



PRADA Group

MODERN SLAVERY STATEMENT FOR THE FINANCIAL PERIOD 2020

INTRODUCTION

This document, whose content refers to the fiscal year of 12 months ended December 31, 2020, was approved by the Board of Directors of Prada S.p.A. on April 16, 2021 and describes the measures taken by the Prada Group (hereinafter also “the Group” or “Prada”) to ensure, as required by the UK “Modern Slavery Act 2015 - Section 54”, the absence of any form of “modern slavery, forced labor and human trafficking” within its organization and along its supply chain.

This statement is also made on behalf of the following companies controlled by the Prada Group: Prada Retail UK Ltd and Church & Co Ltd.

THE PRADA GROUP

The Prada Group operates in the luxury goods industry with the Prada, Miu Miu, Church’s and Car Shoe brands in the design, production and distribution of luxury handbags, leather goods, footwear, apparel and accessories. The Group also operates in the eyewear and fragrance industries under specific licensing agreements and, with the acquisition of Pasticceria Marchesi 1824, has made its entry into the food sector. As of December 31, 2020, the Group’s products are sold in 70 countries around the world through 633 Directly Operated Stores (DOS) and a select network of luxury department stores, independent retailers and franchise stores. Also at December 31, 2020, the Group’s headcount amounted to 12,858 employees.

Prada S.p.A., the parent company, is a joint-stock company with limited liability, domiciled in Italy and listed on the Main Board of the Hong Kong Stock Exchange. At the date of this report, 80% of the share capital of € 255,882,400.00 is owned by Prada Holding S.p.A., a company domiciled in Milan (Italy), while the remaining shares are floating.



ETHICAL PRINCIPLES

Sustainability is a core element of the Prada Group’s identity, and deeply embedded within its strategy, as Prada believes that only a company founded on these principles can achieve financial growth that also benefits society as a whole.

Also for this reason, at the beginning of 2019 the Board of Directors of Prada S.p.A. approved the Sustainability Policy in which the Group declares its commitment to operate in full respect of the value of the individual and for the human and workers’ rights, enshrined both in the regulations of the countries in which it operates and in

the international covenants and declarations - such as the United Nations Universal Declaration of Human Rights, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

The Board of Directors considers respect for ethical principles to be the foundation of the enterprise’s success and represents an important expression of Prada’s image and reputation.



The Prada Group operates in:

- compliance with legislative and regulatory provisions in all countries in which it operates;
- legitimacy, loyalty, correctness and transparency;
- respect of the privacy;
- respect for the value of the person;
- respect for competition, as a crucial instrument in the development of the economic system;
- respect for the environment while raising awareness about its protection.

Since 2007, these principles have been given formal expression in the Prada Group's Code of Ethics. The Code sets out the guiding principles of the organization, being 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 adoption and application of the Code of Ethics is essential for the achievement of the Company's primary objective, consisting in the creation of value for the communities in which it operates.

The Code of Ethics is promoted internally through the publication of the document on the corporate intranet, by sharing it with all new collaborators as well as being the base of business relationships with all suppliers.

THE SUPPLY CHAIN

The Prada Group's business model is based on a value chain that combines artisanal skills with the industrial organization of production and distribution processes.

As at December 31, 2020, the production of the Group is entrusted to 23 manufacturing facilities located in Europe (20 of them in Italy) and to a network of external producers carefully selected for their craftsmanship, quality and reliability. All stages of the production process are controlled by Prada's technicians in order to ensure, in addition to quality standards of the products, also the compliance of the entire supply chain with the principles of the Code of Ethics that all suppliers must subscribe.

The vast majority of the prototypes and samples, as well as a part of the finished products and the most delicate phases of the production process, such as the cutting of hides, the controls over all raw and semi-finished materials, also those to be sent to suppliers, are produced at the Group's own facilities. During the years, the Group has made important investments to strengthen its internal industrial capacity and to reinforce the control over the value chain. This was achieved by internalizing an additional number of production processes, particularly the more technically

complex ones, through the realization of new production sites or the acquisition of the control of manufacturing companies formerly suppliers of the Group: the Group's production sites were 12 up to 7 years ago while now they are 23.

