



**PRADA S.p.A.**  
(HONG KONG STOCK CODE: 1913)

**2020 SOCIAL RESPONSIBILITY REPORT**





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Many years ago, when we in Prada began to talk about sustainability, it was still an uncommon word even as many people were talking about and dedicating themselves to numerous related issues. Indeed, in "Meditations", Marcus Aurelius clearly expresses the moral obligation to treat Others and Nature with respect, as other great men had before him.

Basically, sustainability is a matter of ethics: therefore we have to face it with humility, while always reminding ourselves that it is an end, and not a means to entertain our illusory image. In other words, we certainly need to evaluate what has been achieved, but we need above all to study what has not been done yet and how to accomplish that.

Nowadays this task has been made easier by a heightened awareness of the significance and purpose of a sustainable world, with the false conflict between sustainability and economic efficiency no longer relevant.

Economic efficiency is the art of being able to interpret the demands of the young generations, which now require new ideas for striking a balance between the necessities and rights of a rapidly growing world population and natural resources that can no longer be wasted.

The Report on the activities of the past year is fundamental for evaluating our work in the environmental, social, humanitarian areas, essentially on justice, and it does not end with itself but rather represents the basis of a project that will continue to develop in the future.

I conclude my thoughts by recalling the teachings of Confucius, which begin with self-evaluation, evoke moral teachings instilled by tradition and tend to satisfy collective needs instead of individual ones, to achieve a harmonious relationship with Nature. They are the response to disorientating doubts because they dissolve the discord, the confused complexity of this era in which we are too often incapable of connecting with others, with reality, with Nature; in a frank, sensible, humane, sincere, firm and courageous manner, as Confucius taught his disciples, recommending always to preserve coherence through study.

**Carlo Mazzi**  
Chairman of Prada S.p.A.  
Milan, April 16, 2021





The year 2020, undoubtedly full of challenges, coincided with my first year as the Prada Group's Head of Corporate Social Responsibility, at a historical time in which sustainability is increasingly assuming strategic relevance for us and for business in general.

I have lived these months with the sense of having an important opportunity, which I seized by moving forward with the projects already underway and starting up new ones.

We focused on the development of initiatives capable of best representing Prada's values and those with which I can personally relate in my desire to accompany Prada into a decade decisive for its sustainable growth.

The recent events have given cause for deep reflection, benefiting the pursuit of solutions that demonstrate our continuous engagement and the intention to respond actively to external stimuli, while remaining consistent with our identity.

This has led, among other things, to the identification of a key officer in North America dedicated to diversity and inclusion, to assist the Diversity and Inclusion Advisory Council, for the planning of strategies and programs to help ensure the representation of diverse cultures and perspectives at all company levels. More and more companies are participating in the debate over inclusion, and Prada intends to contribute with the role of activism that has always distinguished it. In this spirit, we joined The Valuable 500, whose value lies in the efforts of a wide range of sectors involved in changing the perception of disability in society and in the workplace.

As part of the promotion of culture, which has always played a significant role in Prada's investments, we have consolidated partnerships with various academic institutions and with UNESCO throughout 2020, sharing stimuli, ideas and new instruments with the young generations.

The Group's sustainability strategy also hinges on the work we are carrying out with the Fashion Pact. After years of investing in the construction, refurbishment and efficiency of the industrial facilities, as well as in photovoltaics and renewable energy, we have ambitiously reaffirmed our objectives and have started a process to measure our carbon footprint, necessary for determining ways to mitigate and reduce our environmental impact.

Finally, we continue to explore materials deriving from alternative processes and sources.

The Prada Re-Nylon project is a prime example; with its challenging goal to completely convert to regenerated nylon by the end of 2021, it has accelerated the paradigm shift needed for sustainable growth and that looks to the future with new solutions.

**Lorenzo Bertelli**  
Group Head of Corporate Social Responsibility





## 1. THE PRADA GROUP

The Prada Group is one of the world leaders in the luxury goods sector where it operates 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 stipulated with industry leaders, and with the acquisition of Pasticceria Marchesi 1824, it has made its entry into the food industry, where it is positioned at the highest levels of quality. Prada S.p.A. (the "Company" or "Parent Company"), together with its subsidiaries (collectively the "Group"), is listed on the Hong Kong Stock Exchange (HKSE code: 1913).

At December 31, 2020, the Group's products were sold in 70 countries worldwide through 633 Directly Operated Stores (DOS) and a selected network of luxury department stores, independent retailers and franchise stores.



## 1.1 HISTORY

The Prada brand dates back to the beginning of the last century. In **1913**, Mario Prada opened a luxury store in the Galleria Vittorio Emanuele II in Milan, selling leather handbags, travelling trunks, beauty cases, luxury accessories, jewels and articles of value. Thanks to its exclusively designed goods, handcrafted using fine materials and sophisticated techniques, Prada rapidly acquires wide popularity across Europe to the point that, in **1919**, Prada became an official supplier to the Italian Royal Family. Since then, Prada has been able to display the House of Savoy coat of arms and knotted rope design on its trademark logo.

The Group saw a turning point in the development of its activities at the end of the Seventies, when Miuccia Prada, Mario Prada's granddaughter, launched a partnership with Tuscan businessman Patrizio Bertelli. This partnership combined creativity and business ideas laying the foundations of the international expansion that was to come. Patrizio Bertelli broke new ground in the luxury goods sector, introducing a business model in which he kept direct control over all processes, applying excellent quality criteria across the entire production cycle.

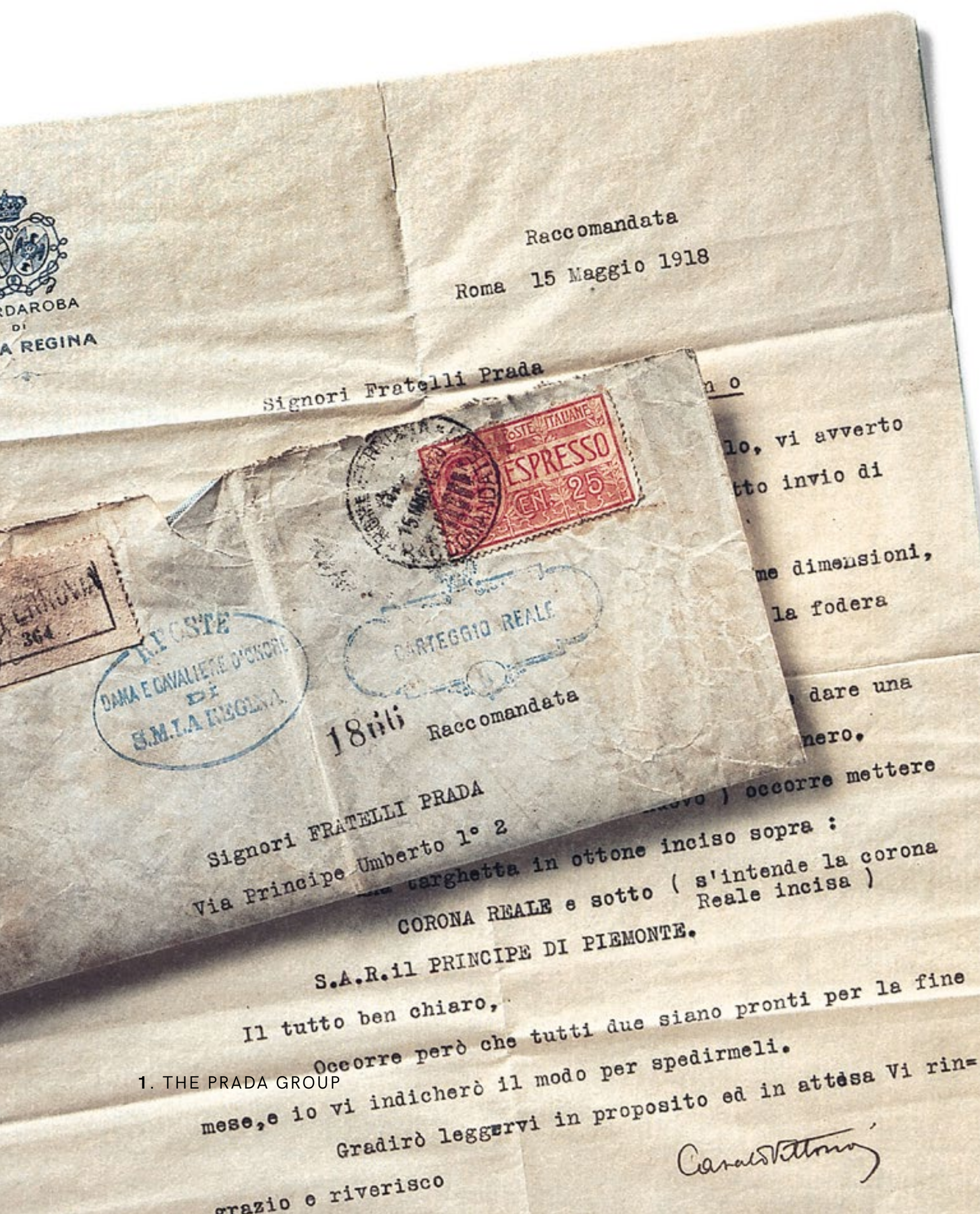


Miuccia Prada's creative talent and avant-garde approach attracted the attention of the global fashion industry, while her ability to look at the world from an unconventional vantage point allowed her not only to anticipate but, quite often, to set new trends.

In **1977**, Patrizio Bertelli consolidated the production resources that he had built up over the previous ten years in the leather goods segment and obtained an exclusive license from Miuccia Prada to produce and distribute leather goods bearing the Prada brand name. In the following years, the activities of the two families were gradually brought together within a single Group.

In **1983**, the Prada family opened a second store in the prestigious Via della Spiga in Milan, one of Europe's key shopping destinations. The new store showcased the new brand image as it blended traditional elements with a modern architectural setting: a revolution and a true benchmark for luxury retail.

In response to the growing appreciation for Prada designs, the women's range was extended from leather goods to include the first footwear collection in







**1979** and the first womenswear apparel collection as presented in Milan in **1988**. At the same time, a process of internationalization begins with the openings in New York and Madrid, followed by London, Paris and Tokyo.

In **1993**, Prada made its debut in the men's segment with its first men's apparel and footwear collection. That same year, Miuccia Prada's creative inspiration led to the establishment of a new brand – Miu Miu – designed for women who are trendy, sophisticated and particularly fashion-forward and aware of *avant-garde*. Miu Miu now offers women's ready-to-wear, bags, accessories, footwear, eyewear and fragrances.

Also in **1993**, alongside their entrepreneurial activity, Miuccia Prada and Patrizio Bertelli created "Milano Prada Arte", then become "Fondazione Arte", to develop their interests in art and culture in general.

In **1997**, inspired by his passion for sports, Patrizio Bertelli created the "Prada Challenge for the America's Cup 2000" sailing team. Prada's leisure products, with the distinctive "Linea Rossa" ("red line") logo, were also launched in 1997.

In **1999**, the prestigious Church's brand, established in 1873 in Northampton, became part of the Prada Group; the investment was initially shared with a private equity

firm, and then Prada completed the acquisition in 2007. The brand, specialized in high-end leather footwear, is a worldwide recognized symbol of top quality British tradition and sophisticated elegance.

In **2001**, the Prada "Epicenter" store, designed in collaboration with Rem Koolhaas, opened on Broadway, New York. This was the first store of the "Epicenters" project whose purpose was to rethink the shopping concept with a new approach and to try out innovative interactions with customers. A second "Epicenter" store was opened in Aoyama, Tokyo, followed by a third, on Rodeo Drive, Beverly Hills in 2004. During the same year, Prada acquired control of Car Shoe, a historic Italian brand renowned for its exclusive car-driving moccasins. In **2003**, Prada entered into a licensing agreement with the Italian eyewear manufacturer Luxottica, a global leader in the eyewear industry which currently produces and distributes eyewear under the Prada and Miu Miu brands. Also in 2003 a new partnership was established for the production of fragrances, which first release, Amber, was launched in 2004.

In **2006**, Miu Miu organized its first fashion show in Paris to better characterize its own identity. The first Prada Phone by LG was launched in March **2007**, the world's first touch screen cell phone.



The successful partnership was renewed in **2008** and in **2011** with two further releases.

On June 24, **2011**, Prada S.p.A. was successfully listed on the Main Board of the Hong Kong Stock Exchange.

Before any mandatory requirement, in **2013** the Prada Group published its first Social Responsibility Report to collect the initiatives undertaken in the field of environmental, social and governance sustainability in a single document.

In March **2014**, Prada S.p.A. announced the acquisition of control of the company Angelo Marchesi srl, historical Milanese patisserie founded in 1824, thus marking the entry into the food segment.

In **2015**, the Prada Group completed the acquisition of the French Tannerie Mégisserie Hervy to further strengthen its know-how along the entire production chain. That same year, the Prada Group and Coty Inc. launched the first Miu Miu fragrance.

The commercial development of the Marchesi brand began to take shape with the opening of the first patisserie in via Montenapoleone, Milan.

Also in 2015, the Group's Social Responsibility Report was prepared for the first time following the GRI (Global Reporting Initiative) standards, considered a best practice at an international level.

**2016** featured important manufacturing investments all made following a sustainable industrial development and respectful of the environment, leading to the completion of a new leather production site and to the renovation of various factories between Tuscany and Umbria, in Italy. The first construction phase of the new logistics hub for finished products was completed in Tuscany to end its second phase two years after.

In **2017**, a restyling plan of the Prada and Miu Miu stores was coupled with a broad program of pop-up events to further support retail activities. Also in 2017, the Prada Group was admitted to the cooperative compliance regime with the Italian Revenue Agency introduced with Italian Law Decree 128 of 2015.

Always in 2017, the Group organized in Milan the first event of the "Shaping a Future" cycle of conferences with the aim of stimulating a debate on the most significant changes taking place in contemporary society.



In **2018**, besides the usual Milan and Paris fashion shows, the Group launched two major events for the presentation of pre-collections: Miu Miu Croisière at the Hotel Regina in Paris and the Prada Resort in New York (in Shanghai in 2019).

The same year, Miuccia Prada received the Outstanding Achievement Award from the British Fashion Council for her extraordinary contribution to creativity and the global fashion industry.

In **2019**, the Diversity & Inclusion Advisory Council is established; assisted by leading personalities of authoritative international academic and cultural institutions, it will guide the Group on matters of social sustainability. In October of the same year, the Prada Group obtained full control of the retail network through the acquisition of Fratelli Prada S.p.A., the long-standing franchisee of Prada monobrand stores in Milan.

In December, Prada S.p.A. and L'Oréal announced the stipulation of a long-term licensing agreement, effective from January 1, 2021, for the creation, development and distribution of Prada brand luxury cosmetic products.





In **2020**, a year disrupted by the COVID-19 pandemic, Raf Simons became the Creative Co-Director of Prada and other important managers joined the team, with a view to fostering long-term growth regardless of the uncertainties arising from the public health emergency. Lorenzo Bertelli also took on the role of Group Head of Corporate Social Responsibility to give further impetus to the integration of sustainability into the long-term corporate strategy.

In July Prada S.p.A. obtained "AEO Full" (Authorized Economic Operator) certification from the Italian Customs Agency, becoming one of very few taxpayers in Italy to hold simultaneously this qualification and participate in the Cooperative Compliance regime with the Italian tax authority. It is worth mentioning the sponsorship of Luna Rossa and Prada Cup. In December, the preliminary races of the 36<sup>th</sup> America's Cup - presented by Prada - got underway and the challengers included the Luna Rossa sailing team sponsored by Prada, which in February 2021 won the Prada Cup (i.e. the selection among the challengers), and therefore the right to compete with the defender of the prestigious sailing race.

## 1.2 CREATIVITY AND EXCELLENCE

Prada's defining asset, know-how, creates continuity and balance between creativity and discipline, tradition and technological progress, craftsmanship and industrial production. Guided by the style inspiration of Miuccia Prada, universally recognized as a reference for the entire

fashion industry, the team of designers and craftspeople keep the Group's values and brand identities alive, yet constantly re-interpret them in a contemporary light without forsaking their unique concept.

Retracing the history of the company, it becomes very clear how incursions into seemingly distant worlds, such as cinema, architecture, literature, sport and art, find a common ground in the creative processes. Creativity is inexhaustibly linked to those special projects that over time not only define images, fashion shows and store settings, but also outline the collections that are joined together by an extremely fluid relationship.

Fashion, fast and increasingly difficult to interpret, requires a quick response to the prevailing cultural trends. As times change, so should creativity that is a reaction to the era in which we live.

In 2020, Raf Simons joined the Prada brand as co-creative director, working in partnership with Miuccia Prada with equal responsibilities for creative input and decision-making. This partnership opened a new dialogue, a new approach to the very definition of creative direction, and can be interpreted as a reaction to an epoch with fresh possibilities, permitting a different point of view and approach to established methodologies.

Innovation is an inherent facet of the identity of Prada: a willingness to push boundaries, to experiment, to take opportunities to advance. If the notion of a partnership is to work jointly, the result of that conversation may not only be product but also the propagation of a thought and a culture. A pure vision of creativity, in which the product is a vehicle of these concepts.





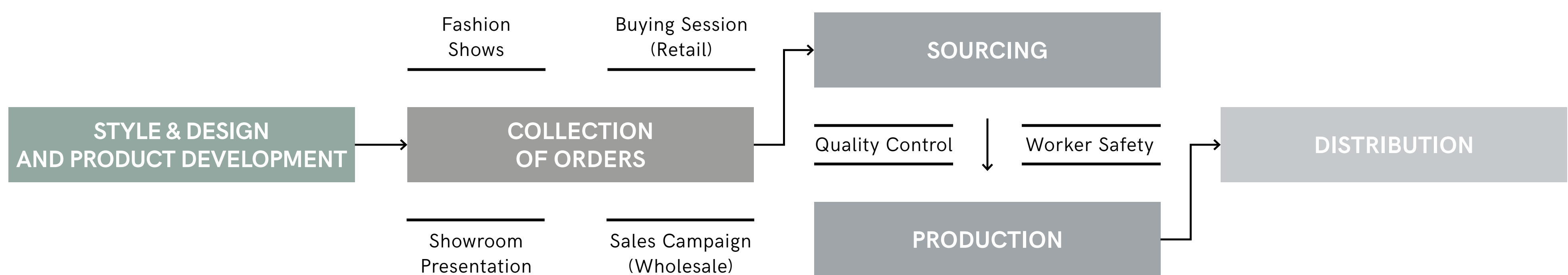
Close observation and curiosity about the world are at the very origin of the Prada Group's creativity and modern outlook. In society — and therefore in fashion, which in many ways reflects it — the only constant is change. The transformation and innovation of conventions, underlying all evolution, have led us to interact with different cultural spheres both near and apparently far, helping us capture and anticipate the spirit of the times. Today this is no longer enough: we must be the agents of change, with the flexibility to translate the demands of the market and society into tangible actions that guide us every day in our business.

”

Miuccia Prada and Patrizio Bertelli



## 1.3 VALUE CHAIN



The success of the Group's brands is based on the original business model, which combines skilled craftsmanship with industrial manufacturing processes.

This integration enables the Group to translate its innovative fashion concepts into viable commercial products while retaining flexible capacity and technical control over know-how, quality standards and production costs.

### 1.3.1 CREATIVITY

Creativity is at the heart of the manufacturing process. Miuccia Prada has the talent to combine intellectual curiosity, the pursuit of new and unconventional ideas, and cultural and social interests with a strong sense of fashion. This has made it possible to establish a genuine design culture, based on method and discipline, which guides everyone who works in the creative process.

With this unique approach Prada anticipates trends and often influences them, while continually experimenting with new designs, fabrics and production techniques. Experimentation and idea-sharing are the essential components of the design process throughout the Group. The time spent at the drawing board and in the testing room on design research and development is fundamental to formulating each collection so that the clothing, footwear and accessories complement each other and create a well-defined image reflecting the brands.

Prada's flair and the strong appeal of its tradition and quality standards continue to attract talented people from all over the world who want to share the creative experience. This results in teams involved at all stages of the creative process: from fashion design to manufacture,

from architecture to communication and photography, from store interior design to all the unique and special projects in which the Prada Group is involved.

In 2020 the British Fashion Council selected Miuccia Prada as an Honoree at "Fashion Awards 2020" in the Creativity category. Creative Co-Directors Miuccia Prada and Raf Simons were honored for promoting positive change within the fashion industry, and for demonstrating the power of creativity and the importance of communication with the first fashion show designed together in September of the same year.

### 1.3.2 RAW MATERIAL PROCUREMENT AND INDUSTRIAL PRODUCTION

Prada's approach to manufacturing is based on two key principles: the constant quest for innovation, ensuring the continuous evolution of skills and expertise, and a vocation for craftsmanship, which is an essential asset for production and a unique distinction for every brand.

Raw materials are an essential part of product quality and are of primary importance for all the Prada Group's brands. In many cases the fabrics and leather are made especially for Prada, according to stringent technical and style specifications that guarantee excellence and highlight the exclusive nature of the products. Raw materials undergo strict quality controls by internal inspectors and experts.

The Prada Group's products are manufactured in the 23 directly owned production sites (20 in Italy, 1 in England, 1 in France and 1 in Romania), in addition to a wide network of contract manufacturers which undergo strict controls and are supplied with internally made raw materials, patterns and prototypes.



This system, which enables close oversight of each step of the process and ensures high-quality workmanship, emphasizes the manufacturing excellence of each facility and guarantees significant flexibility in the organization of production.

Moreover, the signing of the Code of Ethics of Prada represents the essential prerequisite for collaborating with the Group, both for raw materials and manufacturing suppliers.

Production employees have been working for the Prada Group for an average of more than 10 years; this ensures an extremely high level of specialization, in-depth knowledge, harmony with the Group's unique concept, and the seamless transmission of production techniques and core values to younger generations.

The Group employs considerable resources to ensure excellence in the quality of its raw materials and processing of its products, and in such manner also protects the health and safety of the employees and consumers. Each industrial division employs technicians whose responsibility is to ensure the achievement of these goals through strict controls over incoming and outgoing materials and daily visits to external production sites. Product and process controls not only ensure that standards are being met, but also contribute to ongoing improvement.

The Industrial Compliance Office ensures that the production and distribution of its products worldwide always comply with applicable laws. The Office also has to grant the compliance with all current legislation, and the development of standards and procedures that are often more stringent than those required by law. The ultimate goal is to be proactive with respect to the entire system, made up of employees, clients, manufacturers and the outside environment as a whole.

### 1.3.3 DISTRIBUTION

Over the years, the Group has expanded its distribution network to 633 Directly Operated Stores ("DOS") in the most prestigious locations of the major international shopping destinations, consistent with the image, heritage and exclusivity of each brand. This extensive network, the subject of continuous research and

renovation, is a true asset for the Group as it showcases the new collections and is the fulcrum of the omnichannel strategy. The DOS serve as more than a primary sales function as they are also an important means of communication: they are the true ambassadors of the brand, conveying the image of each brand consistently and categorically. The DOS are integrated with the E-commerce strategy and allow the Group to monitor in real time the sales performance of the various markets for each brand and product category.

The wholesale channel (department stores, multi-brand stores and franchisees) provides additional venues selected on the basis of their prestigious location and enables direct, immediate comparison with the competition.

The Group's recent significant developments in the digital world have allowed to consolidate important partnerships, including top online retailers ("e-tailers").

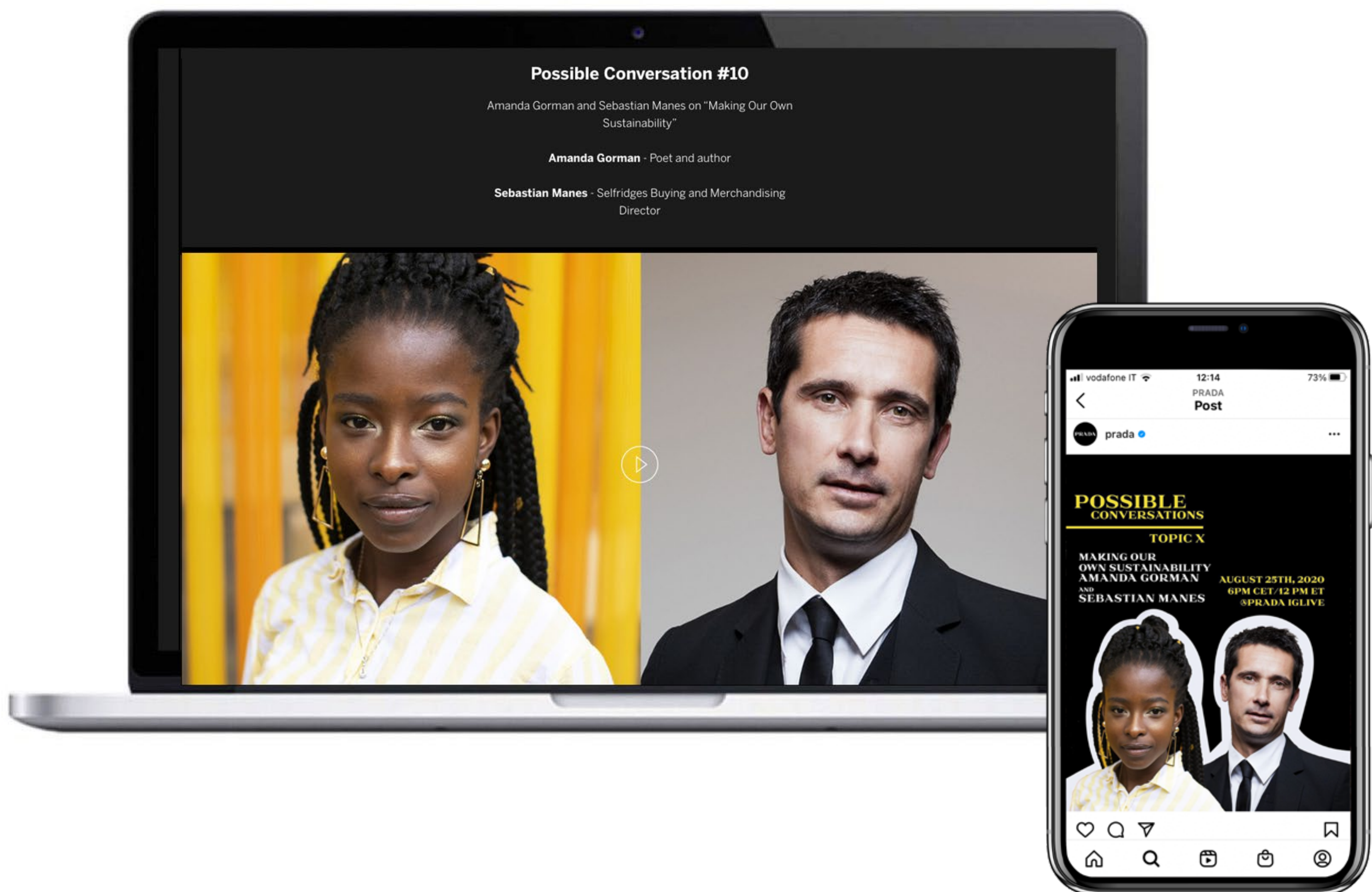
The retail channel generates 89% of the Prada Group's consolidated sales while the wholesale channel accounts for the remaining 11%.

## 1.4 CUSTOMER CENTRICITY

Consistently with the Prada Group's growth strategy, the Retail Innovation & E-commerce Department, set up in 2019 and reporting to the Marketing management, has as its primary objectives to implement the overall customer strategy, to develop the experience and the omnichannel approach, to give a new value to the retail experience and, finally, to accelerate the Group's digital transformation.

Digital innovation and, more specifically, the development of the E-commerce channel, accelerated further in 2020, in part because of the changed consumer purchasing behavior due to the COVID-19 health emergency. The E-commerce channel has therefore become even more relevant for the implementation of the Group's omnichannel strategy, requiring an additional transformative and investment boost: the consequent expansion of the Group's digital footprint was possible both through the opening up of new E-commerce markets of strategic interest and through the optimization of other digital channels.





