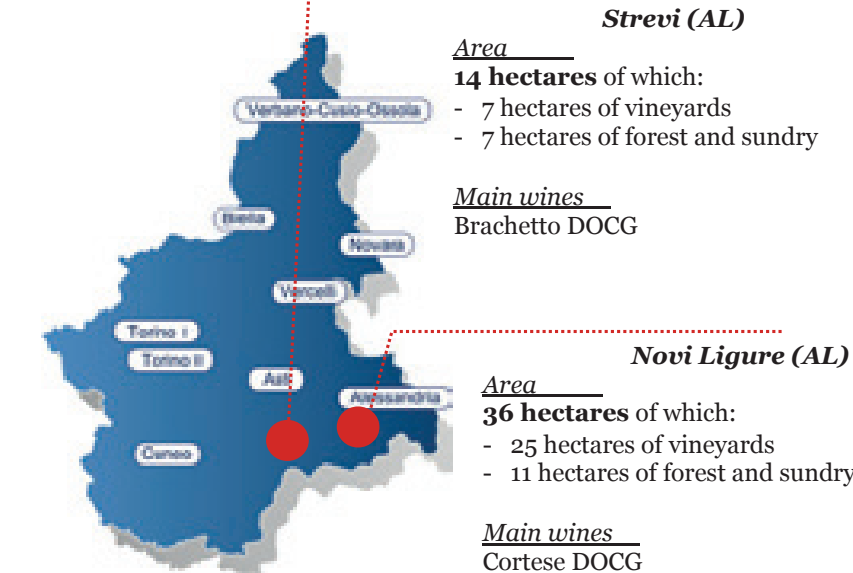
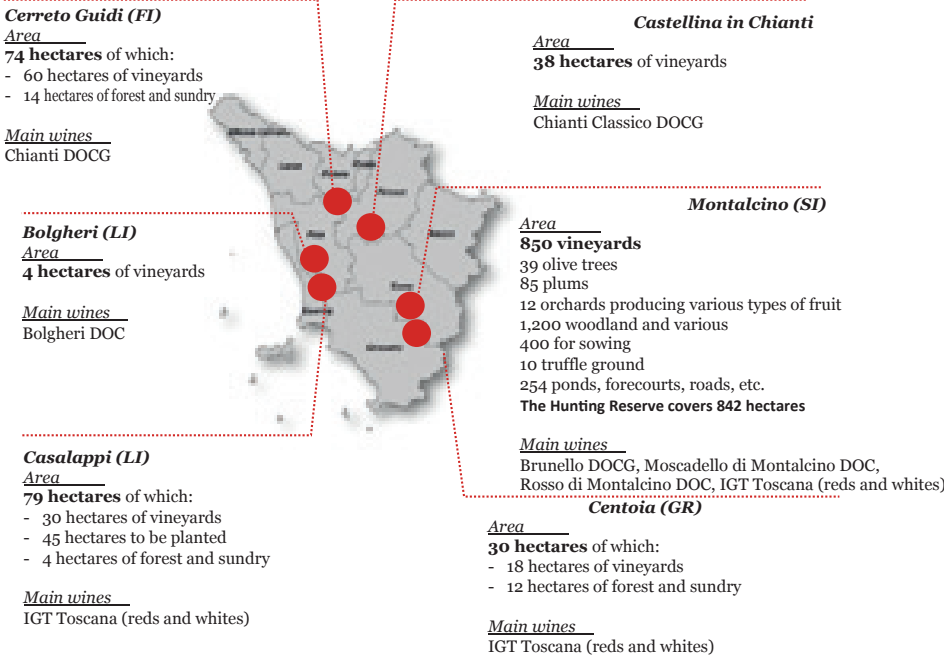
The Banfi vineyards are located in three different areas of Tuscany: the Castello Banfi estate extends south of Montalcino to the border with Val d'Orcia; while other estates can be found at Bolgheri, south of Castagneto Carducci, in the land where the Etruscans once lived, at Casalappi on the Tuscan coast, at Castellina in Chianti, a territory devoted to the production of Chianti Classico and at Cerreto Guidi and Centoia.

As regards Piedmont, the estate is located between the towns of Novi Ligure and Strevi, thus including the production of the most distinguished appellations of lower Piedmont.

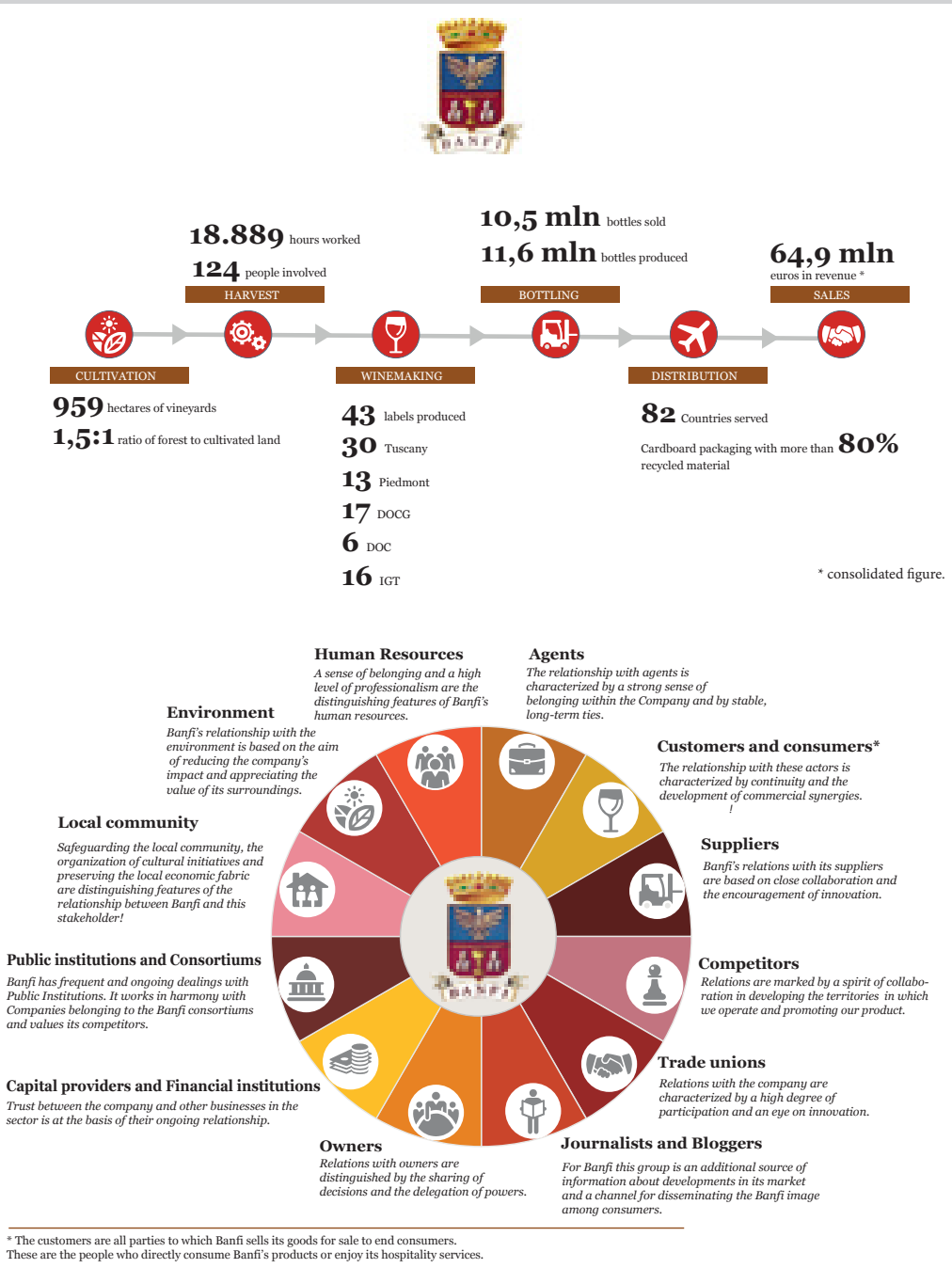


- 1978** foundation of Banfi
- 382** average no. of employees
- 70,63 mln** euros of revenue *
- 3100** hectares of land
- 842** hectares of hunting reserve
- 4** Certifications: SA 8000, ISO 9001, ISO 14001, BRC FOOD
- 100%** electricity from renewable resources
- 1453,26 ton** of CO2 saved in 2016
- 80%** of water saved thanks to micro-irrigation

* consolidated figure.



Wines



AWARDS

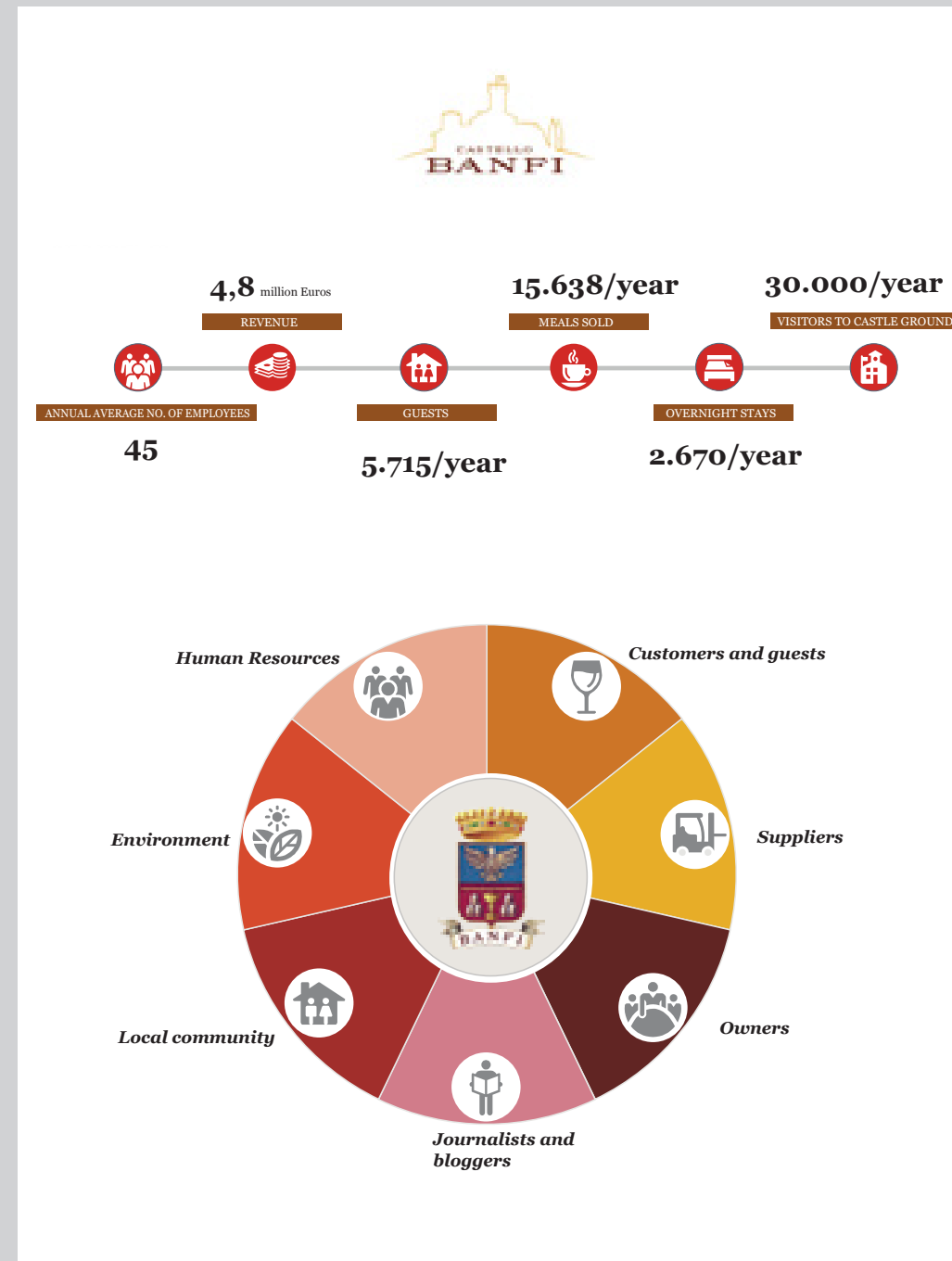
Trip Advisor Certificate of Excellence 2014 & 2015; Traveller's choice 2016

Reader's choice Andrew Harper 2015

CondéNast Traveler 2014: Castello Banfi Il Borgo, 19 in list of best European resorts; 6 in list of best Italian resorts;

2016: Castello Banfi Il Borgo, 23 in list of best European resorts

Affiliations: Virtuoso, Traveller Made, Andrew Harper



4

The Banfi stakeholders

Stakeholders and material aspects

Banfi considers the constant involvement of its stakeholders in determining the vital importance of objectives and growth processes. Exchanging views with the various parties, both internal and external, comes naturally to the company and also ensures that its approach satisfies all those whose interests and expectations converge in Banfi.

Among stakeholders, we do not only consider individuals and groups of people, but also the environment, in view of its special importance to an organization like Banfi.

The Banfi stakeholder

The stakeholders have been identified with the involvement of the Banfi's Senior Management, who identified each category by taking account of the following issues:

- the relationships that the Banfi establishes with the reality that surrounds it;
- the aspects material to the Banfi's business.



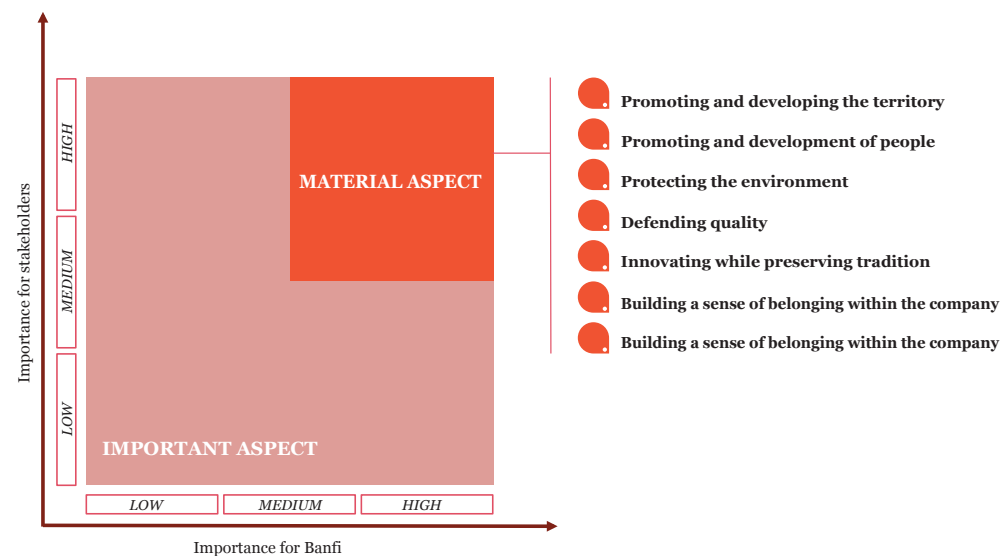
Materiality analysis

Thanks to the analysis performed to identify our stakeholders, a number of material issues emerged for each category. These aspects were subsequently assessed, considering their importance from the company's point of view.

We thus identified the material aspects of our business, i.e. those that were found to be highly important for Banfi and for our stakeholders.

The material aspects are the following.

Materiality matrix



5

Promotion and development of the area

Sport

Music and culture

Other activities

Hospitality

Castello Banfi

Castello Banfi - Il Borgo

La Taverna Banfi

L'Enoteca

Bottle and Glass Museum

The Balsameria

Communication

The Villa Banfi Foundation

Since it came into being nearly forty years ago now, Banfi has always understood the importance of its area as an asset to sustain and promote by constant effort. In fact wine, more than other products, is an intrinsic expression of the bond between the soil and man's skillful toil. Aware of this, therefore, Banfi has tended to operate by not only adopting a sustainable system of production, careful to safeguard the surrounding environment, but also by preserving the area's heritage in its entirety: its culture, its history, its evolution.

Banfi's undisputed leading role in creating the extraordinary success of Brunello and Montalcino all over the world has been played while uninterruptedly sustaining its surrounding area and its community.

"No man is an island", John Donne says in his poem, because he is "part of the main", and the same can be said of the company, according to its philosophy: it could only have achieved the extraordinary success of its wines through supporting its area and the community of which it is an integral part.

And it is with this certainty in mind that the efforts Banfi has lavished over the years have been devoted to initiatives of all kinds in all spheres; to start with sport, the company has encouraged local sports associations such as those in Montalcino and Sant'Angelo Scalo.