In 2020, the Group collaborated with about 790 raw materials and semi-manufactured products direct suppliers. Almost 56% of them have worked with Prada for more than 10 years; around 81% are Italian suppliers; the percentage rises up to almost 92% if the European Union area is considered. The remaining part is mainly represented by Asian suppliers and out of these, two among the main ones are international operators, also listed on the Hong Kong Stock Exchange, with whom the Group has been working for more than 10 years. A key part of the strategy is to establish long-term collaborations with suppliers in order to develop a relationship of mutual trust and transparency and to share mutual growth and a common strategic objective, reducing the risk of non-compliance with the Group's Code of Ethics and the current regulations.

At the same time, Prada considers essential to root its supply chain in Italy where the manufacturing sector represents an excellence appreciated all over the world. Such proximity enables the Group to perform a constant monitoring activity, even daily for the main suppliers, for the purpose of control and risk management.

GEOGRAPHICAL DISTRIBUTION OF THE SUPPLY CHAIN



DURATION OF COLLABORATIVE RELATIONSHIPS WITH SUPPLIERS



A supply chain mainly localized in Italy and in Europe constitutes an asset also from a social responsibility standpoint, as it allows easier control by the Italian parent company. The working conditions of the employees are regulated by the collective labor agreements (CCNL) in force and that are stipulated at a national level between trade unions and associations representing companies.



The CCNL regulates the rights, guarantees and obligations of all workers belonging to a specific sector, in terms of pay and regulatory provisions, such as guaranteed minimum wages, working hours, holidays, seniority treatment, treatment of overtime, holiday and night-time work (with the related pay increases), the duration of the trial period and notice period, sick leave, maternity leave, accident leave and the disciplinary code.

The supply chain of the Prada Group is completed with operators not related to the production cycle, among which - as an example - the suppliers of commercial spaces, logistic services, media spaces, and services providers linked to the management of stores in the countries where the Group operates with its retail activities; suppliers that, generally, are represented by large and primary companies. The Prada Group believes that the risk of modern slavery within its organization is non-existent, while it deemed that same risk as overall low along its external industrial supply chain. The geographic location of the suppliers selected by the Group, as well as the profound knowledge of the same in terms of duration and quality of the established partnerships, combined with the systematic control of the quality of the production at the suppliers' sites, reduces the risk of conditions or pre-conditions such as to constitute circumstances of modern slavery, forced labor and human trafficking.

RISK ASSESSMENT AND DUE DILIGENCE

In the last years, the Prada Group placed particular focus on the identification and evaluation of the enterprise risks, as well as on the improvement of a system of procedures aimed at mitigating and managing the risks consistently with Group's objectives. At the same time, many efforts have been directed toward raising awareness in the purchasing structures of more responsible management of the industrial supply chain.

To this end, in early 2017 the Group adopted a "Qualified Vendor List" procedure to define the responsibilities and operational criteria required to evaluate the ethical, technical and economical reliability of its suppliers. The list is part of the controls needed to initiate and continue with the supply relationship, as set out in the procurement policy, which calls for mitigating risks of non-compliance through additional checks and accountability.

With respect to ethical issues, the accreditation and maintenance of a supplier's qualification are confirmed through requested documents, attestations and self-certifications that ensure compliance with the laws on remuneration, social security, taxes, occupational health and safety, the environment, privacy and the governance model. Finally, the Code of Ethics must be signed in order to work with Prada.

This information asset undergoes systematic first-level and second-level controls, including interim ones, to ensure that the information is updated, true and consistent. Such controls, which involve documents and are performed by the procurement structures or business areas specialized in the various topics, are also conducted upon notification of potential situations of crisis, breaches or anomalies; in these circumstances, the procedure involves additional analysis, targeted controls or an immediate encounter with the parties involved.

