



# PRADA Group

MODERN SLAVERY STATEMENT FOR THE FINANCIAL PERIOD 2021

## INTRODUCTION

This document, whose content refers to the fiscal year of 12 months ended December 31, 2021, was approved by the Board of Directors of Prada S.p.A. on May 3, 2022 and describes the measures taken by the Prada Group (hereinafter also "the Group" or "Prada") to ensure, as required by the UK "Modern Slavery Act 2015 - Section 54", the absence of any form of "modern slavery, forced labor and human trafficking" within its organization and along its supply chain.

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

## THE PRADA GROUP



The Prada Group operates in the luxury goods industry with the Prada, Miu Miu, Church's and Car Shoe brands in the design, production and distribution of luxury handbags, leather goods, footwear, apparel and accessories. The Group also operates in the eyewear and fragrance industries under specific licensing agreements and, with the acquisition of Pasticceria Marchesi 1824, has made its entry into the food industry, where it is positioned at the highest levels of quality. Finally, in 2021, to fully develop its potential, the Luna Rossa brand also becomes part of the Prada Group following the acquisition of Luna Rossa Challenge S.r.l..

As of December 31, 2021, the Group's products are sold in 70 countries around the world through 635 Directly Operated

Stores (DOS) and a select network of luxury department stores, independent retailers and franchise stores. Also at December 31, 2021, the Group's headcount amounted to 13,140 employees, 39% of which were in Italy where 20 out of 23 Group's industrial sites are localized.

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

## ETHICAL PRINCIPLES

The Prada Group's strategic choices have always been guided by a desire for lasting success that benefits all its stakeholders, be they shareholders, employees, customers or the communities in which the Group operates. Prada S.p.A.'s Board of Directors is in fact committed to conducting the business responsibly, to building an inclusive and safe work environment for all, in the conservation of the environment and in the protection of the communities in which the Group operates.

Sustainability, increasingly rooted in corporate strategy, together with a continuous and transparent dialogue with stakeholders, are key factors to reaffirm the identity of the Group and support the competitive edge of the company, as well as to face changes and contemporary and future challenges and grant a long-term sustainable development.

Also for this reason, at the beginning of 2019, Prada S.p.A. Board of Directors approved the Sustainability Policy, in which the Group declares its commitment to operate in full

respect of the value of the individual and for the human and workers' rights, enshrined both in the regulations of the countries in which it operates and in the international covenants and declarations - such as the United Nations Universal Declaration of Human Rights, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

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

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

Since 2007, these principles have been given formal expression in the Prada Group's Code of Ethics. The Code sets out the guiding principles of the organization, being one of the main pillars of the Group's governance model, and is also supported by a set of procedures in order to turn these values into daily actions. The adoption and application of the Code of Ethics is essential for the achievement of the Company's primary objective, consisting in the creation of value for the communities in which it operates.

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

## INDUSTRIAL STRATEGY

The Prada Group's competitive advantage also derives from its distinctive manufacturing tradition, developed through the buildup of its production premises, the progressive expansion of its manufacturing skills and enhanced control over its supplier network.