Banfi enthusiastically promoted the Eroica initiative, the travelling cycling race which will have a leg in its area and which has brought past cycling values to light again – “rediscovering the beauty of toil and the zest of heroic feats”. Finally, Banfi also promotes veteran car rallies like the famous Tuscan Rewind.

Music and culture

Banfi's work in its local area could not exclude art and music, and this year marks the twentieth anniversary of the first edition of one of the most long-lived and successful festivals in Italy: Jazz&Wine.

The first Italian festival to unite prestigious music and quality wine, founded in Rome, was taken to the splendid backdrop of the Montalcino fortress thanks to Banfi: from one edition to another, famous Italian and international artists have followed each other on the Montalcino Jazz&Wine stage, bathing the community in the glow of a lively form of tourism.

Banfi has sustained the OCRA - Officina Creativa dell'Abitare - design workshop as a part



of its assiduous support of local culture, acting as a technical sponsor with the supply of wines for events or offering free use of the Castello di Poggio alle Mura premises for courses, events and workshops. Some interesting designs have seen the light as a result of the partnership between Banfi and OCRA; the first edition of the MOS Designer Competition, an event for designers and architects from all over the world, has just ended, which was realized in collaboration with Carrara Design Factory and MOS Matter of Stuff. This competition was followed by Banfi Wine & Design, an art project which celebrates the exclusive nature of the wine which is a symbol of Banfi: Brunello di Montalcino Castello Banfi. The artists who won the first competition were given the opportunity of creating the labels for a limited special edition of Brunello di Montalcino Castello Banfi 2011 with a personal reinterpretation of the original label. After this the bottles and artworks from the two competitions were presented at the London Design Festival and the proceeds from this original experience were given to charity.

Other activities

Banfi has also always paid heed to supporting associations which provide assistance in the area: it pays annual contributions to the Misericordia di Montalcino, a precious association which not only provides an emergency service but also lo-

cal healthcare and social services with the help of volunteers.

Certainly noteworthy are the sponsorships of the historic Montalcino districts, the Quartieri di Montalcino, the throbbing heart of the economic, recreational and cultural life of the local community.

Banfi turns to local firms for the supply of various kinds of materials and services, another decision which is unquestionably a source of development of the economic fabric of its surrounding area.

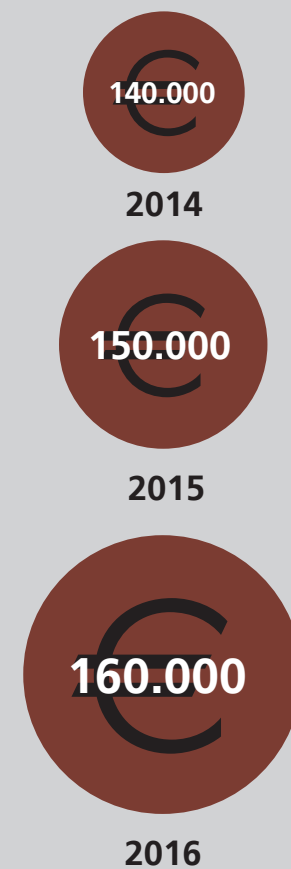
Hospitality

Banfi's history has always been constellated with innovations.

One of the many was made in the hospitality sector, conceiving, before the term itself existed, an “open” winery, in which it saw not only a place of production but one of communication and promotion in which hosts of visitors were received and hospitality at 360° degrees was offered together with the Castello facility to round everything else off perfectly. Still on the theme of wine tourism, Banfi has always supported Cantine Aperte, a chain of wineries open to the public, a national event for the promotion of the food-and-wine tourism. Finally, Banfi collaborates with various Italian and foreign universities, welcoming numerous student groups, in order to promote wine culture among young generations.



Financial investments in the local community



Castello Banfi

is located in the southern area of the Brunello di Montalcino production zone, some 20 kilometers south-west of Montalcino, 70 kilometers south of Siena, 130 kilometers south of Florence and some 230 kilometers north of Rome.

The Castello and its history

The Poggio alle Mura castle complex was developed primarily between the 9th and 13th centuries, but its origins almost certainly go back even further. A number of underground chambers excavated in the tufa, which are still visible, as well as stone urns and ceramic vases that were uncovered in the most recent renovation, point to the existence of settlement as early as the Etruscan era. The “conci”, white ashlars typically used in the construction of Roman arches that have been inserted in the entrance arch appear to indicate a subsequent transformation into a Roman villa. The first official reference to the Castello dates to 1318, the year in which Poggio alle Mura appears in the land registry of that period, the “Tavola delle Possessioni”, included for administrative purposes in the Curia dei Camigliano. The estate was transformed from an open settlement to a fortified busi-

ness center (palatium seu fortelitia). However, it is the story of the Conti Placidi that is most closely associated with the castle. This family of Sienese nobility, which held important government posts in the town, took possession of the Castello during the 15th century as a reward for its distinguished service in the wars of the Republic of Siena. In 1959 Poggio alle Mura was purchased by Giovanni Mastropalo, an Italian entrepreneur who had earned his fortune in South America.

The final transfer of ownership came in 1983, when the Castello, which was in poor condition as a result of damage suffered during the Second World War, became part of the Banfi winery. It was the restoration works carried out by the Mariani family – the owners of the company – immediately following the purchase that returned the complex to its ancient splendor.





Castello Banfi-Il Borgo

This ancient stone hamlet rose in the 1700s under the nurturing shade and protective walls and towers of Castello di Poggio alle Mura and served as the dwelling of farmers who toiled for the noble landowners. Today it has been re-styled into the luxurious rooms and suites of this crown jewel of Italian hospitality. At Castello Banfi – Il Borgo you will find a refined and exclusive atmosphere where you can relax immersed in the Tuscan countryside, in one of its most historic, evocative and best preserved sites.

On the exterior, the historic Tuscan architectural style, unchanged over the centuries, can be appreciated; while renovations have enriched the interior with all modern comforts. Within, every single detail is looked after, confirming our complete dedication to the well-being of our guests and the satisfaction of their every desire.

Each of the ample 2 rooms and 12 suites and Junior suite is distinctly designed and original, embellished and decorated by hand, with premium fabrics and exclusive accessories which underline the inherent elegance of Il Borgo. Each detail was looked after by Federico Forquet, one of the most renowned interior designers of all Italy.

Sala dei Grappoli

Located in the shadow of the historical Castello Banfi, La Sala dei Grappoli welcomes

you in an elegant and refined atmosphere. In the summer, weather permitting, dinner is served al fresco on the terrace from which the spellbinding sight of the lights of the historical Castello Banfi can be enjoyed.

A seasonal menu allows you to select among traditional Italian and Mediterranean dishes, presented with a modern touch and accompanied by outstanding Banfi wines.

Taverna Banfi

A classical Tuscan restaurant in the shade of our medieval castle of Castello Banfi.

Taverna Banfi, open for lunch, is positioned beneath the vaulted arches of the former barrel cellars of the Castle where Brunello once rested in large oak casks. In a very pleasant atmosphere, our menu offers the traditional dishes of Montalcino and Tuscany, enhanced by the freshness and authenticity of local ingredients.



The building lies below the Castle itself, once serving as a wine cellar of sorts in medieval times and being built up over the ensuing centuries, Enoteca Banfi recreates the atmosphere of a true Tuscan wine shop where, alongside estate still and sparkling wines produced by Banfi, you will find numerous local artisan food and crafts.



Bottle and Glass Museum

The “Bottle and Glass Museum” named for Giovanni F. Mariani, can be found within the 13th century Castello of Poggio alle Mura, today known as Castello Banfi. The museum illustrates the various eras of glass production through history, from the 5th century BC to the current day. Perhaps the most interesting display within the entire museum focuses on ancient Roman glassware, which according to

some authorities is one of the world’s largest private collection of such pieces. Within the historic walls, in the old stable and the olive pressing room, which still holds equipment dating back to 1857, the display rooms have been skillfully curated to explain the history of glass and the evolution of the wine bottle. The rooms house collections of antique wine bottles, ancient and modern glassware from Venice, including the stupendous “The Water Girl” by Pablo Picasso. The beautiful collection of Roman glass begins with small objects in glass paste traced back to the 5th and 4th centuries BC and continues with blown vases and balsam bottles from the 1st and 2nd centuries CE, ending with blown bottles and carafes dating to the 4th and 5th centuries CE. Some pieces recently underwent restoration at the glass laboratory of San Giovanni Valdarno, in Arezzo, to restore them to their ancient splendor and luster. Standing out among the Venetian pieces, with their enthralling colors and delicate workmanship, are a 16th century ‘crisscross pattern’ bowl and a large 16th century display chalice with enameled brass elements, purchased by the Banfi Foundation to enhance the collection and make it even more interesting to visitors of the museum.





The Balsameria

Beneath the north wing of the Castello Banfi lies the long, evocative Balsameria, appearing as if a wine barrel cellar in miniature. In this place, once used as a remote storage for the Castle, our precious Condimento Balsamico Etrusco is born and evolves. Condimento Balsamico Etrusco, much more refined than most of the balsamic vinegars on the market today, is a nectar obtained using the traditional methods of the ancient Etruscans. The grapes are harvested late, when their sugars are concentrated, and gently pressed. The must is filtered and then simmered to reduce it in volume and further concentrate its flavor. After cooling, it is transferred to wooden casks for 4 – 8 months. During this aging, the process of “balsamization” begins. Successively the balsamic is racked into progressively smaller barrels (from 60 to 25 liters) of different woods (oak, chestnut, cherry, ash and mulberry) until the filling of the last barrel, 25 liters, from which is emerges as salsa balsamica, following a period of aging that can take about 12 years. Each year, only three liters of Condimento Balsamico Etrusco are bottled from each of the smallest barrels, which is successively topped off from the proceeding barrels. The barrels also decrease in size because of evaporation, which also concentrates flavor. Thanks to this complex aging system adapted by Banfi, it is possible to transform simple grape juice into our precious Condimento Balsamico Etrusco, with its dark brown color, intoxicating and complex perfume, its rich viscosity and captivating taste. An excellent condiment to drizzle sparingly on risottos, and particularly adapted for using on white and red meats, steamed or roasted fish, on an omelette or in other bitter-sweet recipes. For its aromatic characteristics, it is also ideal with certain fruit-based desserts. A must-try drizzled on fresh strawberries, aged cheeses, and even vanilla ice cream.

Communication

A last important aspect of how Banfi engages in the promotion of its surrounding area is communication, both in traditional, through participation in events and fairs to promote its products and through active participation in initiatives organized by the Brunello di Montalcino Consortium, and in modern form on the web and on the social media: promoting Banfi and its wines, the company furthers not only its own brand but an entire geographic area. The efforts Banfi puts into the three pillars, Storia, Sapere, Sostenibilità (“History, Knowledge, Sustainability”) the companions of its mission in the past, present and future, have been and are acknowledged enthusiastically and gratefully by most of the local community, who see Banfi as a driver of the economy of the Montalcino area and a fundamentally important resource for its advancement in Italy and in the world.



The Villa Banfi Foundation

There is no shadow of doubt that some of the most important projects Banfi is proceeding with are backed by the Banfi Foundation, which was set up in 1986 with the aim of pursuing many important cultural, educational and professional objectives: the most important of these is to spread the culture and art of quality wine by arranging and sponsoring exhibitions, artistic and cultural events and meetings and debates on themes connected with the world of wine which encourage contacts between the Foundation and the public. As an example, among others: the Giovanni Mariani Bottle and Glass Museum, the largest private collection of glassware in Italy, which is based at the Castello di Poggio alle Mura.

Among the noble objectives the Foundation sets itself is to foster wine growing studies and research, sometimes working with Italian and foreign universities; certainly one of the foremost of these is the project for the development of Sanguis Jovis: Centro Studi e Alta Formazione del Sangiovese in Montalcino, an international center of higher studies into Sangiovese vines, in collaboration with Prof. Attilio Scienza, an eminent lecturer in Viticulture at Milan University.

After a whale fossil was found in one of the company's vineyards in 2007, one of the most ancient and complete and best preserved in the Mediterranean afterwards given the name of Brunella, the Banfi Foundation sponsored the collection, care and reconstruction of this find. A series of activities are being planned in

collaboration with the Municipality of Montalcino and ISA, the Institute for Archaeological and Anthropological Studies: summer camps and higher education courses which focus on the excavation and restoration of the find, scientific meetings and workshops and guided tours of the restoration laboratory for adults and children. It will soon be possible to encourage students, researchers and visitors interested in this discovery to come from all over the world, an activity which will enhance the Italian historical and cultural heritage.



6

Leveraging and developing of human resources

New hires and turnover

Employee illness

Injuries

Remuneration

The senior managers

Trade Union relations

Training

Of fundamental importance for the advancement of Banfi's surrounding area is its investment in human resources, which has always given priority to engaging young professionals from the area. New recruits are given the opportunity of professional and educational growth in the company.



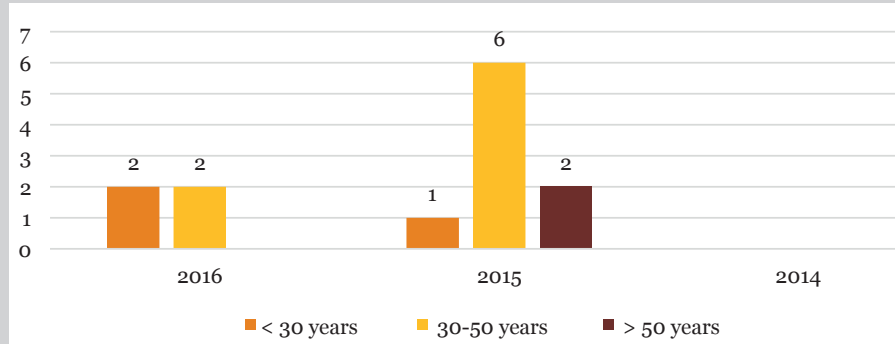
New hires and turnover

The data have been calculated only considering permanent staff not to distort the figures, since most of the seasonal workers enter and leave the company within the year. The Banfi Società Agricola employment figures see-saw during the year, most workers being engaged on limited-term contracts; the total number of staff rose in 2016 too (4 new hires). Banfi S.r.l. recorded a positive increase for the entire three-year period. Nevertheless the figures in 2015 (8 new hires) and 2016 (13 new hires) mainly reflect the fact that some employees moved from one company to another for organizational reasons. In the three-year period examined, 2015 may be considered the reference year for newly engaged staff, the main reason being that companies that engaged staff on permanent contracts were granted special social security contributions rates (2015 Job Acts). Examining our workforce by gender, the share of female employees at Banfi Società Agricola increased sharply (with 6 new female employees hired, compared with 3 males in 2015), a significant development considering that male employees prevail in the company, as it is an agricultural concern, even if the numbers of men and women workers became almost equal with the recruitment of four men in 2016. The numbers of men and women workers in Banfi S.r.l. were absolutely equal both in 2014 and 2015, while with the recruitment of 8 women and 5 men in 2016 female employees were in the majority.

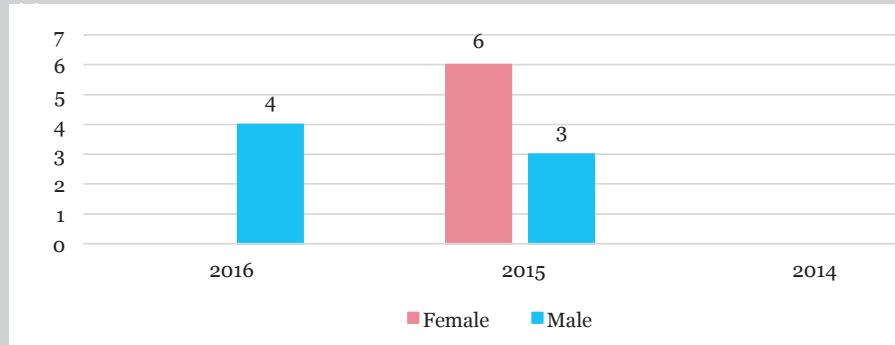
Analyzing employees by age group reveals that the dominant bracket at Banfi Società Agricola is without a doubt the 30-50 year group, because employees on fixed-term contracts are only engaged on a permanent basis after they have served in the company several times over the years; this is the case even if the number of employees between 30 and 50 years of age engaged in 2016 was the same as that of those under 30, a factor which indicates that Banfi Società Agricola too is tending to try to rejuvenate the company. Excluding hiring attributable to transfers between group companies, the largest age group for Banfi S.r.l. is again the 30-50 bracket and those under 30, underscoring the general company's attention to generational turnover.