At the same time, the global re-styling of the prada.com site, aligned with the Brand's visual identity, the addition of new features and services to the customer, the refinement of the technological architecture, and the implementation of an integrated digital communication strategy - including full use of social media channels - have all contributed to significantly improving the digital experience and, consequently, the business result.

The global pandemic has further enhanced the centrality of the customer, with whom it was essential to maintain an active dialogue. In this regard, the role of the retail staff was crucial; through both traditional and new digital tools, they worked tirelessly to maintain a high level of engagement with their customers during a year heavily impacted by the physical distancing of people from stores and new purchasing dynamics.

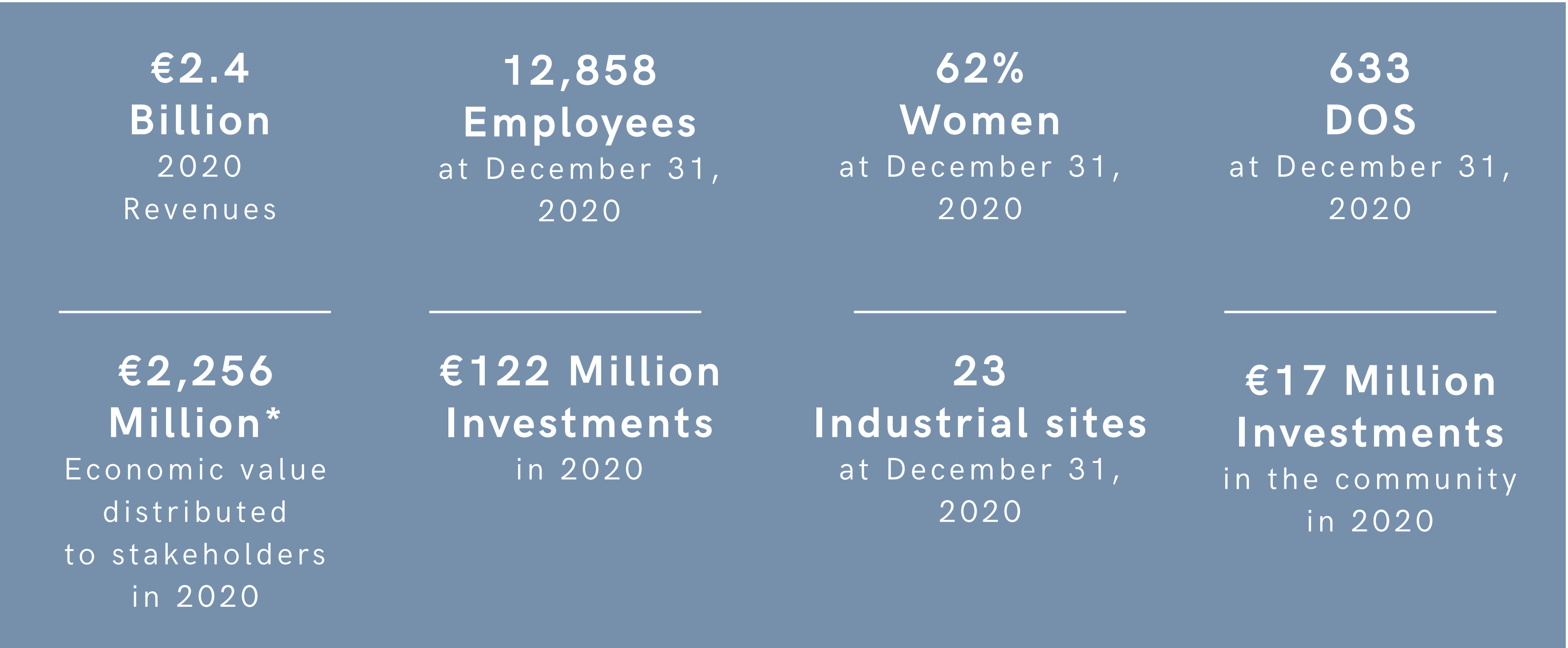
Furthermore, during 2020, the continuous attention given to the value of the retail experience included the adoption on a global scale of the Net Promoter Score (NPS) system,

introduced in 2019, which has become an integrated part of the company metric, with a view to constant improvement in the customer experience. The already extensive narrative has been further enriched especially in terms of the value proposal of the brands, moving towards a storytelling aimed at a higher understanding of the heritage of the brands themselves and not just limited to the product.

Finally, the Retail Innovation & E-Commerce Department launched a global reorganization of the work teams, both central and local, which during the year led to the acquisition of new skills essential for the development and implementation of the identified strategic guidelines.



1.5 2020 HIGHLIGHTS



\* Economic value distributed to stakeholders in compliance with GRI Standards 201 - 1 (reference at page 17).

The year 2020 was disrupted by the COVID-19 pandemic, which had dramatic health, social and economic consequences on a global scale, still enduring in the initial months of 2021. The restrictions on individuals’ free movement imposed by governments and the general distress caused by the spread of the pandemic had a significant impact on luxury spending. The elimination of tourism flows resulted in a considerable drop in physical sales, but at the same time fostered local consumptions. In addition, changes previously underway accelerated, like for example the growth of digital communication and sales channels along with the expansion of the share of young consumers.

The pandemic had the greatest effect on the Group’s business in the first half of the year, although with different trends across countries. Sales picked up gradually towards the end of the first half of the year, where it was possible to reopen activities, to the point of full retail recovery in October and December compared to the same months of 2019 (November again suffered from the lockdowns, mainly in Europe).

Overall, the Prada Group operated in the twelve months of 2020 with an average of 18% of stores closed

(27% in the first half and 9% in the second), which peaked at 70% in April 2020. At December 31, 2020, 22% of the stores were still closed due to the pandemic. The Group’s reaction to the emergency was immediate, decisive and far-reaching. Each business function revised its activities and adapted the workforce, prioritizing employee safety and customer centrality.

Prada’s business model, which is deeply rooted in Italy and features strict controls over all the productive processes, along with full collaboration with government authorities and the flexibility of the Group’s craft workers, enabled limiting the production shutdown to merely five weeks. This ensured some supply continuity to the stores, although at below-normal volumes.

The ability to readily reallocate finished products within the retail network helped sustain the growth of the direct E-commerce channel and the assortment in stores that stayed open, thus preventing excessive inventories. The retail personnel kept contacts with customers alive during the various closure periods, whereas all the other functions ensured operational continuity in a context of severe cost containment, especially in the first half of the year.



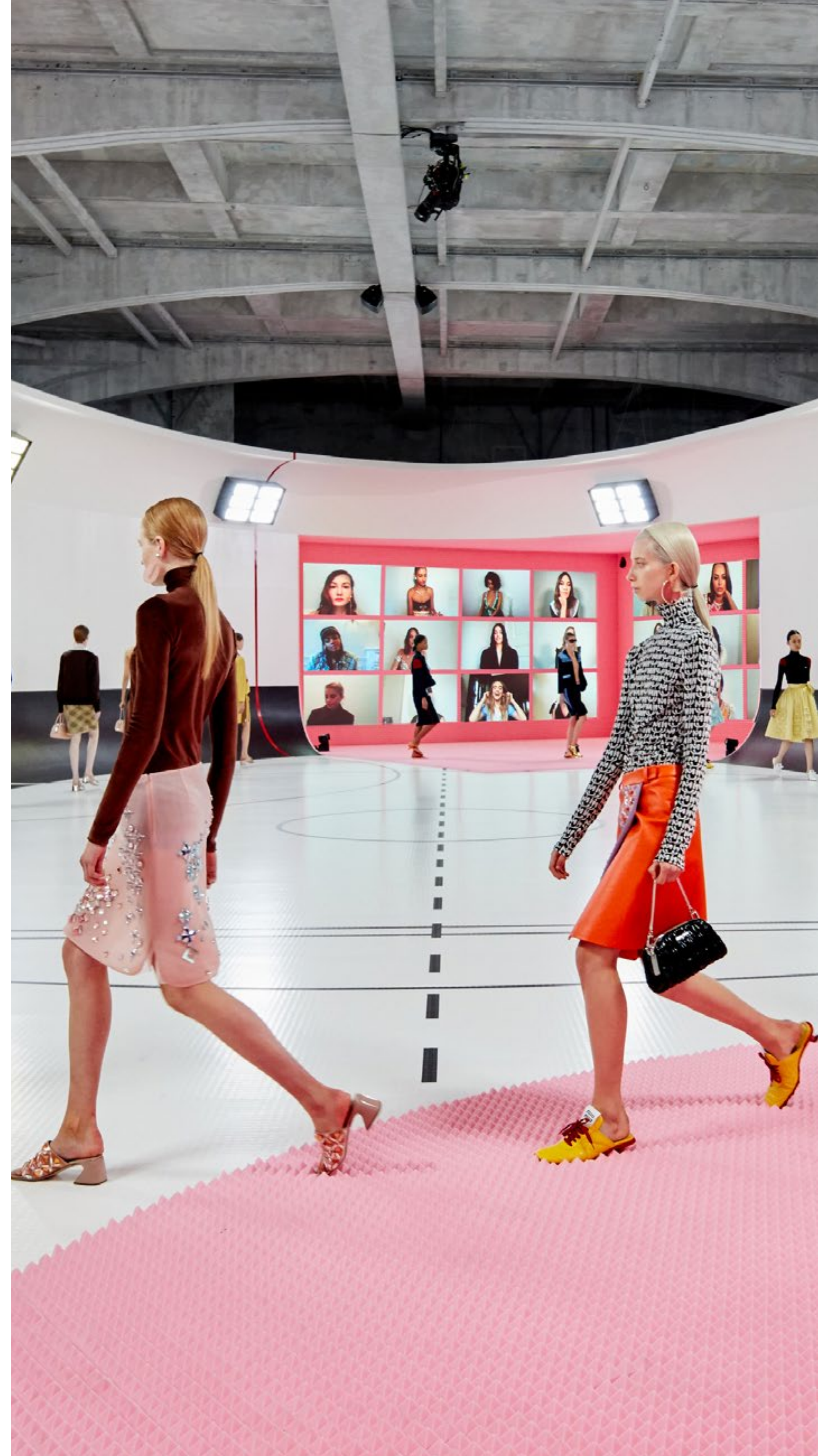
Operating expenses were reduced thanks in part to rent discounts obtained and wage supplements used in the countries where they were available. In addition, the investment program was revised during the year as some renovation and relocation projects for the retail network were postponed. Some marketing initiatives were canceled or postponed too and discretionary expenses were trimmed. At the same time, at the reopening of the stores in the various countries, an important plan of pop-ups and special installations in the retail spaces was implemented, fully integrating it with the communication strategy.

The objective of enhancing the value of the Group over the long-term led to the appointment during the year of Raf Simons as Prada's new Creative Co-Director and the addition of important top positions in the Industrial, Marketing and Communication areas.

The pandemic spurred the digital evolution reinforcing the Prada Group's vision of expanding the omnichannel strategy, which during the year made additional progress: an important plan to update the back-end technological and organizational structures was established, the prada.com and miumiu.com customer experiences were redesigned on an international scale, new E-commerce markets were opened, content was localized and customized, and the digital communication strategy was strengthened through full use of social media channels, in various areas of the world. Sales from the E-commerce channel tripled from 2019 levels and the Group's brand relevance in the digital world showed considerable improvements.

The 2021 Spring/Summer Prada and Miu Miu fashion shows were presented digitally, and gained visibility for their originality and impeccable performance, even in the new format. Miuccia Prada's and Raf Simons' co-management of the creative work made its debut at the Prada Womenswear show in September, paving the way for an important partnership between the two designers and representing an example of change in creativity leadership models for the entire fashion industry.

In the year of the pandemic, the focus on sustainability in the Group's business led to numerous initiatives aimed at offering wide-ranging support in the society: from



the conversion of the Torgiano plant in Umbria, Italy, for the production of personal protective equipment and scrubs to be donated to hospitals and employees, to support scientific research on the novel coronavirus, not to mention the numerous donations.

One of these led to allocating the proceeds from the Tools of Memory auction to support UNESCO's "Keeping Girls in the Picture" campaign, to contrast social abuses relating to the public health emergency.

On the environmental front, the campaign to transition from the use of virgin nylon to regenerated nylon ("Prada Re-Nylon") proceeded according to plan thanks





to the use of the new version of the iconic fabric for the production of various articles in the clothing and footwear collections.

The agenda of the Fashion Pact, a coalition of 60+ leading international fashion companies of which Prada was one of the first participants, made large steps forward in taking concrete action to contrast climate change, restore biodiversity and protect the oceans.

In December 2020, the adventure officially began in Auckland for the Luna Rossa sailing team, sponsored by the Group and one of the protagonists of the Prada Cup and 36th America's Cup presented by Prada, where Prada is the Title and Presenting Sponsor. The prestigious competition, the oldest still played, has - thanks in part to Prada's contribution - a strong technological component and captivating broadcasting and webcast formats that have ensured extraordinary media exposure to the brand and global coverage with 195 territories involved.

Last, but not least, in order to optimize the retail presence in Milan and to profitably realize no longer useful real estate assets, in December 2020 the Prada Group sold its commercial property in Via della Spiga, occupied until March by a Prada store that closed during the pandemic and never reopened.

On the financial front, the Group stipulated new loans and opened new credit lines for the purpose of having greater flexibility. At the same time, the Board of Directors withdrew the proposal to distribute dividends and a disciplined cost containment plan, enabled to keep the debt under strict control.

The year-end net financial deficit stood at Euro 311.4 million, Euro 94 million less than Euro 405.5 million reported at December 31, 2019, providing the basis for the applications needed to relaunch the business activities.





GRI-201 DISCLOSURE DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED	2018	2019	2020
	Amounts thousands of Euro		
<b>Economic Value Generated</b>	<b>3,152,185</b>	<b>3,232,054</b>	<b>2,424,970</b>
<b>Economic Value Distributed</b>	<b>2,901,378</b>	<b>2,901,673</b>	<b>2,255,583</b>
Operating costs	1,839,685	1,968,912	1,546,032
Value distributed to Employees	725,230	752,049	657,175
Value distributed to Banks and Bond Holders	17,608	12,044	12,613
Value distributed to Government Authorities	95,184	951	22,636
Value distributed to Investors	197,641	154,642	-
Value distributed to the Community	26,030	13,075	17,127
<b>Economic Value Retained</b>	<b>250,807</b>	<b>330,381</b>	<b>169,387</b>

The consolidated income statement for 2020, presented according to the model of economic value generated and distributed defined by the GRI-201 disclosure (GRI Standards), shows a retained economic value of Euro 169.4 million, down by Euro 161 million compared to the twelve-month period of 2019.

The difference is mainly attributable to a smaller economic value generated in 2020 following the global health and economic emergency.

The pandemic also had an effect on the distributed value due to the lower volume of transactions - in particular, operating costs recorded a lower cost of goods sold and a containment of discretionary expense - in addition to the decision not to distribute dividends.

The difference compared to 2019 in the value distributed to government authorities is attributable to the recognition of the extraordinary income due to the Patent Box (Euro 102 million), which almost zeroed the value in the previous year.





## 2. INTEGRITY AND RESPONSIBLE MANAGEMENT

Over the years it has become increasingly evident how the integration of sustainability into the business and an open and transparent dialogue with stakeholders were fundamental. The Prada Group is aware that sustainability is a way of thinking, not just of operating, and defines its strategies and operational processes to withstand over time; in increasingly complex and uncertain social and market contexts, Prada faces challenges and seizes opportunities in the constant search to meet its stakeholders' expectations, pursuing long-term economic development for its own benefit and for the interests of the community.

With a view to lasting success, and since sustainability is seen as a lever to improve the company's competitive edge and face changes, at the beginning of 2020 Lorenzo Bertelli also took on the role of Group Head of Corporate Social Responsibility; the strengthening and acceleration of the Group's commitment on ESG (Environmental, Social and Governance) issues are among his targets.



2.1 GOVERNANCE MODEL AND INSTITUTIONAL COMPLIANCE



The corporate governance model adopted by the Company consists of a comprehensive set of rules, regulations, practices and procedures structured to govern the Company by establishing efficient and transparent operations within the Group, with the aim of promoting and safeguarding the shareholder rights and creating value for the whole stakeholders. The Company is seamlessly committed to maintain a high standard of corporate governance to uphold the Group's reputation and credibility.

The corporate governance model adopted by the Company complies with the applicable regulations, in particular with the principles of the Corporate Governance Code contained in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange.

The Company has adopted a "traditional" governance system, in compliance with the Italian Civil Code, consisting of a management body, the Board of Directors, a supervisory body, the Board of Statutory Auditors, and an auditing and accounting control body, the audit firm.

The Board of Directors is the Company's highest governance body, which actively promotes the success of the Group by directing and supervising all its activities and affairs. Some of the Board of Directors responsibilities are discharged through delegation; to this respect, the Company has adopted a system of proxies and powers aimed at ensuring an efficient and regular performance of the activities in accordance with the procedures adopted by the Company itself.



With a view to achieving sustainable and balanced development, the Company views diversity at the Board level as an essential element to allow a constructive dialogue to enhance corporate governance. All Board appointments are based on meritocracy and candidates are selected based on objective criteria and the professional contribution that each of them can make to the operation of the Board of Directors itself. The Board diversity policy has been considered and adopted by the Board and encompasses a wide range of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and nationality.

The current Board of Directors was appointed at the Shareholders' Meeting of the Company held on April 27, 2018 for a term of three financial years (2018-2020), which is going to expire with the forthcoming approval of the financial statements for the year ended December 31, 2020. It is currently made up of nine members, comprising four executive Directors, one non-executive Director and four independent non-executive Directors. All Directors have distinguished themselves in their respective areas of expertise and provided valid support to the Board of Directors in their respective functions.

The Board of Directors is responsible for the ordinary and extraordinary management of the Company and discharges its duties by carrying out all acts it deems advisable to implement and attain the Company's corporate purpose, except for those acts reserved by laws or by the By-laws for the competence of the Shareholders' General Meeting.

In particular, the Board of Directors is responsible for setting up the overall strategy of the Group and for approving annual budgets, extraordinary transactions, transactions with related parties and all other initiatives with a strategic impact.

The Board is also responsible for reviewing the operational and financial performances of the Company and the Group, and it examines in detail the economic performances at each quarter, updating, if necessary, the annual budget. In addition, the Board of Directors

has the overall responsibility for setting up the Group's sustainability strategy and for ensuring that appropriate and effective related risk management and internal control systems are in place.

The Chairman of the Board of Directors is the Company's legal representative, who guarantees the proper application of corporate governance practices and procedures, supervises their application; the Chairman also convenes the meetings and presides over the activities of the Board of Directors.

The Chief Executive Officers are responsible for managing the Company's business through the implementation of the strategies outlined by the Board.

BOARD OF DIRECTORS			
Executive Directors	Role	Gender	Age
Carlo Mazzi	Chairman	M	> 50
Miuccia Prada Bianchi	Chief Executive Officer	W	> 50
Patrizio Bertelli	Chief Executive Officer	M	> 50
Alessandra Cozzani	Chief Financial Officer	W	> 50
Non-Executive Directors			
Stefano Simontacchi		M	30 - 50
Independent Non-Executive Directors			
Gian Franco Oliviero Mattei		M	> 50
Giancarlo Forestieri		M	> 50
Sing Cheong Liu		M	> 50
Maurizio Cereda		M	> 50

The Board of Directors' discharge of duties is supported by the preliminary and advisory activity carried out by the committees it sets up, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each Committee comprises a majority of Independent Non-Executive Directors, including the role of Chairman.

The primary duties of the Audit Committee are to provide the Board with an independent view of the effectiveness of the Company's financial reporting process and its internal control and risk management systems.



AUDIT COMMITTEE			
	Role	Gender	Age
Gian Franco Oliviero Mattei	Chairman	M	> 50
Giancarlo Forestieri		M	> 50
Maurizio Cereda		M	> 50

The primary duties of the Remuneration Committee are to make recommendations to the Board on the policy for the remuneration of the Company's Directors and top management.

REMUNERATION COMMITTEE			
	Role	Gender	Age
Maurizio Cereda	Chairman	M	> 50
Gian Franco Oliviero Mattei		M	> 50
Carlo Mazzi		M	> 50

The Nomination Committee is primarily responsible for determining and revising the policy for the nomination of Directors, assessing the independence of Independent Non-Executive Directors on an annual basis, and making recommendations to the Board regarding the structure, size and composition of the Board itself.

NOMINATION COMMITTEE			
	Role	Gender	Age
Gian Franco Oliviero Mattei	Chairman	M	> 50
Sing Cheong Liu		M	> 50
Carlo Mazzi		M	> 50

The recommendations made by the Board of Directors committees are regularly put forward to the Board itself for discussion and approval.

The Board of Statutory Auditors is the supervisory body in charge of checking the compliance with applicable laws, regulations and the By-laws, as well as with the principles of sound management and, in particular, the adequacy of the organizational, administrative and accounting structure adopted by the Company and the proper operation thereof.

The Shareholders' Meeting held on April 27, 2018 appointed the current Board of Statutory Auditors, consisting of three statutory auditors and two alternate statutory auditors for a term of three financial years (2018-2020), which is going to expire with the forthcoming approval of the financial statements for the year ended December 31, 2020.

BOARD OF STATUTORY AUDITORS			
	Role	Gender	Age
Antonino Parisi	Chairman	M	> 50
Roberto Spada		M	> 50
David Terracina		M	> 50

In compliance with Italian Legislative Decree no. 231 of June 8, 2001, the Company has established a supervisory body whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company's Model of Organization, adopted by the Company pursuant to the Decree. The Supervisory Body consists of three members selected among qualified and experienced people and nominated by the Board of Directors.

SUPERVISORY BODY			
	Role	Gender	Age
David Terracina	Chairman	M	> 50
Gianluca Andriani		M	30-50
Gian Franco Oliviero Mattei		M	> 50

The Company is devoted to developing an effective two-way communication with shareholders, investors and equity analysts to enhance the transparency of the Company. During the financial year ended December 31, 2020, the Company continued to facilitate an effective communications through multiple channels including investor conferences, one-on-one and group meetings, teleconferences, the Company's corporate website ([www.pradagroup.com](http://www.pradagroup.com)), social media, and press releases.

More detailed information on corporate governance is provided in the Corporate Governance section contained in the 2020 Annual Report.



## 2.2 RISK MANAGEMENT

Given the complex regulatory environment, the Prada Group, thanks to the coordination provided by the Corporate Affairs Direction, assigns various departments and hires external specialists to keep abreast of changing laws and regulations so that it can adapt its procedures in a timely manner and reduce non-compliance risks to a minimum levels.

The Group has structured the internal control system as a process carried out by the governing bodies of the Group's subsidiaries, by management and by the corporation in general, with a view to providing reasonable certainty that control objectives will be met.

More specifically, the Board of Directors of Prada S.p.A., referring to internationally recognized models such as the CoSO Report (Committee of Sponsoring Organizations of the Treadway Commission - international best practices), is engaged in the continuous refinement of the Internal Control and Risk Management systems by checking the operation of its main components consisting of:

- control environment;
- risk assessment;
- control activities;
- information and communication;
- control system.

The internal control system helps ensure protection of the Company's assets, the efficiency and effectiveness of its processes, the reliability of the information provided to its governing bodies and the market, and compliance with laws and regulations as well as by-laws and internal procedures.

The bodies involved in internal control and risk management are the Board of Directors, the Audit Committee, the Supervisory Body and the Board of Statutory Auditors, as well as the entire management, which has the primary task of implementing all the necessary processes and procedures to achieve the Company's goals minimizing the risks for the organization through an appropriate system of controls.

Moreover, the Internal Auditing department works in close collaboration with the aforementioned bodies, which, in addition to the typical assurance activities, assists the Board of Directors and the Audit Committee in risk management activities among others.

With particular reference to production and logistics issues, the Industrial Compliance Office sets guidelines for implementing laws and regulations that affect the importing and exporting of raw materials and finished goods, while providing various forms of industrial compliance assistance to the manufacturing divisions.

In 2020, with the aim of better integrating the control activities carried out along the supply chain, in addition to having formalized a dedicated procedure, the supplier audits initiated in 2019 were continued and stepped up to ensure the protection of human rights, fair working conditions, and health and safety. The activity involves various company functions and has created an interdisciplinary team. Being aware that first-tier suppliers use subcontracting and of the reputational and legal risks associated with that, during 2020 the controls were completed at the suppliers of the Leather Goods Division, and then continued at those of the Footwear Division. Next year, the activity will therefore be completed on the supply chain of the Footwear Division and will be extended to the Clothing Division.

In compliance with Legislative Decree n. 231 of June 8, 2001, the Company has established a Supervisory Body, endowed with autonomous powers of initiative and control, whose primary task is to ensure the functioning, effectiveness, implementation and updating of the organizational, management and control model adopted by the Company pursuant to the aforementioned legislative decree for the control of risks and the prevention of predicate crimes of various kinds and in different areas - including bribery and money laundering - by persons who exercise (by law or de facto) functions of representation, administration or management of the Company.

All the employees can report anonymously to the Supervisory Body through an e-mail address available



on the Company's Intranet events or behaviors that do not meet Group's standards. In 2020 there were no communications of behavior that could constitute a violation of the Organizational Model, for instance in contrast with the principles set out in the Code of Ethics or with applicable laws and regulations.

During the financial period, the Company did not also record any material instances of non-compliance with the applicable laws and regulations regarding bribery, extortion, fraud and money laundering in the performance of the activities of the Prada Group.

Risk assessment consists of identifying and analyzing factors that could compromise the proper conduct of company activities and must also extend to the analysis of the process that determines how those risks should be avoided or mitigated. The fact that economic, regulatory and operating environments are in constant flux raises the need for mechanisms that help identify and deal with the risks posed by such changes.

For the Prada Group, risks can be broken down as follows:

1. risks relating to the international luxury goods market or related to the general state of the economy, the protection of intellectual property rights, image and brand recognition, and the ability to anticipate trends and respond to the changing tastes of consumers. The management of this type of risks, that can be defined typical in the sector, falls within the sphere of sustainability according to its broader meaning, which also includes economic issues related to the company's ability to create long-term value, in addition to environmental, social and governance ones. Further insights of these issues is provided in the description of the most relevant topics according to the Global Reporting Initiative (GRI) standards which, for the Prada Group, basically mean: economic performance (chapter 1, paragraph 5), trademark protection (chapter 2, paragraph 4), the search of excellence (chapter 1, paragraph 2) and digital transformation (chapter 1, paragraph 4);
2. risks specific to the Prada Group relating to the importance of key personnel, strategy implementation, outsourcing, legal and regulatory

compliance and processing of data and information. Within this context, the risks related to sustainability are mainly associated with customer satisfaction and health and safety (chapter 2, paragraph 5) and respect of human and labor rights both within the organization and along the supply chain (chapter 4, paragraphs 6 and 7);

3. financial risks specific to the Prada Group relating to exchange rate fluctuations, interest rate fluctuations, credit risk and liquidity risk.

Further information is provided in the financial review and corporate governance sections of the 2020 Annual Report.

More information is to be found in the 2020 Annual Report - Note 28 "Provisions for risks and charges" - specifically for updates on investigations and disputes with third parties or authorities that involved the Prada Group in the period.

## 2.3 GROUP'S ETHICAL VALUES

The Prada Group is committed to operating with full respect for the value of the individual and for the human and workers' rights enshrined in Italian and 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 Prada Group is also committed to creating, developing and strengthening cooperative ties with the communities where it does business, in social and environmental terms, as they are deemed necessary for inclusive growth.

Since 2016, the Prada Group has published a statement describing the measures taken to ensure the absence of any form of modern slavery, forced labor and human trafficking within its organization and along its supply chain, as required by UK legislation "Modern Slavery Act 2015".



