



Social Responsibility Report 2013

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Message from the Chairman

The PRADA Group has built its history by drawing inspiration from beauty, which is translated into products universally recognized as unique in style and excellent for their quality. We have always tended to take inspiration from the regions where we were born and where we operate, therefore it's a natural attitude for us to respect and safeguard the environment.

For this reason our history has always had a strong emotional and tangible connection with our stakeholders: the customers with a passion for our products, the employees who ensure our success with their daily contribution to excellence, the communities and territories where we live which are a constant source of inspiration and enrichment, the financial community which is a partner and a spur to continuous improvement. Listening to and developing the various demands of our stakeholders represent an essential guideline for our progress.

A luxury product, along with its quality, must incorporate intangible elements such as creativity and innovation, culture expressed in the form of style. At the same time it must incorporate social and environmental values, as harmony with the environment and society is a fundamental element of *excellence*.

The PRADA Group, positioned at the top of the luxury industry, operates in more than 70 countries and our brands are a source of inspiration for millions of people worldwide. This means that we have the responsibility to pursue ethical business management and promote a behavior which contributes to the sustainable development of the world we live in.

We strive to be an example to our partners, not only for the outstanding quality we require, but also for the ethical and environmental standards we set across the value chain, thus creating the conditions for their diffusion within the industry.

This report is our first on social responsibility, which has always been part of our core values, endorsed by the Board of Directors and translated into actions and concrete results thanks to the daily contribution of all employees. It is the start of a process which will lead the company to give increasing importance and visibility to such initiatives, highlighting the results achieved year by year and setting new objectives for the future.

Chairman of the Board of Directors

Carlo Mazzi

1- The PRADA Group at a glance

We strive for continuous improvement in what we do in order to create value for our stakeholders. We do this by combining economic results with employee and client satisfaction, as well as respect for ethical and environmental values. We consider this approach to be essential to guarantee the competitiveness of our Group in the long term.

1.1 Our ethical values

We consider respect for ethical principles to be a fundamental pillar of our Company and at the basis of the success of the enterprise. This respect is fundamental to our Group image and values.

Our values are:

- compliance with the legislative and regulatory provisions in all countries in which the PRADA Group operates;
- legitimacy, loyalty, correctness and transparency;
- confidentiality;
- respect for the value of the person and human resources;
- respect for competition, as a crucial instrument in the development of the economic system;
- respect for the environment and raising awareness regarding environmental protection.

Since 2007 these principles have been formalized in the PRADA Group's Code of Ethics (as attached under Appendix). The Code sets the guiding principles of our organization, is one of the main pillars of the Group's Governance model and is also supported by a set of procedures in order to turn these values into daily actions.

The Code is shared by all employees and parties who support us in developing, manufacturing, promoting, distributing and selling our products. We promote its awareness through various means such as online publications, direct communications and as part of the supply contract with most of our partners. Finally, we verify its implementation through an extended auditing program.

The adoption and application of the Code of Ethics to our activity is essential for the achievement of our primary objective, consisting in the creation of value for our shareholders, employees, customers and for the community as a whole.

1.2 2013 Key Figures

Brand portfolio:

Prada, Miu Miu, Church's, Car Shoe

Net revenues:

€3,587 million

People:

11,518 employees (3,700 people hired in 2013)

40 different nationalities

~90% of the workforce are permanent employees

62% of the workforce are women

35.5 years is the average age of Group employees

International footprint:

Presence in over 70 countries

Direct workforce in 40 Countries

540 directly operated stores

12 production sites (11 in Italy and 1 in the UK)

Environment:

~70% of waste produced in the manufacturing sites and headquarters is recycled or reused.

68% of product packaging is FSC certified or made from recycled materials

Suppliers:

1,146 audits on external manufacturers during the year

Community:

€11.4 Million invested in the Community

2- The Value of Human Resources

We are a people business. Innovation and top quality stem from individuals' passion and artisanal know-how; at the same time exclusive customer relationships derive from the trust we build with clients. We look for people that can combine these exceptional qualities with the values of our Group.

Human relations are a key factor across the whole PRADA Group and among all employees, regardless of their job position and responsibilities. This is expressed through team management and internal relations, and helps the whole organization to effectively achieve expected results.

That is why we search for individuals who have a clear and visible social intelligence, being able to always interpret the environment where they operate in the correct way and to use empathy to create a meaningful and effective communication channel with everyone.

Working with people means being capable of improving everyone's performance and bringing each individual's potential to full expression. This represents the first step of the Company towards excellence.

Information is nothing if not well transmitted. As a matter of fact, policies and procedures are effective only if all employees make them concrete and real through their daily conduct.

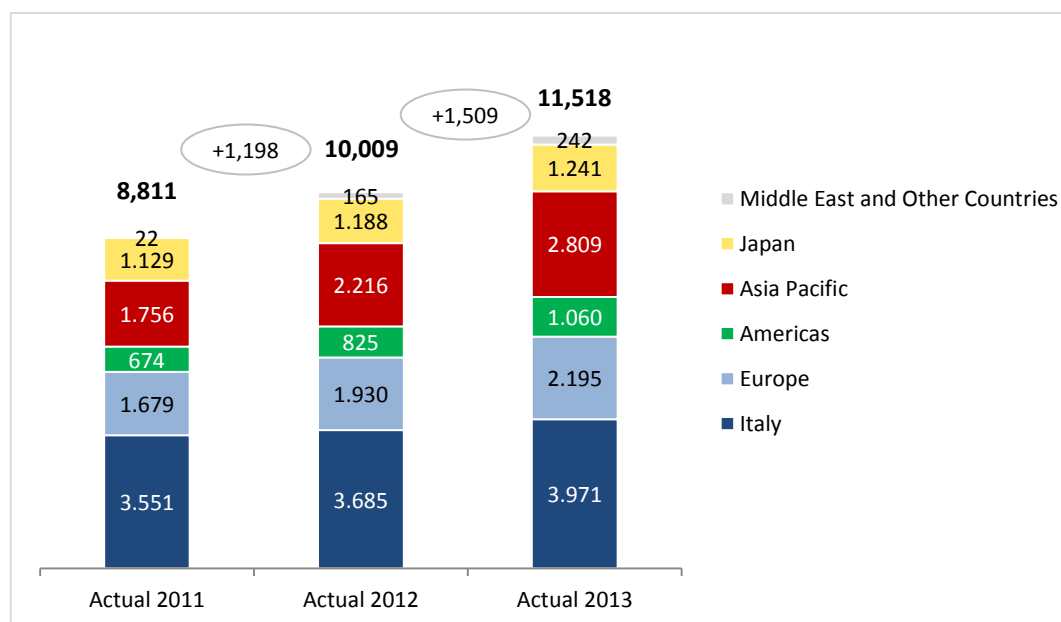
2.1 The PRADA Group profile

We operate through PRADA Spa, the operating holding Company, and its subsidiaries with a direct presence in 40 countries worldwide, 12 in-house production facilities, of which 11 are located in Italy and 1 in the United Kingdom, and a network of 540 directly operated stores. The Group headquarters are located in Milan.

As at January 31, 2013, the PRADA Group employed 11,518 people, +15.1% compared to 2012, 34.5% of which work in Italy, while 65.5% are based in the rest of the world. In Italy, most employees (62% of the total) work in the industrial area. Conversely, in foreign countries our people mainly work in Sales and Retail activities (87% of the total).

The distribution of the workforce in the various geographic regions outside Italy showed a strong prevalence of Asia Pacific, followed by Europe. In the track record period¹ we have entered South America and the Middle East through directly operated stores, with an increasing number of employees in those areas.

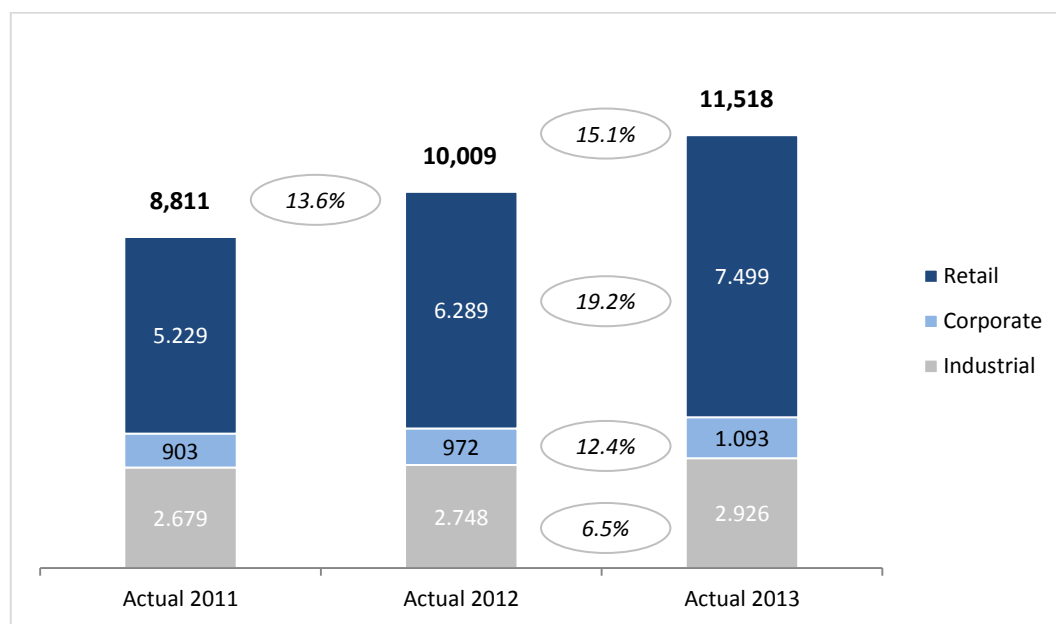
Employees by region



¹ Track record period: Fiscal Years 2011, 2012, 2013

In 2013 there was an increase of 1,210 employees in the retail division of the Group, as a result of 79 net store openings during the year.