Banfi Società Agricola Srl

Number of new hires by age group

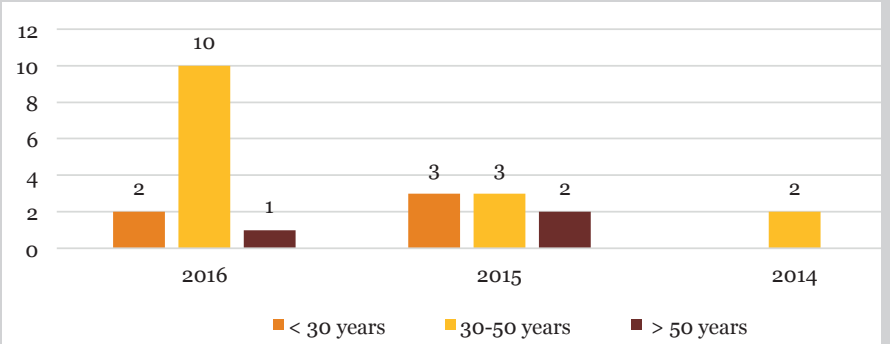


Number of new hires by gender

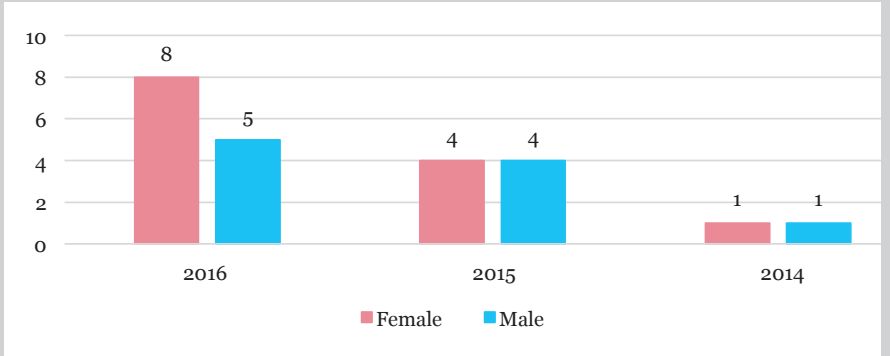


Banfi Srl

Number of new hires by age group



Number of new hires by gender





Turnover

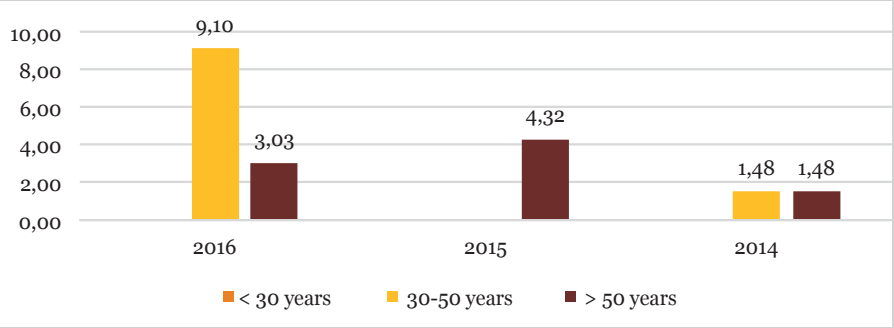
The turnover rate for Banfi Società Agricola S.r.l. has risen exponentially during the three-year period (4 terminations in 2014, 6 in 2015 and 16 in 2016) but this is of little consequence because some employees have moved to Banfi S.r.l. The latter also recorded an increasing rate (1 in 2014, 4 in 2014 and 6 in 2015), which was mainly due to retirements.

The figure becomes more significant if it is analyzed from the point of view of gender, since what has been noted for Banfi Società Agricola regarding the proportion of female staff recruited is confirmed and emphasized by the fact that more male workers left the company during the three-year period (a total of 18 males compared with 8 females). The same trend appears for Banfi S.r.l. with only three female terminations in the three years, which together with developments in hiring by gender translates into an increase in the share of female employees for Banfi S.r.l. as well.

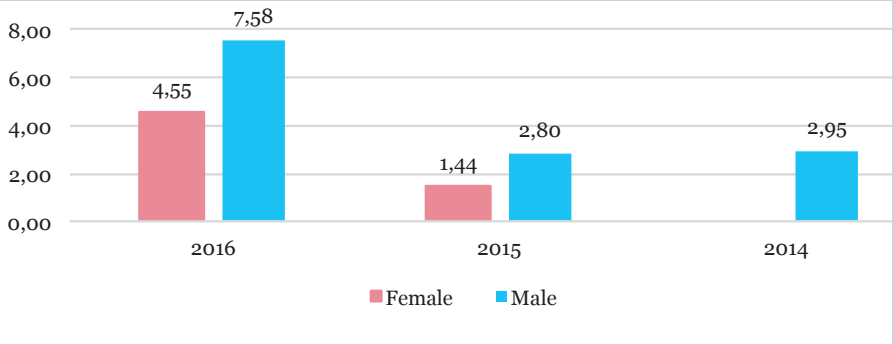
The turnover rate is almost irrelevant by age group, because most of the employees who left the company had reached retirement age for both companies.

Banfi Società Agricola Srl

Turnover rate by age group

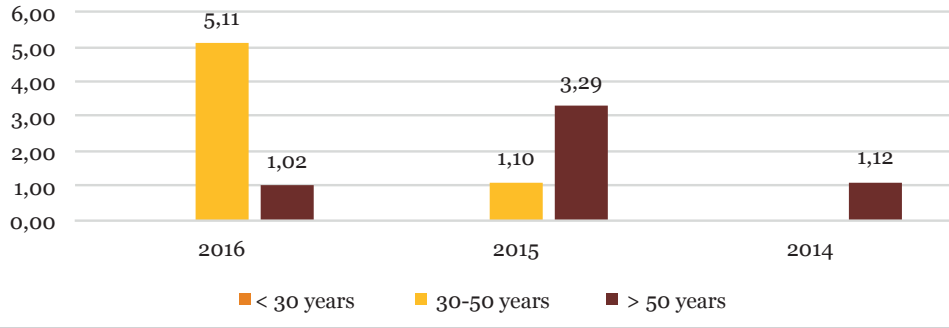


Turnover rate by gender

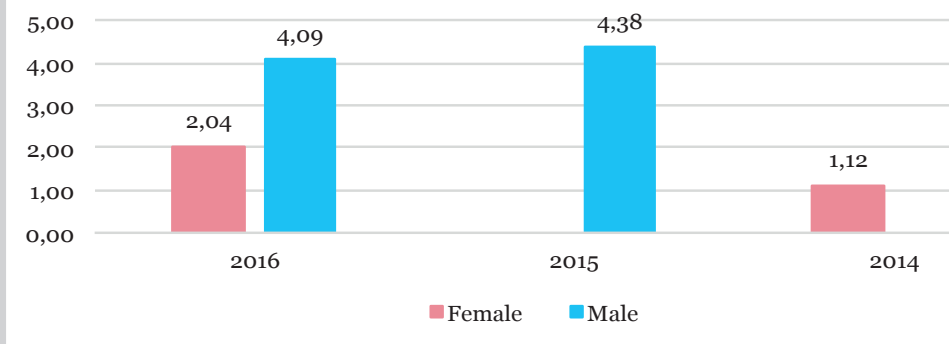


Banfi Srl

Turnover rate by age group



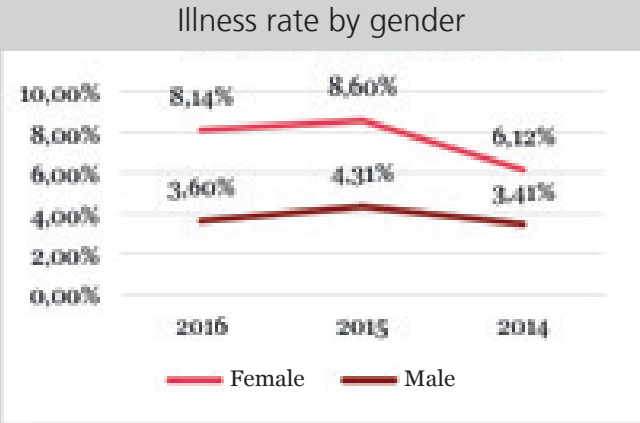
Turnover rate by gender



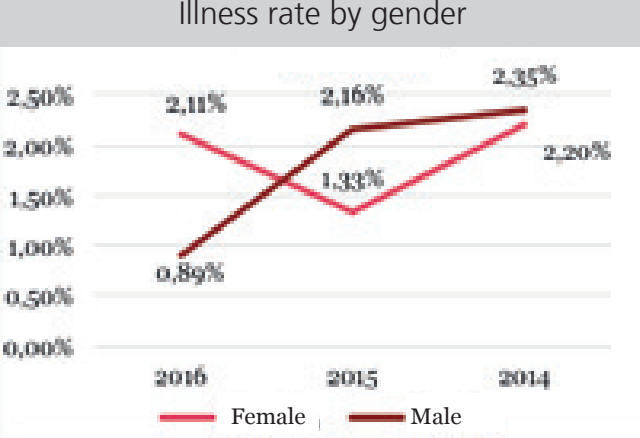
Employee illness

The illness and accident rates also provide a picture of the degree of attention the company pay to health and safety. In 2015 the illness rate in Banfi Società Agricola S.r.l. was the highest of the three-year period (4.19% in 2014, 5.60% in 2015 and 4.82% in 2016), mainly because the durations of the periods of sickness were longer on the average. Sickness on the part of female workers in Banfi Società Agricola made a significant contribution to the total illness rate. As in the analysis of accidents, Banfi S.r.l. showed rates that were lower than those of Banfi Società Agricola (2.29% in 2014, 1.81% in 2015 and 1.44% in 2016) during the three-year period, reporting a decreasing trend due to a reduction in the average period of illness. During 2016-2015-2014, no occupational illness was reported, producing an incidence of zero, as well as a zero high-risk exposure.

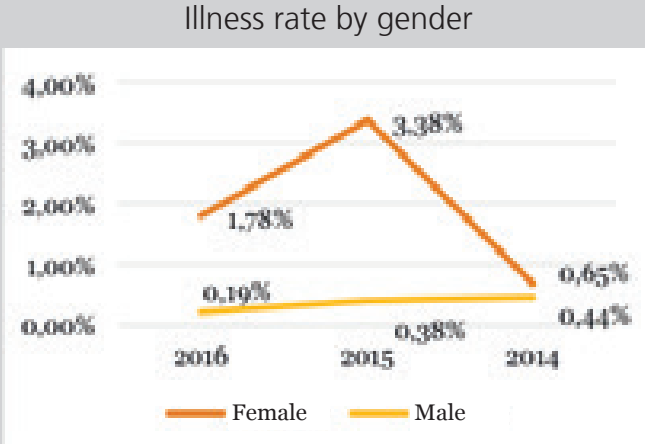
Banfi Società Agricola Srl



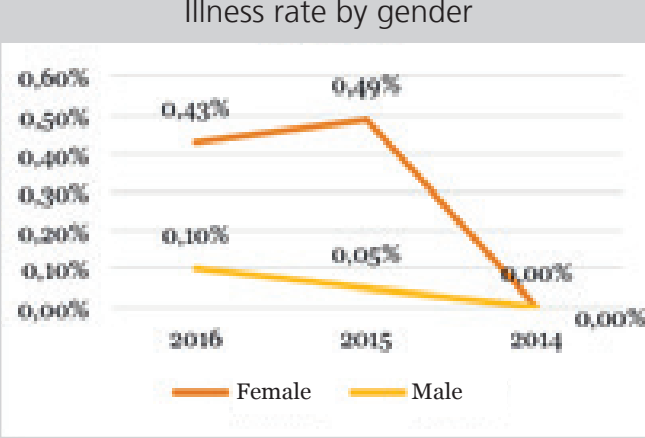
Banfi Srl



Banfi Società Agricola Srl



Banfi Srl



Injuries

In general, both companies reported an accident rate that was below one percentage point. There were more accidents, which are associated with work in the open, in Banfi Società Agricola than in Banfi S.r.l., where there were hardly any. The only exception is to be found for Banfi Società Agricola in 2015 (+1.28%), when there was an rise in the accident rate for women workers (+3.38%), due to injuries with a longer duration which were therefore counted as more serious. In both companies the proportion of accidents involving women is higher than that sustained by men.

In recent years, the ratio between the minimum remuneration offered by the two Companies and that provided for under law has always been positive, underscoring the value that Banfi assigns to its employees, acknowledging internal “specialization” as a distinguishing element of the process of creating greater value added.

The data cover the entire workforce, including employees paid by the hour, who were, therefore, considered counting the hours they actually worked, but excluding part-time work as required by standard G4-EC5. The figures were calculated on the basis of both contractual and company key remuneration elements, excluding contractual seniority increments in order to eliminate this incidence from our analysis.

The company grants pay increments on the basis of the employees’ responsibilities, their physical and conceptual commitment and their dedication to their work, which are often associated with their positions themselves. Attachment to the company is a very important value which is recognized by gradually increasing monetary rewards. The differences between company pay and the statutory minimum are always positive and tend to increase, even if there has been a slight fall in the figures for Banfi S.r.l. employees, mainly due to the recruitment of young staff whose starting pay is at the contractual rate and is thus lower than the average for the company.

On the average, the amount by which male

workers’ pay is over the statutory rates is about 10% higher than that for women, but lately the company has been increasingly attentive to its female workers, confirming that it takes the question of the appreciation of female labor very much to heart.

As we already noted in the earlier analyses, the interest of the company in expanding its female workforce is evident from the numbers, as well as from the percentage increase in remuneration, thus demonstrating the importance of having an appropriate balance gender representation. To date, also thanks to the efforts made during recent years, Banfi Società Agricola still remains somewhat penalized in this area in the upper ranks.

The figures available regard existing employees only, excluding new hires, who are few in number and are not representative of the overall figures; in addition, we have excluded contractual wage increases from our calculations in order to eliminate the impact of seniority increases on analysis.



Banfi Group - % su CCNL*	
2016	20,38%
2015	20,44%
2014	21,31%

Banfi Società Agricola Srl - % su CCNL	
<i>Executives an Manager</i>	
2016	53,58%
2015	53,39%
2014	52,01%
<i>Office e staff</i>	
2016	25,39%
2015	23,53%
2014	22,63%
<i>Workers (open-ended)</i>	
2016	3,92%
2015	3,81%
2014	3,49%
<i>Workers (fixed-term)</i>	
2016	0,83%
2015	1,02%
2014	1,11%

Banfi Srl - % su CCNL	
<i>Executives an Manager</i>	
2016	45,75%
2015	44,78%
2014	45,37%
<i>Office e staff</i>	
2016	23,89%
2015	25,66%
2014	26,97%
<i>Workers</i>	
2016	4,30 %
2015	5,44%
2014	5,46%

Banfi Società Agricola Srl - % su CCNL	
<i>Female</i>	
2016	6,97%
2015	7,45%
2014	8,01%
<i>Male</i>	
2016	13,73%
2015	14,05%
2014	15,61%

Banfi Srl - % su CCNL	
<i>Female</i>	
2016	17,55%
2015	17,10%
2014	16,85%
<i>Male</i>	
2016	27,13%
2015	27,41%
2014	26,57%

* CCNL: National Collective Labor Agreement

In examining the total number of senior managers, i.e. the members of the Operating Committee¹, the percentage of those who come from the local community is equal to about one third for Banfi Società Agricola S.r.l., and exceeds 50% for Banfi S.r.l.. The local community includes the towns bordering our facilities in Tuscany and Piedmont. For Banfi Società Agricola S.r.l., the local community corresponds to the provinces of Siena and Grosseto, while for Banfi S.r.l. it also includes the province of Alessandria.