### 2.3.1 CODE OF ETHICS

The Prada Group considers respect for ethical principles to be a basic pillar of its values and success. The Group believes in and operates with:

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

Since 2007, these principles have been given formal expression in the Prada Group's Code of Ethics. The Code contains the guiding principles of the Organization, being one of the main pillars of the Group's governance model and shared with all the employees, collaborators and suppliers, and is 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 shareholders, employees, customers and for the community as a whole.

The Group promotes knowledge of the Code through various means such as online publications, direct communications and, by procedure, as part of the supply or commercial agreement with most of the partners, as it is considered a prerequisite for the establishment of all contractual relationships.

### 2.3.2 SUSTAINABILITY POLICY

At the beginning of 2019, the Prada Group decided to formalize its commitment to sustainability and drafted its Sustainability Policy - approved by the Board of Directors of Prada S.p.A. and available on the [pradagroup.com](http://pradagroup.com) website, which has been published and shared also through a series of video-interviews featuring the top management. These videos describe the company's commitment to sustainability based on the three priorities for action - people, environment and culture - where it believes it can provide the greatest contribution



in terms of returning value to its own industry and to benefit society as a whole.

More in details, the Chairman Carlo Mazzi, the co-CEOs Miuccia Prada and Patrizio Bertelli, Alessandra Cozzani (CFO) and Lorenzo Bertelli (Group Head of Marketing and Group Head of Corporate Social Responsibility) deepened the most distinctive features of sustainability in Prada through an analysis referring to the 17 United Nations Sustainable Development Goals (SDGs).

The commitment to numerous aspects of social and environmental development, such as the investment in culture as an opportunity for aggregation, the cooperation with stakeholders, the importance of diversity and equal opportunities, the investment in new sustainable materials and the quality of working environments, and their harmonious integration with the local community, has enabled Prada representatives to offer concrete examples of the Group's sustainability strategy.



2.4 TRADEMARK PROTECTION

The Prada Group is actively committed to protecting its intangible assets. With a specialized internal department dedicated to Intellectual Property (IP), the Group registers its trademarks, designs, patents and domain names with the competent authorities and adopts preventative and defensive measures worldwide to protect its IP rights on all on-line and off-line channels.

The Prada Group regularly monitors registrations by third parties and any possible misappropriation of trademarks, designs and domain names identical to or that could be confused with its own distinctive marks and products. Any violation is tackled through appropriate action with the competent authorities. The Group cooperates on a daily basis with the Italian and international customs agencies to assist the blocking of market entries of unauthentic products, and with the police and tax authorities in order to have counterfeit products existing in the market confiscated, distribution and production processes rebuilt, and the individuals and organizations responsible brought to justice.

In pursuing such objectives, the Group shares relevant information with the authorities and participates in training events on the Company's brands and products, so that the authorities may have everything at their disposal to effectively fight counterfeiting and the criminal organizations responsible for it.

It also cooperates with major associations, such as the Istitute of Centromarca for the fight against counterfeiting (INDICAM), the Union des Fabriquants, and the Quality Brands Protection Committee (QBPC), to bring such issues to the attention of the institutions, the public and consumers. The Prada Group monitors the evolution of intellectual property rights legislation and actively takes parts to the consultations addressed to trademark owners in relation to the creation of new legal tools aimed at challenging illegal counterfeiting activities. Especially, in 2020 the Group has participated to the consultation of the European Commission on the Digital Services Act, underlining the importance to recognize a greater responsibility to the role of the digital platforms, with the aim to guaranty a more secure environment to companies and users.



Church's advertising campaign - Fall Winter 2020

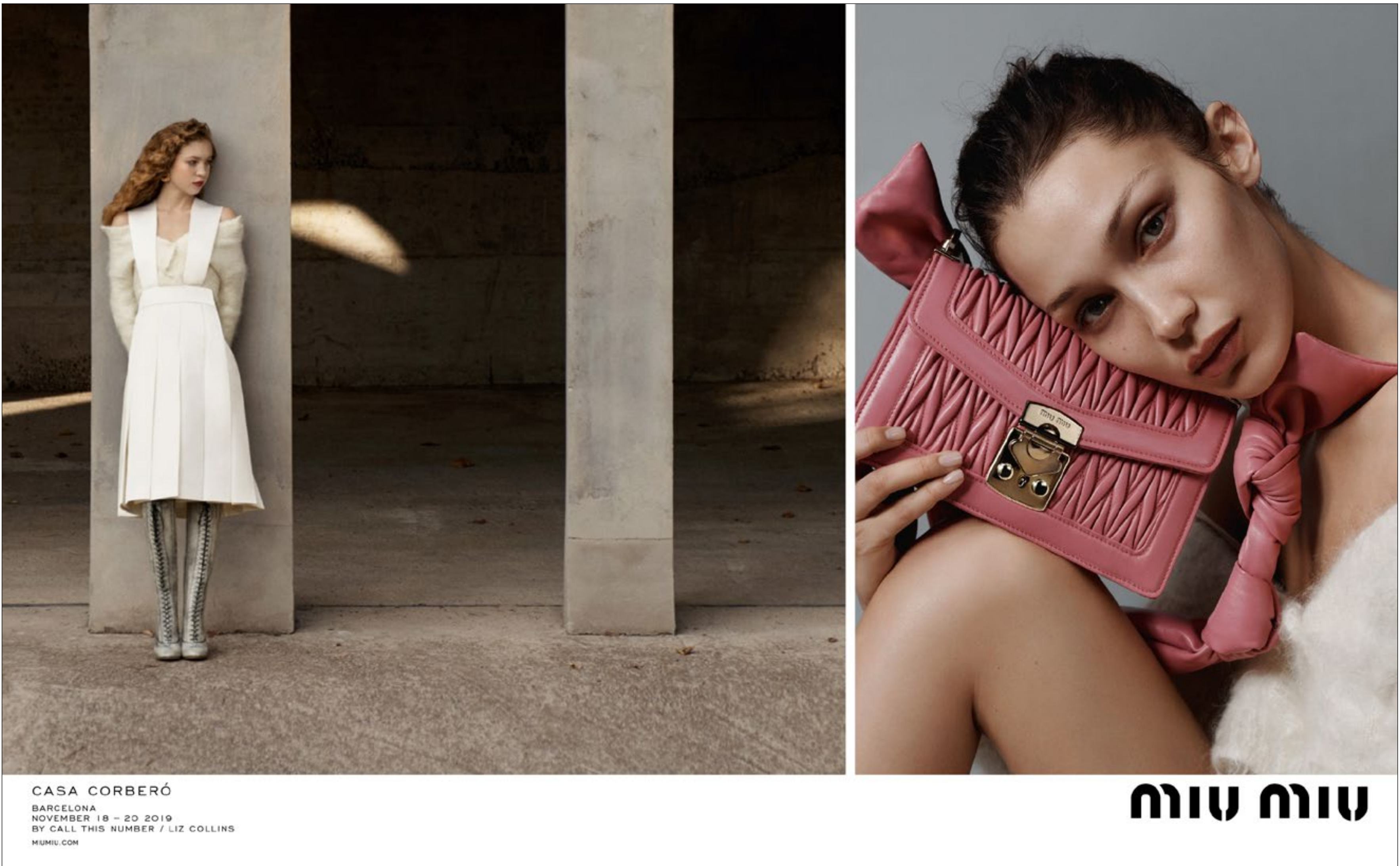


Car Shoe advertising campaign - Fall Winter 2020





Prada advertising campaign - Spring Summer 2020



Miu Miu advertising campaign - Spring Summer 2020



More accurate surveillance has been implemented on the Internet to counter the promotion and sale of counterfeit goods on websites, E-commerce platforms and social networks. In recent years, the Prada Group has contributed to important international operations coordinated by the Guardia di Finanza, Interpol and Europol, sharing information on hundreds of websites and thousands of social media accounts helpful in the identification of criminal networks and removal of infringing listings that illegally advertise the sale of counterfeit products.

Thanks to a close collaboration with the authorities, the fight against counterfeiting undertaken by the Prada Group led to, in 2020 alone on a global level, the seizure of more than 255,000 counterfeit products in off-line markets, the deletion of 270,670 unauthorized advertisements, the deactivation of more than 9,022 websites with illegal content, and the removal of more than 78,000 social media posts.

## 2.5 PRODUCT RESPONSIBILITY

Product quality and customer health and safety are central to the Prada Group's manufacturing processes. The products must meet uniform quality standards and satisfy all current regulations in more than 70 countries where they are sold.

To achieve these goals, the Group employs technicians with at least ten years' experience, who run strict quality controls on every material used in the production process, from sourcing to the finishing touches. They make periodic visits to the manufacturing sites of raw material suppliers and contractors to assess their processes, the quality of their goods and the general workplace conditions.

Within the scope of these control and guidance activities, since 2014 the Prada Group has drawn up and updated a Restricted Substances List ("RSL"), the procedure that sets limits on the presence of chemicals in its products. In 2016, Prada took the additional step of aligning its RSL limits with the more stringent, proactive approach outlined in the "Guidelines on eco-toxicological requirements for clothing, leather goods, footwear and



accessories" endorsed by the Camera Nazionale della Moda Italiana ("CNMI"). These limits are the most virtuous in international practice and aim to ensure higher chemical safety standards than those prescribed by the strictest national and international laws. Prada's suppliers of raw materials, packaging and manufacturing services, which represent Prada's production chain, have all received the Group's RSL and progressively accepted and signed it: since 2016, when 72% of the purchase volumes were carried out according to this procedure, in 2020 the "proactive" level of the RSL reached 100% of the purchase volumes relating to Prada's external industrial suppliers, which must subscribe the Group's Code of Ethics, and 100% of the work performed in the Group's production sites.

Extending the reach of the RSL is important for improving the sustainability of the Group's production cycle, as is Prada's ongoing commitment to CNMI programs on chemicals, for which in-depth studies have been initiated on the application of the guidelines to manufacturing processes, and on other matters.



The collaboration with CNMI continued in 2020 despite the COVID-19 emergency, with multiple remote meetings aimed at carrying out the "Guidelines on how to use chemicals in supply chains and related controls" and updating of the "Guidelines on eco-toxicological requirements for clothing, leather goods, footwear and accessories".

To ensure that the RSL is being followed, in addition to requiring certification and testing from every supplier, the Prada Group monitors observance of the guidelines and the supplier certifications through an additional internal control process by conducting spot checks on all sourced materials through accredited laboratories.

In 2020 no cases of non-compliance with health and safety regulations were recorded, as none in 2019. At the same time, no cases of non-compliance with information and/or labeling requirements were reported (only one case recorded in 2019 in China that led to fines for a total amount of Euro 1,500).

2.6 TIES WITH THE COMMUNITY

Selecting the right suppliers is fundamental for achieving the highest quality standards. Historically, the Group has always worked with the best suppliers, in their own right leaders and reference points in their sectors. In most cases, these are long-term relationships, initiated following a rigorous selection process, whose strict parameters are intended to ensure the highest standards of technical and economical, as well as ethical reliability. The Prada Group has always valued long-term relationships built on steady interactions: these partnerships are crucial not only for the mutual growth and improvement but also for sharing a single, strategic objective hinging on quality, excellence and the creation of value over the medium to long-term.



The international success of the Prada Group is deeply rooted in Italy, starting right from its supply chain. In 2020 the Group purchased materials from about 440 suppliers<sup>1</sup>, 80% of them located in Italy, around 11% in other European Union countries and the remaining 9% in other Non-EU countries. In many cases the materials are produced expressly for Prada, according to strict technical and design specifications, by long-established partners: slightly over 63% of them have been working with the Group for more than 10 years, and around 19% for a period of time between 5 to 10 years.



Also for outsourcing, the Prada Group stands out for its strong ties with the artisanal craft experience typical of the Italian tradition. In 2020 the Group worked with approximately 350<sup>2</sup> manufacturing suppliers in addition to the aforementioned 440 suppliers of raw materials. Around 82% of these manufacturing suppliers are located in Italy, around 11% in the rest of the European Union and the remaining 7% in non-EU countries. Around 47% of the manufacturing suppliers have been collaborating with the Group for more than 10 years and around 23% for 5 to 10 years. These are relationships built on mutual trust, characterized by working together on a daily basis with a view toward constant improvement and learning.

On the whole, approximately 81% of the Group's industrial suppliers are located in Italy and about 56% of them have been working with the Prada Group for more than 10 years; from the beginning a strategic choice for Prada which has always considered a competitive leverage to root its supply chain in those territories where the manufacturing sector represents an excellence appreciated all over the world.

Further information on the quality of working relationships with suppliers and people's protection along the value chain is to be found at chapter 4, paragraphs 6 and 7.

1 For the purposes of this analysis, only raw materials suppliers with which purchases of more than Euro 30 thousand were conducted in 2020 have been considered.  
2 For the purposes of this analysis, only manufacturing suppliers with which purchases of more than Euro 30 thousand were conducted in 2020 have been considered





## 2.7 COOPERATIVE COMPLIANCE

The Prada Group believes that responsible corporate governance calls for adopting collaborative approaches that can improve the common value creation process while maintaining the balance between business objectives and stakeholders' expectations.

This approach is also reflected in the Group's tax strategy which is based on risk prevention and "tax certainty", both pursued through ongoing dialogue and honest, long-term interaction with the tax authorities in the countries where it operates.

For the correct and effective implementation of this tax strategy the Group adopted the Tax Control Framework ("TCF"), which also illustrates the tools for identifying, assessing, managing and controlling tax risk, according to international standards shared periodically with the Italian tax authority. The TCF is part of the internal control system, capitalizing on the Group's controls and compliance models. The effectiveness of the tax

risk management system has entitled Prada S.p.A. to participate in the Cooperative Compliance Tax Regime in Italy (under Italian Legislative Decree 128/2015), with effect from 2016. Within the Cooperative Compliance Tax Regime, the Group has expanded the systematic and continuous communication channel with the Italian tax authorities based on reciprocal transparency and trust, in order to minimize uncertainties about potentially risky situations.

After its inclusion in the regime, the Italian tax authorities invited some Group companies to join the International Compliance Assurance Programme (ICAP) launched by the Organisation for Economic Co-operation and Development (OECD).

The program started with a pilot in 2018 that was completed in the first half of 2019, followed by a second pilot, "ICAP 2.0", in which the Group formally confirmed its participation in December 2019. As part of the first ICAP pilot phase, the Group's participating companies shared extensive information with the tax authorities of the countries where they reside (Italy, the U.S.A., the United Kingdom, Canada and Australia).





At the end of the assessment, the respective tax authorities assigned the status of "low-risk taxpayer" to those companies. The companies residing in Italy, Germany and the Netherlands are currently participating in ICAP 2.0.

Constant, preventive dialogue with tax authorities is also ensured through other means such as Advance Pricing Agreements ("APA") and Basic Asset Protection Agreements ("BAPA") with local tax authorities - consisting of sharing ex ante the treatment of intercompany transactions in relation to transfer pricing legislation - and clarification requests addressed to the various tax administrations regarding issues of uncertain interpretation.

The Group's tax strategy is defined and periodically updated by the Parent Company's Board and implemented by the Tax Department. Assurance on fiscally relevant processes is also guaranteed through the internal control system (Internal Audit) and through the checks carried out by second-level control functions. Furthermore, the presence of external consultants assisting the Group

helps to determine and monitor a tax approach that complies with current legislation.

Annually, the Group sends to the Tax authority the "Country-by-Country Report" providing key information about the income and activities of resident companies, in compliance with the obligations for mandatory automatic exchange of tax information between the various countries.

The necessary safeguards have also been put in place recently to verify compliance with the reporting obligations of the respective tax authorities regarding any cross-border transactions containing the hallmarks identified in EU Directive 2018/822 ("DAC 6").

Finally, Prada S.p.A. holds the status of Full Authorized Economic Operator ("AEO"), which means with the highest level of reliability. This recognition, issued by the Customs Agency, is granted to companies that prove to be competent and virtuous in the management of their business processes, in compliance with both customs regulations and safety standards for goods.



## 2.8 SUSTAINABLE FINANCE

On January 2020, the Prada Group signed a new Sustainability Linked Term Loan with the leading global Japanese Bank Mizuho. The operation adds to a previous one signed in 2019 with Crédit Agricole Group, when Prada became the first Italian company in the luxury sector to undertake such initiative.

Both operations, while representing only a share of the Group's total indebtedness, fit perfectly into a much wider framework of sustainability integration into the corporate strategy.

This new facility is also a five-year term loan which interest rate can be reduced following the achievement of the following targets related to:

- the number of stores assigned of a LEED Gold or Platinum Certification;
- the amount of training hours for the employees;
- the use of Prada Re-Nylon (regenerated nylon) for the production of goods.

Independent third-party bodies will annually review the achievement of these objectives, as it is for the initiative with Crédit Agricole.

At the date of this Responsibility Report, the Prada Group entered into a third transaction linked to ESG objectives with the UniCredit Group.

During the year, there was an increase in interest from the financial community in the Group's sustainability initiatives and practices and the CSR Team was involved in numerous dedicated interviews with financial analysts, banks and industry operators.

The capital market is increasingly calling for financial instruments that can make a positive contribution to promoting the transition to a sustainable economy. We are pleased to be able to respond promptly to this demand and to be considered a benchmark partner in this area.

The decision to introduce new objectives compared to the previous operations underlines the extension in scope of our commitment and an increasingly strong link between finance and sustainability.

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**Alessandra Cozzani,**  
Chief Financial Officer of Prada S.p.A.





### 3. ENVIRONMENT

The Prada Group considers environmental protection a very important matter, for which it engages in and cultivates virtuous behaviors that contribute to sustainable long-term growth and are examples of good practice for the entire industry. This commitment is a key element of the Code of Ethics and is emphasized in the Group's Sustainability Policy, guidelines applied without distinction both within the organization, by constantly raising staff awareness, and with third parties working with the Group.

This commitment was further strengthened through the signing of the Fashion Pact whose main objectives are stopping global warming, restoring biodiversity and protecting the oceans.



3.1 FASHION PACT

2019 clearly marked a turning point for the fashion world in climate change and environmental protection challenges. On the occasion of the G7 meeting in Biarritz, 32 world leaders of the fashion industry, including the Prada Group, signed the Fashion Pact. This coalition, which sees luxury, fast-fashion, sportswear companies, suppliers and retailers working side by side, is born out of the recognition that only collective action can change the environmentally harmful impact of the fashion industry. It is an unprecedented initiative, with peers, competitors, established brands and newcomers, all coming together to work on the most pressing issues facing our planet. At the end of 2020 the coalition reached an exceptional magnitude bringing together more than 60 fashion companies, which together represent more than 250 brands and an estimated 1/3 of the entire sector.

The Fashion Pact defined concrete targets in three key areas that are crucial for the preservation of the planet: the fight against climate change, the conservation of biodiversity and the protection of the oceans. The set of goals, which all the signatories are committed to achieving over the next few years, are not only declarations but represent a tangible commitment that will be pursued through action plans with solid scientific bases.

During 2020, despite the period being characterized by global turbulence, Prada's commitment to the coalition's



ambitions did not stop and focused on acquiring the necessary knowledge to define an action plan for the achievement of the objectives considered priority. Specifically, the CSR Team participated in all the online meetings with the technical and high-profile partners made available by the Fashion Pact for the benefit of the participants for alignment on the main reference standards.

CLIMATE CHANGE	BIODIVERSITY	OCEANS
The fight against climate change will be pursued through the commitment to a progressive supply of electricity from renewable sources, to the search for alternative raw materials with a lower environmental impact and to the setting of emission reduction targets aiming for "carbon neutrality".	The protection of biodiversity will be guaranteed through the commitment to define a strategy for the safeguard of the territory, the promotion of sustainable management of natural forest and the support of activities to discourage deforestation.	The protection of the oceans will be ensured through the commitment to gradually replace the plastic used in packaging with sustainable alternative materials.





Our participation to the Fashion Pact initiative is a natural progression of the Prada Group commitment in sustainability, a path made of various projects in the environmental, cultural and social sphere.

From now on, the possibility to target these goals together with other important fashion companies represents a concrete hope for a sustainable development that nobody could reach all alone.

”

**Carlo Mazzi,**  
Chairman of Prada S.p.A.





### 3.2 OPTIMIZATION OF PROCESSES AND CONSUMPTION OF RAW MATERIALS

The Prada Group feels a sense of responsibility for sourcing and managing resources in a manner that takes into account not just the intrinsic value given by the quality of the raw materials used, but also their origin and the manufacturing processes that they undergo.

The clothing, footwear and leather goods divisions directly select the suppliers of all raw materials, also used by their manufacturing suppliers, coordinating and monitoring in this way the entire production process up to the creation of the finished product. This strong integration of design, product development and direct and outsourced production, a distinctive element that has characterized the Prada Group's business strategy from the beginning, ensures full control of a crucial phase of the value chain. It is worth mentioning that the vast majority of the prototypes and samples, as well as a part of the finished products and the most delicate phases of production, such as the controls over all raw materials and the product accessories (also for

suppliers), and the cutting of hides, are produced at the Group's own facilities.

Prada considers sustainable raw materials management to be synonymous with resource use optimization, according to an approach that seeks to put an end to waste and thus minimize the consumption of leather and fabrics. In recent years, Prada's high sensitivity to this issue led to the establishment of an effective way to recover and eliminate production waste through the use of recyclable bags which are then compacted for proper recycling by specialized companies.

Investments made in industrial development in the last years, and continued also during 2020, have led to insourcing various production phases, with the purpose of maintaining quality at the highest levels of excellence while optimizing the use of raw materials.

#### 3.2.1 RAW MATERIALS

Protection of the environment and its biodiversity is a fundamental element of the Group's growth strategy and the search for new materials, which have always characterized Prada's design, is only further proof of





this. In fact, innovative and sustainable materials were included in the collections showcased in the men's and women's fashion shows in 2020.

The Fashion Pact coalition includes the use of low-impact raw materials among its main objectives; this focus is shared by the Group's commercial partners and is in fact speeding up the cultural and technological transition necessary to satisfy the growing demand for more sustainable alternatives, which will be increasingly integrated into production processes to encourage greater circularity of the supply chain.

The Group scrupulously complies with local and international regulations on the procurement, importation, use and exportation of raw materials, such as the Convention on International Trade in Endangered Species (CITES).

Moreover, in 2019, in collaboration with the Fur Free Alliance (FFA), the Prada Group also announced the adoption of a fur-free policy for all its brands, thus allowing the research and development of new, more innovative and responsible materials.

The materials Prada uses in the manufacturing process can be broken down into primary materials - such as leathers, fabrics and yarns - and ancillary materials or semi-finished products - such as soles, heels, zippers, buttons, threads, ribbons, buckles, clasps and name plates.

The most significant information relating to raw materials purchased from 2018 to 2020 is listed below, including the related unit of measure.

RAW MATERIAL	units	2018	2019	2020
Leather	Feet	29,192,490	29,514,844	11,898,684
Fabrics	Meter	4,015,597	4,141,910	2,911,897
Yarns	Kilo	218,000	154,394	109,788
Shoes' soles	Pair	1,385,657	1,388,294	978,927

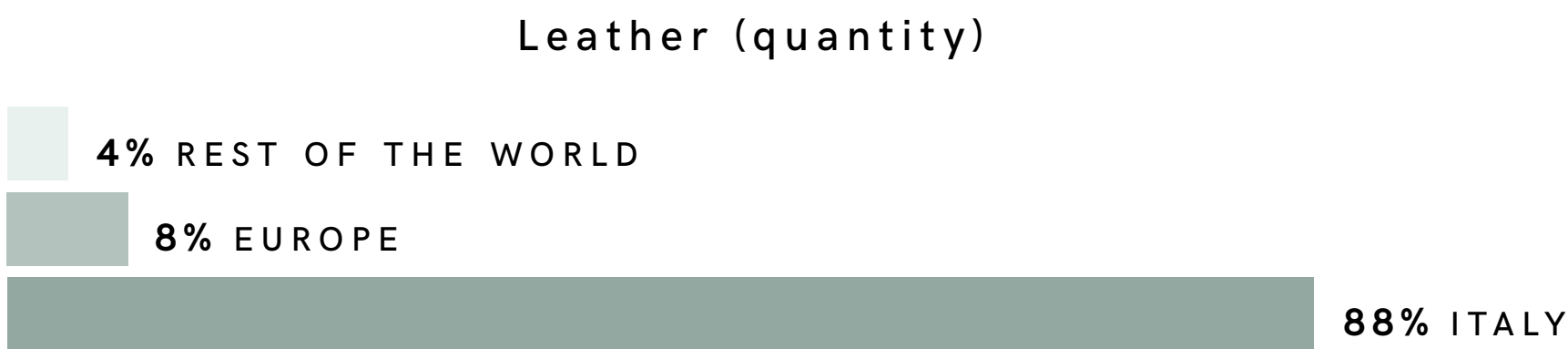
COVID-19 also had an impact on the Prada Group's production activities, with 21 factories shut down for approximately five weeks and then resuming operations beginning in the last week of April. As a consequence, in 2020, the Group was engaged in the proactive and efficient management of inventories to align the purchases of raw materials with a reorganized



production to adapt to the new and extraordinary situation. Overall, purchases of the aforementioned raw materials accounted for approximately 86% of the economic value of all purchases including accessories and semi-finished materials.

Leather

The focus on Italian origin is demonstrated by the procurement data regarding leather for footwear and accessories. In terms of quantity, in 2020, 88% of the leather came from Italian tanneries renowned for their quality and long tradition. Another 8% has been purchased from suppliers based in the rest of the European Union, while the remaining 4% came from outside the European Union.



100% of the leathers come with a certificate of origin, a data sheet guaranteeing quality and compliance with standards, and certification regarding the parameters stated on the Group's Restricted Substances List (RSL). In addition, the leather is purchased from selected tanneries following criteria that meet environmental and social parameters for production.

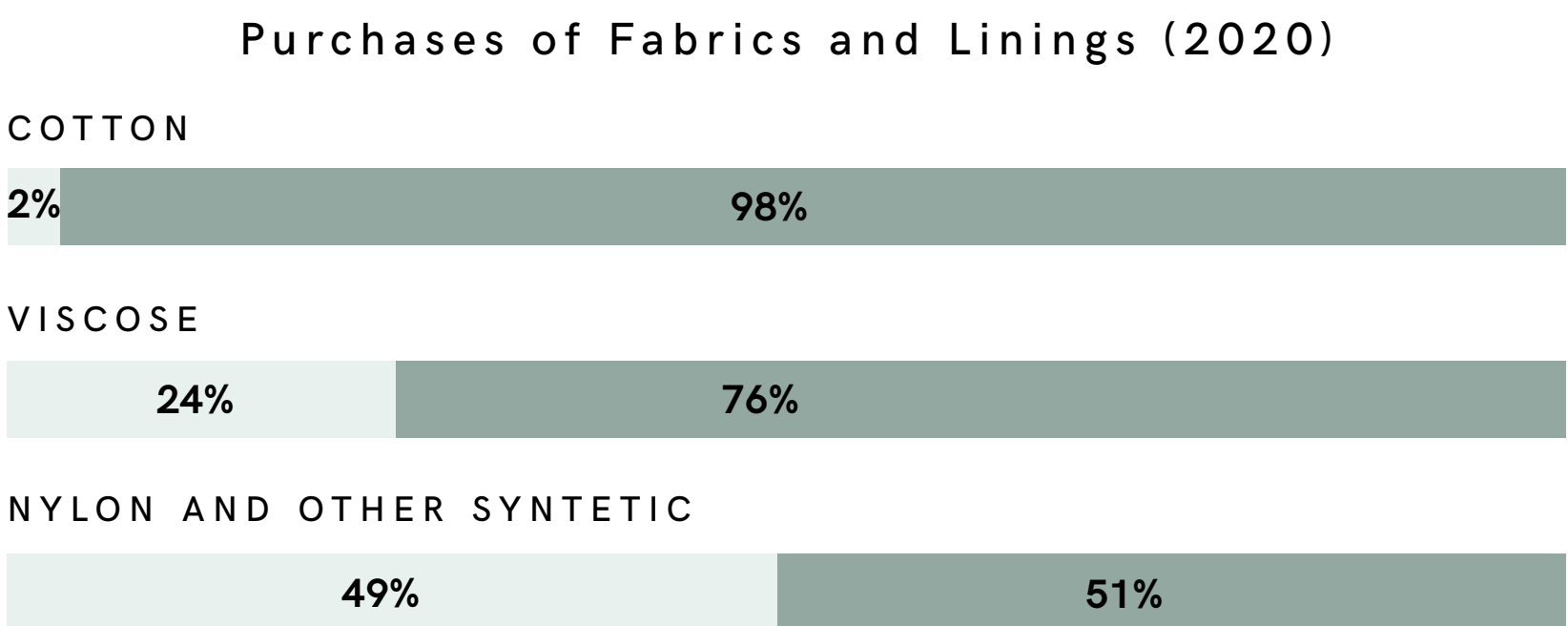
In 2020, the tanneries employed by the Prada Group that have one or more certifications (e.g. UNIC, ICEC, ISO and EMAS) represent, in terms of volumes, about 63% of the total leather supplies in the year. The tanneries that are simultaneously part of the Leather Working Group (LWG), on the other hand, account for 54%.