Employees by division



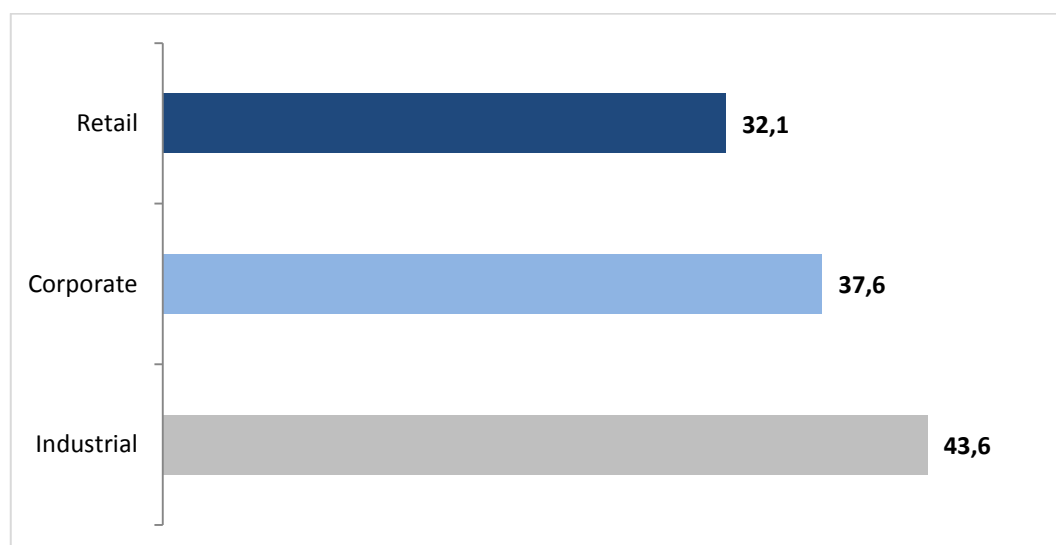
In 2013, the PRADA Group incurred in employee remuneration costs of approximately €584 million, representing 16.3% of its turnover for the period.

Age structure

We invest in young people through training and professional development, consistent with their attitudes and aspirations. Our Group appreciates and gives credit to committed individuals who take responsibility and take on board others' opinions, thereby contributing to the PRADA Group's success.

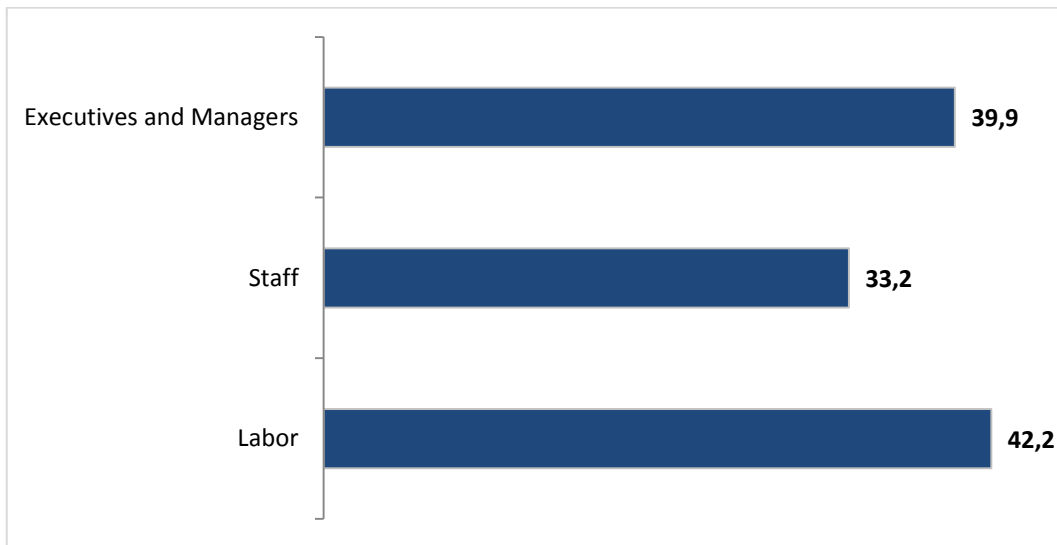
In 2013 the average age of our employees was 35.5. Retail is the sector with the youngest employees (32.1 years of age), while the Industrial division has a higher average age (43.6 years), benefit from a decades-long experience in the craftsmanship and manufacturing skills.

Average age by division



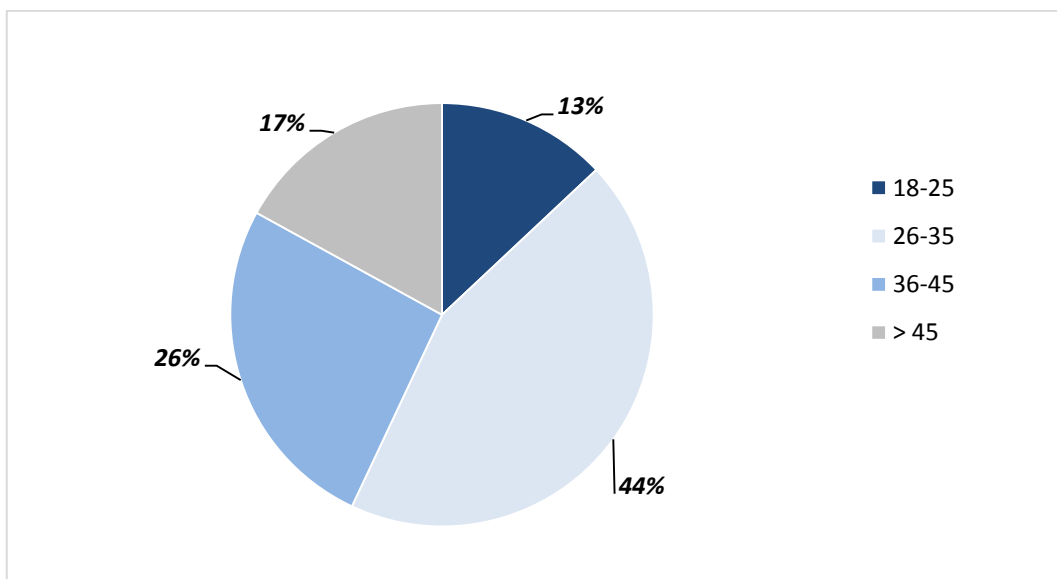
“Labor” are on average older (42.2 years), while “Staff” employees are younger (33.2 years).

Average age by employment status



By age group, 44% of the Company’s employees are 26-35 years of age, while 26% are 36-45 years of age.

Workforce by age group



Importance of diversity and equal opportunities

Our strong presence worldwide reflects a multitude of different cultures, skills, nationalities and religions. 40 different nationalities work for our Group.

We believe strongly in the importance of diversity within our workforce as a source of cultural richness, well-being, creativity, lateral thinking, progress and affinity with our customer base, which is also extremely diverse.

In order to meet and attract talents, we work with the most prestigious universities and entities worldwide to offer post-graduate programs. Particular focus is on marketing/retail and internships for new graduates, enabling them to gain experience and be appreciated with a subsequent enhancement of the employment relationship.

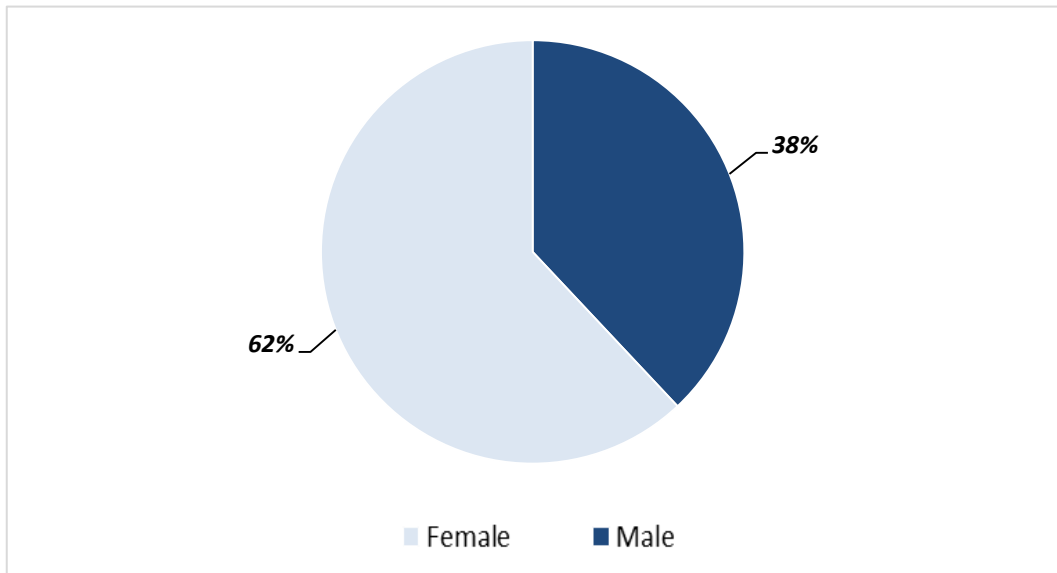
The selection process is defined by clear internal procedures and guarantees equal opportunity of admittance to candidates. It involves different assessment procedures depending on candidates’ abilities, attitudes and experience.

New graduates, newly qualified applicants and those with less than three years' experience take part in selection assessments conducted via individual and collective tests, while senior candidates undergo an individual selection process.

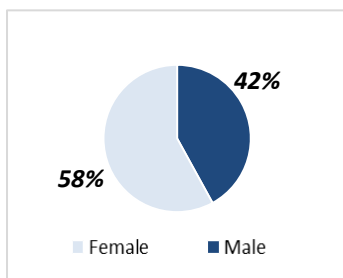
We have a strong prevalence of women in all professional areas. As a whole, 62% of the workforce is made up of women. This is even higher in Retail (65%).