Senior managers hired from the local community		
Banfi Società Agricola Srl		
2016	33,33%	
2015	33,33%	
2014	20,00%	
Banfi Srl		
2016	55,56%	
2015	55,56%	
2014	50,00%	

Training

Banfi has always considered its human resources as an actual source of wealth and pursues the objective of enhancing their skills by inve-

sting heavily in training and research. The company brings its staff into training activities throughout the year, varying programs on the basis of the different business areas and types of activity. Its policy is to distinguish between obligatory, i.e. as required by law, and optional training. The figures that are reported below relate to obligatory training in health and safety at work, as well as in food safety. In 2016, both companies reported a growing trend in the investments in the employees' obligatory training. A total of 2,295 training hours was delivered to Banfi Società Agricola and 817 hours to Banfi S.r.l. The main training project, which mainly involved Banfi Società Agricola S.r.l., regards safety at work, and, specifically, refresher courses to qualify to use agricultural equipment and machinery. This training project will also continue during 2017. The main reason for the wide difference in hours of training between the two companies is the number of employees serving in them, which is higher for Banfi Società Agricola S.r.l. with respect to Banfi S.r.l. The other decisive factor are their activities: the employees of Banfi Società Agricola S.r.l. are exposed to risk factors which entail a higher probability of an accident happening and, if it does happen, of its being more serious than in the other company. The training and consulting activities in which Banfi invests range over a wide number of different issues from correct cultivation techni-

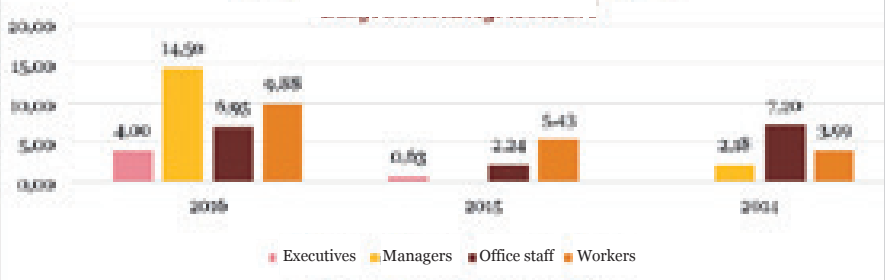


ques to socio-economic skills. Some examples are specialist training sessions during the winter season regarding themes arising from past and future production, specialist training sessions specifically concentrating on work in the vineyards and orchards, training sessions with agronomists and enologists, training in information technology applied to businesses and corporate management and the latest information on financial affairs. With a view to continuous improvement, Banfi's objective is to keep these training activities in being because they bring and ensure cultural development in addition to widening the level of knowledge and specialization in the company.

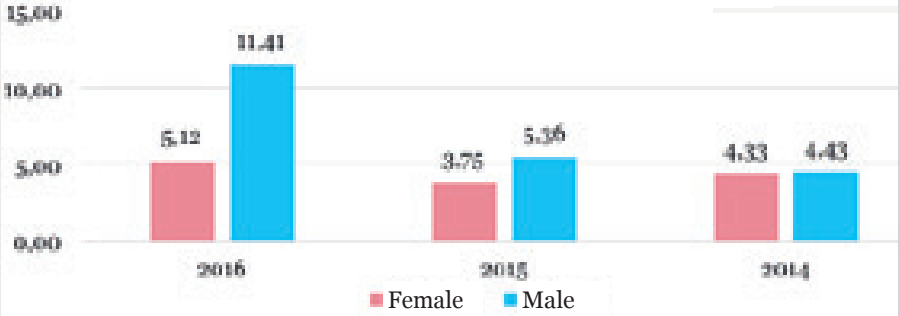
¹ The objective of the Operating Committee is to develop a management model based on the capacity of those in charge of the various operating units to become integrated, beyond their specific responsibilities, into the overall business management process. The Committee has advisory tasks towards the Chief Operating Officer, who however retains the final decision making authority.

Banfi Società Agricola Srl

Hours of training by job category

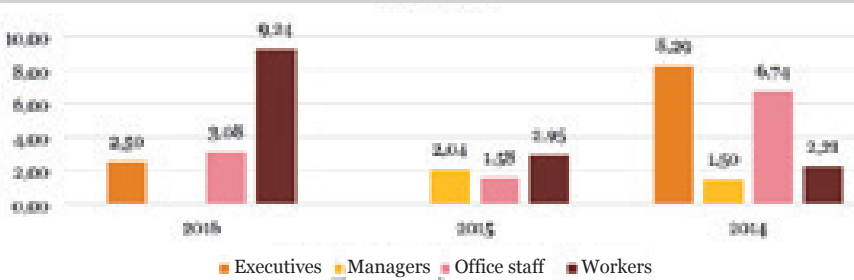


Hours of training by gender

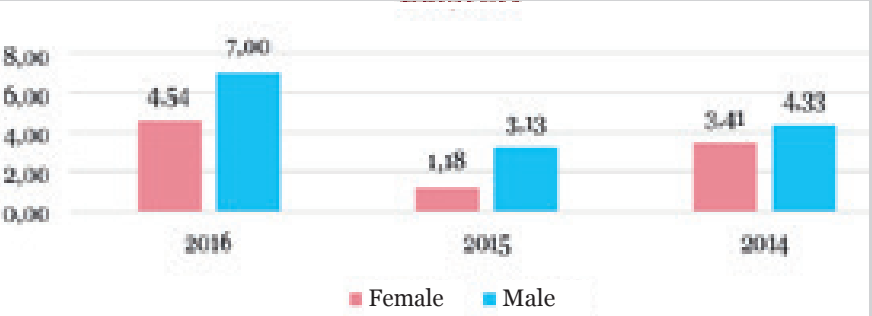


Banfi Srl

Hours of training by job category



Hours of training by gender



Trade Union relations

The company has long cultivated strong and collaborative relations with trade unions and, given that we do not have company-level agreements in place, has nurtured contacts with provincial union representatives (CGIL and CISL). In the past monthly meetings were held with union representatives, while, in the past three years – in view of the absence of any notable issues to resolve – this frequency declined in favor of less formal involvement and meetings called as needed. The tables below report the percentage data of the members of trade unions by company, over the total of employees, noting a decrease recorded by Banfi Società Agricola S.r.l. during the three-year period, which passed from 33.11% in 2014 to 28.46% in 2016. The figures of Banfi S.r.l. remained stable, coming to around 10%.

Union members as a percentage of total employees		
Banfi Società Agricola Srl		
2016	28,46%	
2015	32,49%	
2014	33,11%	
Banfi Srl		
2016	10,02%	
2015	10,03%	
2014	10,24%	





7

Protecting the environment

**Water consumption
and variable-rate micro-irrigation**

Defending biodiversity

**Initiatives to reduce
energy consumption**

Water consumption

Waste

**Initiatives to reduce
energy consumption**

**An environmentally
friendly Castello Banfi**

At Banfi sustainability is a very broad concept that involves all stages of the production chain, with a cross-cutting strategy and a well-defined strategic plan.

The deep conviction that success must go hand in hand with respect for the environment and the welfare of people means that since its foundation, Banfi has sought to be in harmony with the surrounding environment, through the rational use of natural resources and care for the environment, from the vineyard to the finished product: wine.

Precisely for this reason the company has developed an integrated process that takes account of three essential factors: every action must be socially equitable, safe for the environment and at the same time economically viable. Why is so much attention devoted today to the environment, sustainability and energy saving? The answer lies in a range of related factors that we can summarize as follows:

- world population growth;
- growing consumption;
- a corresponding increase in emissions.

In the environmental realm, sustainability is considered an essential element of ensuring the stability of an ecosystem, i.e. the capacity to maintain over time the ecological processes that occur within an ecosystem and its biodiversity. Today, the concept of sustainability has been expanded to other areas, notably the economic and social, broadening its definition, under which environmental, economic and social sustainability participate together in defining well-being and progress. In recent years, the agricultural and food system has been identified as a priority area for ensuring environmental sustainability. The production of wine is no exception, as it generates a variety of environmental stressors, mainly associated with the use of phytopharmaceuticals and fertilizers in the vineyard and the manufacture of glass bottles.

Banfi is distinguished by its use of cutting edge techniques for the socially responsible management of its activities. Since the early 1990s, Banfi has started environmentally friendly culti-

Amount of fertilizers used during the year by type [Kg]

Treatments	Banfi Società Agricola Srl			Banfi Srl			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Soil fertilization	595.800	496.477	641.598	17.200	13.500	3.500	613.000	509.977	645.098
Foliar fertilization	6.386	7.953	6.982	0	0	0	6.386	7.953	6.982
Fertigation	68.700	17.581	18.300	0	0	0	68.700	17.581	18.300
TOTAL	670.886	522.011	666.880	17.200	13.500	3.500	688.086	535.511	670.380



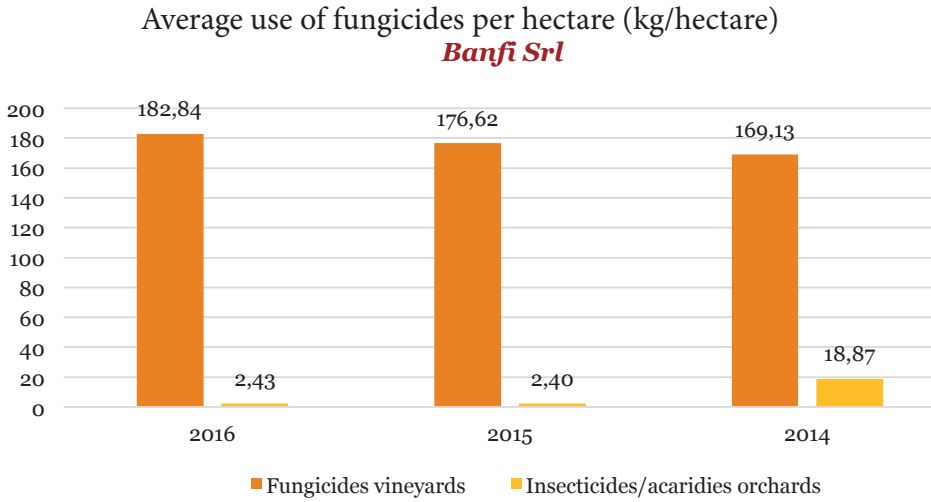
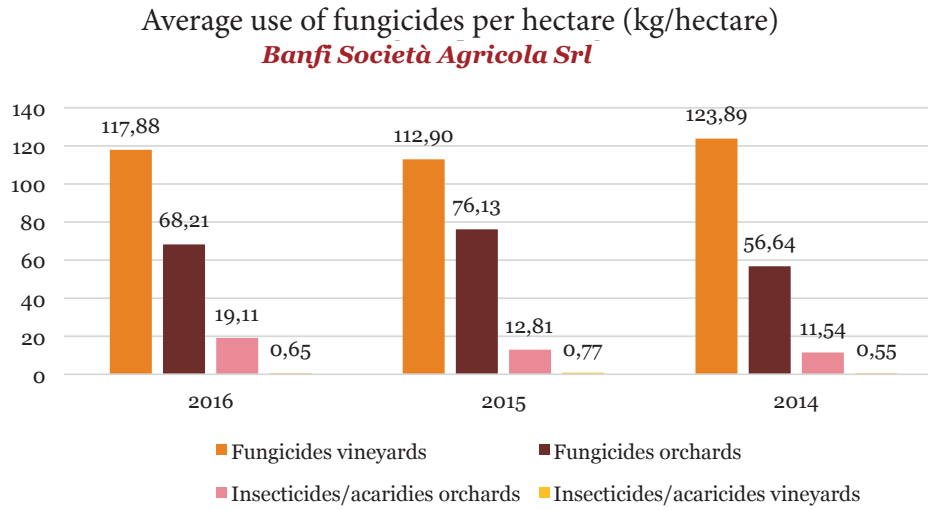
vation programs, thanks to careful control of the use of fertilizers and other agrochemicals, thus significantly reducing the quantities used and with the exclusive use of active ingredients without an aggressive impact.

In recent years the company has been working towards the reorganization of production in order to use fewer agrichemical products in order better to safeguard the environment and the health of consumers and workers. The new approach to vineyard management is very much directed at real environmental sustainability values in the entire production chain.

The company’s objective is never to misuse defense measures but only to adopt them after having made sure that they are really necessary. It is important to prevent the onset of diseases, above all those of cryptogamic origin. This is a complex matter which involves the choice of plot, the vines, the form of cultivation, fertilization and other aspects. Vineyards have to be monitored every week in order to achieve these aims, especially from the fruit setting phase onwards.

Therefore vineyards are frequently scouted, sometimes using the latest photobiological techniques, to observe the evolution of foliage and detect the first symptoms of attacks by the various pathogens with the aim of only carrying out protection treatments if strictly necessary, always using products, administering doses and adopting methods of application that are target-oriented.

Land used for the production of cereals and forage has been managed organically since



the 2016-2017 campaign. In order to reduce the point source pollution caused by plant protection treatments, in 2008, we developed a system for washing agricultural machinery denominated Bio-Bed.

The project, created in collaboration with the Department of Agronomy and Agroecosystem Management of the University of Pisa, completely eliminates the environmental dispersion of oily residues from agricultural applications that remain in the wash water.

After each chemical application, tractors and sprayers are washed in a specific zone where the wash water is collected and transferred to a “biological bed”. This bed is formed from a mixture of straw and manure, inside of which colonies of bacteria develop that decompose oil residues and active ingredients. The Bio-Bed wastewater is periodically analyzed and, based on the results of the analysis, the bed is regenerated with new organic material to constantly maintain the bacteria colonies at peak efficiency. The project, with the results, was presented to industry insiders and the press at Castello Banfi in 2010. During the last three-year period the processing involved 172,000 to 195,000 liters of wash water, with a total reduction in accidental leakage of oil residues and agrochemicals.



Water consumption and variable-rate micro-irrigation

The search for quality, always an essential principle of the Banfi experience, also includes vineyard irrigation management. For this purpose, the company's objective since 1986 has been to carry out deficit irrigation in the most sustainable manner possible, i.e. by micro irrigation, which is practiced in more than 50% of the vineyards. An aspect to which special attention has been paid is the refinement of water stress control systems both in the ground (probes of various types) and on the plants (stomatal crypts, and, more recently, thermal imaging) in order to intervene accurately.

In order to sustain the increasing needs for irrigation and limit recourse to drawing water from the Orcia and Ombrone rivers, over the years Banfi has gradually increased the capacity of artificial ponds or pools which serve the largest production areas. The various water storage facilities are inter-connected by underground pipes so that water can be conveyed to where it is most necessary. Furthermore, where possible these sources of water are situated at an altitude so that they can water the vineyards by gravity without using pumps, thus cutting energy costs. The water in the ponds is usually rainwater which collects in the autumn and winter. It is only necessary to supplement the contribution of rainwater by drawing water from the rivers in particularly dry years at the beginning of the spring. In this case the greatest care has to be taken with water quality, if for no other reason so that

the water taken has the least possible amount of suspended solids in order to preserve the micro-irrigation filters.

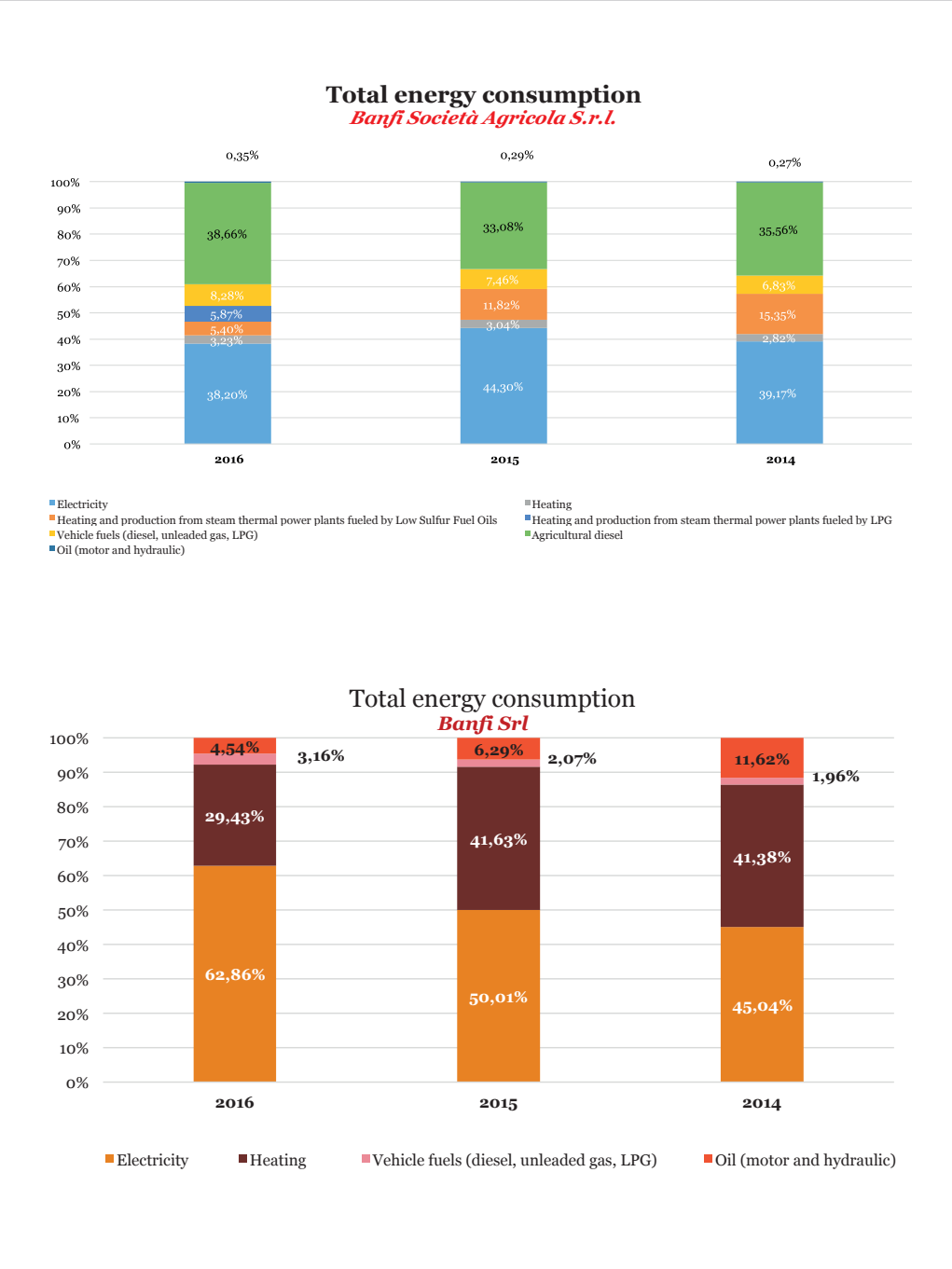
Terrain gradient and variability, both in terms of texture and bulk density and the depth of the top layer in which the plant can take roots often make it extremely difficult to manage micro-irrigation in viticulture: the risk is that some plants may receive too much or too little water according to whether they are growing in more favorable positions, perhaps at the foot of a slope, or, on the contrary, in more stonier and higher placed spots. The consequence of these factors is that water supply may even heighten differences in a vineyard with unfavorable effects on production quality and on the plants' duration of life. Banfi designed outsize micro-irrigation plants in 2010 in order to overcome these problems with self-compensating drip pipes.