Fabrics and linings

In recent years, to foster higher transparency and traceability standards, the Prada Group has set up a mapping system to track sustainable materials from the purchase phase to the finished product.

With regard to fabrics and linings, the data relating to purchases for the period under analysis are shown

below with evidence of the incidence of sustainable alternatives.



3.2.2 PRADA RE-NYLON

Nylon is emblematic of the Prada brand and is a distinctive feature of its unconventional approach to contemporary fashion. The Re-Nylon project, which for the Prada Group represents an important initiative in terms of sustainability, has emerged from a profound reflection on the growing concern of today's society for environmental protection.

After a first edition limited to men's and women's bags launched successfully in 2019, in June 2020 Prada expanded the range by introducing clothing and footwear entirely made with regenerated nylon for the first time.

The new collection was presented, with a global-first preview, at the Prada corners in Selfridges for the launch of Project Earth, the new initiative of the London department store that in recent years has brought sustainability to the core of its business.

The accessories and garments in this second capsule collection can be identified by the Prada Re-Nylon logo, based on the classic Prada triangular logo and redesigned to reflect the continual renewal and infinite lifecycle of this innovative fabric.

The Prada Re-Nylon collection is crafted entirely from regenerated nylon created through the recycling and purification of plastic collected from oceans, fishing nets, landfills and textile fiber waste globally. Through a process of de-polymerization, purification and transformation of the new polymers into threads, this material can be made into new nylon fabric.





The expansion of the Prada Re-Nylon collection confirms Prada's commitment to sustainable practices and renews the Company's goal already set in 2019 of converting all virgin nylon into regenerated nylon by the end of 2021. Despite the difficulties caused by the health emergency, the conversion program was regularly in progress as of December 31, 2020.

3.2.3 OTHER CIRCULAR PROJECTS

High-end products have always been associated with quality and therefore with durability. The Prada Group takes care of its products even after they have reached the consumer. The salespeople give clear information on the products and their care, and the stores provide complete post-sales services, including repairs. The Church's Group has a distinctive repair service regarding its Goodyear shoes, offering the possibility to resole a shoe at the Northampton plant.



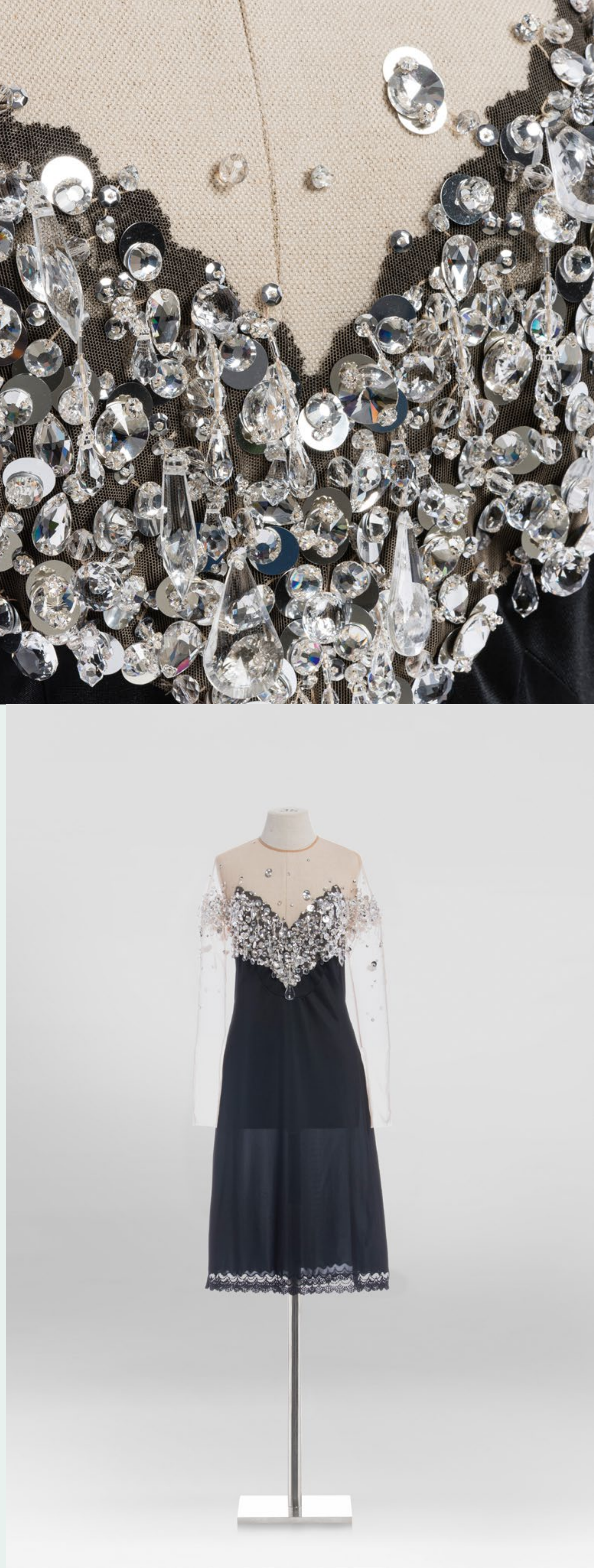


## UPCYCLED BY MIU MIU

“Upcycled by Miu Miu” is the first exclusive collection of vintage pieces recycled and customized by Miu Miu, created from 80 exquisite unlabeled garments from the 1930s to the 1970s, rediscovered and handpicked in vintage clothes shops and markets across the world.

The selected items have been restored in trademark Miu Miu style, cut, joined, lengthened or shortened, and finished with embroidery and the brand’s emblematic decorations, including sequins, crystals, ribbons and bows. The creative process intervenes in the life of these vintage garments, worn and loved in the past, whose lifespan is extended, renewed and sustained, enriching women who will wear them in return.

The “Upcycled by Miu Miu” collection debuted in nine selected Miu Miu boutiques worldwide: Milan, London, Paris, Moscow, New York, Shanghai, Hong Kong, Tokyo and St. Moritz.





**A + P LUNA ROSSA 21**

High-profile sports is another source of inspiration for Prada and it represents an opportunity to realize its commitment to safeguarding the environment.

For over twenty years, Prada has been sponsoring the sailing team Luna Rossa in the America’s Cup, the oldest sports trophy competition in the world, one that allowed the Group to enter the sportswear and lifestyle segment in the early 2000s.

The design of the new AC75 Luna Rossa racing yacht, in addition to that of the iconic Prada and adidas sneakers of the past, are the primary source of inspiration for the A + P LUNA ROSSA 21 sneaker, created by adidas in 2020 for the Luna Rossa Prada Pirelli team engaged in the 36th edition of the America’s Cup.

This collaboration combines the essence of the two brands, not only from a technological point of view, but also in terms of common interests and objectives: the celebration of a shared heritage of sports excellence and commitment to innovation and sustainability.

The A + P LUNA ROSSA 21 shoe is indeed a perfect combination of several elements such as creativity, high performance and environmental sustainability, particularly as regards protection of the sea. The upper is composed of PRIMEGREEN, made from high-performance recycled materials, which is then complemented by a hydrophobic E-TPU outer shell, providing flexible, breathable support and preventing water from penetrating the shoe.



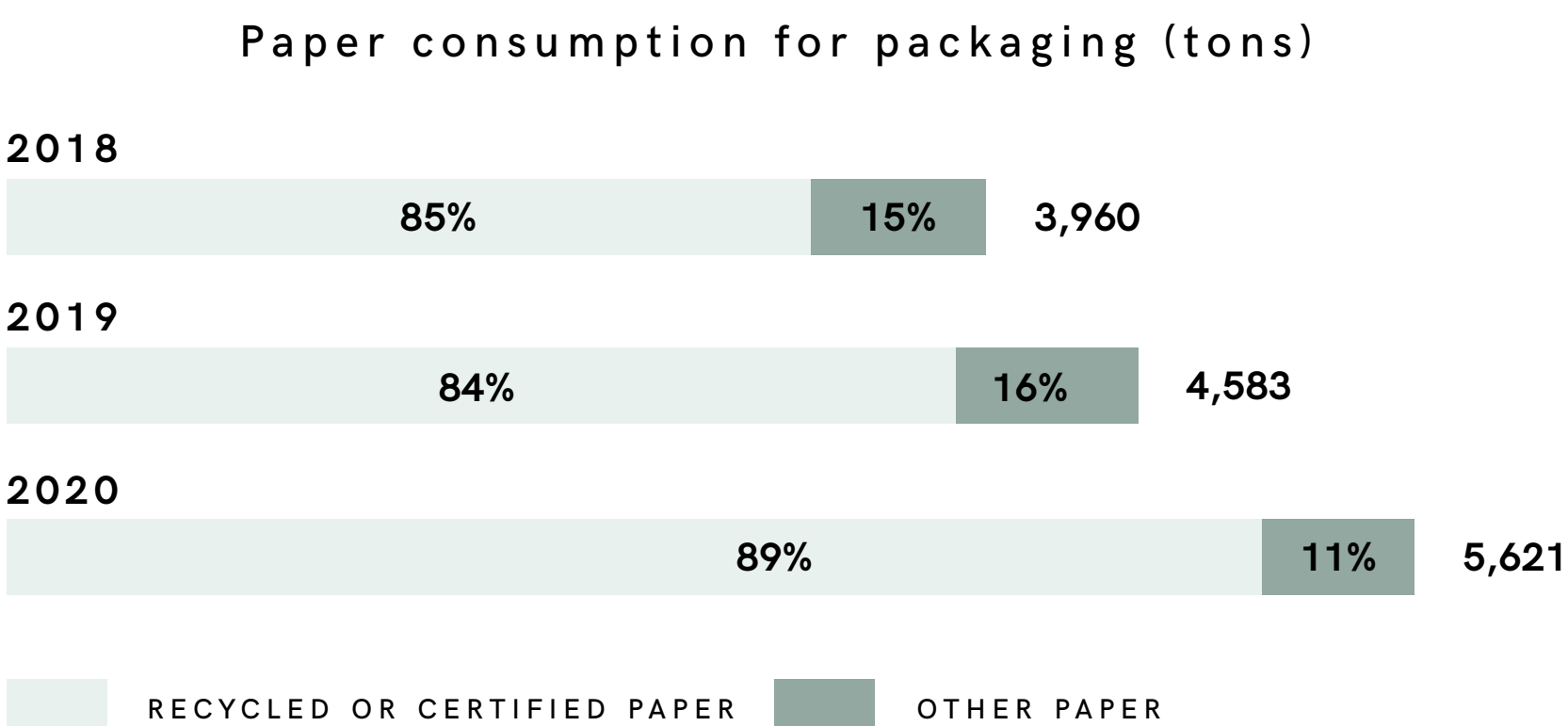




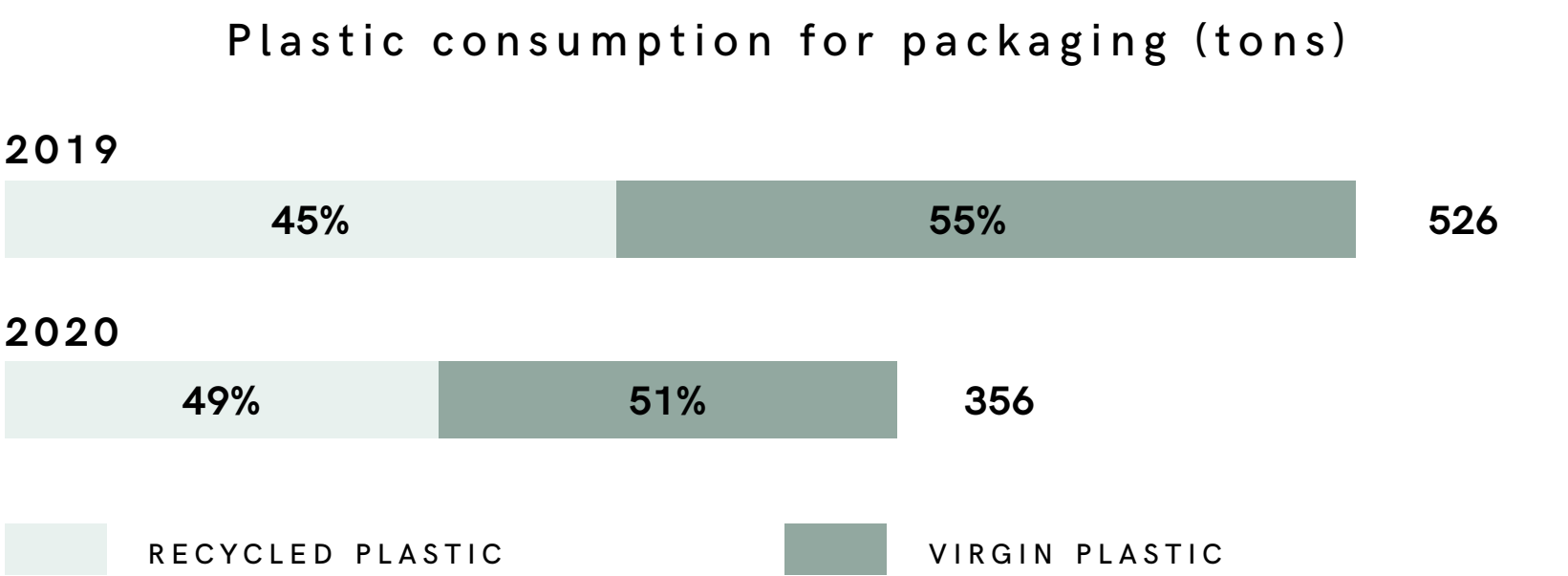
### 3.2.4 PACKAGING: PAPER AND PLASTIC

In the twelve-month period ended at December 31, 2020 the Prada Group used 5,621 tons of paper for packaging worldwide, while in 2019 the consumption was 4,583 tons. The data is not comparable to the volumes of previous years due to the different reporting perimeter in terms of the number of suppliers included in the data collected for the parent company Prada S.p.A. in the period under analysis.

In 2020, 89% of the total packaging consumption was represented by paper certified by the Forest Stewardship Council (FSC) and recycled paper. Out of a total of 33 suppliers, 18 are located in Italy, 3 are in Europe and the remaining 12 operate in the Asia Pacific area.



During 2019, the Group also embarked on a program within the clothing and leather goods divisions aimed at converting some packaging components made from 100% virgin plastic into recycled or regenerated plastic.



The graph above shows the % of virgin and recycled plastic used in product packaging; in 2020, plastic with recycled content almost reached half of the total consumed so out of a total of 356 tons, 49% is in fact represented by recycled plastic (45% in 2019).

### 3.2.5 WASTE

Recently the Group conducted a review of the processes carried out and waste produced in each manufacturing phase at the factories, and subsequently set up a system to manage the internal cycle of waste transport,



collection, temporary storage and disposal. The analysis enabled to optimize the production cycles, thereby reducing waste production and increasing the proportion of waste recycled. The new procedures implemented allowed the Prada Group to recycle more paper, plastic, glass and printer cartridges not just at the factories but also at its offices.

The Prada Group places great emphasis on encouraging its staff to use industrial waste collection methods and standards that can ensure waste reuse and recycling or disposal according to the best practices.

The Group's investments in the industrial area, especially those regarding the most delicate phases of the production process, have made it possible to reduce the production waste relating to clothing, leather goods and footwear products and, at the same time, to effectively manage the steps of waste collection and disposal.

Waste sorting has been introduced for the main materials, such as selected leather, nylon, cashmere, wool and other fabrics, so that they can be effectively recycled or put to new uses. For example, regenerated nylon fibers and fabrics are recycled, and in 2020 selected leather scraps were converted into fertilizer components.

At the date of publication of this document, this circular project was taken into consideration within a five-year loan from UniCredit, whose interest rate can be reduced slightly when a KPI linked to the regeneration and conversion of production waste is achieved.

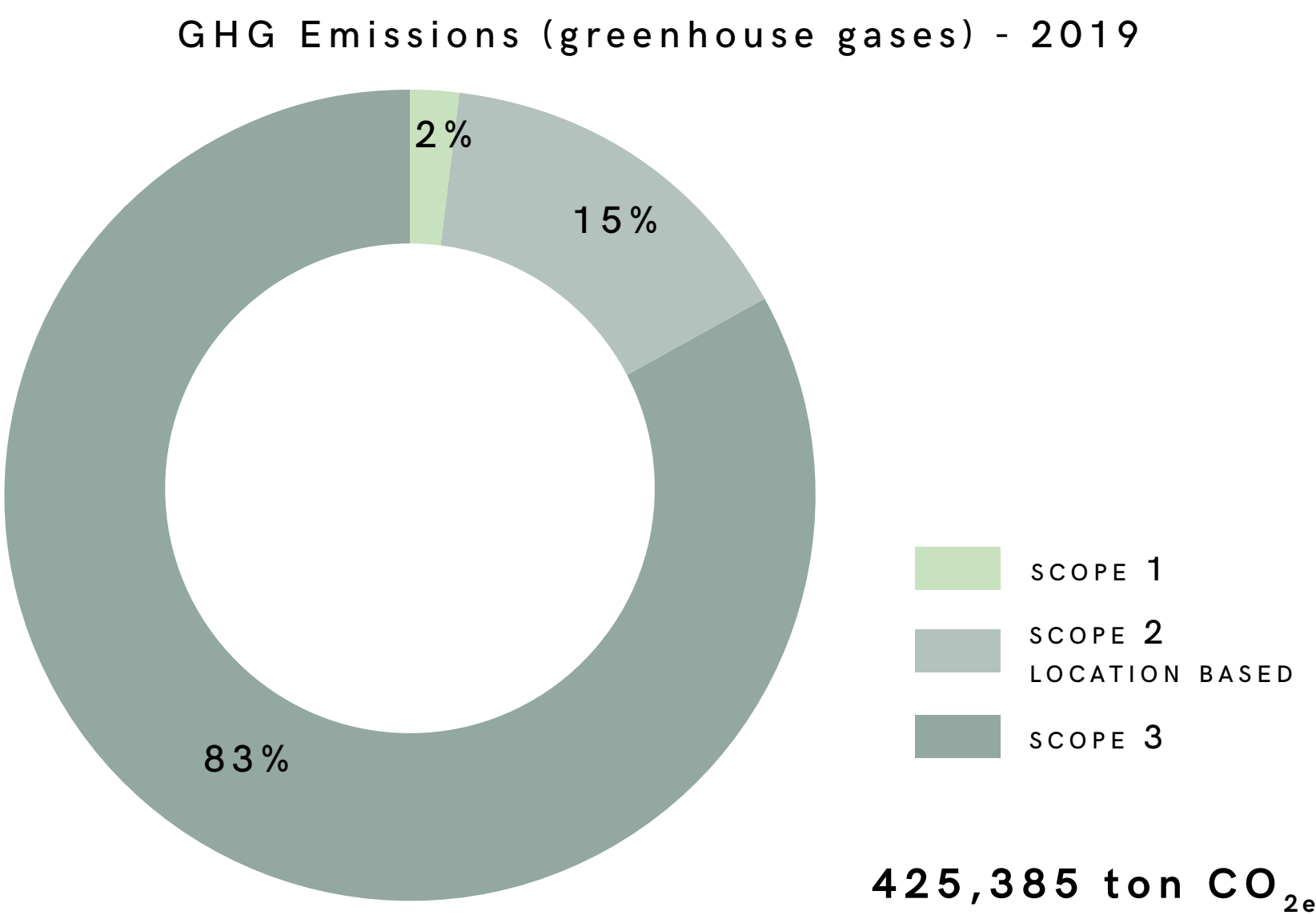
3.3 CLIMATE ACTION

To achieve the commitments assumed when the Fashion Pact was signed, in 2020 the Prada Group concentrated on measuring its emissions footprint in order to identify the areas having the largest impact along the entire value chain. Prada prepared the first inventory of the Group's greenhouse gas emissions<sup>3</sup> (2019 baseline), measuring the emissions directly related to its activities (Scope 1 and Scope 2) and those caused by the upstream and downstream activities of the value chain (Scope 3).

3 The 2019 GHG inventory of the Prada Group was prepared in accordance with the GHG Protocol Corporate Accounting and Reporting Standard - Revised Edition (also referred to herein as "GHG Protocol") developed by the World Resources Institute (WRI) and by the World Business Council on Sustainable Development (WBCSD) and took into account the contents of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard and UNI EN ISO 14064-1:2019.

All the companies controlled by the Group at December 31, 2019 and all its brands, except for Marchesi 1824 srl, were included in the inventory. Furthermore, in 2020 the Church's Group also prepared an inventory of greenhouse gas emissions as proof of the growing interest in understanding its environmental impact.

The total GHG (greenhouse gas) emissions produced by the Prada Group's activities in 2019 were 425,385 tons of CO<sub>2eq</sub>, 83% of which are indirect Scope 3 emissions.



For the Prada Group, the completion of the inventory was the first step in a long process undertaken to progressively reduce its direct and indirect GHG emissions.

3.3.1 EMISSIONS IMPACTS DIRECTLY RELATED TO THE BUSINESS

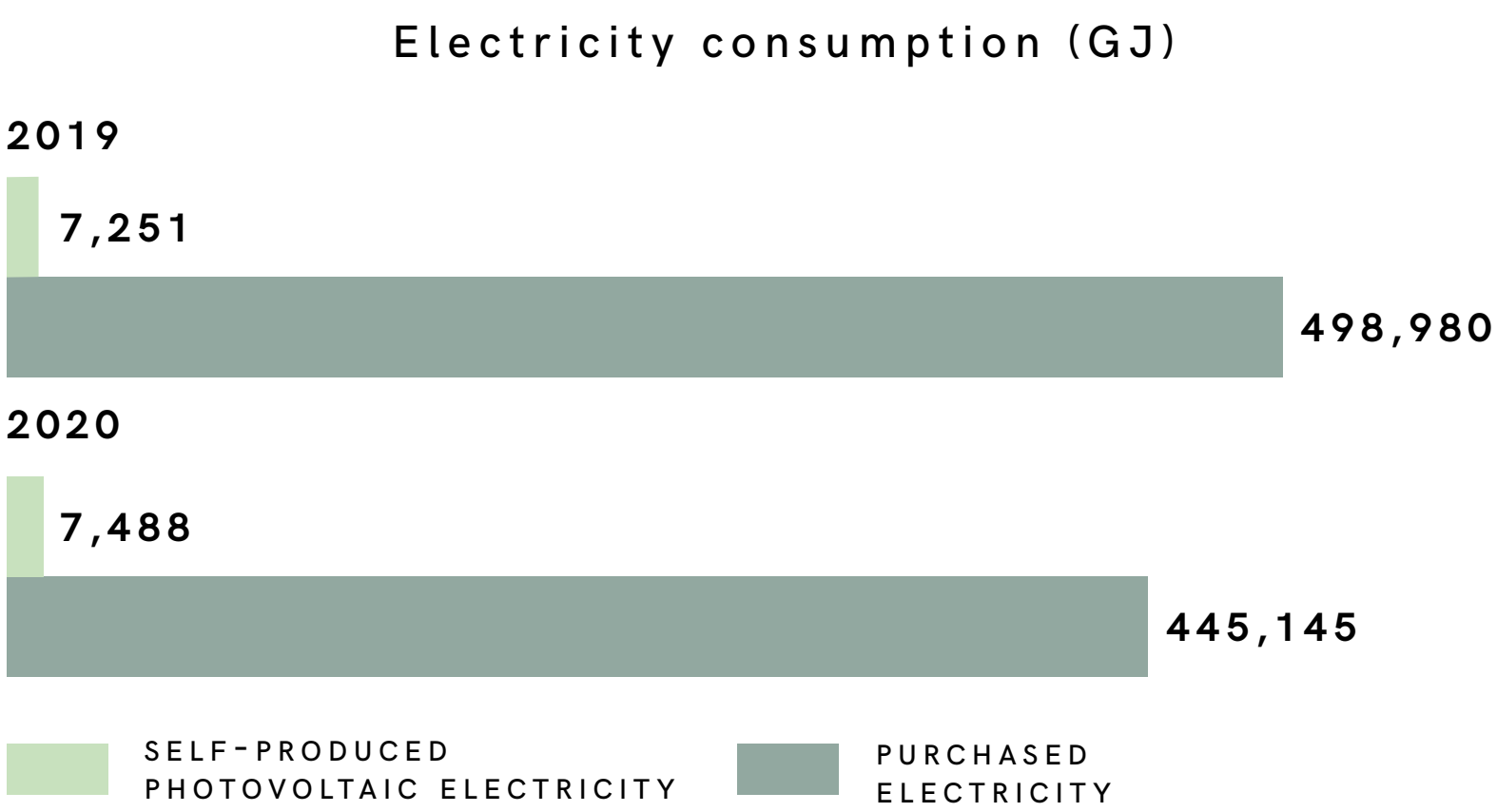
Energy consumption

The main energy consumption under the direct control of the Prada Group is the consumption of electricity and natural gas for the operation of the 23 manufacturing sites, logistics centers, offices and stores throughout the world. In addition, the Group's fleet also represents a significant share of the total energy consumption.

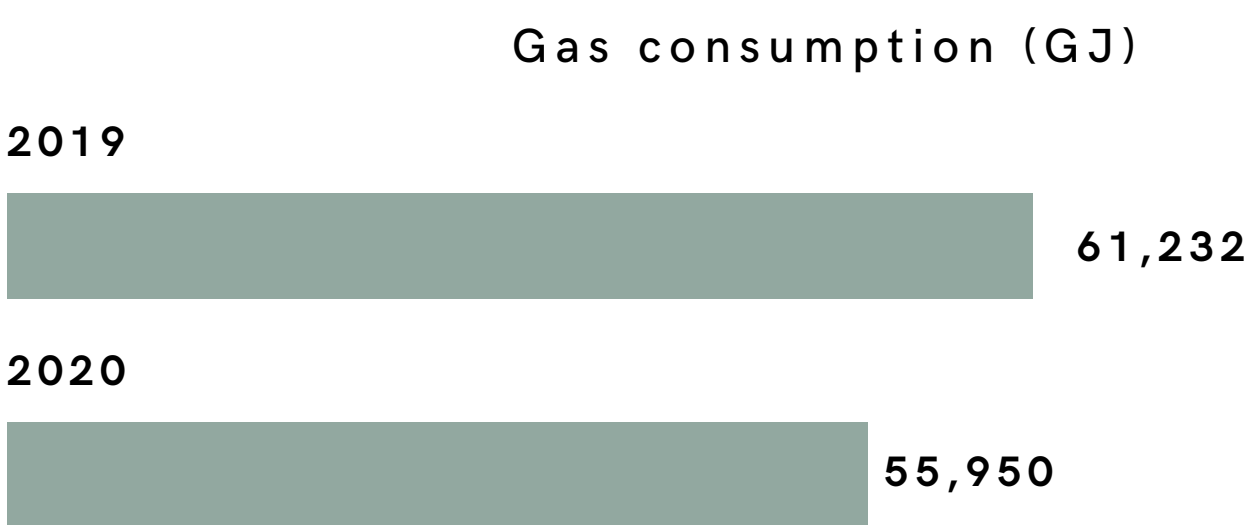
In 2020 Prada reported 125,731 MWh of electricity consumption, down by 10.6% from 2019, and including consumption of self-generated electricity from photovoltaic plants of 2,080 MWh. In 2020, 44% of the grid electricity purchased originated from renewable sources, in line with 2019. In addition, the electricity consumed for production activities is 20% of the total



consumption, whereas the remaining share is electricity used for store and office lighting.