Workforce by gender and function

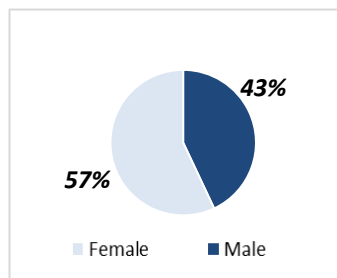
PRADA Group



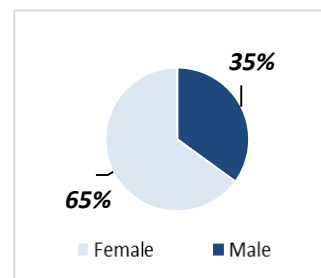
Industrial



Corporate

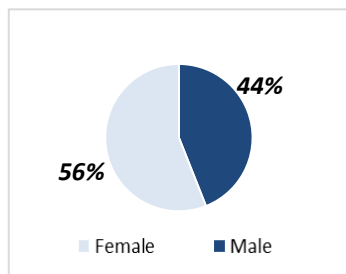


Retail

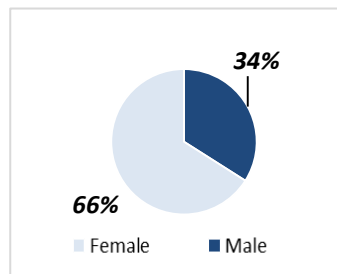


This gender split is also confirmed by the analysis of the men vs. women ratio by status:

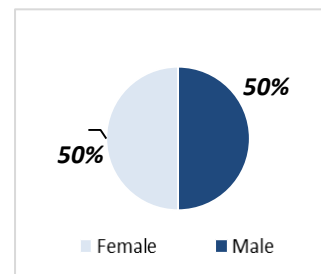
Executives and Managers



Staff



Labor



Respect for equal opportunities is supported by the Compensation & Benefit system, based on the promotion of skills and merit, ensuring equal treatment of genders, seniority and role.

For example, in 2013 the average fixed salaries of PRADA Group male and female employees were substantially in line.

Compensation gap by employment status



2.2 Compensation and benefits

Our remuneration policy seeks to attract, reward and retain high-level professionals and skilled managers, as well as to align the interests of the management with the primary objective of creating value over the medium and long term.

The common structure of the remuneration policy, characterized by a balanced mix of fixed and variable components, is defined locally in accordance with the principles of internal equality and external competitiveness. Comparison with the external market is ensured by surveys conducted by qualified companies, internationally recognized in the fashion and luxury sector.

The Remuneration Committee oversees the remuneration of our top management, taking into account the position and responsibilities assigned and benchmarking similar positions in a panel of companies comparable with Prada in terms of size and complexity.

The Group's compensation policy is based on:

- a salary review taking into account the overall market competitiveness and complexity of a particular role;
- an incentive system that links compensation with the annual performance of the Company;
- a cash long- term incentive plan, for a wide group of key people (~350), that promotes the growth of business profitability over the long term, aligning individual objectives with those of stakeholders;
- other incentive schemes specific to sales staff are also in place and technicians of the Group may receive a bonus that is provided to them after the development of a seasonal collection.

We grant several benefits to our staff or particular categories of staff, including medical benefits, group life insurance, corporate housing (or housing allowance), discretionary bonus, home leave allowance, children's education allowance, free public transport or at a reduced price and use of corporate vehicles.

As confirmation of our commitment to stability and long-term investment in human resources, permanent employment contracts are the reference contract type. 90% of the workforce worldwide is permanent.

Labor standards and trade unions relationships

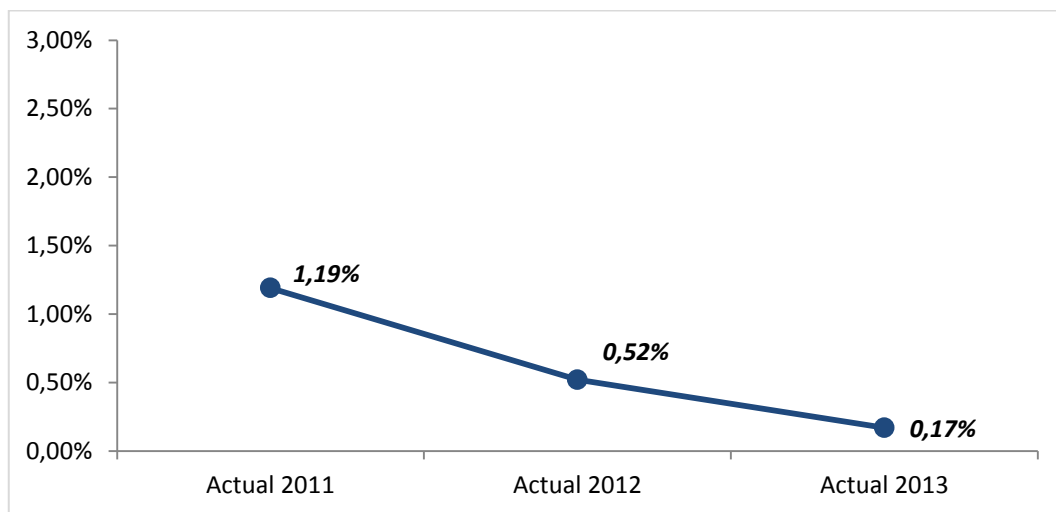
The protection of workers' rights is of preeminent importance to us; we promote and endorse the respect for human rights and labor provisions regarding child and involuntary labor, as well as health and safety throughout our value chain.

We collaborate with Trade Unions to evaluate any opportunity to enhance the working conditions of our employees. In Italy, where the PRADA Group has historical roots, several supplementary agreements have been reached with trade unions over the last few years thanks to regular communication and dialogue, thus improving employees' working conditions in terms of benefits compared to the reference national collective agreements. They mainly concern the following:

- performance bonus: variable bonus linked to production, commercial and economic objectives.
- holiday bonus: a fixed compensation equal to one month's gross salary established by the national collective agreement.
- improved access to advance payment of Severance Indemnity
- flexible working start time: allowing, in most offices, to better reconcile family and working needs
- supplementary Health Fund: supplementary health insurance with the option to also extend it to family members at reduced cost.

Thanks to our policy which ensures respect for, dialogue and cooperation with Italian Unions (of which 30% of our employees are members), the number of strike hours during the track record periods was extremely limited and decreasing.

Incidence of strike hours on working hours in Italy



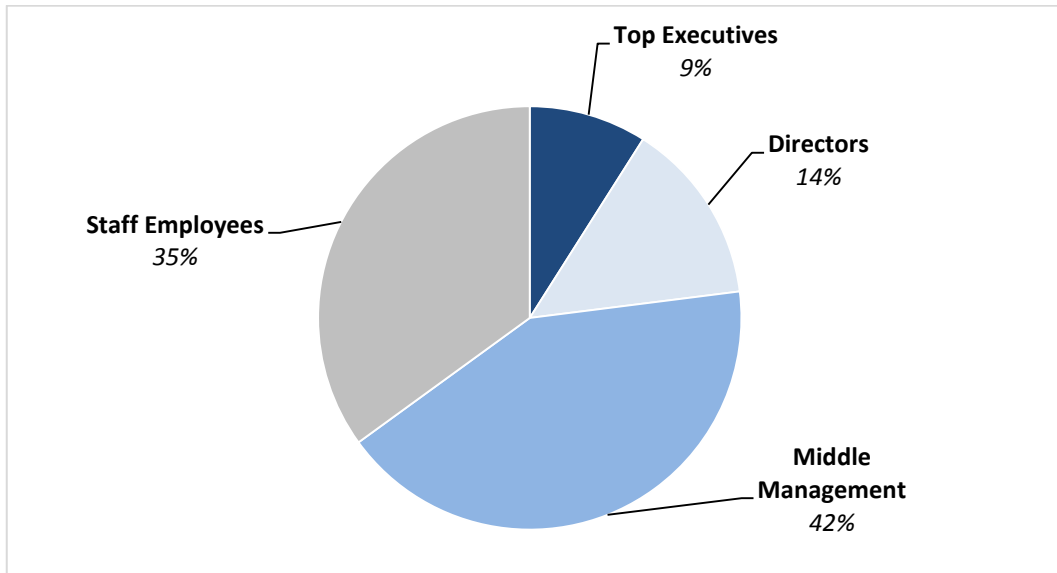
2.3 Staff training and development

The continuous development of internal know-how and product knowledge is the best possible guarantee of our commitment to product innovation, production process improvement, retail excellence and global growth.

Thanks to our widespread presence in foreign markets and our business development strategy, we offer our professionals international working opportunities in addition to specific training programs. This supports internal growth in managerial and international roles.

Our policy promotes internal over external recruitment. International job rotation, which represents a key tool for vocational development, is increasing strongly, involving people in all positions and from all different professional areas. Middle management and staff employees represent the majority of people involved in the project, 42% and 35% of the total respectively.

International job rotation by employment status



This program optimizes Group synergies and work flow, but also represents an effective tool for the dissemination of the Company culture and know-how at all levels.

Transmission of know-how

We have always recognized the strategic importance of an effective and structured transmission of know-how.

In particular, back in the nineties, at the beginning of the Group's formation, each process was described and coded in manuals, so that both know-how and work procedures might be easily imparted and accessible to all people involved.

These Manuals are still up to date and are highly detailed. These documents ensure continuity and consistency of our know-how and represent a source of inspiration for our activities.

Corporate staff training

We invest in continuous education and training programs for our employees to enhance their performance and improve their skills and knowledge by utilizing internal or external resources.

We focus on corporate staff training. In particular, consistent with our internal development strategy, we invest in the development of language, technical and managerial skills. For example, in 2013 we implemented an extensive language training program worldwide.

At the same time, we support professionals by offering them the opportunity of attending managerial training programs that provide them with tools to tackle the challenges faced by a complex and ever-evolving organization.

Special focus is placed on leadership. The corporate training program includes different levels of courses aimed at those who have to make the transition from single contributor to team leader.

We constantly train our Executives on Corporate Governance practices and rules; similarly the Members of the Board of Directors of PRADA spa are continuously involved in specific sessions on this important subject.