Total energy consumption [MJ]				
Trattamenti	Banfi Società Agricola Srl			
	2016	2015	2014	
Electricity	16.740.523	18.064.360	16.191.616	
Heating	1.416.535	1.241.000	1.164.000	
Heating and production from steam thermal power plants fueled by Low Sulfur Fuel Oils	2.368.323	4.819.674	6.344.462	
Heating and production from steam thermal power plants fueled by LPG	2.573.302	0	0	
Vehicle fuels (diesel, unleaded gas, LPG)	3.630.576	3.041.861	2.821.861	
Agricultural diesel	16.945.151	13.490.000	14.700.000	
Oil (motor and hydraulic)	152.835	119.629	111.428	
TOTAL	43.827.244	40.776.524	41.333.367	

Total energy consumption [MJ]				
Treatments	Banfi Srl			
	2016	2015	2014	
Electricity	5.994.241	3.783.615	3.601.427	
Heating	2.806.486	3.149.850	3.308.398	
Heating and production from steam thermal power plants fueled by Low Sulfur Fuel Oils	0	0	0	
Heating and production from steam thermal power plants fueled by LPG	0	0	0	
Vehicle fuels (diesel, unleaded gas, LPG)	301.398	156.506	156.506	
Agricultural diesel	433.367	475.713	929.419	
Oil (motor and hydraulic)	0	0	0	
TOTAL	9.535.493	7.565.683	7.995.750	

Energy consumption for heating related to Banfi Srl regarding Novi Ligure has been partially estimated.



Defending biodiversity

Banfi’s ratio of woodland and cultivated surface is 1.5:1, which is one of the highest among European wine growing firms. Over the years the company has also planted miles of rows of cypress trees over the years, 10 hectares of mycorrhized cork oak for the production of truffles and other new wooded areas, which currently achieve a total area of 1,000 hectares. To preserve this wealth, we have planted local varieties, preserved and managed our forests and prepared water access points for fire-fighting purposes and giving wild animals access to water. The abundant presence of wild fauna makes it necessary, in many cases, to protect vegetation and growing plants with vertical shelters over vines and plum trees and also various types of repellent systems (sonic, electrical, scare) on the other crops. The company raises a small group of donkeys from Mount Amiata in the Collupino area; this is a particular local breed with a dark cross on the withers. As regards flora there are more than 120 spontaneous herbaceous species in addition to the various crops (plum, cherry and olive trees, hard grain, spelt, legumes) on the Banfi property which appear during the different seasons of the year. It is interesting to note that the result of the complexity of this vegetation is that it is not very aggressive toward vines. It contains some species which have become rare or almost extinct in normal agroecosystems so that it constitutes a proper reserve of floral biodiversity. Additionally some species which grow in the winter, especially graminaceous plants, protect the soil from

erosion. Banfi’s management of its agroecosystem bears excellent witness to an excellent balance between the economic and environmental sustainability of the land. Perfect integration with the natural environment is an aspect which strikes anyone who visits Banfi. A rich, diversified natural fauna, especially boars, pheasants and roe deer, feed off the pasture which they find in the Mediterranean maquis, the uncultivated fields and the fields sown by the company. Fauna management plans are put into effect in compliance with the Tuscany Region’s instructions. Banfi endeavors to maintain the optimum proportion between the wild fauna and the extent and characteristics of the natural environment, carrying out targeted culling programs or capturing animals to transfer them to other areas. There has always been a shooting preserve in Banfi, and it has grown in extent over the years, passing from 630 hectares until 2013 to the present 842 hectares. The main species are hoofed mammals, pheasants, hares and migratory birds. Banfi plants cover crops in this area every year, both autumn-winter and spring-summer, to provide the different species with food and shelter. The entire Province of Siena has always been considered at serious risk of erosion owing to its physical features, the geological and soil characteristics of the terrain and the marked seasonality of rainfall. Highly impressive ravines formed by erosion are also to be found in the landscape around Banfi on the way from the offices at Casanova to the Poggio alle Mura castle. The company is strongly committed to keeping



erosion in check in order to obviate the consequences of a phenomenon which has always been well known for its unfavorable impact on the environment and to protect the vineyards on the hills. For this reason, it realized:

- more than 150 kilometers (km) of ditches for water control;
- 80 km of underground drainage systems;
- 10 km of dry stone walls or embankments.

Banfi also plants new grass in the vineyards as a matter of routine, especially those on sloping ground or that are in any way sensitive to erosion (silty soils). It uses planting machines specially designed for sod seeding, which deposit seed on untilled ground.

We also take great care in our purchasing of packaging materials, favoring suppliers that make their products with a high percentage of certified recycled material. Considering that the production of one ton of virgin paper requires 15 trees, 440,000 liters of water and 7,600 kWh of electricity, while manufacturing one ton of recycled paper only needs 1,800 liters of water and 2,700 kWh of electricity, and, above all, no new tree cutting, helping to combat deforestation, the values underpinning the Banfi procurement policy contribute to environmental sustainability.



Initiatives to reduce energy consumption

In 2015 we signed a contract with Repower for the supply of 100% renewable energy. The agreement has led to a major reduction in CO2 emissions, equal to about 15%. Applying the reduction of 15% from renewables (277.10 kg/MWh), CO2 emissions in 2016 amounted to 1,155.38 tons, with a reduction in emissions of CO2 equal to 203.89 tons/year. Recharging points have also been installed by Repower in the area outside the winery to charge electric vehicles. As regards sources of energy, the greatest consumption regarded the use of electricity. For 2016, the company has planned additional initiatives to improve energy efficiency, with a consequent reduction in consumption and emissions. More specifically, we have replaced two compressors in the refrigeration plant, used mainly to condition the storage and must tanks at harvest time. The new compressors have improved the efficiency of the plant and reduced energy consumption, generating savings of 2,560 kWh, equal to 8.75 kg of CO2 emissions.

- 15%
CO₂ Emissions

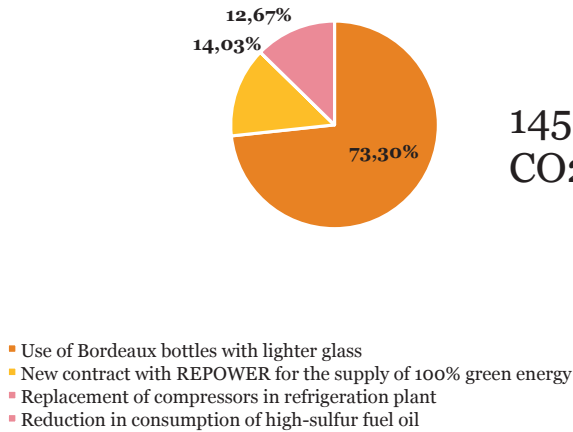
Energy consumption reduction initiatives [MJ]

Treatments	Banfi Società Agricola Srl			Banfi Srl		
	2016	2015	2014	2016	2015	2014
Modernization of treatment plant	0	407.321	0	0	0	0
Use of Bordeaux bottles with lighter glass	5.917.959	6.222.018	6.384.398	0	0	0
Replacement of LPG furnace, new electric substation and use of LED lightbulbs in the Castello	0	0	0	0	60.142	0
TOTAL	5.917.959	6.629.339	6.384.398	0	60.142	0

Energy consumption reduction initiatives connected with products and services [MJ]

Treatments	Banfi Società Agricola Srl			Banfi Srl		
	2016	2015	2014	2016	2015	2014
Replacement of two compressors in refrigeration plant	9.216	9.216	0	0	0	0
Replacement of high-sulfur fuel oil with LPG	2.451.351	1.524.788	0	0	0	0
TOTAL	2.460.567	1.534.004	0	0	0	0

Reduction in CO2 emissions in 2016



1453,26 tons of CO2

¹ The % value related to CO2 savings for the replacement of two compressors is zero, equal to 8.75 kg/CO2.

Total water drawn [m^3]

Treatments	Banfi Società Agricola Srl			Banfi Srl		
	2016	2015	2014	2016	2015	2014
Rivers/lakes	105.481	288.838	59.108	0	0	0
Wells (aquifers)	79.479	109.243	99.977	10.900	11.389	9.650
Rain	1.093	774	1.144	0	0	0
Water supply provider	4.835	1.816	2.263	29.032	11.503	10.418
TOTAL*	189.795	399.897	161.348	39.932	20.502	18.165

*Total does not include rainfall

Water consumption

The water is drawn from three wells and is measured with meters located at the plant and reported in an annual statement. Consumption is measured on an analytical basis. In January 2016, a water reuse project and changes to the water purification system were begun, associated with the Single Environmental Permit granted on December 29, 2015 and the environmental impact assessment. Consequently, a series of initiatives are under way to optimize the water cycle, the first results of which are expected to come towards the end of 2016. These initiatives are essentially intended to:

- reduce the use of chemical reagents (primarily sodium chloride);
- reduce water extraction from aquifers;
- reduce the volume of water discharged into rivers and further improve water quality.

The following table sets out the Banfi’s main commitments in reducing energy and water consumption.

Future objectives

Actions	Expected results
---------	------------------

Energy consumption area

Replacement of illumination in production and storage facilities (lightbulbs are currently primarily metal halide types and fluorescent tubes) with electro-mechanical ballast systems with LED technology with equivalent illuminating power.

Monitoring of lighting using a CE-compliant measuring instrument with MID certification to measure actual consumption and expected savings. This will be used to apply for energy efficiency certificates (also known as white certificates).

Monitoring the main power draws, measuring all their energy characteristics, including any phase differences with the associated production of reactive power.

Electricity consumption for illumination is expected to be reduced by 60%, with lights being turned on using presence detectors so as to keep illumination at a minimum and reducing the maximum load on the light fixture by at least 30% (the lamp will only be fully activated when someone passes by). This will generate additional savings of 30%.

The grant of white certificates will certify the savings achieved. From the calculations made it emerges that this action will led to the acknowledgment of about 217 white certificates.

Specific identification of effective measures, such as: specific power factor correction, installation of inverters, replacement of old motors with high-efficiency motors.

Water consumption area

For the primary treatment cycle, we plan to replace the water softener purification system, which uses a large amount of sodium chloride (about 72,000 kg/year), with a reverse osmosis plant that will ensure the production of very high quality water with very low use of chemical reagents. The water will be used to meet winery requirements for potable water. The project will also reduce the concentration of chlorides in the purification plant waste water.

For the secondary treatment cycle, plans call for direct reuse of part of the water discharged from the purifier (water treated through the advanced MBR ultrafiltration system) to fill the firefighting tank and irrigation, as well as reuse of water discharged from the purifier, after additional reverse osmosis, for technical uses in the winery such as evaporating towers, evaporators, condensers, furnaces and floor washing.

Both osmosis plants will be installed at the waterworks, which will involve the installation of separate new water networks for each plant. The reverse osmosis plants will produce a retentate flow (estimated at about 25% of the feed stream), which will be discharged into the waterway at the exit of the purifier. The volume of discharge water will go from 57,000 m³/year to 44,000 m³/year, while the COD will decline from 30 mg/l to 26 mg/l. Accordingly, the amount of COD discharged annually will fall from 1,710 kg to 1,170 kg, a reduction of more than 30%.

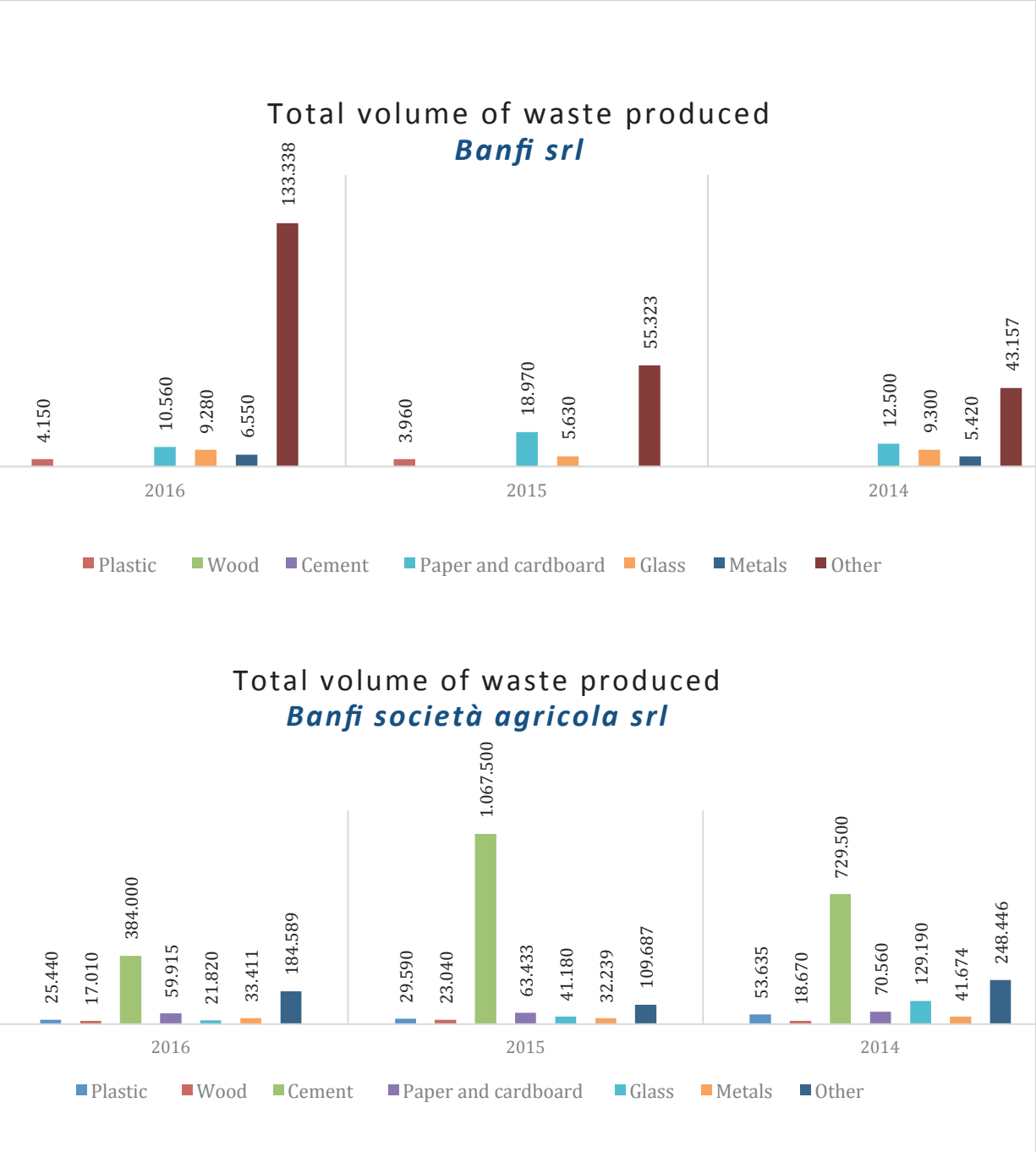
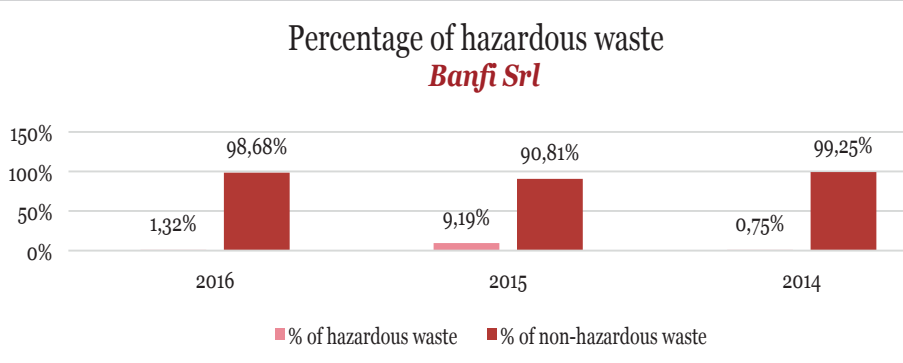
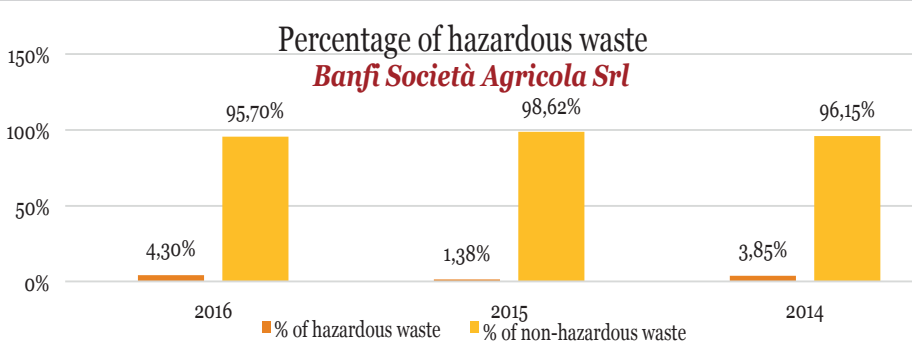
The actions will reduce water drawn from aquifers by 13,000 m³/year