The consumption of natural gas<sup>4</sup>, used mainly for operations at production facilities, has fallen by 8.6% compared to previous year due primarily to the production shutdown in Italy during the lockdown period.



Fuel consumption by the Company’s fleet fell by 44% compared to 2019 mainly as a result of the drastic reduction of travel in 2020 resulting from the restrictions for containing the spread of COVID-19. Consumption decreased by 34% for diesel, 25% for gasoline and 58% for kerosene.

COMPANY FLEET CONSUPTION (GJ)	2019	2020
Diesel	28,142	18,599
Petrol	728	547
LPG	-	5
Kerosene	22,240	9,434
TOTAL	51,110	28,585

As at December 31, 2020 the Company’s fleet is made up of 445 vehicles (cars and vans), and represents 67% of the total consumption due to the movements made by the Group employees.

<sup>4</sup> The consumption of natural gas for heating stores was not included in the calculation because such data was unavailable. However, most stores do not use natural gas, so the exclusion of the data is not significant.

In this regard, during 2020 Prada progressively replaced gas and diesel powered vehicles with hybrid and electric ones.

At December 31, 2020 the hybrid vehicles were 18 and the electric vehicles were 8, representing respectively 4% and 2% of the total Company’s fleet.

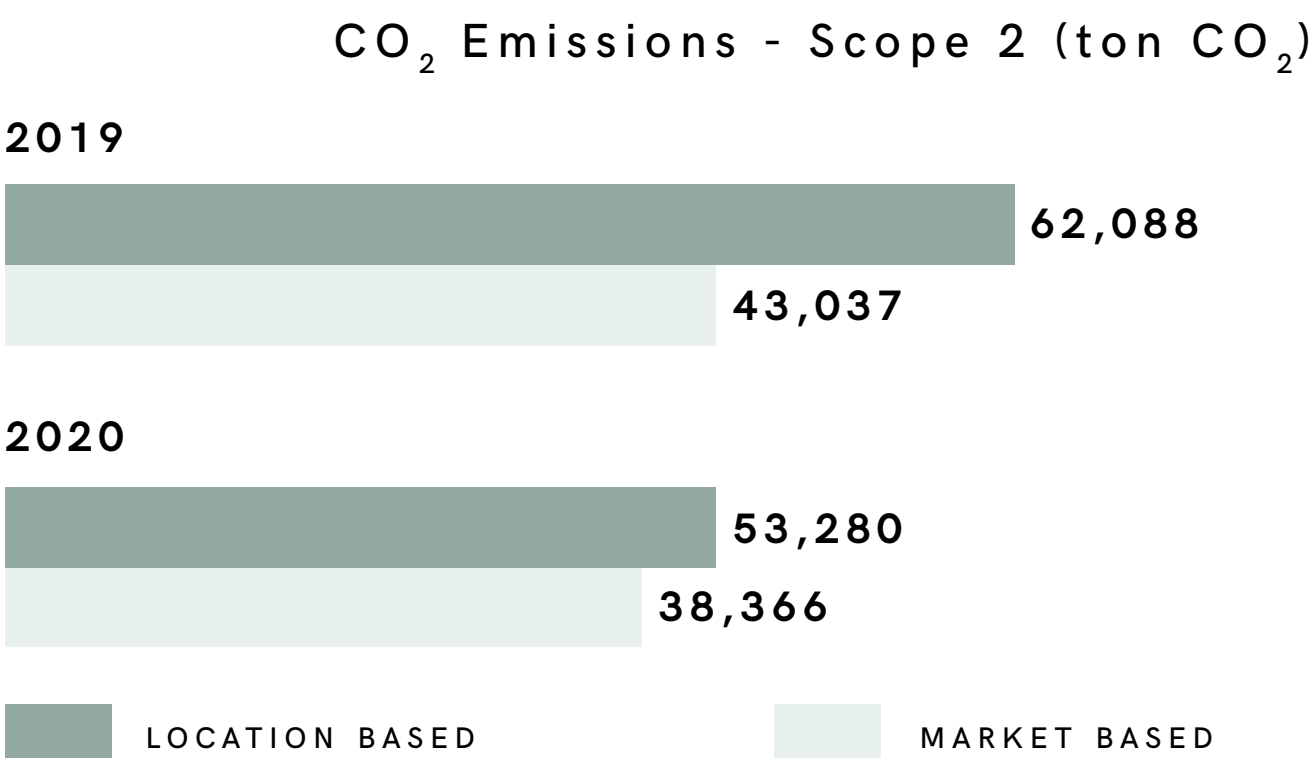
At the same time, Prada continued to invest in its infrastructures and installed 9 charging stations for its electric vehicles at its headquarters between Tuscany and Milan, in addition to the 4 already installed in previous years.

GHG emissions – Scope 1 and Scope 2

The GHG emissions associated with the consumption of gas, fuel and refrigeration gas refills (Scope 1) amount to 6,388 tons of CO<sub>2eq</sub>, a decrease of 29% compared with 2019.

With regard to indirect energy emissions (Scope 2) deriving from the purchase of electricity, the table below shows the values calculated using both the "Location-based" and "Market-based" methods defined below:

- "Location-based": reflects the average intensity of the emissions relating to the grid from which the energy is supplied;
- "Market-based": shows the emissions from electricity that the company has decided to purchase intentionally; it takes into account the share of certified electricity purchased from renewable sources.



In 2020 the indirect emissions from energy, according to the location-based approach, decreased 14% from those of 2019, mainly due to the closures that occurred during the year due to the health emergency from COVID-19.





GHG EMISSIONS Scope 1 and Scope 2 (Ton CO <sub>2eq</sub> )	2019	2020
<b>Direct emissions (Scope 1)</b>	<b>9,041</b>	<b>6,388</b>
Means of transport (owned)	3,698	2,042
Natural Gas	3,477	3,165
F-Gas	1,866	1,182
<b>Energy - indirect emissions (Scope 2) Location-based</b>	<b>62,088</b>	<b>53,280</b>
<b>Energy - indirect emissions (Scope 2) Market-based</b>	<b>43,037</b>	<b>38,366</b>

In keeping with past years, Prada is constantly engaged in reducing the Scope 1 and Scope 2 GHG emissions so as to limit the impact of its business on climate change. More specifically, the Group carries out energy efficiency actions and uses electricity from certified renewable sources in order to reduce the associated emissions.

**LEED Certification**

In 2020, the Prada Group achieved LEED - Leadership in Energy and Environmental Design - Gold certification for 20 stores mainly located in the Asia Pacific region. As of December 31, 2020 the Group had 57 LEED-certified stores and one LEED-certified factory in Scandicci (Tuscany, Italy), a total of 58 certifications and expects to obtain additional ones in 2021.

**Heating and air conditioning systems**

During 2020, corrective actions continue to be carried out on all systems to optimize the power on/power off

timing, and to raise staff awareness about proper and rational electricity use.

Furthermore, interventions were carried out on the roofs of 3 Italian plants (Montegranaro, Buresta and Piancastagnaio) which led to significant improvements in terms of energy performance of the buildings; these interventions have in fact contributed to a drastic decrease in the consumption of air conditioning in indoor environments during the summer.

**Energy box project**

In 2017 the Group launched the "Energy Box" project, which is a long-term plan for factories, offices and stores aimed at optimizing energy consumption. The project is based on the installation of multi-meters that allow for constant monitoring and for understanding consumption information through accurate comparisons between periods.

The data obtained from these tools enables to reduce waste, identify discrepancies between actual consumption and billed consumption, improve maintenance and simplify budget forecasts. During the year more monitoring systems were installed, and by December 31, 2020, there were 584 installed multi-meters.





**Relamping project**

The process of converting to LED, started thanks to an important project underway since 2014, led all Group’s directly operated stores to use exclusively LED lamps in all the store lighting already in 2018.

The direct and indirect energy savings obtained are significant compared with the previous technologies used (fluorescent and halogen lamps); moreover, this also led to less waste disposal because LED lamps last much longer.

The Prada Group constantly updates this project in order to keep pace with technological advances, both in its retail spaces and within its industrial sites and corporate offices. In fact, during 2020, a major upgrade plan involved a site of over 5,500 m³, headquarters of the Group's Engineering division in Tuscany, Italy.

**Green energy**

In 2020 the Prada Group ensured that 100% of the electricity for all its Italian offices was supplied by sustainable sources with Guarantees of Origin. Moreover, renewable energy supply agreements were signed for some foreign subsidiaries, where permitted by the markets such as USA, United Kingdom, France, Germany, Spain, Austria, Holland and Switzerland. During the year, these sourcing policies allowed to avoid over 20,000 tons of CO<sub>2</sub><sup>5</sup>.

At December 31, 2020 the Group had 10 photovoltaic systems, most of which were installed on factory rooftops in Italy. The systems, which produce 3,450,555 kWh, out of which 2,080,054 kWh consumed internally, cover around 24% of the Group Italian factories' industrial demands, preventing the emission in 2020 of 699 tons of CO<sub>2</sub><sup>6</sup> that would have occurred if electricity supplied by the Italian grid had been used.

**3.3.2 INDIRECT EMISSIONS IMPACTS**

For the first time, Prada measured in 2019 the greenhouse gas emissions produced indirectly by its business activities. On the basis of an analysis of the Group's value chain, the following Scope 3 categories were included in the GHG inventory: emissions associated with the purchase of goods and services, the Group's transportation and distribution of raw materials and finished products, waste disposal, employee business travel and employee commuting to and from work.

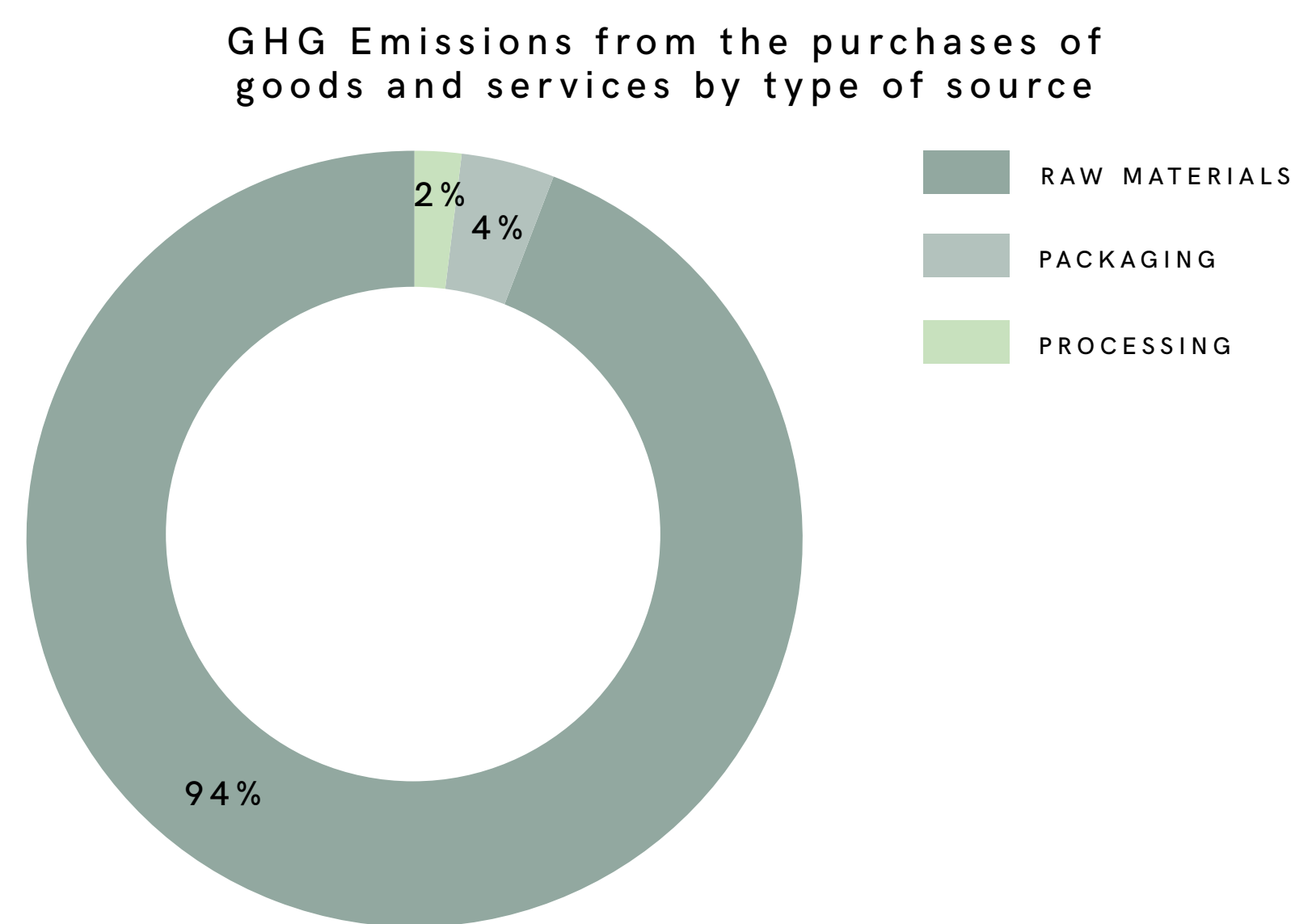
GHG EMISSIONS Scope 3 (Ton CO <sub>2eq</sub> )	2019	
From purchase of Goods and Services	299,423	85%
From Transport and Distribution	33,352	9%
From Commuting	14,442	4%
From Waste Disposal	2,316	1%
From Business Travels	4,722	1%

5 The emissions avoided were calculated using the market-based calculation method

6 The emissions avoided were calculated using the location-based calculation method.

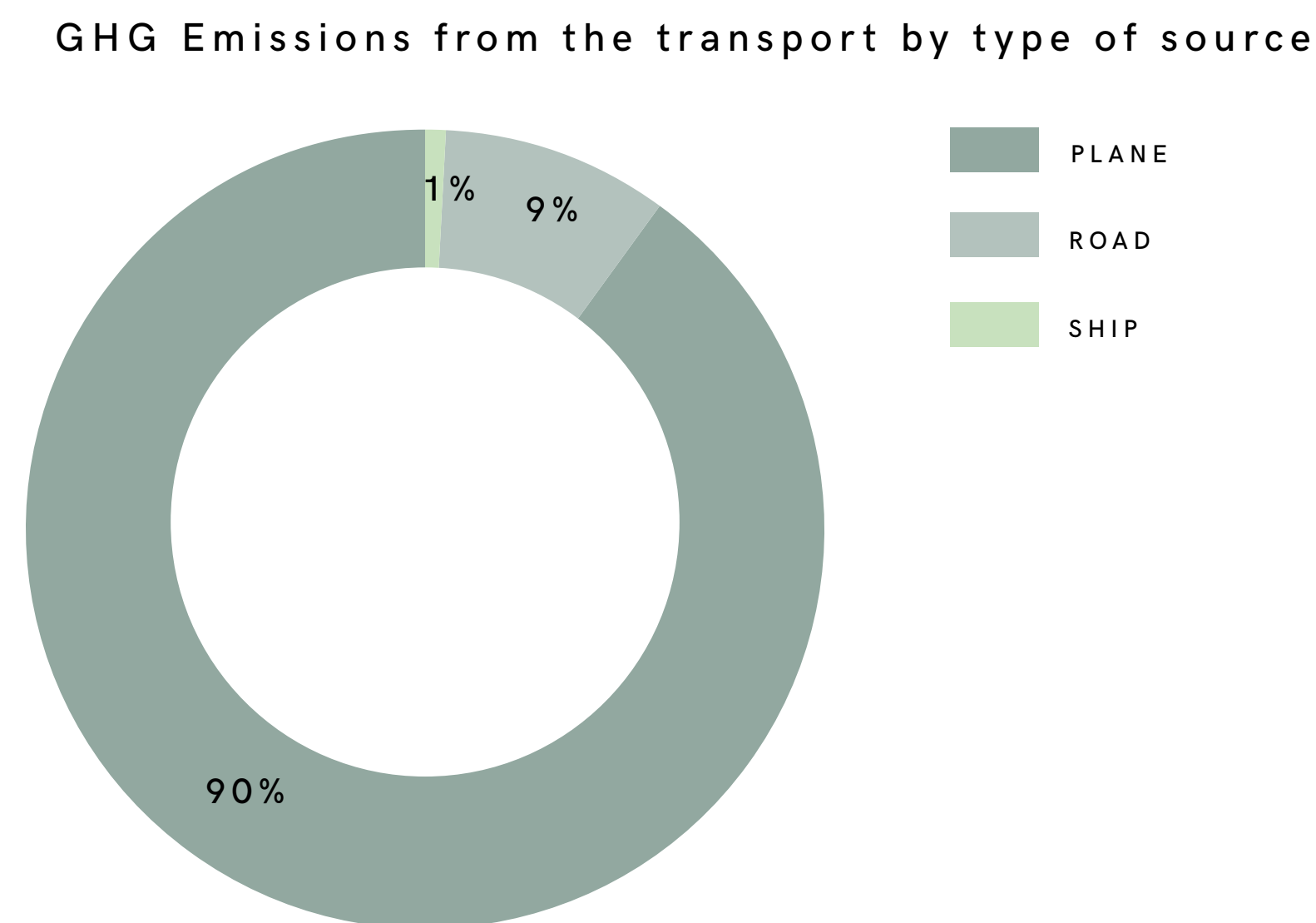


The indirect emissions deriving from the purchase of goods and services, approximately 300,000 tons of CO<sub>2eq</sub> (85%), include the GHG emissions from the production of the raw materials purchased by the Group -for both products and packaging - and those associated with the energy consumption of the contract manufacturers and suppliers of finished products.



The raw material that most contributes to the result is leather (93%) which, in addition to being very important for Prada's production, has a very high emission factor compared with other materials. The next materials with the greatest emissions impact are wool (2%), nylon (0.9%) and cotton (0.8%).

The GHG emissions from transportation directly handled<sup>7</sup> by Prada to move raw materials and finished products amount to slightly above 33,000 tons of CO<sub>2eq</sub> (9%), 90% of which is from air transportation.



<sup>7</sup> The data was gathered directly from the carriers managed by Prada S.p.A.; the calculation does not include the transportation handled by the foreign companies due to the unavailability of such data.

The GHG emissions from the disposal of the waste produced by the Group's production activity at the manufacturing sites (20 in Italy and 3 abroad) amount to approximately 2,300 tons of CO<sub>2eq</sub>, including some 2,000 tons of CO<sub>2eq</sub> associated with Italian production and 238 tons of CO<sub>2eq</sub> abroad.

Lastly, the calculations of emissions from employee travel are broken down into the impacts produced by employee business travel (4,722 tons of CO<sub>2eq</sub>)<sup>8</sup> and those associated with commuting to and from work (14,442 tons of CO<sub>2eq</sub>)<sup>9</sup>.

Concerning business travel, air travel accounts for the greatest emissions impact (93%); the remaining share refers to car and train travel.

The Prada Group has introduced initiatives regarding commuting to and from work that can cut GHG emissions in Italy, through a shuttle service in Tuscany and discounts on Milan public transportation passes, which together resulted in savings of 836 tons of CO<sub>2eq</sub> in 2019.

3.4 PRESERVATION OF THE TERRITORY

Respect for places has been a guiding principle for the Prada Group from the start. Reducing land take, renovating existing structures and working toward building requalification have inspired the decisions made in more than thirty years of industrial development. With the belief that new construction can impact an area considerably, and that such a decision must be taken only when inevitable, the Prada Group prefers to purchase and salvage existing buildings. Indeed, the few newly constructed buildings fit in harmoniously with the local areas, without causing disruption.

The Prada Group has more than 200,000 m<sup>2</sup> of production facilities and warehouse spaces, located almost entirely in Italy. Among these, 6 are new buildings and many are cases of renovations of industrial buildings and degraded sites that had been abandoned for many years.

When the Prada Group is unable to restore existing buildings, it hires masters of architecture such as Guido Canali, known for his sustainable architecture, to ensure

<sup>8</sup> The GHG emissions include 85% of the Prada Group's employees.  
<sup>9</sup> The GHG emissions include 70% of the Prada Group's employees.





results that have a low impact on the territory and that create a new landscape that fits harmoniously with the surrounding area.

Facilities are designed and conceived as workplaces of people and for people, and to respect nature faithfully. Those in Montevarchi and Valvigna, Tuscany, and in Montegranaro, in the Marche region, were designed specifically with the environment in mind; the volumes have a contained visual impact also thanks to the vegetation and well inserted in the landscape. This feature makes them fully fledged “garden factories”. The factories, with their wide, bright spaces enclosed by hanging gardens, are intended to have a discreet external image, but also distinctive interiors experienced by the employees.

Among the projects designed by Guido Canali, the logistics hub in Levanella (Tuscany) is the focal point of a major restructuring project regarding outbound

logistics. The hub was designed to be responsibly integrated into the territory thanks to border plantings, artificial dunes, roof gardens, glass walls, walkways, and outdoor relaxation areas.

The green areas occupy more than 50% of the entire surface of the structure, maintaining intact the vegetation typical of the Mediterranean scrub to preserve the variety of local flora and insulate the buildings.

In terms of energy efficiency, the logistics hub is a reference point for the Group's cutting-edge industrial structure since it was built with a photovoltaic system, LED lighting, an energy-saving smart home system, and a geothermal plant.





## 4. HUMAN CAPITAL

Respect for human rights, for workers and for the people in general, as well as the promotion of diversity, equity and inclusion, are elements that characterize the Prada Group and its way of operating in a global and constantly evolving context. This approach also extends to people working along the Group's supply chain. Prada has always considered human capital to be key to its competitive edge and makes every effort to promote and reward personal and professional skills, teamwork and improvement. The employees' enthusiasm, craftsmanship and intellectual curiosity are the elements that underpin the innovation and quality of the Group's products.





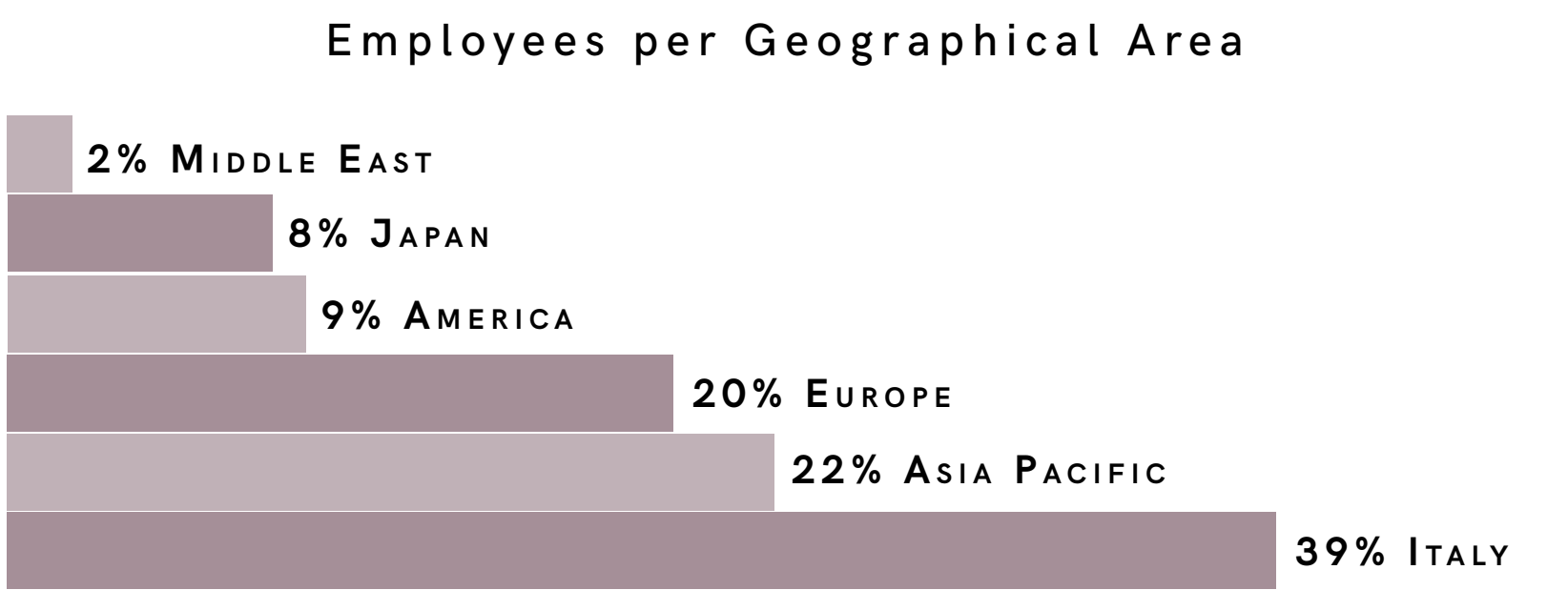
#### 4.1 WORKFORCE

2020 sees the entry of very important managerial figures who are part of the Group's long-term development vision regardless of the uncertainties related to the health and economic emergency.

However, during a year upset by the COVID-19 pandemic, which significantly affected all the Prada Group's business activities in all markets and mainly in the retail area, staff departures very often have not been integrated with new hires as it was not possible to carry out the normal workforce rebalancing operations that would have been implemented under normal business conditions. As of December 31, 2020 the headcount of the Group stands at 12,858, recording an 8% decrease compared to the previous year for the first time in more than 10 years.

Despite the global health emergency, the percentage of permanent contracts rises to 92% of the workforce at an

international level, confirming the Group's commitment to stability in employment relationships and long-term investment in human resources (88% in 2019).