Retail staff training

We offer our retail store staff comprehensive training, including product knowledge, sales techniques, communication skills, leadership and management skills.

In particular, we provide specialized training to our frontline sales staff, covering topics such as etiquette, customer service techniques and product knowledge to enable them to provide first-class service to our customers.

Providing the store staff with all information that is essential to understand the environment and for appropriate management is crucial. Special focus is placed on the development of managers' leadership skills and customer care sensibility through institutional courses in order to ensure that the same contents are transmitted worldwide.

In 2013, a new program was defined and 100% of our boutiques staff took part in this training (3-6 days for store managers, 2-4 days for sales assistants, 5-7 days for new openings staff). In this spirit, each new hire takes part in a standard induction program which includes institutional training days.

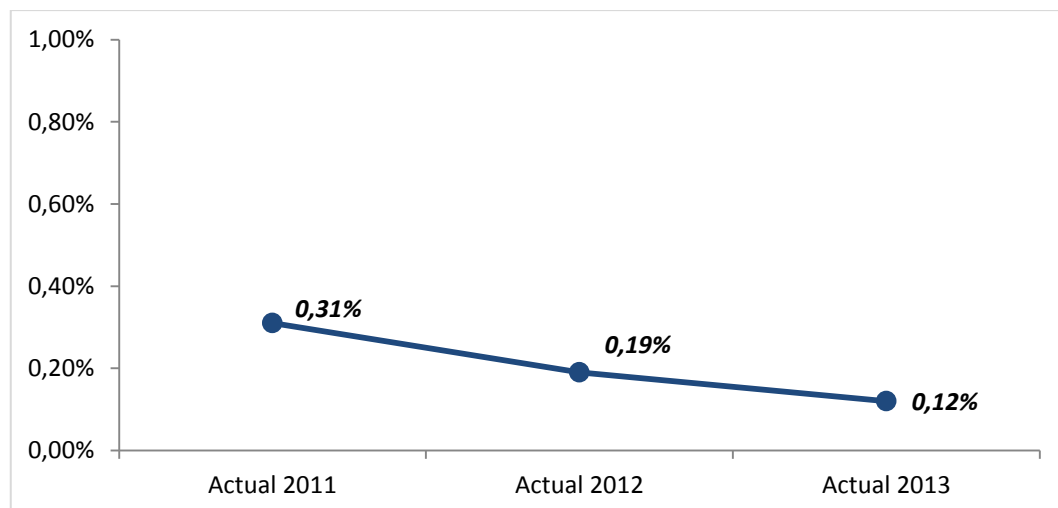
Moreover in 2013, 2,200 sales people received classroom or in-store product knowledge and sales technique courses, accounting for approximately 37.400 days.

2.4 Workplace quality

We guarantee working conditions, which are respectful of individual dignity, safety and health in accordance with different workplace regulations. We have policies guaranteeing a superior standard of health and safety at all of our premises, in full compliance with local and international regulations. These are key elements in our Company.

Nevertheless, for the vast majority of our premises such as offices, warehouses and boutiques, the threat of serious risks is considered limited. The manufacturing sites represent the area with a wider range of health and safety issues albeit still scarce.

% injuries on total working hours in Italy



3- Environmental Protection

We are strongly committed to raise awareness of environmental protection; this is a key part of our Code of Ethics that applies equally to our Group and any party that cooperates with us.

Even if the industry in which we operate is not regulated by industry-specific environmental regulations, we make it our priority to care about environmental issues.

3.1 Reduction in consumption

The main direct impact of our activities is the use of energy for our offices, plants, logistic hubs and stores around the world. Our goal is to increase efficiency in the use of energy so as to mitigate the impact of the growing number of locations belonging to our Group. In 2013 we recorded power consumptions² of 93.2 gigawatt-hour, equal to a production of approximately 49,500 tons of CO₂, of which 62.0 gigawatt-hour deriving from electricity, 19.2 from natural gas and 12.0 from oil.

Our sector is characterized by a low level of water requirement; our water consumption² was equal to 439 thousand cubic meters. Despite the fact that our premises are not located in high water stress zones, we pay a lot of attention to a conscious and efficient use of water both for our heating and cooling systems and in the daily use by our employees.

We continue working on improving our infrastructure, energy and materials' management in order to improve energy efficiency and minimize our impact on the environment. A long-term plan for energy efficiency enhancement has been implemented in the last few years, involving all of our factories and offices. This plan provides for the progressive replacement of all cooling and heating machines with state of the art systems and the replacement of fluorescent lamps with low-consumption LED lights.

Cooling-Heating system

We have replaced the cooling and heating systems in 3 of our Italian premises (Dolo, Levanella and Fucecchio) with new machinery that guarantee a 24% reduction in CO₂ emissions. In spite of the enlargement of our factory in Dolo, in 2013 these sites recorded a decrease of 41,564 kg in CO₂ emissions.

We also implemented a more efficient, combined air-conditioning and heating system that allows for a reduction in energy consumption of 30% and of CO₂ emissions of 28%. In 2013 this new equipment was used to replace the system in some of our Group offices (via Orobica, Milan, Italy), allowing for a reduction of 24,000 kg in CO₂ emissions.

Deployment of LED lighting

We decided to renew the lighting systems of 3 of our premises located in Levanella (Arezzo - Italy) with a low energy system based on the use of LEDs. This action guarantees a yearly reduction of approximately 1.0 million KWh (equal to 73% of its energy consumption) and 535,050 Kg of CO₂ emissions.

In addition to the low emission performances, LED lights last longer and generate less heat, which yield further advantages in terms of waste production and conditioning need.

² Referred to the activities based in Italy, USA and Far East, equal to 74% of the Group's expense for utilities

3.2 Waste reduction

We are aware of the importance of the use of natural resources and waste management, especially in a growing business such as the PRADA Group.

We aim to achieve continuous improvement in environmental management thanks to a daily process within our organization that raises awareness in our employees. In 2013 waste production³ amounted to 1,429 tons, of which 71.0% was recycled or reused, while only 1.1% of our waste consisted of hazardous materials or substances.

With regard to our manufacturing site in the UK, in accordance with the Group's approach, Church's puts a significant effort in minimizing the impact of its waste production. All waste is sorted into recyclable and non-recyclable items, and most recyclable items, such as natural leather, rubber and crepe, metals, cardboard and machine oils are 100% recycled.

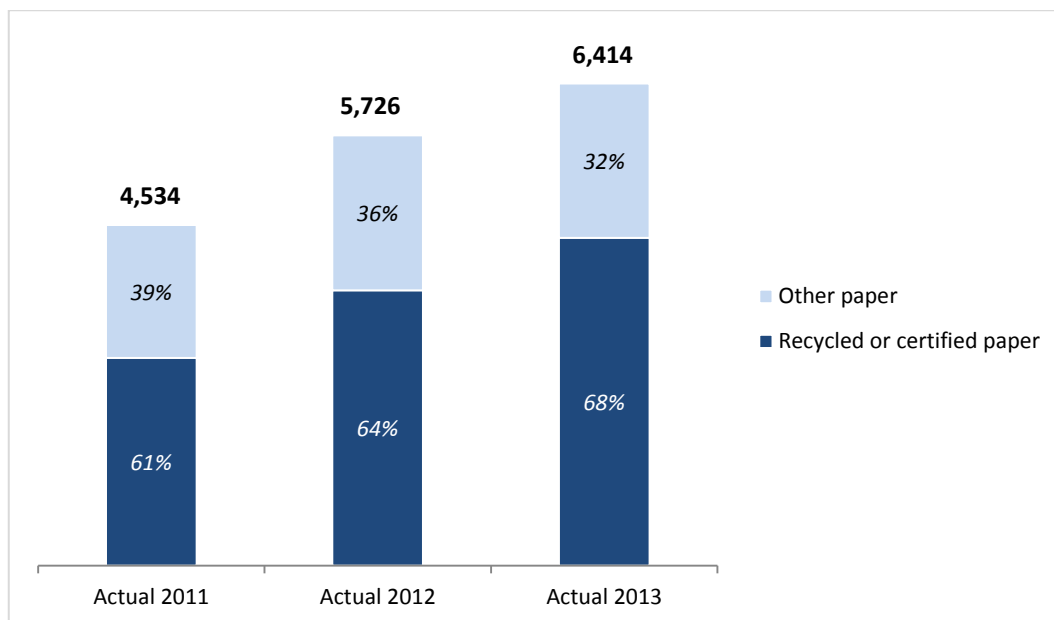
We have different procedures to enhance the recycling of paper, plastic, glass, ink cartridges, etc. All our employees are daily fully involved in waste reduction. An important example of this is the implementation of an information and training program for the employees of our shoe factory in Buresta (Arezzo, Italy), manufacturing site that represents 10% of the recorded waste production. This program is aimed at increasing the awareness of correct sorting of industrial hazardous waste materials and improve their treatment. This project has allowed a careful identification, management and disposal of hazardous substances, representing 7.5% of waste in this plant.

3.3 Use of recycled and certified paper

In 2013, in order to manage our growing sales across the world (where we deliver 6,414 tons of product packaging), we decided to enhance our use of sustainable packaging by encouraging the use of certified and recycled paper within our operations and by our suppliers.

We kept increasing the consumption of Forest Stewardship Council (FSC) certified and recycled paper which grew by 4 point percent in 2013, from 64% to 68% of the total.

Product packaging consumption (tons)



We supported our suppliers in getting the FSC certification; today ten out of twelve of our packaging suppliers have obtained it, guaranteeing us sourcing from sustainably-managed forests.

³ Referred to Italian manufacturing sites and Milan headquarters

In 2013, we launched an eco-friendly shopping bag in the USA made with 40% of recycled paper; by 2015 we aim to spread this project across our entire network, adopting recycled bags around the world for all our brands.

By 2015, we have also scheduled to have 100% of the boxes and tissues certified by FSC, thus ensuring that none of the product packaging paper we use will contribute to deforestation.

3.4 Environmental travel policy

We adopted a travel policy aimed at encouraging the use of public transport for employees' trips.