The procedure, initially applied to suppliers in the manufacturing area, has now been implemented with the engineering and logistics suppliers and is gradually being extended to the other business areas. In 2020, due to the COVID-19 public health emergency, which led to the



temporary shutdown of industrial activities, the updating of the information suffered delays that were gradually recovered when the activities resumed.

Although the Prada Group considers the risk of non-compliance throughout its direct supply chain to be low, thanks to its geographical location and the duration and quality of the relationships established, it is aware that first-tier suppliers use subcontracting, and of the reputational and legal risks associated with that, including in terms of human rights. For this reason, in 2019 the Group set up a "Supplier Inspectorate" to tighten the controls over the supply chain and respond to the growing demand for transparency and accountability in the production and sourcing practices. The Group formalized the inspecting activity in July 2020 with a dedicated procedure.

The work team consists of representatives of the administrative, occupational safety, compliance and human resource functions and assists production division managers with controls at supplier and/or sub-supplier premises, reviewing documents and checking the observance of the Group's ethical principles and proper application of labor, tax, occupational safety and environmental regulations.



The inspection plan includes a risk assessment, conducted in the first phase by the various managers, also according to the composition of the industrial supply chain in terms of supply and subcontracting, and any critical issues detected by them or by the functions responsible for the second-level controls during the periodic inspections required by the Qualified Vendor List procedure.

The analysis performed during the inspections, which follow a six-month schedule, completes other controls carried out in previous phases and those foreseen by the Qualified Vendor List procedure, thus strengthening the control over the industrial supply chain, ensuring compliance with the Code of Ethics and current regulations.

The results of the inspections are reported to the various managers so that a corrective action plan (Remediation Plan) can be drawn up in the event of breaches or partial breaches of the criteria standards, and corrective actions are identified that the supplier must implement over a period of time that varies according to the irregularity found. In the event of serious breach, or the supplier's inability to ensure a positive outcome in the prescribed

time, termination of the supply relationship is evaluated. The team limited its activity to Italy; it began at the end of 2019 and in just a few months it covered most of the manufacturing suppliers in the Leather Goods Division, both first-tier and second-tier suppliers.

However, in March 2020 the activity was suspended in order to deal with the COVID-19 public health emergency which struck Italy first among the European countries. The inspections resumed in October, and covered approximately half of the Footwear division supply chain by the end of the year.

The inspections effectively confirmed what the managers of the production divisions had already perceived; most issues were found at the sub-contracting level, with the Leather Goods Division experiencing more than the Footwear Division. The controls over first-tier suppliers were more encouraging, as they confirmed the effectiveness of the streamlining decisions of recent years.

The breaches found in the sub-contracting relationships regarded primarily social security and tax aspects, the workplace, occupational safety and the work force



employed in terms of contractual conditions and actual working hours. These situations led to, in the most serious cases reported in the Leather Goods supply chain, the termination of some first-tier and second-tier supply relationships. When the breaches were not deemed serious, the Leather Goods Division required corrective actions as an essential condition for continuance of the supply relationship, to be implemented within a set time frame. The breaches identified in the Footwear Division during the inspections undertaken during the period under analysis are still being evaluated as of December 31, 2020.

OUTLOOK

For the Prada Group, the selection of its suppliers is fundamental for reaching the highest standards of product excellence, but also for transmitting its high ethical standards through the entire value chain, in order to creating shared value in the medium and long-term.

For these reasons, in recent years the Group has undertaken a constant review and rationalization of its industrial suppliers to minimize its risk profile.

During 2021, on the basis of the "Qualified Vendor List" procedure, the Supplier Inspectorate will complete its inspections of the Footwear Division supply chain, and will extend them to the Clothing Division. Specific controls will be performed on the suppliers and sub-contractors inspected in 2019 and 2020 for which slight breaches were found, in order to check their effective solution.

Chairman of the Board of Directors of Prada S.p.A.
Carlo Mazzi
Milan (Italy), April 16, 2021