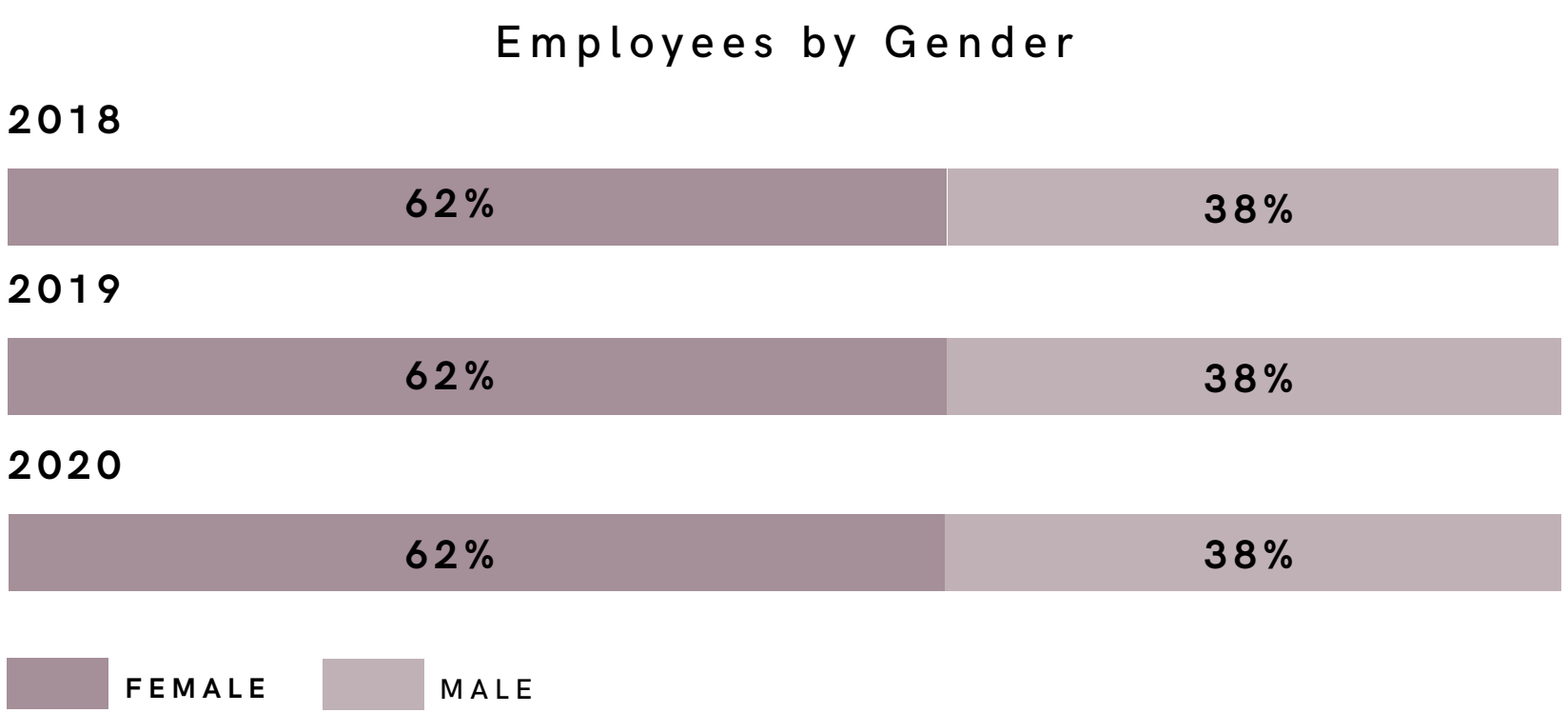


Outside Italy, the most sizable part of the workforce is in Asia-Pacific (22%) followed by the rest of Europe (20%). In Italy, where 20 of the 23 production facilities are

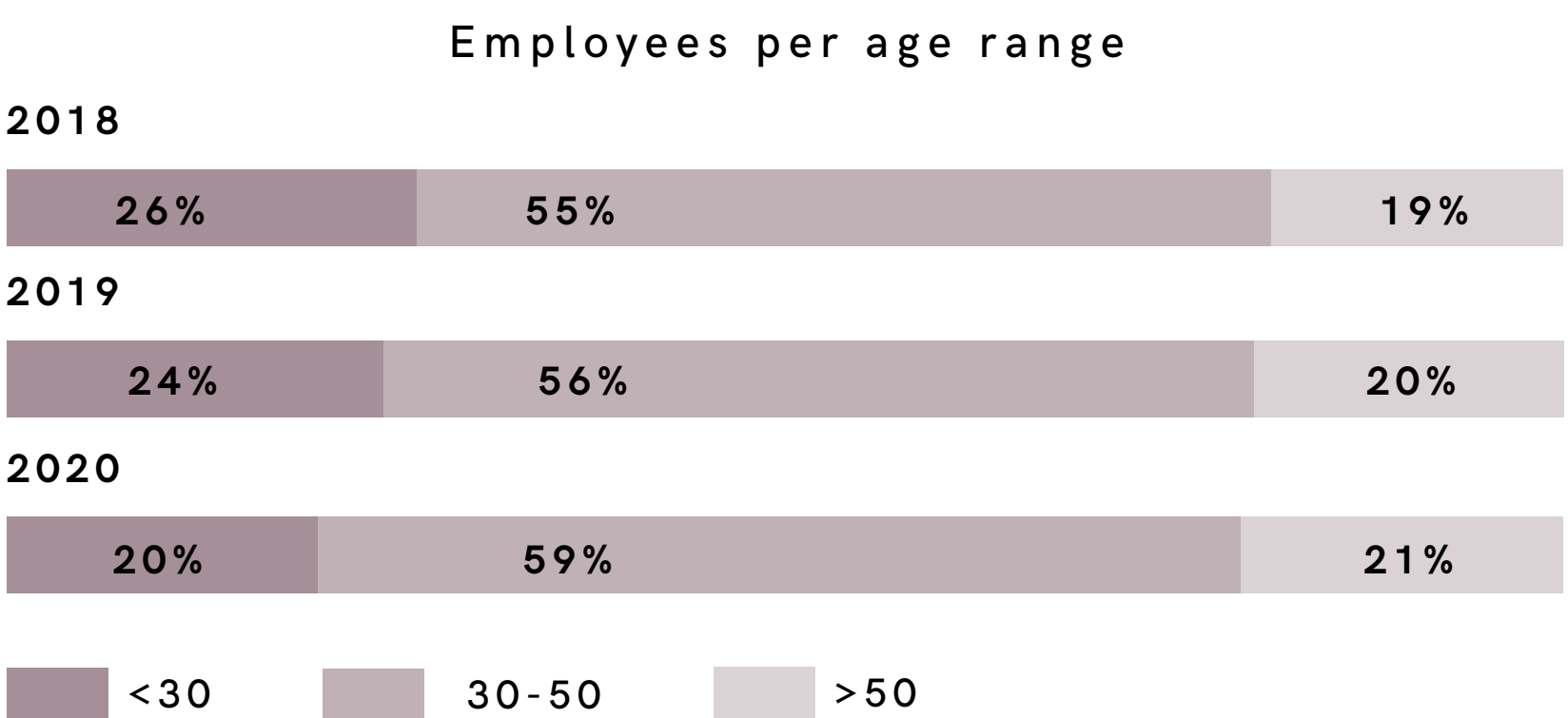




located, most employees (63%) work in the industrial division, while in other countries, where 574 out of 633 Directly Operated Stores are located, 84% of employees are in retail.



Women permanently represent the majority of the workforce, counting for 62% of the corporate population.



A breakdown of the workforce by age shows that at December 31, 2020, 20% of Prada employees were under 30 years old and 59% were aged 30 to 50. Further analysis shows that 25% of the retail workforce were under 30 years old, while in the industrial division, where at least ten years of experience in production and craftsmanship is particularly important, 51% of the workforce belonged to the 30 - 50 year old range and 38% to the over 50 year old range.

In the periods under comparison, the breakdown of employees by age and gender remained quite stable, even if in all categories, a shift in the corporate population towards the higher age group (> 50) was noted.

In the "Staff" and "Executive and Managers" categories, females accounted for 24.7% (vs. 13.8% of males) and 5.9% (vs. 4.3% of males) of the total workforce respectively in the category 30 - 50 year old.

Finally, most of the fixed-term contracts concern staff in the retail area and, mainly employees between 30 to 50 years old age. 68% of the contracts are for females.

year	LABOR						STAFF						EXECUTIVES AND MANAGERS					
	Female			Male			Female			Male			Female			Male		
	< 30	30 - 50	> 50	< 30	30 - 50	> 50	< 30	30 - 50	> 50	< 30	30 - 50	> 50	< 30	30 - 50	> 50	< 30	30 - 50	> 50
2018	1.4%	5.5%	4.9%	2.2%	4.4%	2.4%	14.0%	23.4%	6.1%	7.6%	12.7%	3.3%	0.4%	5.4%	1.1%	0.2%	4.0%	1.1%
2019	1.4%	5.5%	5.0%	1.8%	4.3%	2.5%	13.1%	23.8%	6.5%	7.4%	12.9%	3.5%	0.3%	5.4%	1.3%	0.2%	4.0%	1.3%
2020	1.4%	5.6%	5.4%	1.7%	4.6%	2.6%	10.2%	24.7%	7.1%	5.9%	13.8%	3.5%	0.2%	5.9%	1.5%	0.1%	4.3%	1.4%



The employees working full time represent the 97% of the total workforce. In 2020 there were no differences in benefits between full-time and part-time contracts.

4.2 DIVERSITY AND EQUAL OPPORTUNITY

Diversity, an essential element of social sustainability, is a value for the Prada Group; the enhancement of differences is to be meant as a premise for creating the ground of an inclusive work environment that allows people to express their potential, to be used as a strategic lever for achieving organizational objectives. Freedom of expression is the founding factor of a creative industry like Prada, which must understand and anticipate social changes, surrounding all generations in the diversity of their aspirations, especially today in an increasingly integrated and globalized society.

The vast international presence of the Prada Group reflects a multitude of different cultures, nationalities and religions. The communities and areas in which it operates are a constant source of inspiration and growth.

The statistics on employees’ origin prove the various backgrounds of the workforce. In fact, people with 104 different nationalities (105 in 2019) work for the Group. The strong female presence is demonstrated by the ratio between males and females for each job category: women not only represent the majority of Labor (58%) and Staff (64%), but they are also the largest component (57%) of Executives and Managers.

year	LABOR		STAFF		EXECUTIVES AND MANAGERS	
	Female	Male	Female	Male	Female	Male
2018	57%	43%	65%	35%	56%	44%
2019	58%	42%	65%	35%	56%	44%
2020	58%	42%	64%	36%	57%	43%

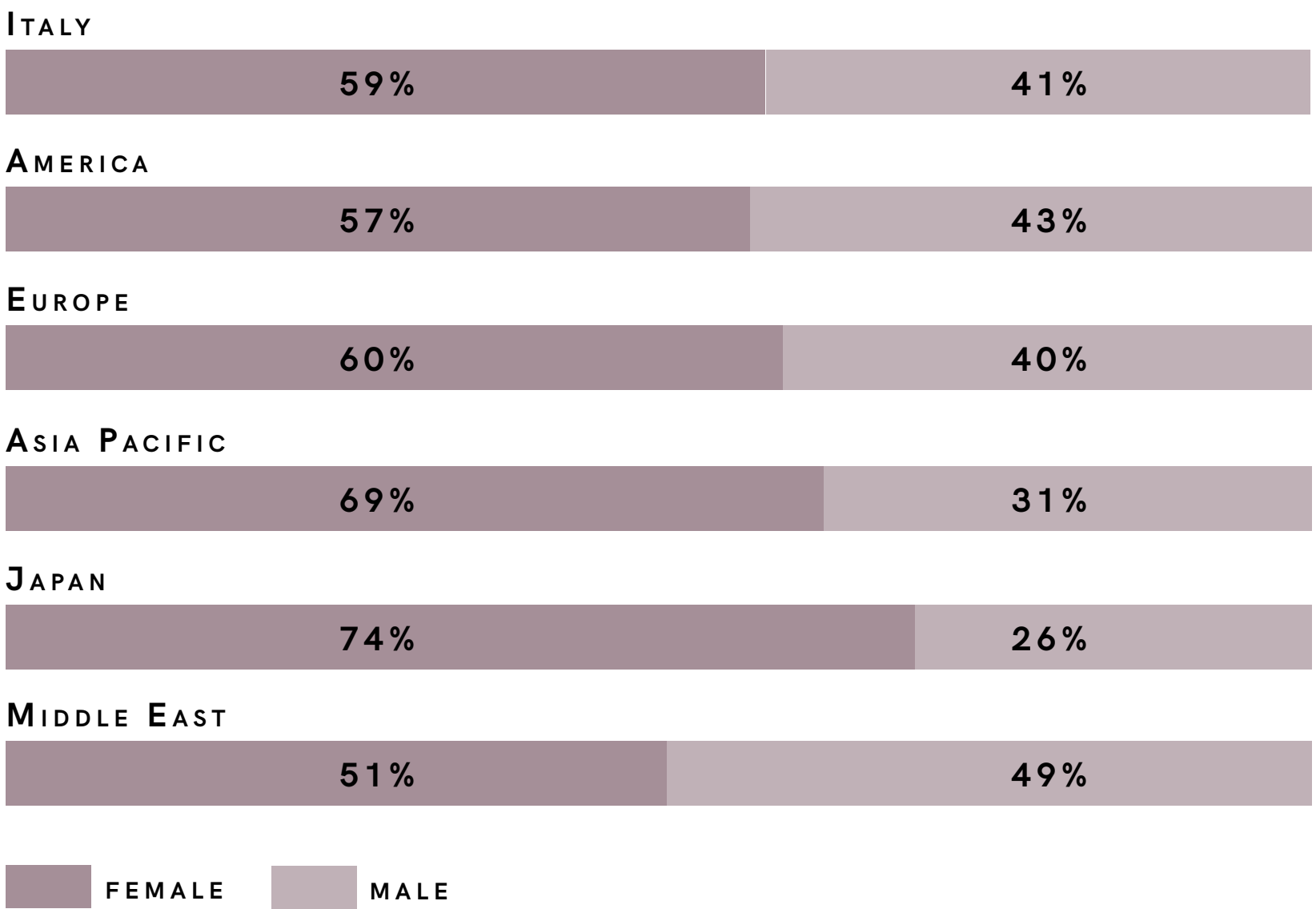
Another distinctive characteristic is the prevalence of females in all divisions.

year	INDUSTRIAL		CORPORATE		RETAIL	
	Female	Male	Female	Male	Female	Male
2018	59%	41%	57%	43%	64%	36%
2019	60%	40%	57%	43%	64%	36%
2020	60%	40%	57%	43%	64%	36%



Even at a geographical level females represent more than half of workers in all areas, with peaks in Japan and the Asia Pacific, where females account for 74% and 69% of employees respectively.

Employees per gender and geographical area



Respect for equal opportunities is also reflected in the Compensation & Benefit system, based on the enhancement of skills and merit, which ensures equal treatment by gender, seniority and role, as also confirmed by the substantial equality in the remuneration treatment as showed in the following table.





PAY GAP (with the median as 100%)						
year	LABOR		STAFF		EXECUTIVES AND MANAGERS	
	Female	Male	Female	Male	Female	Male
2018	99%	102%	98%	104%	99%	104%
2019	99%	102%	98%	103%	97%	102%
2020	98%	102%	98%	104%	96%	103%

In October 2020, the Prada Group announced the appointment of a Chief Diversity, Equity and Inclusion Officer for Prada North America to be responsible for developing policies, strategies and programs to help ensure diverse representation of cultures and perspectives at all levels of the company. She will be in charge of working with the Group’s global leadership to strengthen the inclusive culture and advancement for the company’s talents.

At the end of 2020, the Prada Group is the first luxury fashion player to join the Valuable 500, the global community dedicated to radically transforming the business system for the benefit of people with disabilities.

Prada strongly recognizes the intrinsic value of people who are disabled and commits to supporting all within its inclusion and sustainability agenda.

The company is exploring different opportunities to define a long-term program of activities, which will start with a commitment to hire individuals affected by trisomy 21 (Down’s syndrome) into its Italian retail network.

The Valuable 500 community, which embraces a wide range of industries worldwide, is becoming stronger every day. I actively support the decision to join the coalition as I believe strongly in the value of diversity. The different backgrounds of the companies adhering to the alliance is a crucial starting point to build a comprehensive global action plan, which will enrich all of us

”

**Lorenzo Bertelli,**  
Group Head of  
Corporate Social Responsibility





For over a century, Prada's visionary work has shaped the course of the fashion industry and continues to connect individuals and creatives worldwide through a shared appreciation of innovation, style, and quality.

Malika is a dynamic, impact driven leader and I am excited to welcome her to Prada. She brings a wealth of exceptional skills and experiences to Prada and I, and the entire executive team, look forward to working alongside her to strengthen our culture and diversity and inclusion efforts within the company and throughout the fashion industry.

”

**Lorenzo Bertelli,**  
Group Head of  
Corporate Social Responsibility

I'm honored to be part of a strong leadership team that supports our talented employees by enhancing the company culture and global influence to ensure that the Prada Group continues to reflect the diverse world we live in.

”

**Malika Savell,**  
Chief Diversity, Equity and Inclusion Officer  
for Prada North America





Photo Credit: Koury Angelo



Photo Credit: Sarah Pooley

### 4.3 DIVERSITY AND INCLUSION ADVISORY COUNCIL

As anticipated, the Group firmly believes in the value of diversity as a source of inspiration for its activities and, more generally, as a form of cultural heritage, wellbeing and creativity, which allows to establish a bond of affinity with a global base of diversified stakeholders.

At the beginning of 2019, in the United States, the Group established the Diversity & Inclusion Advisory Council (hereinafter "D&I Council") in order to promote the issues of diversity and inclusion within the company and in the society.

The D&I Council, as a consultative body fully independent from any form of governance of the Group, has the task of sensitizing the management on the social aspects of

sustainability, in particular with regard to diversity (gender, cultural identity, religion, personal orientation, etc.).

The Council fulfils its role through the proposal of projects, corporate policies and initiatives considered socially effective to spread a culture of inclusion in the fashion sector.

The D&I Council is composed of academics, activists, representatives of the world of art and culture from institutions worldwide renowned.

The Council has two Co-Chairs, Theaster Gates and Ava DuVernay, and avails itself of the contribution of three other members: Joyce Brown, President of the Fashion Institute of Technology (FIT), Mariarosa Cutillo, Humanitarian and Chief of Strategic Partnerships at The United Nations Population Fund (UNFPA), and Sarah Lewis, Associate Professor of History of Art and Architecture and African and African American Studies at Harvard University.



DIVERSITY & INCLUSION ADVISORY COUNCIL		
	Role	Gender
Ava DuVernay	Chairman	F
Theaster Gates	Chairman	M
Joyce Brown		F
Mariarosa Cutillo		F
Sarah Lewis		F

During 2020, the D&I Council gathered to keep the company abreast of global social awareness around race, culture and politics and for the definition of a long-term plan of initiatives that the Group has already undertaken during the year and that will continue in 2021. Based on the major training and development project on the issues of diversity and inclusion of Afro-American culture in the United States between 2019 and 2020, the Group is completing an ambitious training program on D&I issues that will be extended to all Group employees, whatever their role, all over the world; internship programs and scholarship projects will also be inaugurated which will see Prada collaborate with internationally renowned institutes for the benefit of young students

The Chief Diversity, Equity and Inclusion Officer will work closely with the D&I Council to continue providing opportunities for young talents and investing in scholarship, internship and apprenticeship programs.

#### 4.4 PRADA ACADEMY AND SKILLS DEVELOPMENT

Skills development is fundamental for the Prada Group, as is Prada's commitment to the transmission of skills from one generation to the next.

Since the beginning of the 2000s, the Prada Group has designed learning paths for its employees, creating over time a true internal Academy structured with conventional courses, on-the-job training and online training.

Prada Academy is a training project that encompasses all Prada's departments and positions; it is a physical and digital place where knowledge, skills, techniques and innovative ideas are shared and developed to foster

talent and hand down the diverse expertise essential for the Group.

The Prada Academy cultivates individual professional growth with projects, separating the content and training modalities into three macro areas: industrial, retail and development of the technical and soft skills needed to best realize one's potential within the company.

In a difficult year such as the past one, training could have been suspended or overlooked for the sake of other urgent matters and priorities, but this did not happen. Prada decided to turn a tough situation into an opportunity for growth, acting with resilience and creativity to reconfigure the learning experiences in a complex scenario that was constantly evolving due to the public health emergency.

Courses were redesigned and offered internally thanks to the use of digital tools, ensuring continuous, stimulating learning to employees.

##### Industrial Academy

The learning paths for the industrial area are geared toward the acquisition of production know-how in the luxury leather goods, footwear and clothing sectors. The training takes place mostly on the job, in designated areas of the Group's factories or at the excellent technical schools located throughout Italy.

In this case, the main objective of the Academy is to constantly enhance the technical and craft skills of the employees, enabling them to become increasingly expert at their jobs and move freely within their scope while experimenting with new tasks, in order to gain a comprehensive overview of the operating processes and thus improve their efficiency. The courses for the technical staff include training on the use of cutting-edge software, in which Prada has increasingly invested over the past few years.

The Industrial Academy holds dear the safeguarding of fashion expertise, considered a national heritage to be handed down to the new generations. For this purpose, the Prada Group creates training courses for recent graduates and/or unemployed youths eager to learn the techniques of the manufacturing world.



## INDUSTRIAL ACADEMY

## LEARNING AND DEVELOPMENT ACADEMY

## STORES ACADEMY

These courses, conceived as an introduction to fashion trades, are a mix of theory and practice.

Studying the production processes is the first step of intensive practical training: it is undertaken immediately in tackling the creation of handbags, accessories, footwear and clothing. Under the guidance of internal instructors and professionals who transmit their extensive know-how, each process is included in detail so that the participants can learn how to work at the highest quality standards.

### **Learning and Development Academy**

Employees are trained from the time they join Prada through an onboarding process, during which the managers meet the new staff members and introduce them to the Prada world and the respective business areas.

The professional training dedicated to the Group's employees focuses on effective management of the complexities present in the various business environments. Courses are formulated by first analyzing the demands in order to build the content according to the specific personal and professional growth needs, in behavioral, specialized and managerial areas. In recent years, courses have been developed on self-efficacy, leadership, team management, and the strengthening of technical, digital, linguistic, and many other skills.

In 2017 the Prada Group implemented its digital training platform, enabling all employees worldwide to benefit from E-Learning content and enroll in courses autonomously. The number of online training hours has grown steadily from the time the system was launched, demonstrating the Company's focus on the integration of traditional classroom training with new, diversified digital learning methods.

The digital transformation process accelerated considerably in the past year due to the pandemic and the consequential reorganization of training into a remote activity. In addition to its Learning Management System, the Prada Group is opening up to integration with other platforms that can provide an online, flexible and multi-device learning experience: in the spring of 2020 a pilot study was begun with a major industry provider that involved all employees globally in a structured digital linguistics training process full of engaging tools and content.

### **Stores Academy**

In addition to the daily support of experienced personnel, the activities contemplated for store staff include courses intended to strengthen professional skills, product and brand knowledge, and customer orientation and service.

The social distancing imposed by the public health crisis required overhauling the digital training modalities: webinars, online sessions and videos enabled to reach systematically the entire store staff worldwide despite the complicated scenario.

In light of consumers' growing interest in knowing the brand purpose, as well as the usual content having to do with product knowledge, which remains central, in 2020 an important course was introduced for areas relating more closely to the brand values ("Storytelling Project"). Within such process, the "Retail Storytelling Lexicon" project, a journey into Prada's vocabulary, was formulated through the iconic concepts, forms and materials of the brand.

The overall training approach was also redefined with the production of engaging multi-channel narratives (E-Learning, gaming apps, workshops). The harnessing of this recreational approach ("gamification") represented further significant progress in the supply of store





training content: the intuitive and digital aspects of the game maximized the learning of the content, creating and building engagement and a sense of belonging to the Group.

Training hours

In 2020, 153,462 hours of training<sup>10</sup> were provided to 82,921 participants. Online training consisted of 56,227 hours of training redesigned into webinars and interactive online classes. Below is a summary of the average hours of training broken down by gender.

Training Worldwide	2018		2019		2020	
Average number of hours per employee	6.88		12.28		11.94	
Average number of hours per employee by gender	Female	Male	Female	Male	Female	Male
	7.46	5.94	12.98	11.13	13.51	9.35

4.5 TALENT ATTRACTION AND RETENTION

Recruiting the best professionals in the job market, people capable of adding value while fully understanding complex business processes, is a fundamental strategy for the Prada Group’s organization. Finding talented youths and continuously reaching out among the new constantly evolving academic courses and disciplines are essential for keeping abreast of the times. For this reason, the Prada Group participates regularly in events organized by schools and universities in

order to connect with students, get to know them during the career days, meet them in training seminars presenting Prada and its processes, and enlist them in projects initiated and coordinated by Prada managers in a combined effort that creates challenging, mutual growth.

The recent experience with the School of Management of Politecnico di Milano (MIP) is a clear example of interaction between students and the Company’s management.

The consolidated partnership within the "Shaping a Future" cycle of conferences (chapter 5, paragraph 2) opened the way for further collaboration with the faculty: in the 2019/2020 academic year, the Prada Group became a main sponsor of the International Master’s degree in Luxury Management (IMLux) together with the French Champagne Taittinger Group.

The post-graduate program is highly international as it welcomes students from all over the world and concentrates on Italy and France - the most important countries in the world for high-end products - where its classes are conducted. Half of the lessons are held at the NEOMA Business School in Reims, France, and half at the School of Management of Politecnico di Milano (MIP), allowing its students to access a double degree.

During the year top managers interacted with the professors and the students on several occasions.

10 The hours of training exclude those on health & safety.



The meetings, from the classroom testimonies to the various sessions planned for project work, were organized digitally to give continuity to the teaching, since the COVID-19 emergency precluded any in-person instruction.

The academic year was inaugurated with the words of Prada S.p.A. Chairman Carlo Mazzi, who reiterated the Group's interest in opening the minds of students through a study program structured not only with traditional training, but also with experiences designed to explore solutions to market challenges.

I believe that sharing one's own opinions with open-minded and clever people, such as young university students, is a true opportunity and always a good method for overcoming boundaries and improving one's targets

”

**Carlo Mazzi,**  
Chairman of Prada S.p.A.

Following the moments of interactions between students and top management:

- The Physical Space in luxury goods industry: Business, Architecture, Experience, Communication & Culture, Identity;
- The Prada Group's approach to marketing strategies;
- The luxury market in Japan - cultural heritage and social roles;
- Students' Sustainability project works;
- Students' Prada Finance Challenge project works.

During these sessions, the Group illustrated its experience, while students offered a concrete contribution by addressing current issues and challenges with the perspective of young professionals and consumers. With this commitment to the classroom, Prada emphasizes its interest in training and attracting talent, both strategic elements essential for ensuring long-term growth.

Moreover, in recent years, the Prada Group jointly with some academic institutions has been organizing visits of students to its premises in order to introduce them to its work environment and methods, as it considers opening up in this way to be crucial for its image as an employer of excellence.

The visits to the factories in Italy have always been met with enthusiasm for the organizational quality of the areas visited, which are located in unique architectural and scenic settings. Some of these initiatives have been communicated and promoted through the Group's LinkedIn page.

Another peculiarity of the educational efforts undertaken by the Group is the creation of synergies with technical schools in Tuscany, as part of a strategy to orient teaching to the professions required by businesses in the industry and include the training needed to give continuity to technical and craft know-how. This approach is also shared by the Church's Group, which has been conducting meetings at local schools in England since 2019 to come into direct contact with students and present the company and its heritage.

The recruiting process uses transparent policies intended to ensure equal opportunity to the applicants. In fact, it is possible to collect and process candidates' profiles in a global universe with the support of an advanced digital platform, which assists and simplifies the synergistic, integrated operation of the Human Resources Department globally.

The Prada Group's remuneration and retention policy is designed to reward and retain highly professional staff and skilled managers, new graduates and workers, with the certainty that the creation of value is achieved in the medium and long-term through constant organizational



learning and the consolidation of employees' experiences and skills.

The policy features a balanced combination of components that are fixed and variable, direct and deferred, tailored to the position and professional qualifications, and consistent with the needs of the various geographical areas.

More in details, the Group's remuneration policy is based on:

- a periodic salary review that takes into consideration the overall market competitiveness with respect to company positions and internal remuneration fairness;
- an annual incentive plan linking remuneration to the Company's earnings and to individual performance;
- long-term incentive plans, for key managers, linked to the three-year profit growth, aligning individual targets to those of the shareholders;
- specific incentive plans for the sales team and for technical personnel specialized in the creation of seasonal collections;
- specific benefit plans for each country, which supplement in whole or in part the mandatory entitlements (healthcare, insurance, etc.), and benefits including social services and assistance to families (public transportation, cars, school subsidies, subsistence allowances, etc.).

The Board of Directors, together with the Remuneration Committee, is actively involved in determining the top management remuneration taking into account the roles and responsibilities assigned, and considering the market compensation applicable to similar positions in businesses of comparable size and complexity to the Prada Group.

The Group promotes freedom of association and recognizes the right to collective bargaining. In fact, the Prada Group engages with trade unions to improve the working conditions of its employees and to foster the medium/long-term well-being of its employees and thus its surrounding communities. Over the years the Group has stipulated many supplementary agreements especially in Italy, the United Kingdom and France, whereby it offers better benefits than those established in the local collective bargaining agreements.