At a global level, we have several agreements in place to encourage employees to use public transport to go to work. For example, employees in our Milan offices can purchase a public transport season ticket for the whole city at a reduced price, to be used not only to go to work, but also for private trips. Similarly a free shuttle service from Florence to our plants in the region has been made available for employees of the Group.

We are also committed to minimizing the impact of employee's business travels. We have reduced non-essential business travel through alternative communication such as videoconferencing. In case of business needs requiring employees to travel, we have a specific procedure encouraging the use of train instead of cars, while cars are admitted to reach areas which are not effectively reachable by public transport.

3.5 Attention to the environment in our production

We pay specific attention to the impact of our activity on the environment. The way we develop and manufacture products always takes into account the most innovative style, long lasting quality and customers' health and safety.

Our products are distributed and sold across more than 70 Countries and must comply with the existing differing norms and regulations. In order to ensure respect of laws and allow each of our stores to have the same items, with the same high quality, at the same time, we design, develop and manufacture our products in accordance with the strictest global quality standards requirements.

In order to oversee this very important matter properly, the PRADA Group established an Industrial Compliance Committee in 2010. Its task is to assure a permanent updating of the international legislative framework concerning the manufacturing and distribution of our products worldwide.

Throughout each production stage we carefully comply with the strictest international regulations on the risks deriving from the use of chemicals such as, for example, the REACH regulation, California Proposition 65, Safety Quality Act South Korea and Chinese GB Standards.

In order to achieve these standards, we identified a harmonized Restricted Substances List ("RSL") in 2013. This defines the strictest parameter to be submitted to all the entities involved in the production chain. Each party involved must ensure and prove that all products and activities are carried out in compliance with the RSL and consequently with the REACH regulation and the main international laws and regulations in force.

In order to supervise the implementation of the RSL guidelines, in addition to the certifications and test reports required from each supplier, we carry out several tests at certified laboratories to check compliance of purchased items with our guidelines and suppliers' certifications.

3.6 Sustainable use of raw materials

The primary raw materials we use include leather, fabrics and yarns. We purchase tanned leather skins made from calf, sheep, goat and deer. 100% of our raw materials have a certification of origin to guarantee their quality in accordance with the law. We also purchase crocodile, lizard, ostrich and python skins, in compliance with the strictest international regulations on the import and use of skins of endangered species. We fully comply with local and international regulations on procurement, import, usage and export of raw materials such as the Convention on International Trade in Endangered Species ("CITES").

The high quality of hides has traditionally allowed us - and still does - to highlight the natural appearance of the leather, avoiding chemical products or sprays, thus leaving intact the natural patina and softness of the leather. This enhances the natural ageing process, which, over time, only adds style and elegance to the finished product.

We have introduced a state-of-the-art system to optimize the use and cutting of raw materials during the product development stage of our business cycle. This preparatory study is sent to the industrial manufacturers and allows them to use the smallest leather or fabric components to produce small sized products and consequently minimize waste of raw materials.

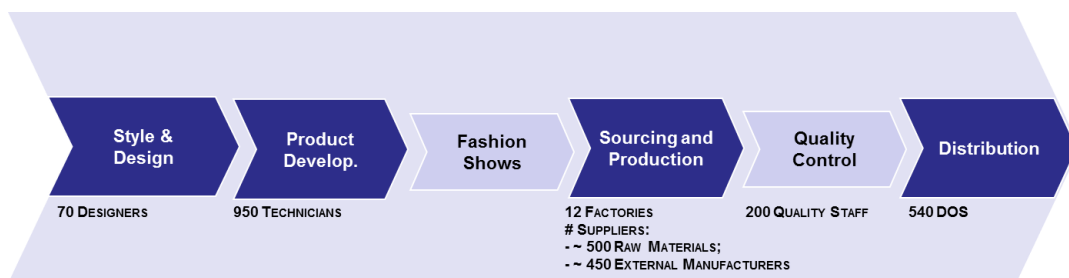
4- Relationship with the community

In the development of our business, we value the safeguarding and strengthening of our relationship with the Community highly: our exclusive relationships with our customers, ensuring a level of quality and service exceeding their expectations; the partnership with our suppliers, built from years of daily cooperation and aimed at constant improvement; the institutional initiatives focused on the growth of our sector; our investments in the regions where we are present, in recognition of the irreplaceable role of communities in the development of our Company.

4.1 Customers

We believe we are known for our leadership in design and excellence of our products and customer service. With this goal in mind, we pay close attention both to our industrial process which allows our Group to offer high-quality and exclusive products, and to all the activities essential to guarantee the originality of our products to our clients.

Our industrial management team coordinates and supervises the entire production process from the sourcing of raw materials to internal and external productions to deliver quality of craftsmanship in our products to our customers.



We have approximately 1,500 employees in our in-house production divisions and approximately 950 people in the product development department, allowing us to produce the vast majority of our prototypes and samples and a portion of our finished products in our factories. The remaining production is outsourced to external manufacturers under strict quality monitoring by ourselves.

We employ 200 dedicated technicians, with at least 10 years of experience, for quality control of the raw materials received from our suppliers and our finished products. Inspectors regularly visit each of our raw material suppliers and their production sites, as well as those of our external manufacturers and our own production units to assess the production processes, the quality of the materials used for our products and the quality of the finished products.

Raw materials are an essential part of product quality, making them a primary concern in the PRADA Group. They are sourced by an in-house division, which selects suppliers directly without compromise of quality. We select our suppliers strictly and procure materials mainly from those with whom we have a well-established relationship. In many cases, the materials are made especially for Prada, in line with stringent technical and style specifications guaranteeing both the excellence of the material and its exclusive nature.

This approach gives us full control over quality and service in a crucial phase of the value chain, guaranteeing the same standards in case of change of suppliers and ensuring that the know-how of production techniques and core values are handed on smoothly to younger generations.

As a result of this close cooperation and quality control measures, we did not track any health or safety problem caused by our products, nor did we recall any product from the market during the track record period.

In order to guarantee the excellence of our products to our clients, we are active in anti-counterfeiting activities around the world, as well as on the web. We are a member of the World Customs Organization and have a daily relationship with law enforcement authorities, such as customs and polices, which provide their support in respect of seizures of infringing products. With regard to our on line anti-counterfeiting strategy, in 2013 the enforcement activities allowed us to close down approximately 200,000 infringing cases, allowing us to also stem criminal activities, such as child and involuntary labor, often associated with these cases.

We provide clear information about our products to our customers; from product care advice in our stores, to correct labeling in compliance with the strictest international and local laws, up to complete after-sales facilities for all our products, providing product care and repair services both in stores and in our manufacturing sites. This ensures our clients have long lasting qualitative products and promotes a more responsible use of them. Finally we have strict procedures to collect and use the personal information on our clients in order to safeguard their identity and protect their privacy.

4.2 Suppliers

During the financial year ended January 31, 2013, we purchased materials from approximately 500 relevant raw material suppliers and 450 external manufacturers⁴.

Most of our suppliers are based in Italy, while the European partners mainly supply Church's production facilities.

N. of suppliers	<i>Italy</i>	<i>Europe</i>	<i>Other</i>
Raw material	75%	17%	8%
External manufacturer	83%	9%	8%

We are strict in selecting our suppliers. We procure materials mainly from those with whom we have a well-established relationship and have a track record of reliable quality and compliance with our Code of Ethics.

We have been in partnership with more than half of our raw material suppliers (58%) for more than 10 years, while we have been working with the 23% for 5 to 10 years.

We have been partnering with almost one third of our external manufacturer (29%) for more than 10 years, and for more than 5 years with 31% of them.

Code of Business Conduct

We are dedicated to ensuring that our products are manufactured under conditions which reflect our commitment to human rights in the workplace. As a global Corporation, we support internationally-recognized norms for the safety and well-being of the employees who are responsible for the manufacture of our products.

We have a Code of Business Conduct applied to all factories and external manufacturers of the Group which sets standards which are fair and appropriate to the variety of cultures and people which are an important part of our success. Specifically the Code of Business Conduct identifies standards on:

- employee rights and working conditions (including number of hours of work/overtime/holidays, wages, and zero tolerance for forced and child labor),
- safety, health and welfare of employees,
- health and life insurance for employees,
- equal opportunities for employees,
- freedom of association,
- environment preservation in material sourcing and production activities
- intellectual properties defense and fight against counterfeiting

We encourage our partners to exceed the minimum requirements set in the Code of Business Conduct. We also encourage communication among the parties to facilitate the implementation and compliance with the standards, thus creating a positive working environment.

⁴ Including any suppliers with a single VAT number and a total recorded invoiced sales of over €30,000 during the fiscal year ending 2014, January 31st. Suppliers that have changed their VAT number over the years are reported as new suppliers

Factories and suppliers must ensure that any party supplying them with materials and/or labor in the manufacture of our products is authorized by us and also abides by the provisions of the PRADA Group's Code of Business Conduct.

We verify our factories and external manufacturers' compliance with the Code of Business Conduct with free and full access to all facilities, all business records and all employee documentation.

In our relationships with suppliers, we encourage their awareness on social responsibility, promoting knowledge of rules and regulations and the adoption of the major environmental, social and quality certifications. Many of our suppliers possess the main certifications such as ISO9001, ISO14001, SA8000, OEKO, UNI11239. We are confident that an increasing number of suppliers will be willing to certify their businesses as we have raised awareness of this important matter.

Attention to work conditions throughout the value chain

We encourage responsible behavior among our suppliers through the promotion, distribution and signature of the PRADA Group's Code of Ethics and Code of Business Conduct or also incorporating the Codes in their terms and conditions of business agreements.

We also verify that our suppliers abide by these ethics. Our external manufacturers are audited as part of the regular relationship with us to supervise the entire production process, respect of our Codes, health and safety in the workplaces and compliance with applicable laws.

In 2013, our dedicated team of inspectors carried out 1,146 audits covering the majority of our suppliers and sub-suppliers. In 2014 we issued new procedures aimed at auditing 100% of our Italian suppliers at least once per year.