Waste

The Company recycles waste in every phase of its activities: on the land, in offices, in the winery, in the restaurants, in the wine shop and in the resorts. Banfi also disposes of spent oil and fertilizer and agrochemical packaging in strict compliance with current regulations. Management of non-hazardous waste involves the separation of waste into containers for paper, plastic, glass and bulky items (old carpets, mattresses, couches, etc.). Hazardous waste is disposed of by specialized firms. The quantities fluctuate and even rise substantially when there are intensive cycles of removing vines and planting new ones.

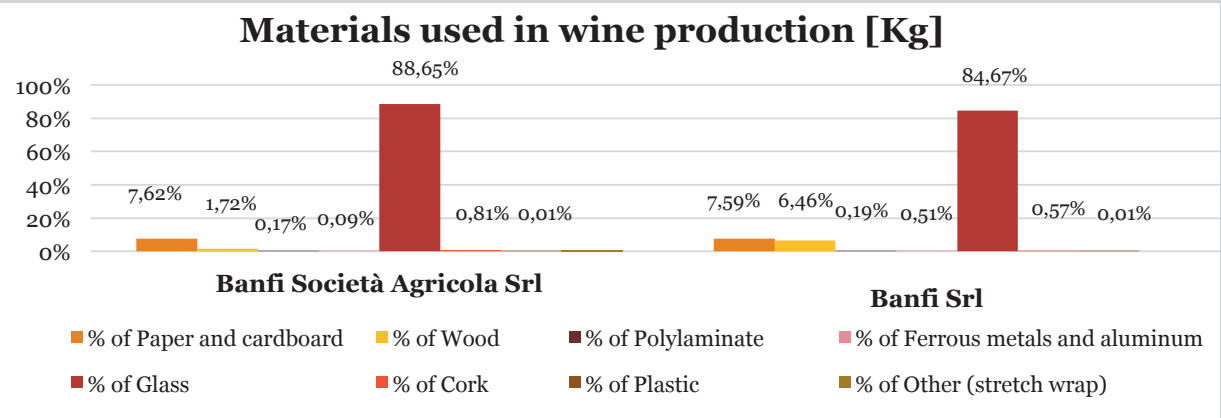
Treatments	Banfi Società Agricola Srl			Banfi Srl		
	2016	2015	2014	2016	2015	2014
Hazardous waste	31.198	18.885	49.756	2.168	7.713	527
Non-hazardous waste	694.987	1.347.784	1.241.919	161.710	76.170	69.850
TOTAL	726.185	1.366.669	1.291.675	163.878	83.883	70.377



Materials used

Materials used in wine production [Kg]

Processing	Banfi Società Agricola Srl			Banfi Srl		
	2016	2015	2014	2016	2015	2014
Paper and cardboard (Paper and cardboard + labels)	430.959	442.440	433.400	189.823	221.764	198.329
Wood	97.504	112.440	44.320	161.661	140.035	135.070
Polylaminate	9.449	11.850	9.500	4.768	5.947	5.679
Ferrous metals and aluminum (Ferrous metals and aluminum + screw caps)	5.152	11.780	8.650	12.653	12.286	11.661
Glass	5.013.281	5.366.240	5.254.930	2.118.441	2.097.329	1.979.108
Cork	46.043	41.640	30.230	14.381	15.398	15.584
Plastic	457	155	134	146	146	139
Other (stretch wrap)	52.222	17.690	16.190	0	0	0
TOTAL	5.655.067	6.004.235	5.797.354	2.501.875	2.492.905	2.345.572



Initiatives to reduce energy consumption

Looking at the last two years, there was a slight overall increase in purchases of packaging materials in 2015, due to an expansion of sales of finished products. This development is certainly a reflection of the strong performance that the company seeks to achieve every year. With regard to the environmental sustainability of the materials used for packaging and shipping wine, special attention must be focused on the preponderant use of:

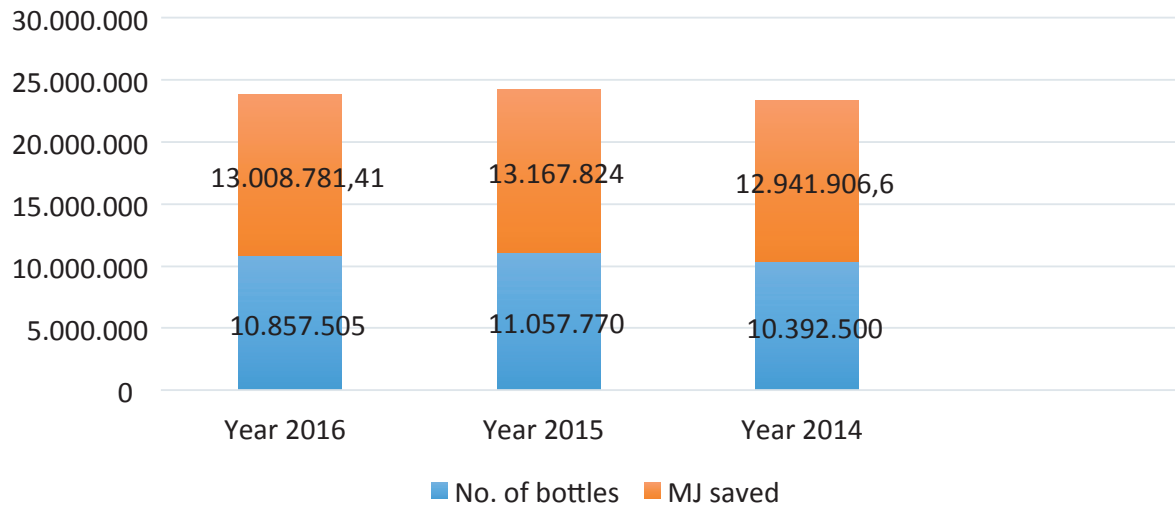
- polylaminate capsules, which are used in 89% of products;
- bottles made of light glass and partly recycled glass;
- cardboard boxes with partly recycled material.

Banfi is an enthusiastic user of polylaminate capsules, which represent a perfect marriage of the strength of aluminum and the elasticity of polyethylene, rather than tin capsules, contributing to environmental sustainability. As part of our environmental sustainability efforts, a study was conducted of the use of lighter glass bottles than their equivalent standard counterparts, as well as the use of bottles containing a percentage of recycled glass. An analysis of the bottles bought in 2016 showed that:

- bottles of various capacities were acquired for a total of 10,908,752.00;
- the total weight of bottles bought is equal to 5,013,281.13 kg;
- according to the suppliers' certificates, the

amount of recycled material varies between 40% and 65%. Thanks to the care Banfi takes in choosing its suppliers, the percentage of recycled material out of the total number of bottles bought resulted in an energy saving of 13,008,781.41MJ/year equal to 3,613,550.40 kWh/year, which gave rise to a reduction of CO2 emissions equal to 2,341.58 tons/year. Within the analysis of the last three-year period, the graph shows that energy saving and ton/CO2 emissions performance is constant, according to the purchase of the number of bottles and their weight. Analyzing purchases of cardboard for packaging and certifications in our possession attesting the percentage of recycled material used, we find that the cardboard used in packaging for bottles contain more than 80% recycled material on average.

Savings for the use of recycled glass bottles



In light of the above, a breakdown follows:

Reduction of cardboard packaging material [Kg]

	2016	2015	2014
Total materials purchased	415.840	424.130	419.740
Total materials recycled	332.672	339.304	335.792
TOTAL savings of virgin raw materials	83.168	84.826	83.948

These figures clearly reveal Banfi’s sensitivity to environmental sustainability, having achieved major improvements and setting ourselves ever more ambitious goals.

Specifically, actions will be also taken on a sustainability policy concerning the purchase of materials for office use.



An environmentally friendly Castello Banfi

Over the course of the last few years, Banfi has undertaken a range of initiatives to make the Castello di Banfi a low-environmental-impact structure. The projects undertaken are described below.

Electric substation

In 2014, starting from the medium-voltage distribution substation located close to the castle, we installed a medium-voltage line of about 40 meters, which feeds into a new medium/low-voltage transformer substation that serves the castle exclusively. An equipment room was built for the project, adjacent to the Castello, to receive the 150 kW medium-voltage line from the existing distribution substation. Considering the expected savings, on the basis of the annual consumption reported in our power bills for medium-voltage supply, there is a saving of about Euro 7,000, and we can estimate that the investment will pay for itself in about six years. In assuming an average life of 20 years of the plant, we would obtain savings of about Euro 94,000 without considering discounted capital.

Biomass furnace

After a careful analysis, we proceed with a substantial energy performance intervention, replacing the LPG furnace with a solid fuel furnace - in this case, wood pellets are the fuel. The main goal of the initiative was to heat the swimming pool to a temperature of 29-30°C in the

off-peak seasons: April/June and September/October. We evaluated a number of approaches on the basis of the existing plant, which in this case comprises a heat pump with heat recovery in the summer, a heat exchanger and a supplementary furnace. In the light of these factors and considering the environmental context in which the pool activity takes place, it was decided that an energy enhancement project, using renewable resources in the form of the solid fuel, would be the most appropriate approach to ensuring that the energy requirement would be met, with the a total thermal energy of about 204,379 kWh/year, equivalent to 18 TOE, with a reduction of greenhouse gas emissions (CO2 and CO2 eq) and other pollutants (NOx and PM10). Accordingly, we installed a 104 kW pellet-fired furnace. The installation of the pellet furnace achieved the primary objective, containing the increase in consumption, which went 15 TOE before the intervention to 18 TOE afterwards. This containment also generated financial savings in fuel consumption, despite the increase in thermal energy use. Bearing in mind that the project added a thermal load of about 48 kW with the heating of the pool to a constant 29°C in the spring and autumn, consumption of gas and pellets for the entire March to October season showed an overall savings of 16,706 kWh. Finally the intervention was affected by a tax deduction for 65% of costs incurred with the maximum ceiling of Euro 60,000

Weed flaming
This technique is used throughout the area of the Castello, enabling the control and elimination of weeds with the use of fire. From an ecological point of view, weed flaming has a negligible environmental impact, as burning LPG produces only water vapor and carbon dioxide, with a clean flame free of particulates. The costs involved can be determined immediately, since this weed control technique produces no pollution, meaning there are no additional costs following treatment associated with the disposal of any toxic residues.

Suppliers
Quality and sustainability in the world of hospitality are achieved with careful selection of food suppliers, with a special focus on sourcing high-quality local products from the area of Siena and Grosseto.

The tables below report the rising trend over the last three years:

Value of local provision of total supplies

	2016	2015	2014
Grosseto	315.067	298.681	222.159
Siena	563.484	472.376	407.642
TOTAL	878.551	771.057	629.801

Percentage of local provision of total supplies

	2016	2015	2014
Grosseto	17,90%	18,55%	16,00%
Siena	32,01%	29,34%	29,36%
TOTAL	49,91%	47,89%	45,36%



8

Defending quality

Certifications

Brand protection consortiums

Innovation and tradition

Lightweight bottles

Banfi's philosophy is a dynamic process of continuous improvement which looks to the future and profits from past experience, studying the finished product and the way it has been made, considering all the phases of the production chain and all the direct and indirect economic, environmental, ethical and social aspects, with the concept of total quality as the basic principle. At the beginning of the 2000s , Banfi decided to start adopting management tools which characterized and determined its strong corporate approach to sustainability, obtaining two certifications for its management systems, ISO 9001 and ISO 14001, with which it makes progress in the fields of quality and the environment at all levels. The systems take in all the company's processes and ensure that they meet high quality standards and that Banfi's vision is one of continuous improvement by means of R&D projects regarding crop and production quality and efficiency.

Certifications

Banfi has begun a process for the adoption of management tools that have driven our focus on sustainability. We have obtained two certifications of our management systems that enable us to pursue our Quality and Environmental objectives, covering all company processes. This enables us to maintain our high quality levels and maintain a focus on continuous improvement.

In December 2005, we implemented the SA 8000 social accountability system. Banfi is one of the few hundred companies in the world that have obtained certification under this standard, and we are the first in the industry, guaranteeing our entire production process, from the vineyard to the cellar.



In 2003, the European Commission presented a number of measures to increase the effectiveness and coordination of controls over the security of the international trade system, establishing a number of Authorized Economic Operator (AEO) certifications. Banfi holds the AEOS (Security) certificate, enabling us to benefit from facilitated treatment in custom security inspections at the import and export

stage, and the AEOF (Full) certificate, which complements security benefits with the simplification of customs rules.

Banfi also holds certifications under the IFS and BRC standards, which are international schemes to harmonize the various standards adopted by large-scale retailers in Europe. Both provide for certification audits to be conducted by third-party entities.



Brand protection consortiums

The company is a member of a number of brand protection consortiums, of which the Consorzio del Brunello is the most important in view of its close links with our flagship product. In the last three years, the company has not had any representatives elected to the consortium’s governing bodies but has been an active participant in its activities, including annual meetings and voting sessions.



Banfi Società Agricola S.r.l.

Designations	Wines	
<div>DOC, Denominazione d’Origine Controllata</div> <div>A mark used in the wine industry certifying a zone of origin, delimited by the area in which the grapes used to produce the product are harvested. During production, before being sold, these wines must undergo a preliminary chemical-physical analysis and an organoleptic assessment that certifies compliance with the requirements set out in the production rules for that wine.</div>	Moscadello Montalcino vend. Tardiva	The wine must have been obtained from grapes grown in the vines in the Moscato Bianco area of the Banfi property. Up to 15% of grapes from white grape vines suitable for cultivation in Tuscany may also be used in the production of this wine. It can be produced in the types of “Tranquillo”, “Frizzante” and “Vendemmia Tardiva”. The area of production of these grapes is the entire administrative district of the Municipality of Montalcino in the Province of Siena.
	Rosso di Montalcino	The wine must have been obtained from grapes grown in the vines in the Sangiovese area of the Banfi property. The area of production of these grapes is the entire administrative district of the Municipality of Montalcino in the Province of Siena. Not more than 9 tons of grapes per hectare of specially cultivated vineyard may be used for wine production, equal to 63.00 hectoliters of wine. Grapes for wine making must give the wine a minimum natural alcohol content of 11.5%. The wine may not be put on sale before 1 September of the year after that in which the grapes were grown.
	Sant’Antimo	This name is restricted to wine obtained from red and white grape vines “recommended” and/or “authorized” for the Province of Siena. The area of production of these grapes is, in the Province of Siena, Sant’Antimo, which forms part of the administrative district of the Municipality of Montalcino.
	Bolgheri	The wine must have been obtained from grapes grown in the vines (Cabernet Sauvignon, Merlot, Sangiovese, Cabernet Franc, Syrah, Petit Verdot, Vermentino, etc.) in the area of the Banfi property in the municipal district of Castagneto Carducci in the province of Livorno. Wine making, fining, bottling and ageing must take place within the administrative district of the Municipality of Castagneto Carducci.