For instance, more than 75% of the employees in Italy and 100% in France can benefit from the supplementary agreements. Employees in the UK's manufacturing division also benefit from supplementary agreements.

The most significant benefits provided by these supplementary or company agreements for 2020 were the following:

- performance bonus: variable bonus linked to production, sales and profit targets;
- vacation bonus: fixed amount equivalent to one month's pay as defined in the collective bargaining agreement;
- easy access to severance pay advances;
- flexible working hours enabling employees to achieve a more productive work-life balance;
- supplementary Healthcare Fund: supplementary health insurance with an option to include immediate family at a special rate;





- special leaves of absence for illnesses of employee's children (up to 12 years of age) in France;
- regulations, employment protection and better conditions in terms of Sunday premium pay in the stores in France;
- improvement in sick leave for the employees of the Church's plant in Northampton, United Kingdom.

As part of the supplementary agreements in Italy, in 2018 a Corporate Welfare plan was launched with the aim of allowing employees access to an extensive package of services such as reimbursements for healthcare, education and welfare expenses, leisure activities (travel, vacations, cultural and sports events), vouchers for fuel, food, payments to supplementary pension funds, and much more. The welfare plan can be activated under the employees request in view of the performance bonus; the company adds an additional 25% to the amounts converted.

During 2020, over 60% of the employees covered by the plan chose to convert their performance bonus into welfare shares, using them mainly for reimbursements of medical and education expenses, E-commerce purchases

and travel, a response considered extremely positive and demonstrating the effectiveness of the plan for the needs of the employees and their families especially in a year like 2020, which was heavily affected by the COVID-19 crisis. In view of the exceptional situation, to facilitate the use of the welfare resources, expense reimbursements were authorized also for 2019 - not just the current year as per the rules - and the limit for obtaining food and fuel vouchers was doubled.

The Group complies with the applicable international and national laws and regulations for working hours, minimum guaranteed breaks and rest periods. Thanks to the respect, dialogue and cooperation in place with Italian trade unions, there were no labor strikes during the year, just as none had occurred in the previous three years.

#### 4.6 WORKERS' HEALTH AND SAFETY

2020 will always be remembered as the year of the COVID-19 pandemic, when in March Italy became the first European country to face a public health emergency of an unprecedented global scale. The Prada Group



reacted immediately, focusing on the health and safety of its employees, and extended the strict measures adopted in Italy to all the regions in the world where it operates, along with implementing the various emergency measures across all geographical areas, where lockdowns were imposed by the national governments at different times.

In these exceptional circumstances, timely action was taken. Right from the start, a working group dedicated to monitoring and managing the crisis was organized; it developed a protocol to contrast and contain the risk of infection and had it implemented at all the Group's locations in Italy and abroad.

Constant collaboration with local health authorities, company doctors, and worker and trade union representatives ensured prompt responses to a continuously evolving situation. The Prada Group also felt a responsibility to contribute as best as possible to those affected by the national health emergency; for example, the industrial sites in Montone and Città di Castello (Perugia, Italy) were converted and remained open exclusively to produce 110,000 surgical masks and 80,000 sets of scrubs respectively for the health professionals of the Region of Tuscany, and customized pediatric surgical masks were supplied to the Italian pediatric oncology branch in Milan, which experienced shortages during the shutdown imposed by the Italian government.

After weeks, many activities could resume, and the gradual reopening was accompanied by strict anti-contagion measures and the application of scrupulous precautions to protect the health of the employees in all workplaces in accordance with the guidelines imposed by the government health protocols and Prada's even more stringent ones. The prevention measures were differentiated according to the type of activity and degree of exposure to the risk of infection.

Over the months, the Prada Group decided to expand the prevention measures available to its employees and go beyond what was required by law. Numerous initiatives were implemented, from simple ones like preparing informational material, sanitizing and deep-cleaning the



premises more than once per day and making sanitizing gels and soaps available to all employees, to more demanding ones, like installing infrared thermometers to take individuals' temperature at the main entrances of the workplaces, distributing surgical masks daily to all the employees throughout the world, and setting up COVID testing centers taking blood and swab samples at the two main Italian premises in collaboration with qualified hospital personnel.

Personal protection is of key significance to the Group: internal policies safeguard the health and safety of employees at all Company locations according to the highest standards and in full compliance with local and international regulations.

In most locations (offices, warehouses and stores), occupational health and safety risks associated with the Group's operations are considered limited, also thanks to training activities and updated safety measures, especially in the industrial areas.



The following table shows the data relating to injuries at work in Italy, in addition to those relating to employees in the production sites located in France, the United Kingdom and Romania.

INJURIES AT WORK	2018	2019	2020
Hours worked	9,130,298	9,475,823	7,586,654
Numbers of injuries at work (*)	56	53	42
of which serious Injuries	-	-	-
of which fatal injuries	-	-	-
Injury Rate	6.17	5.64	5.54

\*Injuries with at least one day lost were considered

For years, the Prada Group has added digital platforms for on-line training to traditional forms of classroom training, platforms that in 2020 were of fundamental use to reach the largest number of employees and also promote widespread safety awareness. In 2020 H&S training was provided to 780 people in Italy - out of which 451 have been the people trained online (around 2,656 people overall in 2019). In 2020 training was heavily affected by the restrictions imposed by the health emergency, and while training could continue online for some categories of employees, for others, for which training can only be provided in person, it was not possible.

There are no committees within the Group responsible for creating and monitoring occupational health and safety programs, whereas the positions and internal organization structures required by the local legislation of the various countries in which Prada is present do exist.

The Group makes efforts to guarantee that its products are created in conditions reflecting its commitment for the respect of human rights in the workplace and its compliance with international rules for the safety and well-being of workers.

Moreover, the Group fights against all forms of discrimination, forced and child labor inside the organization and promotes the same respect along its supply chain. Prada believes that the risk of modern slavery, forced and child labor within its own

organization is non-existent, while it considers the same risk to be very low along its industrial supply chain

The geographic location of the suppliers selected by the Group, as well as their profound knowledge in terms of duration and quality of the established partnerships, reduces the risk of conditions or pre-conditions such as to constitute circumstances of modern slavery, forced labor and human trafficking.

The Group's business partners are encouraged to go beyond the minimum regulatory requirements and foster dialogue among all parties involved to facilitate the implementation of and compliance with the standards in order to create positive work relationships. In the relationships with suppliers, social awareness is encouraged and regulatory knowledge and the adoption of environmental, social and quality certifications are promoted.

Prada's commitment is contained in the Sustainability Policy and realized in part by the promotion, distribution and underwriting of the Group's Code of Ethics, which is included, as required by company policies, within business agreements with all suppliers.

Factories and external suppliers are also required to ensure that any third party that provides them with materials and/or labor for making the Group's products is provided with all the permits requested by law and complies with the Code of Ethics.



## 4.7 GROUP'S QUALIFIED VENDOR LIST PROCEDURE AND SUPPLY CHAIN MANAGEMENT

For the Prada Group, the selection of its suppliers is fundamental not only for reaching the highest standards of product excellence but also for creating long-term value.

The Group has always worked with the best suppliers in the industry and provides support to its supply chain in implementing work, health, safety and environmental standards in the workplace and thus in transmitting its high ethical standards through a collaborative and transparent approach.

This collaboration favors long-term relationships and is based on regular dealings, in order 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.

Another fundamental factor is the proximity of the supply chain to the Prada Group: approximately 81% of its raw material and manufacturing suppliers are located in Italy. The vicinity enables Prada to perform a constant monitoring activity, even daily for the main suppliers, for the purpose of control and risk management.

The location of the supply chain in Italy is also important for the working conditions of the employees, as they are governed by the collective bargaining agreements currently in force. The Italian Collective Bargaining Agreement (CCNL) supplements the law and is stipulated at a national level between trade unions and associations representing companies. The CCNL regulates the rights, guarantees and obligations of all workers in terms of pay and regulatory provisions, such as guaranteed minimum wages, working hours, vacation time, 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 CCNL is negotiated and renewed every three years, thus allowing for wage and regulatory adjustments in line with economic and legislative changes in Italy.

In the past few years Prada has directed efforts 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

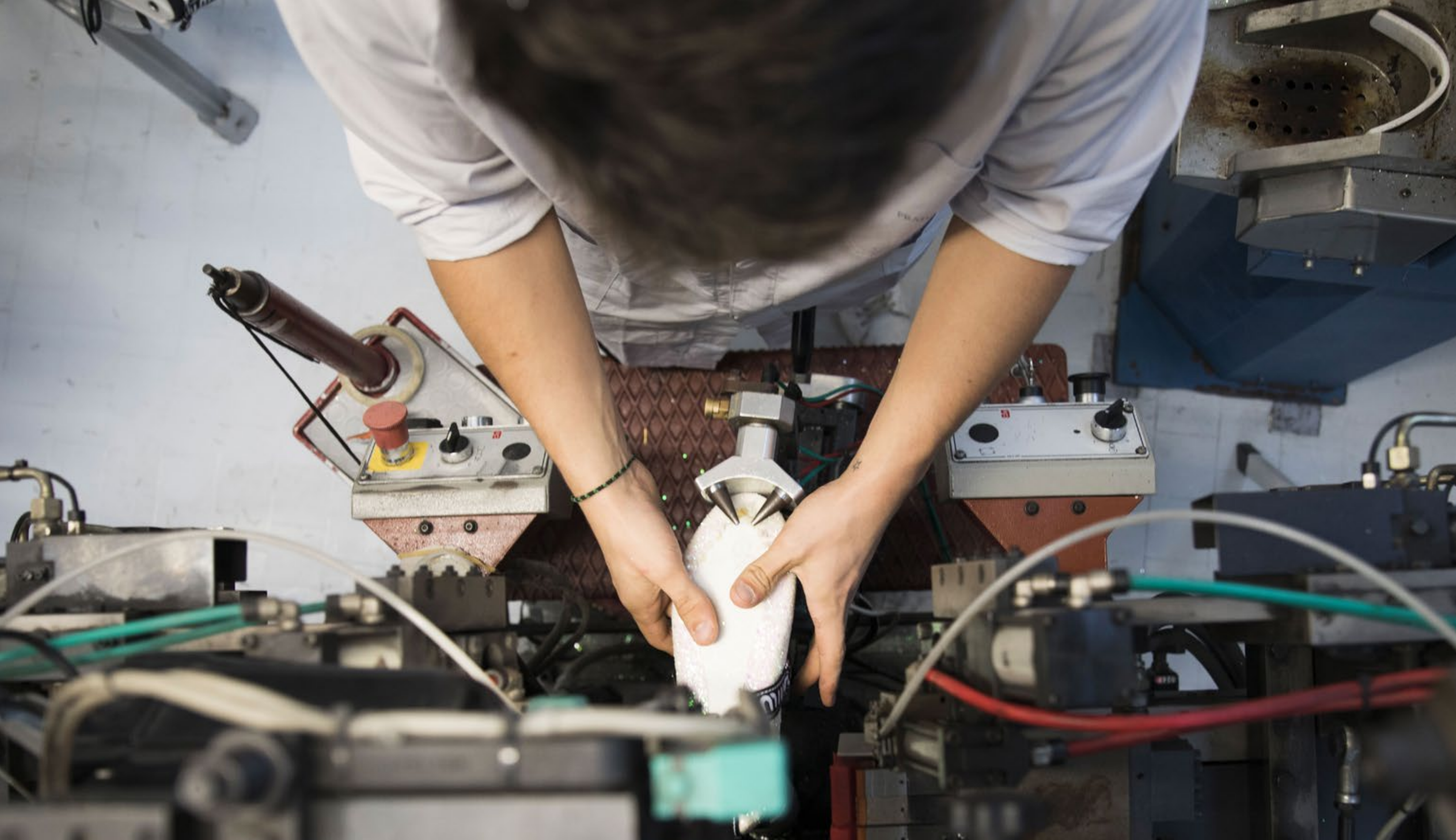
responsible for the second-level controls during the periodic inspections required by the Qualified Vendor List procedure.

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 are still being evaluated.

During 2021, 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.





## 5. CULTURAL INITIATIVES

Social changes, deep economic crises, difficulties experienced by the institutions and the new paradigms introduced by technological progress have caused an ever increasing number of companies to adopt a closer approach to develop greater sensitivity to the demands of civil society. According to this principle of shared value creation, the competitiveness of a company and the well-being of the community in which it operates, and not only that, are strictly related.

Prada interprets this approach adopting a logic of value distribution to society in its business model. The commitment to culture, a fundamental part of the Group's strategy since its origin, is the tool that the Group considers most natural and closest to its identity for extending the benefits of its activities to civil society.





Crab tureen with cover and fixed stand.  
Qing dynasty, Qianlong period (1736 -1795), China.  
RA Collection.

## 5.1 FONDAZIONE PRADA

The interests and the passions of Miuccia Prada and Patrizio Bertelli have inspired the Prada Group to support Fondazione Prada's activities in the fields of art and culture since 1993.

Fondazione Prada was created in Milan as a platform to conceive and develop art exhibitions along with architecture, cinema, philosophy and performing arts projects. Since 2010 it has presented twenty-four exhibitions in Milan dedicated to important international artists, as well as other activities in the field of cinema, architecture and philosophy in Italy and abroad.

Since 2011, Fondazione has also been operating from its venetian venue, Ca' Corner della Regina, an eighteenth-century building that has hosted seven art exhibitions, an experimental platform dedicated to cinema, as well as a large retrospective devoted to Jannis Kounellis.

The program of Fondazione Prada's headquarters in Milan, unveiled in 2015 and designed by the architectural firm OMA, included in 2020 three exhibitions. "The Porcelain Room," curated by Jorge Welsh and Luísa Vinhais, explores the historical context, scope and

impact of Chinese export porcelain. The project brought together examples of porcelain made between the 16<sup>th</sup> and 19<sup>th</sup> centuries for various markets, social and religious groups, particularly in Europe and the Middle East.

"Storytelling," the solo exhibition dedicated to Chinese artist Liu Ye and conceived by Udo Kittelmann, included 35 paintings realized from 1992 to the present. The project investigated the intimate and sensual imagery of Liu Ye, who describes each of his works as his own self-portrait. His small and medium format paintings are inspired by literature, art history and popular culture of the European and Chinese worlds.

"K" was a project that features three elements in dialogue with each other: German artist Martin Kippenberger's installation The Happy End of Franz Kafka's "Amerika," the iconic Orson Welles' movie The Trial, and Tangerine Dream's electronic music album The Castle. The project, curated by Udo Kittelmann, refers to three unfinished novels by Franz Kafka, proposing three personal readings of Kafka's subjects and atmospheres of his literary work.

In response to the temporary closure of the exhibition spaces, due to the health emergency, in 2020 Fondazione





Liu Ye, *The Goddess*, 2018.  
Acrylic on canvas, 60 x 45 cm. Private Collection



"K", Martin Kippenberger - *The Happy End of Franz Kafka's "Amerika"*, 1994





Prada increased and reimagined its digital presence. With the aim of transforming a period of crisis into an opportunity for study and analysis, it experimented new ways of communicating. Fondazione Prada's website ([fondazioneprada.org](http://fondazioneprada.org)) and its social media channels (Instagram, Facebook, Twitter, Vimeo, and Youtube) turned into a laboratory of ideas, a platform in which to test new formats and codes. "Glossary", "Inner Views" and "Outer Views" projects created thematic paths and ideal dialogues between the recent and past activities of the Foundation and the Collezione Prada.

During the temporary closure of exhibition spaces, the Cinema projects, the workshops of Accademia dei bambini, and the editorial activities invented new ways of fruition of our audience. The cinematographic program "Perfect Failures", conceived by Fondazione Prada and MUBI, featured a selection of films that were widely misunderstood upon their original release, box office flops, critical disappointments, shocking divergences from a beloved artist or films burdened with a difficult production, films ahead of (or ingeniously behind) their time, the failures and missteps of prominent directors.

"Accademia Aperta" was a video project through which Accademia dei bambini, the Foundation's space dedicated to childhood, retraces the workshops conceived by "masters" (architects, educators, artists, scientists, movie directors and musicians) over the last 5 years. "Readings" is a new editorial initiative involving the creation of podcasts of excerpts from books published by the foundation since 2012.

In addition, Fondazione Prada presented two digital projects: "Love Stories" and "Finite Rants". In "Love Stories - A Sentimental Survey by Francesco Vezzoli" on the Foundation's Instagram account, the artist explores the emotional, psychological and sentimental status of a wide online community through social media language. "Finite Rants" is a series of visual essays commissioned to filmmakers, artists, intellectuals and scholars which are visible on the project's YouTube channel.

"Soggettiva Danny Boyle" was scheduled at Fondazione Prada's Cinema at the beginning of 2020. It was a selection of films conceived by the English director, producer and screenwriter and investigated the themes of science fiction and automation.





In 2020, Fondazione Prada started "Human Brains," a global project of exhibitions, scientific debates, public meetings, and publishing activities dedicated to brain studies. The project, which will run until 2022, aims to attract public interest in neuroscience and create a forum to facilitate exchanges between scientists, philosophers and scholars. The first event took place in November 2020: the online conference "Culture and Consciousness" on the topic of consciousness in neuroscience.

Fondazione Prada kept on supporting the realization of projects presented by Prada in Prada Rong Zhai in Shanghai: in November 2020 "Rubber Pencil Devil", a site-specific intervention by Alex Da Corte, opened in the historical residence. The work, composed of highly stylized videos looped on 19 video cubes, was an immersive experience rich in allusions to avant-garde visual artists, experimental writers, pop singers, show-biz personalities and cartoon characters.

Finally, in September 2020 Fondazione Prada offered its support in promoting the charity campaign undertaken by Damien Hirst in support of Save The Children's education program in Italy, "Riscriviamo il Futuro". Through the sale of four limited edition prints by the British artist, the campaign raised a total of 3.3 million euros.

## 5.2 SHAPING A SUSTAINABLE MULTILATERALISM

Within the cultural events entitled "Shaping a Future", on September 1, 2020, the Prada Group hosted "Shaping a Sustainable Multilateralism" at Ca' Corner della Regina - the Venetian headquarters of the Prada Foundation. The morning of debates was predominantly around the renewed concept of "soft power" and new forms of collaboration and multilateralism, increasingly strategic and essential elements for achieving global objectives such as safeguarding the environment and the cultural heritage in a post-COVID scenario.

The conference also stressed the crucial role of the creative industry, which has always promoted the identity of Italy at international level and which constitutes a key element for the rebirth of soft power itself, since this industry finds its growth on culture and on the ability to interpret continuous changes taking place in society.

In fact, the morning of debates was part of a two-day program of events promoted by the newly established Soft Power Club, of which the city of Venice, cultural heritage for humanity and a symbol of meeting and exchange with other cultures for over a thousand years, was the ideal stage to foster this multilateral dialogue.

Since 2017, the Prada Group has organized a cycle of cultural events entitled "Shaping a Future" with the intention of stimulating a debate on the most significant changes taking place in contemporary society and more specifically to analyze sustainability issues. Previous conferences were the following:

- 2017: "Shaping a Creative Future", held at the Group's Milan Headquarters;
- 2018: "Shaping a Sustainable Digital Future", held at Fondazione Prada in Milan;



2019: “Shaping a Sustainable Future Society”, held at the Group’s New York Headquarters.

Until 2019, Prada made use of the scientific contribution of Yale and Politecnico di Milano Schools of Management, creating synergies with students and high-value scientific contents shared during the events.

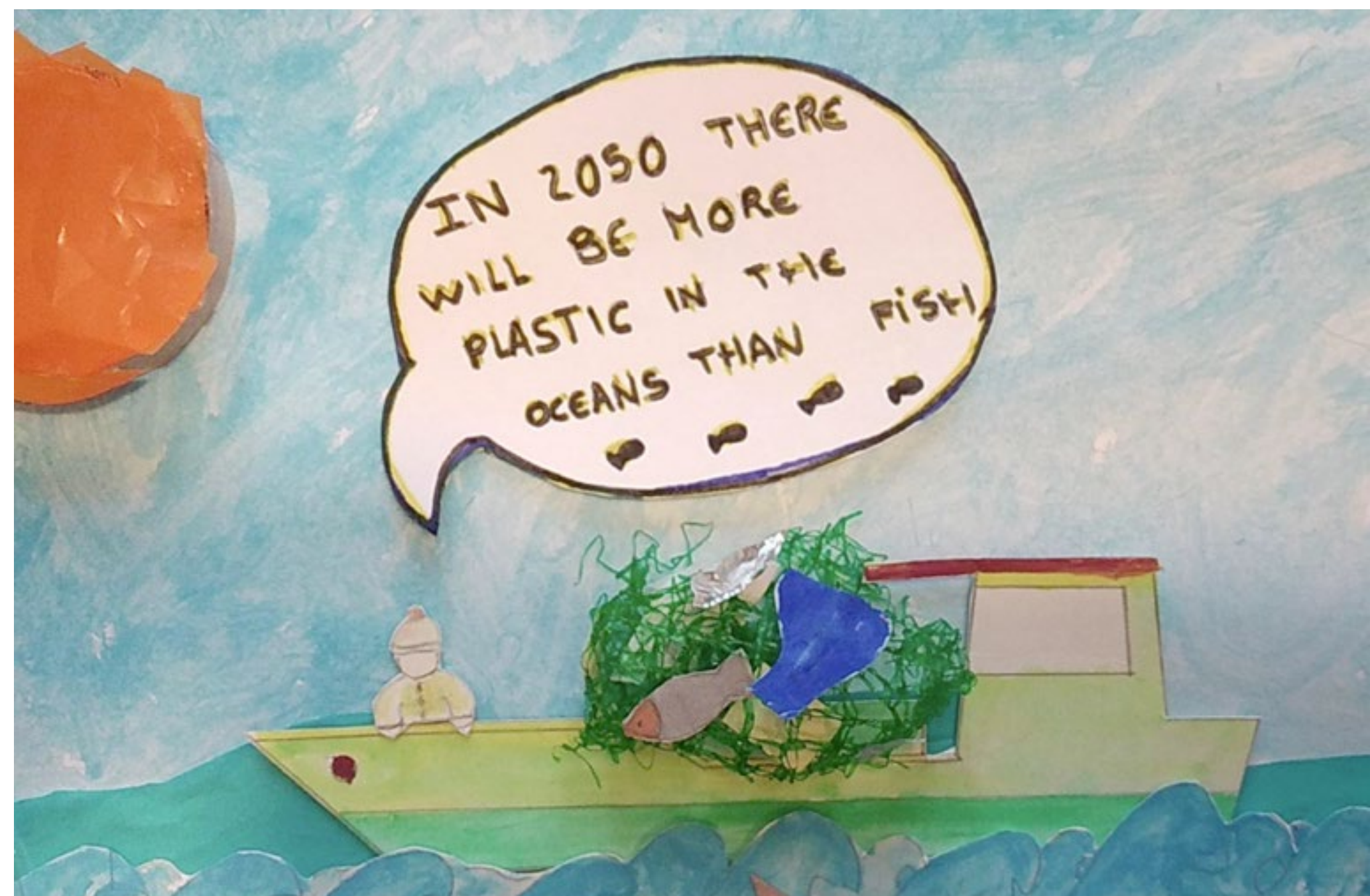
### 5.3 UNESCO

Beginning of 2020, Prada and UNESCO’s Intergovernmental Oceanographic Commission - the world’s foremost authority on ocean science - presented an educational program dedicated to sustainability and circular economy for a network of secondary schools worldwide.

Sea Beyond, a project designed for students all around the world, aims to help young generations to understand the importance and the value of the ocean for the future of our planet and guide their energy and creativity towards actions for a more sustainable society. The project underscores the Prada Group’s commitment to sustainability and specifically toward the ocean, which follows the launch of the PRADA RE-NYLON capsule collection, and it is perfectly in line with the United Nations 2030 Agenda and its 17 Sustainable Development Goals (SDGs).

Despite the initial postponement due to the health emergency caused by COVID-19, which has hit hard all social environments and therefore the learning one, the educational program Sea Beyond resumed its activities in the second half of 2020, involving about 300 students spread around Berlin, Cape Town, Lisbon, London, Mexico City, Milan, New York, Paris, Shanghai and Venice.

All teachers of the schools involved in the project took part in webinars conducted by UNESCO-IOC experts in which they received training on how to develop an educational module dedicated to the theme of ocean sustainability. At the end of the course, students were asked to create a powerful campaign to raise awareness about the ocean’s preservation and inspire others on how to be more sustainable.



The best projects will be awarded by IOC-UNESCO, Prada and an international jury throughout a dedicated event.

During the first period of lockdown in Europe, Prada debuted a project called “Prada Possible Conversations”, a series of live dialogues between thinkers, cultural arbiters and fashion figures across the world streamed



# SEA BEYOND



live on Instagram, to offer its audiences an escape as well as inspirations.

Each Prada Possible Conversation resulted in a donation to UNESCO sustaining their initiatives across the globe to support all the students whose education opportunities were compromised during the COVID-19 pandemic.

In support of UNESCO's educational initiatives and programs to safeguard education in response to the COVID-19 pandemic, Prada decided to contribute to the campaign "Keeping girls in the picture" - promoted by the Global Education Coalition for gender equality in education - by auctioning 72 lots from Prada's Fall/Winter 2020 fashion show and donating the entire proceeds, which outperformed its pre-sale estimate.

Worth mentioning that, at the peak of the pandemic, the education of more than 1.5 billion children and youth - 90% of the world's students - was disrupted, disproportionately impacting girls and women, for whom education is often a lifeline.

The online auction "Tools of Memory", organized in partnership with Sotheby's, saw various original items from the shows which have gone under the hammer: unique garments worn by the models, photo prints capturing spontaneous moments from backstage, polaroid pictures, invitations and seat markers, furnishings from the set and Frédéric Sanchez's music, as played at the shows, on vinyl.

Lastly, the Prada Group, already committed to the education of future generations, has decided to support the initiative of the Manifesto of the Decade of the Sea in Italy, becoming one of the first signatories and confirming its commitment to create an Ocean Generation aware of the value of the sea for our future and the future of the planet.



ITEM FEATURED IN AUCTION:  
WOOL JACKET, COATED VEST, POPLIN SHIRT, TIE  
WORN BY BANGALI DRAMMEH  
AUTHOR: MIUCCIA PRADA

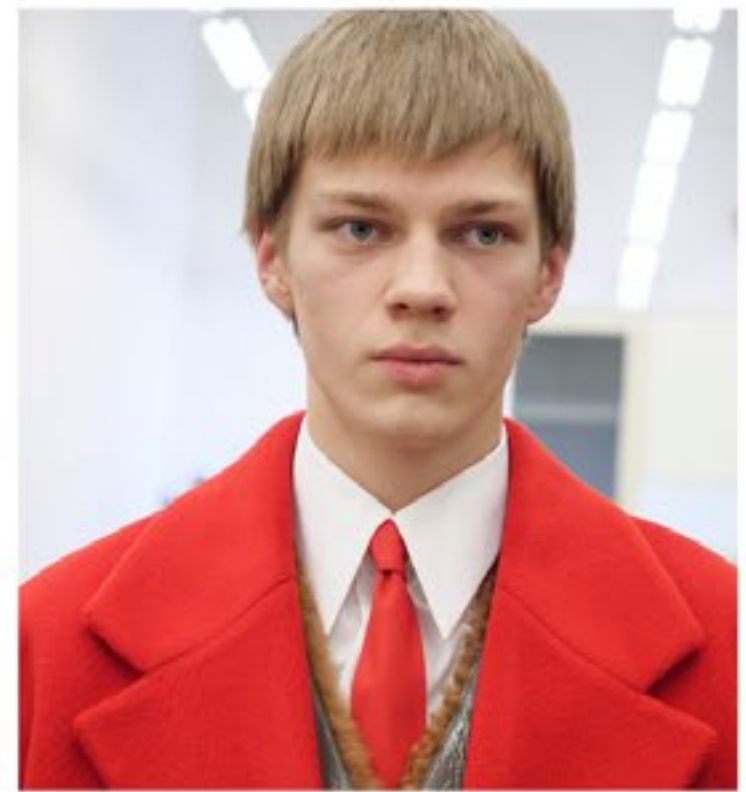


ORIGINAL PIECES FROM THE PRADA FW2020 FASHION SHOWS IN MILAN  
WILL BE AUCTIONED IN OCTOBER.