We have not received any notification by any authority in the track record period on the health and safety conditions of our network. This serves as significant evidence of our superior level of control and commitment by all our suppliers.

4.3 Sector initiatives

We actively contribute to various initiatives promoted by the Camera Nazionale della Moda Italiana (The National Chamber for Italian Fashion) and Fondazione Altagamma in order to define, together with many other players of the industry, a common platform of environmental and quality standards to be promoted and applied throughout the fashion value chain.

We support the "Manifesto of Sustainability for Italian Fashion", in partnership with the National Chamber of Italian Fashion. It is based on the following statements:

- 1- DESIGN. Design quality products that can last for a long time and can minimize their impact on ecosystems
- 2- THE CHOICE OF RAW MATERIALS. Use raw materials, materials and fabrics with a high environmental and social value
- 3- PROCESSING OF RAW MATERIALS AND PRODUCTION: reduce the environmental and social impact of activities and acknowledge everyone's contribution to the product value
- 4- DISTRIBUTION, MARKETING AND SALES: Include criteria of sustainability throughout the journey of your product to the customer
- 5- MANAGEMENT SYSTEMS: Committed to continuous improvement in company performance
- 6- FASHION AND THE NATIONAL ECONOMIC SYSTEM: Support your territory and "Made in Italy" products
- 7- BUSINESS ETHICS: Integrate universal values into your brand
- 8- TRANSPARENCY: Communicate to stakeholders your commitment to sustainability in a transparent way

- 9- EDUCATION: Promote ethics and sustainability with consumers and all other stakeholders
- 10- Make the Manifesto come alive

4.4 The Prada Academy

We consider Italian craftsmanship and manufacturing know-how as a strategic and unique element to be preserved and promoted, so that it can be transmitted from generation to generation while guaranteeing the development of the Country and the community itself.

For this reason, we have announced the foundation of the Prada Academy in 2015. This will be a training hub founded on the experience and skills acquired over many years of industrial and commercial activity in Italy and abroad.

The project aims to create a pool of young technicians that ensures a flow of specialized skills in the field of luxury manufacturing, aiming to become a constant and specific reference point for know-how in the field of luxury leather goods, footwear and ready-to-wear.

The project includes the creation of a school in Tuscany, halfway between the PRADA Group industrial headquarters and the leading area of specialized Italian manufacturing in Tuscany.

This project is oriented towards 16-21 years old students, will attend a 6-9 months specialized full time course in very close contact with the technological and manufacturing heart of the Group.

4.5 Investment in the Community

Interest in the world, society and culture is at the core of PRADA Group's creativity and modernity. This is expressed, not only in the luxury fashion industry, but also through the role we want to have in the progress of society.

We aim to contribute to the evolution of society, well-being and cultural and social interests in the territories reached by our activities. For this purpose, we sponsor a number of local and international initiatives across the world to the tune of €11.4 million. The most significant projects supported in 2013 were:

Prada and the Art

Fondazione Prada

We have been supporting the Fondazione Prada's activities in the arts and other areas of culture since 1993. The Fondazione Prada was created in order to promote contemporary art by supporting contemporary artists, as well as organize exhibitions and collecting art. The first exhibition dedicated to contemporary sculpture was "PradaMilanoArte". Its program sought to present the city of Milan and the international public with a profound and provoking art project.

In 2013, the Fondazione Prada organized the exhibition "When Attitudes Become Form: Bern 1969/Venice 2013", a surprising and original reconstruction by Germano Celant, in dialogue with Thomas Demand and Rem Koolhaas, of the legendary "When Attitudes Become Form" exhibition organized by Harald Szeemann in Bern in 1969.

In 2013 the Fondazione Prada and Qatar Museum Authority also launched the "Curate Award", a global competition aimed at uncovering new curatorial talents. In 2014 a world-renowned jury will evaluate ideas on their creativity and social importance, rewarding those with a contemporary and culturally relevant point of view. They will be looking for an exemplary exhibition that is both far-sighted and critical of the future. The jury will select 20 finalists from which the overall winner will be decided. The winning curatorial idea will be realized in an exhibition in either or (but not limited to) Qatar and Italy.

The new Prada Foundation headquarters and permanent exhibition in Milan, - a 17,500 square meter, early 20th century industrial site, currently being revamped and restored by architect Rem Koolhaas - is scheduled to open in Spring 2015.

Prada Journal

We continued in a quest for new talents, launching a literary contest in cooperation with Giangiacomo Feltrinelli Editore, a publishing house with fifty years of experience. The creative challenge consisted in sending manuscripts to respond to the query posed by the Prada Journal: "What are the realities that our eyes give back to us? And how are these realities filtered through lenses?"

This contest also encouraged the exploration of innovative languages by means of forms of expression leading to the written word, thus creating an independent platform of interest and an unprecedented reserve for literary research.

The Prada Journal drew participation of 1.313 new talents from all over the world. In October 2013 5 winners were unveiled during a gala in our New York Epicenter, receiving €5,000 each and obtaining the opportunity to have their story published as a digital book available on our website prada.com.

Prada and the Cultural and Artistic Heritage

Fondo Ambiente Italiano

We are also proactive in supporting our cultural heritage, especially in Italy.

We have collaborated with F.A.I. (Fondo Ambiente Italiano - the Italian National Trust) since 2010. Together we promote a culture of respect for Italy's natural heritage, art, history and tradition through different activities, among them the preservation and enhancement of some fine examples of Italy's artistic heritage.

In 2013 we undertook the restoration of a polyptych by Antonio Vivarini in the city's Pinacoteca Provinciale and of the well in the Abbey of Santa Maria di Cerrate, a few kilometers from Lecce.

The polyptych, dated 1467, is of high artistic quality, featuring refined colors and delicate figures; on the back of the panels there are some charcoal drawings done in the workshop of Vivarini, if not by the artist himself. The restoration, took place in various stages, including the complete disinfection of the panels, so as to restore the original chromatic scheme through the removal of oxidized paints, which had diminished the color intensity and brilliance.

The abbey complex of Santa Maria di Cerrate was presumably established in the 12th Century by the Normans. The well located on the side of the church, at the centre of the courtyard and in front of the 12th Century cloister, was built in 1585 by the Ospedale degli Incurabili. Over time the well has suffered major material loss due to erosion, which has consequently modified decorative sculptured patterns and which has created fractures in the structure. The intervention was aimed at restoring the damages to the well, which was outdoors, without any protection from the elements.

Archaeological site of the Fortezza Medicea - Arezzo

We supported the municipality of Arezzo in the works on the archaeological site of the Fortezza Medicea aimed at recovering and preserving the ruins of the church of San Donato in Cremona, the most ancient church of the city destroyed in the Nineteenth century.

This intervention, started in 2008, has already brought to light part of the perimeter walls of the church, and allowed experts to establish its exact orientation and dimension. During the works, a 67 square meters area has emerged, whose perimeter walls were well preserved, used as a crypt in its most recent period.

Other Charity Activities

Vogue Fashion Night Out

In September 2013, 43 of our stores in 13 countries participated in the Vogue Fashion Night Out donating part of their takings for the evening to several organizations operating in the territory:

- Italy: "FAI - Fondo Ambiente Italiano", for the restoration of the altar of the Virgin Mary in the Abbey of Cerrate (Lecce);

- France: “La Voix de l’Enfant”, protecting children who had suffered psychological distress or were victims of abuse;
- Germany: “Die Tafel”, distributing food to disadvantaged people across the Country; “Kinderhospiz Regenbogenland”, a shelter for abandoned children;
- Spain: “Ayuda en Acción”, supporting the economic development in Latin America, Asia and Africa;
- Russia: “Give The Life”, supporting children and young people with serious blood-related diseases;
- U.A.E: “Dubai Cares”, increasing children’s access to quality primary education
- Brazil: “Instituto Verdescola”, increasing sustainability awareness and respect for the environment;
- Japan: “K.n.K - Kokkyo Naki Kodomotachi (Children Without Borders)”, supporting projects in favor of orphaned children after the earthquake and the tsunami of March 2011;
- China: “One Foundation”, assisting children with cerebral palsy;
- Taiwan: Child Welfare League Foundation, offering childcare services and services for the protection of children’s rights;
- Korea: “Good Neighbors Community”, helping disadvantaged children in all Korea;
- Thailand: “Rama Foundation” promoting assistance and medical care to disadvantaged children;
- Australia: “Starlight Foundation”, providing financial and psychological support to terminally ill children and their families.

Other organizations supported

Other relevant organizations supported in 2013 were: Unicef, Veronesi Foundation, IEO Foundation, Oxfam Italia, New Yorker for Children, Voices for Children, Dream for Future Africa, Born Free.

5- 2014 Main Projects at a glance

Training

To more than double training hours dedicated to Corporate and Retail staff.

Workplace quality

End of construction of the new Valvigna factory (Arezzo, Italy), designed and built in order to represent the highest expression of our care on workplace quality and attention to the environment. The factory is surrounded by nature and green, maximizes the benefits of natural lighting and has different systems of energy efficiency such as the use of LED lights, cooling and heating systems and cogeneration system for the production of electricity and heat recovery. Opening scheduled in Spring 2015.