Designations	Wines	
<div>DOCG, Denominazione di Origine Controllata e Garantita</div> <div><i>A mark informing consumers of the geographical origin of a wine. The name of a DOCG is mandatorily indicated on the label and consists either of the geographical name of a wine-producing zone or a combination of the historic name of the producer of a project and the associated production zone.</i></div>	Brunello di Montalcino	The wine must have been obtained from grapes grown in the vines (Cabernet Sauvignon, Merlot, Sangiovese, Cabernet Franc, Syrah, Petit Verdot, Vermentino, etc.) in the area of the Banfi property in the municipal district of Castagneto Carducci in the province of Livorno. Wine making, fining, bottling and ageing must take place within the administrative district of the Municipality of Castagneto Carducci.
	Chianti Classico	At least 80% of the wine is produced with Sangiovese grapes (which is also used 100%). Other vines may contribute to the Chianti Classico blend, but only those producing red grapes, with priority to local vines, such as Canaiolo Nero and Colorino, but also to the major international vines, such as Merlot and Cabernet Sauvignon. The production area extends astride the Provinces of Siena and Florence , with more than 7,200 hectares of vineyards.
	Chianti	In addition to Sangiovese that is the basic vine of the Designation (at least 70%), production may also contributed to by other vines, such as Canaiolo, Colorino, Malvasia Toscana, Trebbiano, Cabernet, Merlot, etc.. The production area also includes the provinces of Arezzo, Florence, Pistoia, Pisa, Prato and Siena.
<div>IGT, Indicazione Geografica Tipica</div> <div><i>The IGT mark is reserved for wines that are produced in the specified geographical area and for which 85% of the grapes used in production come solely from that geographical area, with an indication of the organoleptic characteristics of the wine.</i></div>	IGT Toscana	The wine must have been obtained from grapes grown in the vines in the area of the Banfi property, including one or more vines fit for cultivation in the Tuscany region.

Designations	Wines	
<div>DOC, Denominazione d’Origine Controllata</div> <div><i>A mark used in the wine industry certifying a zone of origin, delimited by the area in which the grapes used to produce the product are harvested. During production, before being sold, these wines must undergo a preliminary chemical-physical analysis and an organoleptic assessment that certifies compliance with the requirements set out in the production rules for that wine.</i></div>	Dolcetto d’Aqui DOC	The wine must have been obtained from grapes grown in the vines including the Dolcetto vine at 100%. The area of production of these grapes is the entire administrative district of the Municipalities of: Acqui Terme, Alice Bel Colle, Ricaldone, Cassine, Strevi, Rivalta Bormida, Castelnuovo Bormida, Sezzadio, Terzo, Bistagno, Ponti, Castelletto d’Erro, Denice, Montechiaro, Spigno Monferrato, Cartosio, Ponzone, Morbello, Grognardo, Cavatore, Melasso, Visone, Orsara Bormida.
	Piemonte Albarossa DOC	This label is restricted to wines from vines 85% of which at least are from Albarossa; the remainder may come from vines with non-aromatic grapes of a similar color suitable for cultivation in Piedmont. The area of production includes some municipalities in the provinces of Alessandria, Asti and Cuneo.
<div>IGT, Indicazione Geografica Tipica</div> <div><i>The IGT mark is reserved for wines that are produced in the specified geographical area and for which 85% of the grapes used in production come solely from that geographical area, with an indication of the organoleptic characteristics of the wine.</i></div>	IGT Toscana	The wine must have been obtained from grapes grown, in the area of the Banfi property, in one or more vines fit for cultivation in the Tuscany region.

Designations	Wines	
<div>DOCG, Denominazione di Origine Controllata e Garantita</div> <div>A mark informing consumers of the geographical origin of a wine. The name of a DOCG is mandatorily indicated on the label and consists either of the geographical name of a wine-producing zone or a combination of the historic name of the producer of a project and the associated production zone.</div>	Gavi DOCG	This is reserved for wines obtained from grapes grown in the vines, in the area of the Banfi property, consisting of the Cortese vine only. The area of production includes some municipalities in the province of Alessandria.
	ASTI Spumante DOCG	The wine must have been obtained from grapes grown in the vines in the Moscato bianco area. The area of production includes some municipalities in the provinces of Alessandria, Asti and Cuneo.
	Moscato d’Asti DOCG	The Asti label, which has to be preceded by “Moscato” (“Moscato d’Asti”), is only for still white wine. The wine must have been obtained from grapes grown in the vines in the Moscato Bianco area only. The area of production includes some municipalities in the provinces of Alessandria, Asti and Cuneo.
	Brachetto d’Asti DOCG	These wines must be obtained from at least 97% of Brachetto vines, the remaining 3% being from vines suitable for cultivation in Piedmont. The area of production includes some municipalities in the provinces of Asti and Alessandria.
	Alta Langa DOCG	This label is for sparkling wines exclusively obtained by refermentation in the bottle from grapes grown on 90% to 100% Pinot Noir and/or Chardonnay vines. Up to 10% may consist of grapes from non-aromatic vines whose cultivation is permitted in Piedmont. The wine is produced on hilly plots particularly suitable for viticulture in some municipalities in the Provinces of Cuneo, Asti and Alessandria.

Innovation and tradition

The product/process innovation that so often in the wine industry merges and blends into a single concept represents the foundation of the development and sustainability of the company. Less environmentally invasive agronomic practices, age-old techniques adapted and made feasible by organized production processes are the keys to competition and a link with the history of our product and our land, whose value is inextricably tied to the finished bottle. The opportunity for experimenting and developing new enological techniques, refining existing approaches and investing in understanding our vineyards and our product, continuously improving its quality, are the primary objective of research and development. One major element is seeking to strengthen bonds with local suppliers in the cultivation of grapes and the production of bulk wines. The dissemination of good practices in production of the industry and the constant collaboration among producers in an important community relationship and reviving the objective of achieving expanded sustainability are important features of our business.



Work with internal and external experts and broader cooperation with the academic world and with support agencies, public entities and consortiums reflect the need to dedicate an increasing amount of time and resources to innovation, both to “generate” new products and to improve production processes so as to soften their impact on the planet’s resources. Saving water, reducing chemical applications in the vineyard, reviving ancient wine-making techniques often discarded because of high costs, are the main projects in which Banfi is involved. Publications such as “La Ricerca dell’Eccellenza” are the outcome of about 40 years of study and research, the zonal organization of company land and the analysis of historic vintages.

The table below reports the value of R&D investments that are certified for the purposes of the acknowledgment of tax credit.

Investment in R&D [€]

	2016	2015	2014
Banfi Società Agricola Srl	737.080	728.516	658.381
Banfi Srl	209.070	196.327	137.579



Each year, following tradition, the cycle of preparing the terrain for wine production is repeated. For Banfi, respect for these centuries-old methods for cultivating grapes is a necessary part of producing a premium product. In order to meet growing demand and compete on a broad scale, however, innovative distribution and production techniques are necessary. For this reason, we have launched a series of collaborative efforts with public and private entities to innovate while respecting that tradition.

Lightweight bottles

A detailed study was conducted into the use of glass bottles lighter than standard bottles while having the same capacity. Great care was taken to buy bottles made from recycled glass. Between 2008 and 2009 Banfi, together with a number of glassmaking partners, carried out an interesting study of the use and consequent cost savings of lightweight bottles. Applied to one million bottles, these data reveal how every small step towards the use of lighter bottles has a positive and perfectly calculable impact on the health of the planet and its inhabitants. The use of a 400-gram Bordeaux bottle rather than the heavier 570-gram bottle has considerable environmental benefits.

The glassmakers estimate an energy consumption per kilogram of glass produced of between 12 and 15 MJ (megajoules), with the precise amount depending mainly on the percentage of recycled glass used. Adding energy costs for transportation and disposal, we obtain an average total energy consumption of 15 MJ per kilogram of glass produced, equivalent to the emission of approximately 2.7 kg of CO2.

With the lighter bottle, the energy savings are considerable: we estimate a savings of 2.55 MJ, which corresponds to a reduction of 459 grams of CO2 for each bottle produced. Each lighter bottle also saves about 200 grams of virgin raw materials, together with a reduction in atmospheric emissions of nitrogen oxides and sulfur dioxide, which are responsible for acid rain and global warming potential (i.e. the greenhouse effect). Banfi has gone from studies to facts, and now uses lighter weight bottles for almost its entire production (with the exception of the bottles for long-aging wines), with a weight reduction of about 30% compared with the bottles used previously, thus demonstrating our greater attention to the environment.

- 459g
of CO₂ per bottle

- 200g
of raw materials
per bottle





9

The sense of belonging within the company

Employees

Suppliers

Financial institutions

Sales agents

The sense of belonging within a company is one of the key variables in tracing a path of development and territorial expressiveness through the reciprocal influence between suppliers/human resources, as well as in continuing to safeguard and sustain that identity over time. Through the contribution from the human resources and collaboration with the local economy, we act decisively to expand monetary wealth and, above all, the development and refinement of technical and manufacturing knowledge.

The sense of belonging within a company is of particular interest to Banfi's management, which awards bonuses of Euro 2,583.00 to employees with 20 years of seniority at the company.

Banfi Società Agricola S.r.l. has a substantial number of employees with over 20 years of service (80 in 2014, 85 in 2015 and 79 in 2016). Bearing in mind that a considerable proportion of employees is represented by fixed-term blue-collar workers, the sense of belonging within the company stands out even more. The young age of Banfi S.r.l., which was formed in 2003 from the transfer of a branch of Banfi Società Agricola S.r.l. and the merger with Vigne Regali S.r.l. and Conte Placido S.r.l. in 2013, means a relatively smaller but increasing number of staff members (27 in 2014, 28 in 2015 and 30 in 2016). In this case, the employees who have more than 20 years of seniority most come from Vigne Regali and Banfi Società Agricola S.r.l..

The same holds for the number of employees with more than 30 years of service. Nevertheless, it is notable that for Banfi Società Agricola S.r.l. the number of employees with more than 30 years of service sharply declines (33 in 2014, 35 in 2015 and in 2016) compared to those with more than 20 years, while it declines to a lesser extent at Banfi S.r.l. (16 in 2014 and in 2015 and 13 in 2016). The main cause lies in the fact that even Banfi Società Agricola Srl is relatively young, having been formed in 1978. In order to ensure an appropriate level of expertise, the company had hired more experienced,

older staff, which in the 1990s was followed by generational turnover at the company. Since some employees have passed from one company to another as a result of a business reorganization, an analysis of seniority in the Banfi Group (considering Banfi Società Agricola S.r.l. and Banfi S.r.l. indistinctly) as a whole is worth conducting. The starting point for the calculation is the date on which employees first joined the Group.

In the three-year period, the average number of employees who have served for over 20 years was 120 with an average percentage of about

32% over total workforce. Obviously this figure changes if the period of seniority is of over 30 years, but the result is very encouraging in this case too (14% on average in the three-year period) indicating the employees' sense of belonging to the company and their loyalty to it, and also, at the same time, the importance the company attaches to treating its human resources in such a way as to retain their services.

At the moment it is not possible to calculate the number of persons who are entitled to parental leave but the number of employees who have exercised this right in the last three years can be determined. 2016 was a significant year for Banfi Società Agricola S.r.l. (8 employees for 7,671 hours), while for Banfi S.r.l. the most significant year was 2014 with 6 employees for 4,433 hours. All these employees returned to work after their leave, except for only one case for Banfi Società Agricola in 2016.

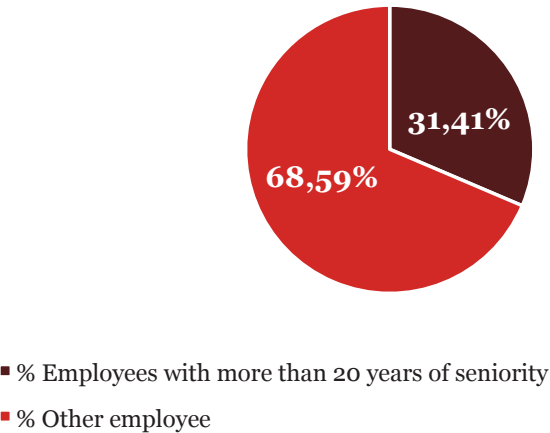
Number of employees who have benefited from parental leave, by gender

Employees	Banfi Società Agricola Srl			Banfi Srl		
	2016	2015	2014	2016	2015	2014
Females	6	2	4	3	3	6
Males	2	1	1	1	0	0
TOTAL	8	3	5	4	3	6

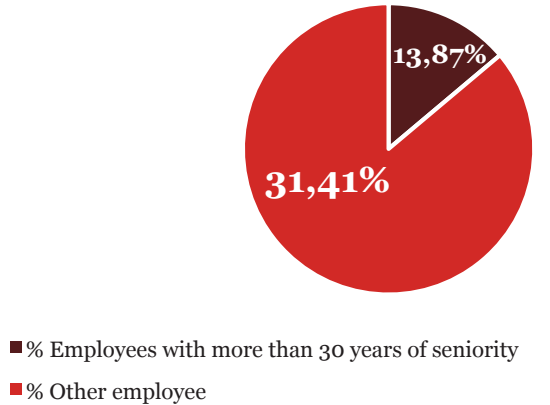
Seniority

Number employees with more than 20 years of seniority			Number employees with more than 30 years of seniority		
2016	2015	2014	2016	2015	2014
120	123	116	53	55	53

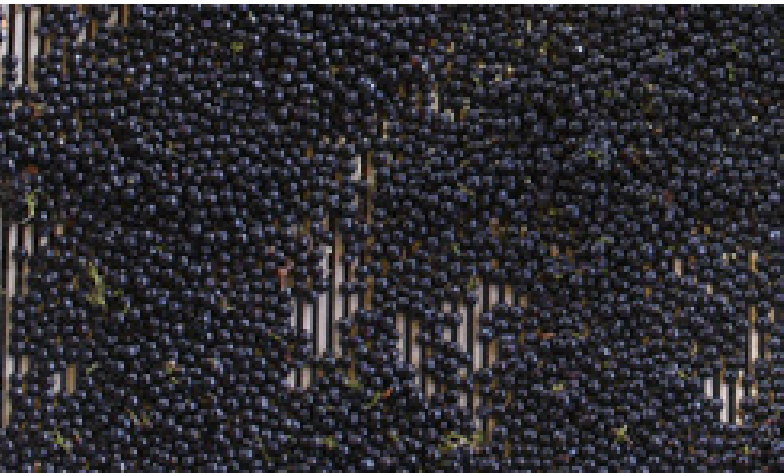
Employees with more than 20 years of seniority in 2016
Banfi Group



Employees with more than 30 years of seniority in 2016
Banfi Group



The company, despite the high degree of internationalization of our market and, where possible, works in selecting and involving vendors from the surrounding area. In this regard it should be noted that almost all the raw materials, semi-finished products and food products used for hospitality activities come from the local area. Furthermore, there are many collaboration projects developed for administrative services, both for the peculiar nature of the sector and for a better quality due to the knowledge of the local area itself. Of fundamental importance is the strengthening of relations established with the local suppliers of bulky wine and/or grapes. The collaboration between the businesses in the same area is fundamental as an aggregation point, but, above all, for the relaunch of increased sustainability projects.



% of local suppliers out of total

Banfi Società Agricola Srl			Banfi Srl		
2016	2015	2014	2016	2015	2014
36,90%	37,00%	38,58%	25,41%	25,60%	24,82%

Local suppliers are those operating in the provinces of Siena and Grosseto for Banfi Società Agricola S.r.l. and also include those in the province of Alessandria for Banfi S.r.l.