PROCEEDS WILL BE DONATED TO UNESCO EDUCATIONAL PROJECTS.

Sotheby's EST. 1764

ITEM FEATURED IN AUCTION:  
WOOL JACKET, COATED VEST WORN BY MARVIN KIVISALU  
INCLUDES SHOW SOUNDTRACK INSPIRATION  
AUTHOR: MIUCCIA PRADA



# PRADA







Prada Mode Paris

## 5.4 PRADA MODE

Within the cultural program undertaken by the Prada Group, Prada Mode is conceived as a touring private Club that offers to its members the access to meetings and cultural debates on contemporary issues. Imagined as a place that augments and extends significant global cultural gatherings at diverse locations worldwide, Prada Mode offers exclusive access to unique programs and content that complement the themes and subjects of the host event. Launched for the first time in 2018 in Miami during Art Basel Miami Beach, the Prada Mode moved in 2019 in Hong Kong and London.

In 2020, the fourth iteration was held at the legendary restaurant Maxim's, a symbol of Paris' Belle Époque. The iconic location has been transformed by Artificial Intelligence researcher and Professor Kate Crawford and artist and researcher Trevor Paglen – the duo behind the Training Humans photo exhibition at Fondazione Prada Osservatorio in 2019 – in an installation entitled

Making Faces, an art project focusing on data gathering, surveillance and facial recognition. For a couple of days, the venue hosted a dynamic program of talks, discussions and events, featuring exhilarating performances and live music.

The project continued in 2020 by moving to the historic Prada Rong Zhai residence in Shanghai. The building was transformed for the occasion by the director, producer and writer Jia Zhangke into a specially created design reflecting the Chinese word 'MIÀN', inspired by his cinematic output. Over two days, guests were invited to explore some of the multiple meanings of the word at debates, film screenings and live musical performances, as well as culinary experiences, which were also inspired by the event's main theme. Prada Mode Shanghai was also presented in the format of an online club, live from 11am to 11pm through Prada Mode mini-program in 3 different channels entitled "Chī Miàn/Noodle Eating", "Bǎo Miàn/Surface" and "Huì Miàn/Meeting".









## 6. NOTES ON THE METHODOLOGY



6.1 THE MATERIAL ASPECTS IDENTIFICATION

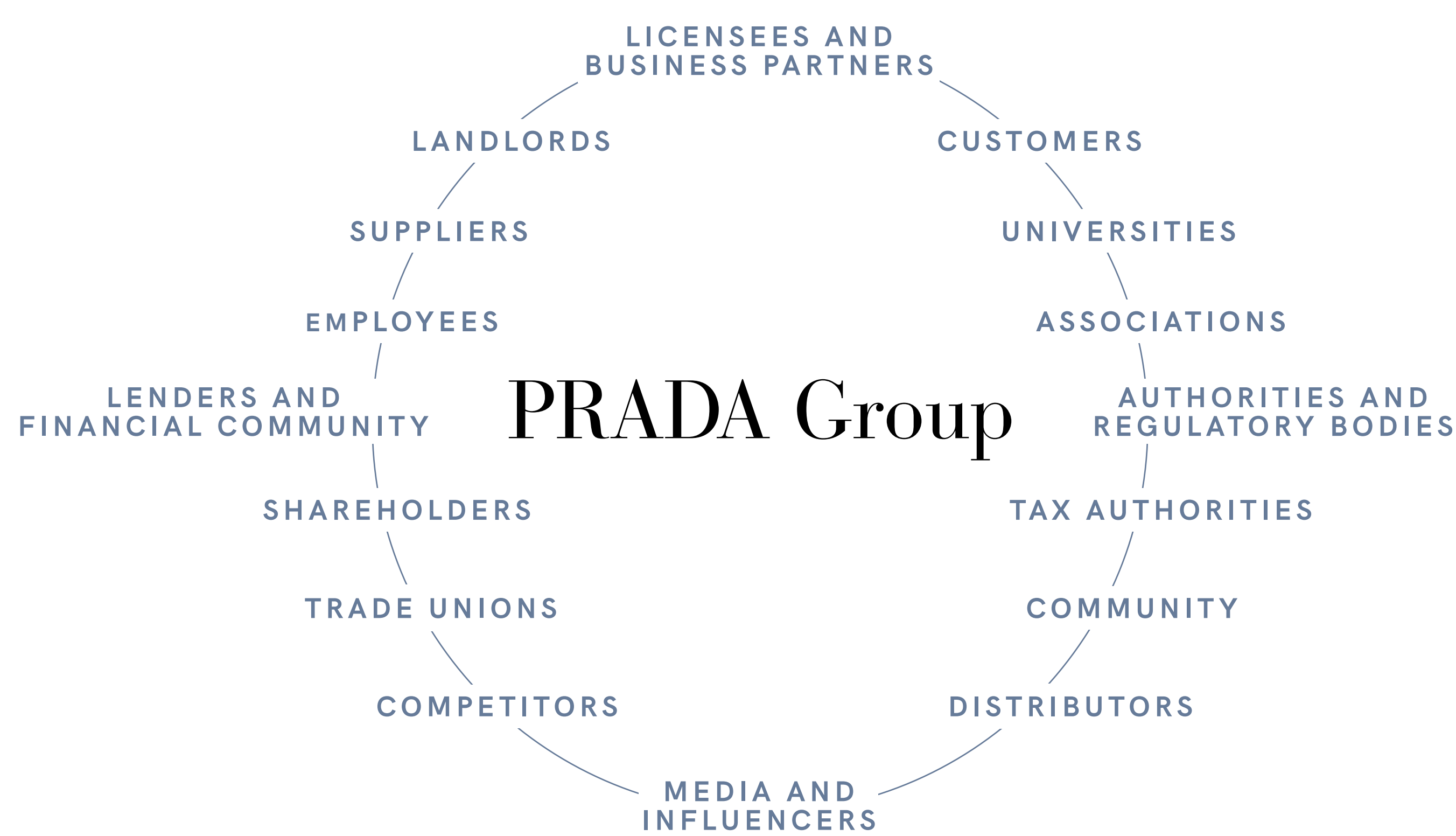
PRADA GROUP'S STAKEHOLDERS

In conducting its business the Prada Group interacts with many stakeholders, all of which can directly or indirectly influence or be influenced by the achievement of business objectives.

After mapping stakeholders from the beginning to the end of the value chain, the Group determined which are most important on the basis of their:

- influence on Prada: ability to affect the Company's strategic or operational decisions;
- dependence on Prada: extent to which the stakeholder depends on the Company's decisions, products and activities.

This process identified many key stakeholders in the following categories:



MATERIALITY ANALYSIS

For 2020, the Prada Group has drawn up its Social Responsibility Report according to the GRI (Global Reporting Initiative) Sustainability Reporting Standards (hereafter "GRI Standards") and in line with the "ESG Reporting Guide" of the Hong Kong Stock Exchange.

The depth and detail given to the various topics reflect the outcome of a materiality analysis which is the process of identifying, evaluating and ranking the sustainability aspects that are relevant to stakeholders and that influence the ability of Prada to create value in the short, medium and long-term.

In this regard, during 2020, the Prada Group updated its materiality analysis by carrying out two main phases:

1. Identifying sustainability issues: determining which issues are key to understanding Prada's business

- and strategic context and to describing its main environmental, economic and social impacts;
2. Ranking: putting these aspects in order based on their relevance for achieving business goals (internal significance) and concern to stakeholders (external significance).

A comprehensive list of the sustainability issues for the Prada Group was identified by the following steps:

- mapping the key stakeholders and analyzing their concerns;
- performing a benchmark analysis against Italian and international fashion and luxury firms, producing a list of the most common sustainability issues in the industry;
- performing a media analysis relating to the Group, which enabled to present the perception of public opinion;



- analyzing the main sustainability documents relating to the Textile and Clothing sector (such as the GRI, RobecoSam, SASB) to identify industry trends;
- analyzing the main sustainability trends at a global level, identified by major international organizations such as the Dow Jones Sustainability Indexes, the World Economic Forum and the Global Reporting Initiative.

Once the sustainability issues were defined, they were ranked in order to define their materiality and include

the most significant ones in this Report.

In accordance with the GRI Standards, the aspects were ranked in terms of their impact both within and outside the organization, i.e. by extending the analysis to the entire value chain.

The material aspects for the Prada Group were defined as the intersection of significance for the Company and significance for its stakeholders, as shown in the following matrix.

<div>more relevant</div> <div>SIGNIFICANCE FOR THE STAKEHOLDERS</div> <div>less relevant</div>		EVALUATION OF SUPPLIERS - SOCIAL ASPECTS  RESPECT OF HUMAN AND WORKERS RIGHTS	PRODUCT, CREATIVITY AND EXCELLENCE  ENERGY AND CLIMATE CHANGE  DIVERSITY AND EQUAL OPPORTUNITY  KNOW-HOW PRESERVATION AND SKILLS DEVELOPMENT  OCCUPATIONAL HEALTH AND SAFETY
	WASTE MANAGEMENT	PROTECTION AND ENHANCEMENT OF THE ARTISTIC, CULTURAL AND NATURAL HERITAGE  RELATIONSHIPS WITH THE TERRITORY  TRACEABILITY AND RESPONSIBLE PROCUREMENT OF RAW MATERIALS	RETAIL INNOVATION  CUSTOMER EXPERIENCE  TRADEMARK PROTECTION  ATTRACTION AND RETENTION OF TALENTS
	RELATIONSHIPS WITH TRADE UNIONS  SUSTAINABLE WATER MANAGEMENT  EVALUATION OF SUPPLIERS - ENVIRONMENTAL ASPECTS	SUSTAINABLE PACKAGING  CORPORATE GOVERNANCE AND PRIVACY	BUSINESS STRATEGY AND ECONOMIC PERFORMANCE  INTEGRITY, TRANSPARENCY AND COOPERATION
	SIGNIFICANCE FOR PRADA GROUP		
	less relevant		more relevant

The following results emerged:

- again, the most significant aspect proved to be product creativity and excellence, which demonstrates the fundamental importance — for the Group and its stakeholders alike — of the high standards of quality and style that accompany Prada merchandise along the entire value chain;
- equally relevant for the Group and its stakeholders are the issues related to energy consumption and climate change, the management and development of human capital (diversity and equal opportunity, know-how preservation), as well as occupational health and safety;

- aspects associated with the production processes and their impact throughout the supply chain (respect for human and workers’ rights and evaluation of suppliers according to social criteria) resulted among the most relevant for stakeholders;
- customer experience and integrity, transparency and cooperation are the issues most important to the Group, demonstrating its commitment to operating in full compliance with current laws and regulations and to building trust-based relationships with its stakeholders.



Compared to the results of the 2019 materiality analysis, issues related to climate change assume greater importance for the company, testifying the Group's ever increasing commitment to environmental issues. Similarly, aspects related to occupational health and safety result to be more important at company level, particularly in light of the emergency situation induced by COVID-19, a situation that the Group has been able to cope with by implementing actions to adequately protect its employees and to ensure, in the meantime, business continuity.

In compliance with Standard GRI-101: Foundation, paragraph 3, this document has been prepared in line with "GRI Standards: Core Option". References to the Hong Kong Stock Exchange's ESG Reporting Guide (Main Board Listing Rules - Appendix 27) are listed in the Content Index<sup>11</sup>.

The following table analyzes the reporting of material aspects according to GRI Standards: it reports the boundaries and the eventual internal or external limitations.

GRI STANDARDS MATERIAL ASPECTS	ASPECT BOUNDARIES		ASPECT BOUNDARIES LIMITATION	
	WITHIN THE ORGANIZATION	OUTSIDE THE ORGANIZATION	WITHIN THE ORGANIZATION	OUTSIDE THE ORGANIZATION
Economic Performance	Group	-	-	-
Procurement practices	Group	-	-	-
Anti-corruption	Group	-	-	-
Materials	Group	-	-	-
Energy	Group	Independent clients (*) and Suppliers	-	Not extended to Independent clients (*) and Suppliers
Emissions	Group	Independent clients (*) and Suppliers	-	Not extended to Independent clients (*) and Suppliers
Environmental compliance	Group	-	-	-
Employment	Group	-	-	-
Occupational health and safety	Group	Independent clients (*) and Suppliers	-	Not extended to Independent clients (*) and Suppliers
Training and education	Group	Industrial suppliers	-	Not extended to Industrial suppliers
Diversity and equal opportunity	Group	-	-	-
Non-discrimination	Group	Industrial suppliers	-	Not extended to Industrial suppliers
Human rights assessment	Group	-	-	-
Local Communities	Group	-	-	-
Supplier social assessment	Group	-	-	-
Customer health and safety	Group	-	-	-
Marketing and labeling	Group	-	-	-
Socioeconomic compliance	Group	-	-	-

\*Independent clients mean multi-brand stores and franchisees

11 No reference is made to General Disclosure A3 (Environment and Natural Resources), to Comply or Explain provisions A2.2 and A2.4 (related to the management of water resources) and to Comply or Explain provisions A1.3, A1.4 and A1.6 (related to waste management) of the ESG Reporting Guide of the Hong Kong Stock Exchange as, currently, these topics have not been classified as material for the Organization according to the GRI Standards.



## 6.2 REPORTING PROCESS

### SCOPE

This document is the Prada Group's eighth - third according to the GRI principles published in 2016 - Social Responsibility Report and contains a description of the main initiatives undertaken in fiscal year 2020, i.e. from January 1, 2020, to December 31, 2020, and the performance trends for the three-year period 2018-2020, with the exception of the environmental data relating to energy consumption and greenhouse gas emissions for which only the 2019-2020 trend is reported; particularly significant initiatives and events of fiscal year 2021 already known at the reporting date are also included.

The performance indicators were collected on an annual basis and the reporting cycle is set according to an annual frequency. The reporting boundary is the same as the information reported in the 2020 Annual Report, or Prada S.p.A. and its subsidiaries, with the exception of some data expressly indicated in the text.

Prada S.p.A., together with its subsidiaries collectively the "Prada Group", is a joint-stock company with limited liability incorporated and domiciled in Italy with headquarters in Via Antonio Fogazzaro 28, 20135 Milan, whose share capital is 80%-owned by Prada Holding S.p.A., a company domiciled in Italy, while the remaining shares (20%) are listed on the Main Board of the Hong Kong Stock Exchange.

### PRINCIPLES FOR ENSURING SUSTAINABILITY REPORTING QUALITY

The attention given to topics such as the environment, human rights and equal opportunities, and how to preserve manufacturing know-how, promote the culture and protect the artistic heritage, are values that have always distinguished the corporate culture. The Social Responsibility Report aims to represent the Group in view of these values so that its stakeholders can evaluate the impacts of Prada's activities from an environmental, social and governance standpoint. This document was drawn up with the purpose of reporting both the successful aspects and the weaknesses of the Prada Group, with a view toward constant improvement.

The information and indicators included aim to provide a balanced portrayal of the Group's sustainability performance and initiatives.

The process of reporting, collecting and aggregating the data was structured with the ultimate purpose of enabling stakeholders to compare and comprehend fully the information contained herein.

In this regard, at the beginning of 2019 the Group adopted a procedure for the preparation of the Report of Social Responsibility ("Guidelines for the preparation of the annual Report of Social Responsibility") approved by the Board of Directors, which indicates the principles to be followed (materiality, measurability, impartiality, coherence) and the responsibilities for drawing up the document.

### CALCULATION METHODOLOGY

The Prada Group involved all corporate functions to determine the contents of the 2020 Social Responsibility Report. With respect to the calculation methodology:

- injury rate: it is the ratio between the total number of injuries and the total number of hours worked x 1,000,000;
- where environmental data were unavailable, conservative estimates were used that resulted in choosing assumptions associated with the least positive environmental performance for the Company. The estimates mainly concerned the electricity consumption of the shops / offices outside Italy and to a lesser extent the consumption of natural gas for some of the industrial assets;
- greenhouse gas emissions were calculated using the following emission factors:
  - emissions scope 1: emission factors taken from the DEFRA (Department for Environmental, Food & Rural Affairs) database, updated to 2019 for the reporting year 2019 and to 2020 for the reporting year 2020;
  - emissions scope 2 - Location Based: emission factor per country taken from Confronti Internazionali Terna





on Enerdata data - 2017 data for the reporting year 2019 and from Confronti Internazionali Terna on Enerdata data - 2018 data for the reporting year 2020;

- emissions scope 2 - Market Based: Country Emission Factor from the European Residual Mixes of AIB (Association of Issuing Bodies) updated to 2018 for the reporting year 2019 and updated to 2019 for the reporting year 2020 when available; for the United States and Canada it was considered an average of the Residual Mixes published by the Green-E updated to the most recent version; for the other countries the emission factor taken from Terna was considered.

Finally, in addition to carbon dioxide (CO<sub>2</sub>) the other greenhouse gases (CH<sub>4</sub>, N<sub>2</sub>O, HFCs) were also considered, with the exception of Scope 2 for which the data is in CO<sub>2</sub>.

The 2019 data may differ from the data published in the 2019 Social Responsibility Report due to the update of the calculation methodology and the emission factors, also following the preparation of a GHG inventory. It should also be noted that the emissions deriving from the cars of the leased company fleet, previously classified in Scope 3, have been included in Scope 1 in compliance with the GHG Protocol.





## 7. GRI CONTENT INDEX FOR "IN ACCORDANCE" CORE OPTION



INDICATOR	References to HKEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
GENERAL DISCLOSURES				
102-1		Name of the organization	Pag. 80	
102-2		Activities, brands, products, and services	Pag. 5-13	
102-3		Location of headquarters	Pag. 80	
102-4		Location of operations	Pag. 5; 12-13	
102-5		Ownership and legal form	Pag. 80	
102-6		Markets Served	Pag. 5; 12-13	
102-7		Scale of the organization	Pag. 5; 11-12; 14-17	
102-8	KPI B1.1	Information on employees and other workers	Pag. 49-51	
102-9	KPI B5.1	Supply chain	Pag. 11-12; 28	
102-10		Significant changes to the organization and its supply chain	Pag. 14-17; 80	
102-11		Precautionary Principle or approach	Pag. 22-23; 80	
102-12		External initiatives	Pag. 22-23; 25-28	
102-13		Membership of associations	The Group's main partnerships are with: Camera Nazionale della Moda Italiana, Altagamma, Assonime, Confindustria Toscana and The Fashion Pact.	
102-14		Statement from senior decision- maker	Pag. 3-4	
102-16		Values, principles, standards and norms of behavior	Pag. 23-24; 63-65	
102-18		Governance structure	Pag. 19-21	
102-40		List of stakeholder groups	Pag. 77	
102-41		Collective bargaining agreements	Pag. 59-60	
102-42		Identifying and selecting stakeholders	Pag. 77-78	
102-43		Approach to stakeholder engagement	Pag. 77	
102-44		Key topics and concerns raised	Pag. 77-79	
102-45		Entities included in the consolidated financial statements	Pag. 80	
102-46		Defining report content and topic Boundaries	Pag. 77-79	
102-47		List of material topics	Pag. 78-79	
102-48		Restatements of information	Pag. 80	
102-49		Changes in reporting	Pag. 80	
102-50		Reporting period	Pag. 80	
102-51		Date of the most recent report	Pag. 80	
102-52		Reporting cycle	Pag. 80	
102-53		Contact point for questions regarding the report	Pag. 86	
102-54		Claims of reporting in accordance with the GRI Standards	Pag. 79	
102-55		GRI content index	Pag. 82-86	
102-56		External assurance	This document is not submitted to external assurance.	



MATERIAL TOPICS

INDICATOR	References to HKEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
SPECIFIC STANDARD DISCLOSURES				
ECONOMIC PERFORMANCE INDICATORS				
GRI 201: Economic Performance - 2016				
103-1	G.D 8	Explanation of the material topic and its Boundary	Pag. 77-79	
103-2	G.D 8	The management approach and its components	Pag. 14-17	
103-3	G.D 8	Evaluation of the management approach	Pag. 14-17	
201-1	KPI B8.2	Direct economic value generated and distributed	Pag. 17	
GRI 204: Procurement Practices – 2016				
103-1		Explanation of the material topic and its Boundary	Pag. 77-79	
103-2		The management approach and its components	Pag. 28; 35-37	
103-3		Evaluation of the management approach	Pag. 28; 35-37	
204-1	KPI B5.1	Proportion of spending on local suppliers	Pag. 28; 35-37	
GRI 205: Anti-corruption – 2016				
103-1	G.D B7	Explanation of the material topic and its Boundary	Pag. 77-79	
103-2	G.D B7	The management approach and its components	Pag. 22-23	
103-3	G.D B7	Evaluation of the management approach	Pag. 22-23	
205-3	KPI B7.1	Confirmed incidents of corruption and actions taken	Pag. 23	
ENVIRONMENTAL PERFORMANCE INDICATORS				
GRI 301: Materials – 2016				
103-1	G.D A2	Explanation of the material topic and its Boundary	Pag. 77-79	
103-2	G.D A2	The management approach and its components	Pag. 35-38	
103-3	G.D A2	Evaluation of the management approach	Pag. 35-38	
301-1	KPI A2.5	Materials used by weight or volume	Pag. 36	
GRI 302: Energy – 2016				
103-1	G.D A2	Explanation of the material topic and its Boundary	Pag. 77-79	
103-2	G.D A2	The management approach and its components	Pag. 42-47	
103-3	G.D A2	Evaluation of the management approach	Pag. 42-47	
302-1	KPI A2.1	Energy consumption within the organization	Pag. 42-43	
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GRI 305: Emissions - 2016				
103-1	G.D A1	Explanation of the material topic and its Boundary	Pag. 77-79	
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305-1	KPI A1.1 KPI A1.2	Direct (Scope 1) GHG emissions	Pag. 43-44	
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INDICATOR	References to HKEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
<b>GRI 307: Environmental compliance - 2016</b>				
103-1	G.D A1	Explanation of the material topic and its Boundary	Pag. 77-79	
103-2	G.D A1	The management approach and its components	Pag. 46-47	
103-3	G.D A1	Evaluation of the management approach	Pag. 46-47	
307-1	G.D. A1	Non-compliance with environmental laws and regulations	In 2020 no cases of non-compliance with environmental laws and regulations have been recorded.	
<b>SOCIAL PERFORMANCE INDICATORS</b>				
<b>GRI 401: Employment - 2016</b>				
103-1	G.D. B1	Explanation of the material topic and its Boundary	Pag. 77-79	
103-2	G.D. B1	The management approach and its components	Pag. 48-52; 57-60	
103-3	G.D. B1	Evaluation of the management approach	Pag. 48-52; 57-60	
401-2	KPI B1.2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pag. 51	
<b>GRI 403: Occupational health and safety - 2018</b>				
403-1	G.D B2	Occupational health and safety management system	Pag. 60-62	
403-2	G.D B2	Hazard identification, risk assessment, and incident investigation	Pag. 60-62	
403-3	KPI B2.3	Occupational health services	Pag. 60-62	
403-4	KPI B2.3	Worker participation, consultation, and communication on occupational health and safety	Pag. 60-62	
403-5	KPI B2.3	Worker training on occupational health and safety	Pag. 60-62	
403-6	KPI B2.3	Promotion of worker health	Pag. 60-62	
403-7	KPI B2.3	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pag. 60-62	
403-9	KPI B2.1	Work-related injuries	Pag. 62	
<b>GRI 404: Training and education - 2016</b>				
103-1	G.D. B3	Explanation of the material topic and its Boundary	Pag. 77-79	
103-2	G.D. B3	The management approach and its components	Pag. 55-58	
103-3	G.D. B3	Evaluation of the management approach	Pag. 55-58	
404-1	KPI B3.1 KPI B3.2	Average hours of training per year per employee	Pag. 57	
<b>GRI 405: Diversity and equal opportunities - 2016</b>				
103-1	G.D. B1	Explanation of the material topic and its Boundary	Pag. 77-79	
103-2	G.D. B1	The management approach and its components	Pag. 19-21; 51-55	
103-3	G.D. B1	Evaluation of the management approach	Pag. 19-21; 51-55	
405-1	KPI B1.1	Diversity of governance bodies and employees	Pag. 20; 50-51	
405-2	G.D. B1	Ratio of basic salary and remuneration of women to men	Pag. 51-52	
<b>GRI 406: Non-discrimination - 2016</b>				
103-1	G.D. B1	Explanation of the material topic and its Boundary	Pag. 77-79	
103-2	G.D. B1	The management approach and its components	Pag. 51-52; 61-62	



INDICATOR	References to HKEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
103-3	G.D. B1	Evaluation of the management approach	Pag. 51-52; 61-62	
406-1	G.D. B1	Incidents of discrimination and corrective actions taken	In 2020 no incidents of discrimination have been recorded.	
<b>GRI 412: Human rights assessment - 2016</b>				
103-1	G.D. B4	Explanation of the material topic and its Boundary	Pag. 77-79	
103-2	G.D. B4	The management approach and its components	Pag. 20-21; 23-24; 60-62	
103-3	G.D. B4	Evaluation of the management approach	Pag. 20-21; 23-24; 60-62	
412-1	G.D. B4	Operations that have been subject to human rights reviews or impact assessments	Pag. 62	
<b>GRI 413: Local communities- 2016</b>				
103-1	G.D. B8	Explanation of the material topic and its Boundary	Pag. 77-79	
103-2	G.D. B8	The management approach and its components	Pag. 14; 17; 46-47; 66-75	
103-3	G.D. B8	Evaluation of the management approach	Pag. 14; 17; 46-47; 66-75	
413-1	G.D. B8	Operations with local community engagement, impact assessment, and development programs	Pag. 66-74	
<b>GRI 414: Suppliers social assessment - 2016</b>				
103-1	G.D. B5	Explanation of the material topic and its Boundary	Pag. 77-79	
103-2	G.D. B5	The management approach and its components	Pag. 28; 63-65	
103-3	G.D. B5	Evaluation of the management approach	Pag. 28; 63-65	
414-2	KPI B5.2	Negative social impacts in the supply chain and actions taken	Pag. 63-65	
<b>GRI 416: Customer health and safety - 2016</b>				
103-1	G.D. B6	Explanation of the material topic and its Boundary	Pag. 77-79	
103-2	G.D. B6	The management approach and its components	Pag. 12-13; 27-28	
103-3	G.D. B6	Evaluation of the management approach	Pag. 12-13; 27-28	
416-2	G.D B6	Incidents of non-compliance concerning the health and safety impacts of products and services	Pag. 28	
<b>GRI 417: Marketing and labeling - 2016</b>				
103-1	G.D. B6	Explanation of the material topic and its Boundary	Pag. 77-79	
103-2	G.D. B6	The management approach and its components	Pag. 27-28	
103-3	G.D. B6	Evaluation of the management approach	Pag. 27-28	
417-2	G.D B6	Incidents of non-compliance concerning product and service information and labeling	Pag. 28	
<b>GRI 419: Socioeconomic compliance - 2016</b>				
103-1		Explanation of the material topic and its Boundary	Pag. 77-79	
103-2		The management approach and its components	Pag. 22-23; 27-30	
103-3		Evaluation of the management approach	Pag. 22-23; 27-30	
419-1	G.D. B1 G.D. B2 G.D. B4 G.D. B6 G.D. B7	Non-compliance with laws and regulations in the social and economic area	Pag. 23	

Additional information on this Social Responsibility Report may be requested to:  
PRADA S.p.A. - Via Antonio Fogazzaro 28 - 20135 Milan (Italy)  
e-mail: [csr@pradagroup.com](mailto:csr@pradagroup.com)



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