Reduction in consumption

Renovation of the newly-acquired factory in Scandicci (Florence, Italy), in accordance with the LEED protocol and implementation of our first photovoltaic system

Replacement of the fluorescent lighting system with low-consumption LED lights in 4 factories

Increase of recycled and certified paper

Global deployment of boxes and tissues certified FSC and of the eco-friendly shopping bag; aiming to cover our entire store network by 2015

Supplier audit

Auditing program reaching 100% of Italian supplier at least once per year

Investment in the Community

The restoration and conservation of Milan's Galleria Vittorio Emanuele II, a project covering a period of 13 months of works to be completed in April 2015

The Fondazione Prada - "Art or Sound" exhibition, curated by Germano Celant, at Ca' Corner della Regina. The exhibition explores the relationship between art and sound and the way it has developed from the 16th century to the present day

FAI - supporting the restoration work of Laboratorio dell'Opificio delle Pietre Dure in its restoration of Vasari's "Last Supper"

The second edition of the Prada Journal, the literary prize reserved for emerging literary voices

Appendix

PRADA Group's Code of Ethics

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Introduction

PRADA spa, the operating holding company of the PRADA Group (hereinafter the “PRADA Group” or simply the “Group”), active in the luxury goods sector, and in particular in the creation, production, promotion and distribution of superior bags and accessories, clothing, footwear, eyewear and cosmetics, has always based the conduct of its activities on principles of ethical integrity. In furtherance thereof, PRADA spa considers it appropriate to provide the Company itself, and the Group, with a code (hereinafter “Code of Ethics”) that expresses these values and establishes the principles and rules of conduct deriving from them. The corporate bodies, the management, the employees, the external collaborators and any other individual or entity that co-operates with the PRADA Group in any manner whatsoever, are required to abide by the rules of this Code.

The Code of Ethics of PRADA spa and the companies of the Group, therefore, comprises the principles and the general rules of conduct which must be observed in order to guarantee the good functioning, reliability and reputation of PRADA spa and of the companies directly or indirectly affiliated to the same.

PRADA spa, like all the companies of the Group, is particularly concerned to promote the application of the principles contained in the Code of Ethics to its activity, in the conviction that ethics in the conduct of business is at the basis of the success of the enterprise and represents the best expression of its image, an element which is a primary and essential value for the Group.

In drafting the Code of Ethics, PRADA spa has also taken into consideration the prevention and countering of criminal offences to which all Italian companies are subject pursuant to Legislative Decree no 231 of 8 June 2001 of Italy governing the administrative liability of legal entities (hereinafter also the “Decree”). Hence the Code of Ethics represents a fundamental component of support for the Organisational, Management and Control Model adopted by PRADA spa in compliance with the above-mentioned law for the prevention of offences as envisioned in the Decree.

1- Sphere of application and addressees

This Code of Ethics is addressed to all corporate bodies and the components of the same, to the management, the employees, the external collaborators, the consultants and assistants of any kind, the agents, proxies and any other entity that may act in the name and on behalf of PRADA spa and, in general, to all those with whom PRADA spa and the other companies of the Group may come into contact in the course of their activity (hereinafter the “Addressees”).

The PRADA Group considers compliance with the laws and regulations applicable in all the countries in which it operates, and correctness and transparency in the conduct of business, as an essential principle of its activity.

Consequently, the PRADA Group fosters the creation of an environment characterised by a strong sense of ethical integrity, in the conviction that this also makes a decisive contribution to the efficacy of the policies and the systems of control.

More specifically, the managers of the companies of the Group are bound to take inspiration from the principles of the Code of Ethics in establishing the corporate objectives, in proposing investments and in implementing projects, and in any decision or action whatsoever relating to management.

Similarly, in materially implementing the management activities of the companies of the Group, the directors and the corporate function managers must take inspiration from the same principles, both internally - thus reinforcing cohesion and the spirit of reciprocal collaboration - and in relation to third parties, with the explicit prohibition on resorting to illegitimate favouritism, collusion, corruption and/or the solicitation of personal advantages for oneself or for others.

PRADA spa and the companies of the Group undertake to ensure the maximum dissemination of this Code of Ethics, preparing any instruments that may appear useful for fostering knowledge and performing a process of awareness-raising regarding its contents, as well as constantly monitoring the degree of observance within the Group itself, and finally to take care of the updating in line with the organisational, commercial and financial developments of the Group.

The Addressees must therefore contribute actively to the implementation of the Code of Ethics and report any problems or deficiencies to PRADA spa’s Supervisory Body or to the competent controlling body of the other companies of the Group.

2- Ethical Principles

PRADA spa considers the respect for the ethical principles set forth in the present Code of Ethics to be an essential condition for the achievement of the primary objective of the PRADA Group, consisting of the creation of value for its shareholders, for those who work in the PRADA Group, for the customers and for the community as a whole. This is the direction in which the industrial and financial strategy and the operational conduct is oriented, inspired by transparency and efficiency in the utilisation of resources.

In the achievement of its objectives, PRADA spa and the companies of the Group adhere to the following ethical principles (hereinafter also the “Principles”):

- compliance with the legislative and regulatory provisions in all countries in which the PRADA Group operates;
- legitimacy, loyalty, correctness, transparency;
- confidentiality;
- respect for the value of the person and the human resources;
- respect for competition, as a crucial instrument for the development of the economic system;
- respect for the environment and raising awareness regarding environmental protection.

2.1 Application of the ethical principles: obligations of the addressees

The directors, auditors, managers and heads of departments and/or divisions of PRADA spa and the companies of the Group are required to comply with the present Code of Ethics and to conform their activities to values of loyalty, honesty and good faith, correctness and integrity. They are required to abstain from any activity which may be considered, even potentially, in conflict with the interests of PRADA spa and the companies of the Group, making timely communication to PRADA spa’s Supervisory Body or to the competent controlling body of the other companies of the Group, for the necessary appraisal, of the emergence of a personal interest in the performance of the corporate activity.

The employees and collaborators, contributing to the achievement of the corporate purpose, must work with professional rigour, loyalty, honesty and good faith, correctness, commitment and reciprocal spirit of collaboration.

The relations between employees of whatever level, and between them and the third parties with whom they come into contact in the course of the working activities performed, must be marked by criteria of collaboration, loyalty and reciprocal respect.

All actions, operations, negotiations and, more generally, any activity performed by employees and collaborators must comply with the rules of transparency, completeness and truthfulness of the information, as well as with the corporate procedures.

More specifically, employees and collaborators are required to:

- know and comply with the internal procedures in respect of permits, holidays, expense refunds, ensuring in the latter case to supply adequate documentation;
- know and implement all the corporate provisions on regarding the security and dissemination of the information concerning the PRADA Group and its competitors;
- utilise the corporate assets with diligence and solely for purposes connected with the performance of the tasks entrusted to them;
- utilise the information systems with care, with an absolute prohibition on tampering with the data contained in the same;
- not utilise the name or reputation of the PRADA Group for personal ends;
- diligently observe the provisions of the present Code of Ethics, abstaining from any conduct in violation of the same;
- offer the utmost collaboration in the ascertainment of possible and/or alleged violations of the present Code of Ethics;

- inform the third parties who enter into relations with the Group of the provisions of the Code of Ethics, requesting them to abide by the same.

2.2 Value of the person and of human resources

PRADA spa promotes the value of the human person through the respect for physical, cultural and moral integrity, protecting its own employees and collaborators from discriminations on ground of nationality, race, ethnic group, religious belief, political and trade union affiliation, language, age, gender and sexuality. In this sense, the Addressees must actively collaborate to maintain a climate of reciprocal respect for the dignity and competencies of each individual.

The PRADA Group considers its own employees and collaborators a precious and indispensable resource for its very existence and for its future development. It considers essential to ensure management uniformity and consistency in all the companies and countries where the Group operates, in compliance with local culture and laws.

The PRADA Group pursues the excellence and valorisation of the spirit of innovation, in accordance with the limits of responsibility of each individual and, at the same time, promotes people's involvement in their own professional growth project. Management and employees are encouraged to assume responsibilities and to work to win challenges and achieve corporate objectives. The Group's entrepreneurial culture recognizes, promotes and rewards individual proactiveness and teamwork.

In order to valorise the skills and competencies of its own employees, the PRADA Group adopts criteria of merit and guarantees equal opportunities to all, without discrimination of any kind, such as:

- personnel selection and assessment are performed on the basis of objective criteria founded on the correspondence of professional profiles and candidates' competencies with corporate needs, ensuring candidates equal opportunities;
- the information collected within the scope of the selection process is strictly related to the verification of the professional profile being sought, respecting the private sphere of candidates and their personal opinions;
- the personnel are recruited in conformity with the types of contract envisioned by the laws in force in the countries where the Group operates and by any national labour agreements if applicable;
- the attribution of tasks is defined considering the competencies and skills of the individuals, on the basis of the requirements of the companies of the PRADA Group and of the professional growth of its own employees;
- the Group's management, training and development policies are aimed at supporting employees during their professional growth path and at constantly updating their managerial and technical skills in order to allow individuals to best perform their roles and to achieve corporate objectives;
- the remuneration system is defined on the basis of the role of employees and of the required skills and competencies, as well as of the results achieved and of the continuous and systematic interaction with the external reference market;
- the collection of information, and the collection and production of documents during the selection and management process, as well as their preservation on paper or computer support are in compliance with privacy laws in force in the various countries.

PRADA spa and the companies of the Group guarantee working conditions that respect the dignity of the person, and in this sense censure any conduct that is damaging or discriminatory towards the person, even in relation to his or her convictions and preferences, and expressly condemn any form whatsoever of psychological, physical and sexual harassment.

PRADA spa and the companies of the Group exert themselves to embed a culture of health and safety for the workers in the workplace, fostering risk awareness and stimulating individual responsibility.

The PRADA Group acts towards its employees and collaborators in complete compliance with the provisions of Italian laws on health and safety at work, laid down in Italian

Legislative Degree no. 81 of 9 September 2008 and subsequent amendments and additions, or with local laws and regulations applicable in the various countries.

2.3 Confidentiality

In compliance with Legislative Decree 196/2003 of Italy, the “Personal Data Protection Code”, and with the individual local laws in the case of foreign companies, the PRADA Group protects the personal data processed in the framework of its activities so as to avoid improper or even illegal use of the same, adopting to this end specific procedures aimed at:

- adequate information for the data subjects;
- acquisition of the consent of the data subjects where necessary.

PRADA spa and the companies of the Group apply and constantly update policies and specific procedures for the protection of the information.

Each Addressee must moreover adopt the utmost confidentiality in his or her conduct, even outside working hours, in order to protect the technical, financial, legal, administrative, personnel management and commercial know-how of the company.