% of annual budget spent on purchases from local suppliers

Banfi Società Agricola Srl			Banfi Srl		
2016	2015	2014	2016	2015	2014
43,65%	42,73%	41,05%	58,87%	61,24%	71,36%

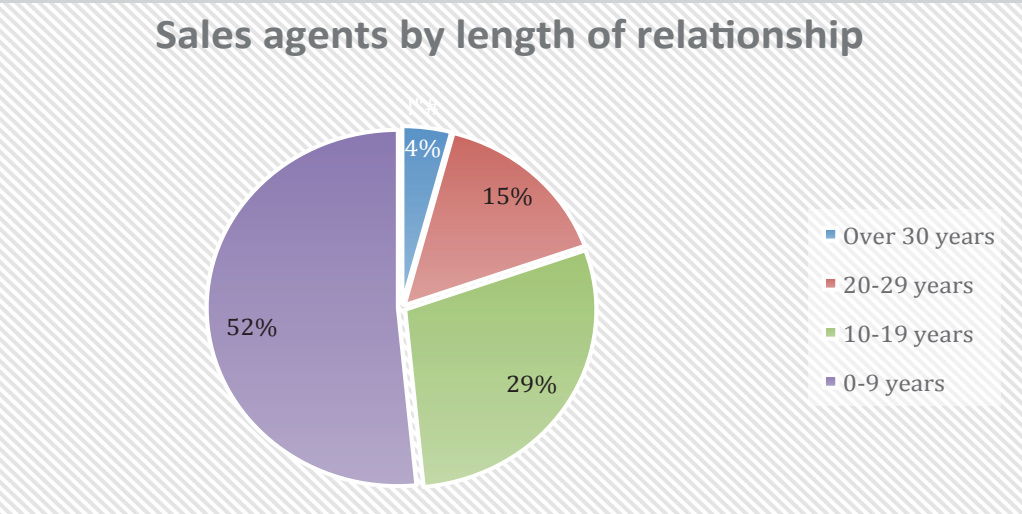
Banfi Società Agricola S.r.l. shows a slightly rising trend, with considerable procurement of goods and services from local suppliers in absolute terms. By contrast, Banfi S.r.l. has registered a slight decline although the percentage figures remain quite high. The high variability of purchases of raw materials/bulk wine makes the indicator very variable.

With regard to cultivating long-term relations with banks and other financial institutions, the company has long sought to forge relationships with local institutions (by local we mean those in the areas in which we have headquarters, and therefore Montalcino and, previously, Strevi/Acqui Terme as well) with 57% out of a total of 9 financial groups in 2014, rising to 62.5% following the arrival of another competitor in the local market in 2015 and being confirmed in 2016. Our strong production relationship accompanied by our financial partners, albeit in a globalized world, is considered an additional asset in the creation of well-being and the development of services for the entire population.

With 97 contracts in place and an average of 11.15 years of seniority in 2016, a distribution by length of relationship as shown in the following figure, it is clear that the ties with our sales force are a source of pride for the company in a sector in which turnover is normally very high. Much of the commercial success we have achieved is due to the quality and integration, and for this reason Banfi has established a Board of Wisemen. The Board of Wisemen is composed of agents who have worked for Banfi for 20 years and who have stood out for their relationship and commitment to our values and have spread the company message in the market. Some young talents also belong to the Committee: these are agents with less than 20 years' service but who have showed that their bond with the company during the period they have worked for it is strong and stable.



Sales agents by length of relationship





The Mariani family
and its origins

The corporate structure

A family business

10

75

The Mariani family and its origins

Banfi was founded in 1978 thanks to the will of the Italian-American brothers, John and Harry Mariani. From the beginning, the goal of the two brothers was to create a state-of-the-art winery combined with the most advanced science in the vineyards for the production of premium wines.

Together with the Mariani family, Ezio Rivella, one of Italy's foremost enologists, who understood that due to the richness of the soils and the privileged microclimatic position, the property would have great capacity of development.

In those years, the brothers, John and Harry, also purchased Bruzzone, a historic winery in Piedmont. Founded in 1860 and specialized in the production of sparkling wines, today is known as Banfi Piemonte.

The Mariani family and its origins

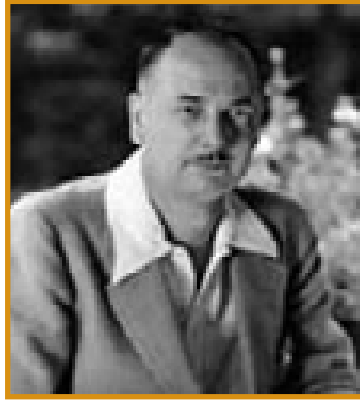
Banfi has always sought to exploit its strength as a family business. All the objectives, and first of all those relating to short-term economic or financial parameters, have enabled a slow but steady growth, also due to a continuous reinvestment of profits in the business.

As it can be inferred from the table reported below, both companies, Banfi Società Agricola S.r.l. and Banfi S.r.l., in various percentages, are the property of Banfi Holding Co., Villadco and Banfi Products Co., the full ownership of which is to be attributed to the Mariani family.

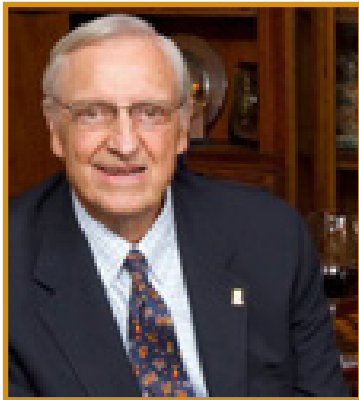
Thanks to the extensive delegation of powers granted to the directors of the Banfi Italia group, with no guidelines ever being issued at the “group” level, the company has always operated fully independently of its related/affiliated parties.



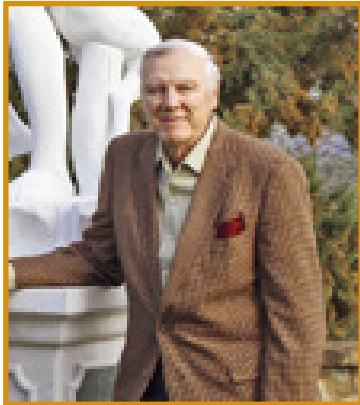
Teodolinda Banfi



Giovanni F. Mariani Sr.



Harry Mariani



John Mariani Jr.



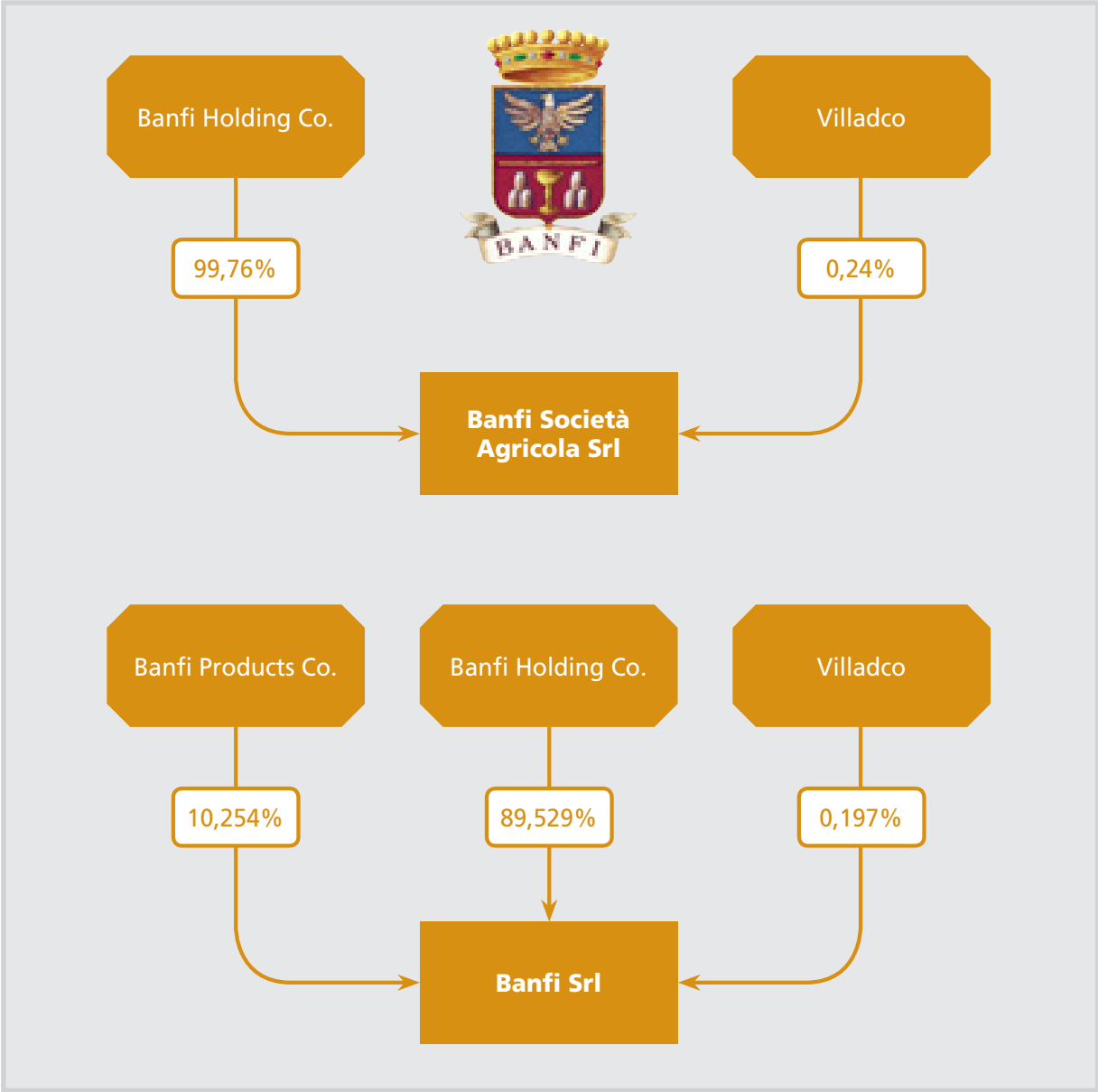
James Mariani



Cristina Mariani-May

The corporate structure

The company has granted delegated power s to its executives so as to adopt increasingly detailed management and control systems. All profits earned to date have been reinvested in the company, thus demonstrating that the Mariani family is interested in focusing on company value and growth at a local level in the area in which it operates.



The Board of Directors of Banfi Società Agricola S.r.l.

Remo Grassi	Chairman
Enrico Viglierchio	Vice Chairman
Cristina Mariani-May	Director
James William Mariani	Director
Philip Calderone	Director
John F. Mariani	Honorary Chairman

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A family business

Understanding Banfi’s creation and distribution of value is complex, due to both the presence of two companies and the absence of consolidated accounts which are not required under applicable regulations as a result of the lack of equity investments between the companies that fully eliminate the financial effect of transactions between them.

Any examination of the following table should therefore be conducted with a certain amount of care. It still offers sufficient information to enable initial conclusions about performance and trend developments. Economic value generated is stable/rising, and although there is a decline for Banfi S.r.l., it is attributable to the fact that Banfi Società Agricola S.r.l. began direct sales on the US market in 2015, diverting sales from Banfi S.r.l.. Thus Banfi Società Agricola S.r.l replaced Banfi S.r.l. as a customer with its US distributor.

Operating costs for Banfi Società Agricola S.r.l. included changes in the purchases that depend on the procurement of raw materials (bulky wine, packaging materials, etc.) according to production requirements. Banfi’s vineyards are growing in extent and so the future trend should be one of continuous reduction.

For Banfi S.r.l. the decline mainly reflects the absence of purchases of product from Banfi Società Agricola S.r.l. for redistribution with respect to the US market.

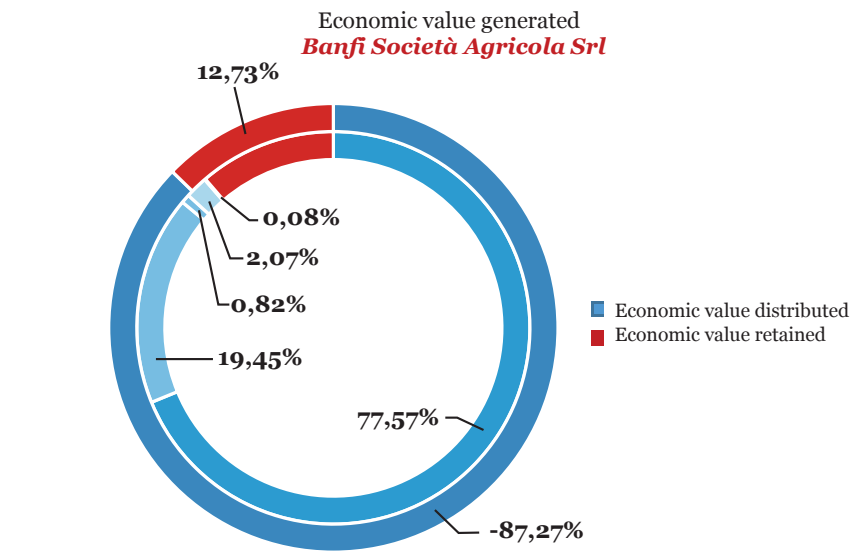
By contrast, both companies registered an increase in personnel remuneration costs.

For Banfi S.r.l. the increase was mainly due to the transfer of human resources from Banfi Società Agricola S.r.l., while for Banfi Società Agricola S.r.l. it was a direct consequence of the increase in land under cultivation. The remuneration of capital providers fell sharply, with the increase posted by Banfi Società Agricola in 2015 primarily reflecting new loans obtained to purchase vineyards, which were also repeated during 2016.

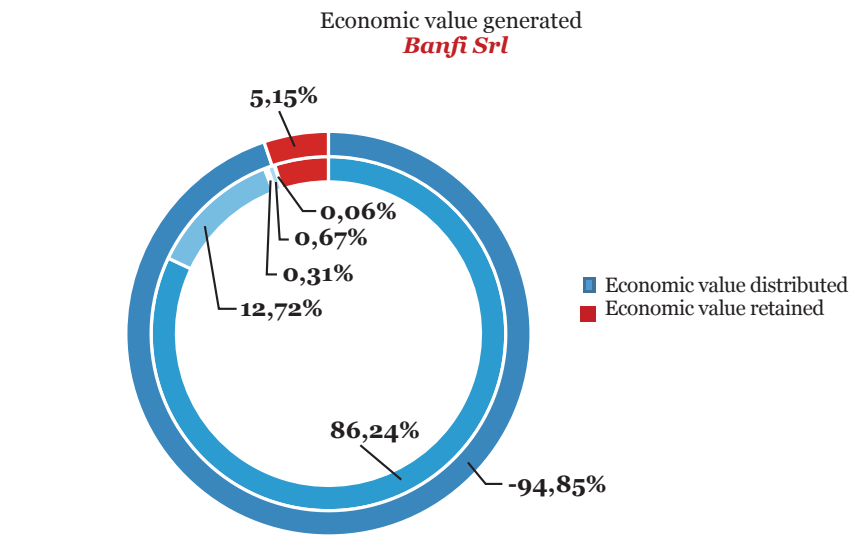
The two largest components of remuneration of government are, on the one hand, taxes, which rose as a result of the termination of a number of past deductions for Banfi Società Agricola S.r.l., while for Banfi S.r.l. showed a reduction in 2016 due to the instalment payment of capital gains, and on the other hand, public/European grants, which normally regard agricultural activities and promotional activities abroad, which showed a reduction in 2016. Investment in the community was stable. The item only includes donations by the company to support private initiatives and/or non-profit organizations, excluding sponsorships. In 2016 economic value retained showed an increase and was fully reinvested in the business as self-financing, given the absence of distributions of dividends paid to owners. The results for each company are not significant given the business reorganization of operations between the two companies.

The creation and distribution of value

Values [€]	Banfi Società Agricola Srl			Banfi Srl		
	2016	2015	2014	2016	2015	2014
Economic value generated	40.819.583	39.699.401	41.510.111	56.502.222	65.033.489	71.020.731
Operating costs	-27.632.205	-31.555.896	-29.385.366	-46.218.212	-53.099.632	-63.313.501
Remuneration of personnel	-6.929.617	-7.039.572	-6.959.220	-6.819.296	-6.212.849	-5.917.633
Remuneration of capital providers	-292.334	-238.821	-163.411	-165.944	-167.817	-481.416
Remuneration of government	-738.738	-258.719	799.520	-358.857	-772.346	-962.024
Investment in the community	-30.117	-20.625	-20.253	-30.053	-9.218	-14.404
Economic value distributed	-35.623.011	-39.113.632	-35.728.731	-53.592.362	-60.261.862	-70.688.978
Economic value retained	5.196.572	585.768	5.781.380	2.909.860	4.771.628	331.753



- Operating costs
- Remuneration of capital providers
- Investment in the community
- Remuneration of personnel
- Remuneration of government



- Operating costs
- Remuneration of capital providers
- Investment in the community
- Remuneration of personnel
- Remuneration of government

Number of countries to which the
Banfi's products are exported

Banfi Società Agricola Srl

2016	2015	2014
5	3	4

Banfi Srl

2016	2015	2014
82	85	82

Some indicators showed an improvement, showing slight differences on the data reported in number zero Sustainability Report. Furthermore, as regards the financial operations of Banfi Società Agricola S.r.l., note a difference on the value retained in 2015, which depends on the review of the accounting principles under Italian laws and regulations.

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