Moreover, all those who, as a consequence of the performance of their duties, have at their disposal confidential and significant information, are bound to avoid any improper use or undue dissemination of such information.

More specifically, each Addressee is bound:

- to process only the data and information necessary for the purposes of the area in which he or she performs his or her activity;
- to communicate the data and information in compliance with corporate procedures in force;
- to conserve the data and information so that the same are inaccessible to unauthorised entities.

2.4. Correctness and transparency of accounting and internal control

In its bookkeeping, the PRADA Group maintains strict compliance with the applicable legislation and regulations regarding the drafting of the financial statement, and more generally, the obligatory management and accounts documentation.

The accounting records of the management and the corporate information and data are supplied to third parties in compliance with criteria of transparency, correctness, accuracy and completeness.

All actions, operations and transactions must be correctly registered in the corporate accounting system in line with the criteria laid down by law and the applicable accounting principles and must, moreover, be duly authorised, verifiable, legitimate, consistent and congruent in compliance with internal procedures.

The Addressees are bound to provide the utmost collaboration so that the management affairs are correctly and rapidly recorded in the corporate accounts, and to conserve all the appropriate supporting documentation so as to render it easily available for consultation by the entities appointed to supervision and control.

The PRADA Group requires and promotes full compliance with the processes of internal control as a tool for the improvement of corporate efficiency.

The internal control system consists of the activities of control performed by the individual corporate functions on their own processes in order to protect the corporate assets, effective management of corporate activities and provide clear information on the equity, economic and financial status of the PRADA Group, and of the activities aimed at the identification and containment of corporate risks.

The Addressees are bound, to the extent of their competence, to collaborate actively in the correct and efficacious functioning of the system of internal control.

The appointed corporate functions are guaranteed free access to the data, the documentation and any other information pertinent to the performance of the activities of control.

3- Relations with third parties

The PRADA Group is particularly attentive to developing a relationship of trust with all its potential interlocutors.

In the performance of its activities, PRADA spa and the companies of the Group adhere to principles of loyalty and correctness, requiring honest, transparent and legitimate conduct from all those operating on their behalf, and not tolerating corruption or collusion or undue favouritism.

In the performance of any activity connected with PRADA spa or other companies belonging to the Group, employees and collaborators are prohibited from giving/offering and/or accepting/receiving gifts, benefits and/or any other utility, personal or otherwise, with the exception of gifts of modest value incident to normal courtesy or commercial practice.

3.1 Relations with customers

The relations with the customer must further, as far as possible and in compliance with the corporate procedures, the maximum satisfaction of the customer.

The customers must be provided with exhaustive and accurate information about the products supplied, such as to enable them to make informed decisions.

PRADA spa and the companies of the Group guarantee adequate standards of quality for the products offered, and are engaged in periodically monitoring product quality.

3.2 Relations with suppliers and external consultants

The selection of suppliers and external consultants is performed according to criteria of competence/professionalism, economic expediency, correctness and transparency.

In the selection of the suppliers and external consultants, as in the determination of the purchase terms for goods and services, or the commissioning of professional services, the Addressees must seek to obtain the maximum competitive advantage for the Group, selecting the supplier or consultant that is in a position to supply goods and services of the quality required on the most economic terms and conditions.

The drawing up of a contract with a supplier must always be based on relations of the utmost clarity, avoiding where possible the adoption of contractual commitments that entail forms of dependence for the contracting supplier or for the company of the Group involved.

Fees and sums paid to the suppliers and external consultants, under whatsoever entitlement, for supplies and professional assignments must be consistent with market conditions and adequately documented.

3.3 Relations with the public sector

Relations with the Public Sector are restricted to those: (i) instrumental to obtaining any authorisations that may be necessary for the performance of the corporate activity, (ii) aimed at assessing the implications of laws and regulations for the corporate activities, (iii) necessary in response to requests made to PRADA spa and/or the companies of the Group by the Public Sector, in the performance of its institutional activity.

Relations with the Public Sector must always be clear, transparent and correct, and such as not to be susceptible to ambiguous or misleading interpretations.

More specifically, the Addressees must not seek to influence improperly the decisions of the Public Sector by offering money or other utilities, such as work or commercial opportunities which could benefit the public officials or the persons appointed by a public service, or members of their families.

PRADA spa and the companies of the Group are not permitted to make direct or indirect contributions of any kind, nor allocate funds for the support of public entities that are part of the Public Sector, excepting what is allowed and provided for by the legislation and regulations in force, and on condition that: (i) they are regularly approved by the competent corporate functions, (ii) they are regularly documented in

terms of accounts and management, (iii) they do not place any of the Addressees in a position of conflict of interests.

3.4 Relations with the judiciary and other institutional authorities

Management of relations with the judiciary and the other institutional authorities is restricted exclusively to the corporate functions appointed to the same.

The Addressees are bound to display the utmost helpfulness and collaboration in relation to the judicial authorities and/or the other institutional authorities in the course of any audits or inspections ordered by the same.

Any Addressees who, for matters connected with the working relationship, are subjected, even personally, to investigations or inspections or receive a summons, and/or those who are served notice of other judicial proceedings, must inform the Supervisory Body of PRADA spa or the competent controlling body of the other companies of the Group.

3.5 Relations with political organisations and trade unions

The PRADA Group contributes to the economic wellbeing and growth of the community in which it operates.

To this end, in performing its activities the PRADA Group conforms these to the respect of the local and national specificities, encouraging dialogue with the trade unions and associations of other kinds.

The relations of PRADA spa and the companies of the Group with political parties or their representatives or candidates are marked by the strictest compliance with the legislation in force.

The Addressees are forbidden from promising or offering payments or benefits of any kind, in the name and on the behalf of the PRADA Group, to political or trade union organisations or representatives of the same, excepting what is allowed and provided for by the legislation and regulations in force.

3.6 Relations with other interlocutors

The relations of the PRADA Group with private bodies, such as ONLUS and other non-profit organisations, must be inspired by the strictest compliance with the applicable legal provisions, and must not, in any way, compromise the integrity and the reputation of the PRADA Group.

The undertaking of commitments and the management of relations of any kind with private bodies are restricted exclusively to the corporate functions appointed to the same and to the personnel thus authorised, in line with the system of mandates and corporate procedures.

3.6.1 Sponsorship

PRADA spa and the companies of the Group may accept requests for sponsorship for events that offer guarantees of quality and seriousness.

Such sponsorship may relate to the social or environmental sphere, or to the world of sport, entertainment or art.

3.7 Relations with shareholders and operations with related parties

The PRADA Group exerts itself so that all shareholders are treated equally.

The advantages deriving from belonging to a Group are pursued not only in compliance with the applicable legislation, but in respect of the interests of each company in profitability and the creation of value for the shareholders.

The operations with related parties, including intergroup operations, comply with criteria of substantial and procedural correctness, according to pre-established rules of conduct.

4- External Communications

All external communication of documents and information concerning the PRADA Group or other entities with which PRADA spa or the companies of the Group have relations, must be performed in compliance with the legislation, regulations and professional conduct practices in force.

Strictly prohibited, under all circumstances, are:

- the disclosure of any confidential information acquired in the performance of the corporate activities;
- the disclosure of false or misleading information regarding the PRADA Group or other entities with which PRADA spa and the companies of the Group have relations in the performance of their activities;
- any form of pressure aimed at obtaining preferential attitudes from the organs of public communication/information.

In order to guarantee the completeness and consistency of the information, the relations of PRADA spa and the companies of the Group with the organs of public information are restricted to the functions appointed to the same.

5- Violations and sanctionary consequences

Should any suspected violation of the present Code of Ethics, or behaviour not compliant with the rules of conduct adopted by PRADA spa and the companies of the Group, come to the knowledge of any Addressee, he or she must inform the Supervisory Body of PRADA spa or the competent controlling body of the other companies of the Group without delay.

The Supervisory Body of PRADA spa or the controlling body of the other companies of the Group shall proceed to verify the grounds of the alleged violations, if necessary arranging for the interview of the person who has made the notification and/or the alleged perpetrator of the violation.

Furthermore, information relating to official actions deriving from infringements of laws and regulations (e.g. measures taken by the organs of the judicial police, requests for legal assistance forwarded by managers and/or employees in the case of initiation of legal proceedings) must mandatorily be transmitted to the Supervisory Body of PRADA spa or to the controlling body of the other companies of the Group.

Measures considered opportune will be adopted in relation to the perpetrators of unlawful conduct, independently of eventual criminal proceedings taken up by the judiciary, and shall proceed to communicate to the competent corporate functions the sanctionary measures imposed.

Compliance with the provisions of the present Code of Ethics is to be considered an essential part of the contractual obligations assumed by employees. Any infringement of the provisions of the Code of Ethics constitutes breach of the obligations of the work contract and/or a disciplinary offence, in compliance with applicable local laws and, in particular for Italian companies, in accordance with the procedures laid down by art. 7 of the Workers' Statute and the applicable collective bargaining, with all the legal consequences, also in relation to the maintenance of the working relationship, and may entail the compensation for damages deriving from the same.

Compliance with the provisions of the present Code of Ethics constitutes part of the contractual obligations undertaken by collaborators, by consultants and by other entities in business relations with the companies of the Group. The eventual infringement of the provisions contained in the same can constitute breach of the contractual obligations undertaken, with all the legal consequences as regards the termination of the contract or appointment assigned and the compensation of the deriving damages.

PRADA spa and the companies of the Group undertake to insert in the contracts with suppliers, collaborators and external consultants, express termination clauses related to eventual infringements of the Code of Ethics.

6- Approval of the Code of Ethics and related amendments

The present Code of Ethics was adopted by resolution of the Board of Directors of PRADA spa on 18.12.2007, with immediate effect.

The other companies of the Group also receive and adopt the present Code of Ethics through resolution of the competent management body. Any additional specific conduct rules deriving from local practices or laws may be included in specific conduct codes to be adopted in addition to the present Code of Ethics.

The Code of Ethics does not replace current and future corporate procedures which continue to have effect to the extent that the same are not in conflict with the Code of Ethics.