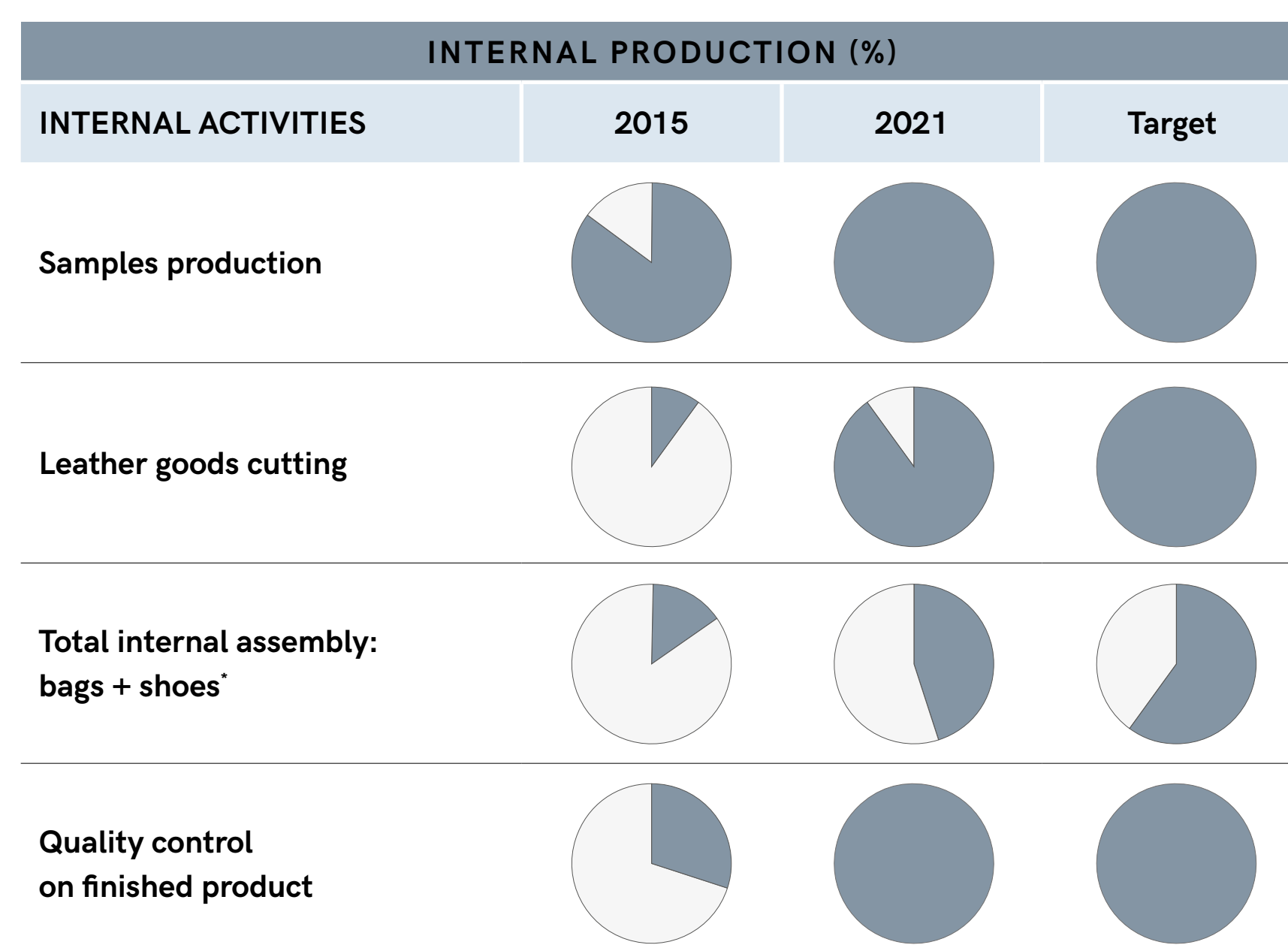
In recent years, thanks to investments of more than Euro 80 million since 2019, the Prada Group's industrial strategy

has focused on strong vertical integration of the supply chain, progressive insourcing of sensitive phases of the production process and the acquisition of key capabilities.

The havoc wreaked by the public health emergency have effectively highlighted the benefits of the manufacturing choices made, since competition hinges more and more on the speed of reaction to rapid market changes and on the business model's ability to adapt.

The Prada Group has always used an extensive network of carefully selected external suppliers, with which it works in the long run, to ensure flexibility and access to additional resources. At the same time, the Group relies on a high degree of autonomy, which is vital for sudden business slowdowns, as proved to be the case during the initial phases of the pandemic.

In fact, the Prada Group has created all its prototypes internally for many years, thanks to investments in the expansion of its facilities and an important hiring plan, and in the past few years it has gradually insourced its leather cutting phases followed by the handbag and footwear assembly processes. Controls over raw materials and finished products are also handled internally now.



\* Ready to wear and leather goods accessories not included.

Vertical integration and internalization effectively ensure more control over value creation, an extremely important aspect even from a sustainability point of view, not just for the processes but especially in terms of responsible supply chain management.

Thanks to the acceleration recorded in recent years in the selection process of the industrial supply chain, the Group works with the best suppliers, in their own right leaders and

reference points in their sectors. In most cases, these are long-term relationships, initiated and maintained 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, which are also crucial for mutual growth.

## SUPPLY CHAIN PROFILE

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

As at December 31, 2021, the production of the Group is entrusted to 23 manufacturing facilities located in Europe (20 of them in Italy) and to a network of external producers carefully selected for their craftsmanship, quality and reliability. All stages of the production process are controlled by Prada's technicians in order to ensure, in addition to quality standards of the products, also the compliance of the entire supply chain with the principles of the Code of Ethics that all suppliers must subscribe.

In 2021, the Group collaborated with about 840 raw materials and semi-manufactured products direct suppliers. On the whole, approximately 81% of the Group's industrial suppliers are located in Italy and about 55% 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.

GEOGRAPHICAL DISTRIBUTION OF THE SUPPLY CHAIN



DURATION OF COLLABORATIVE RELATIONSHIPS WITH SUPPLIERS



The supply chain of the Prada Group is completed with operators not related to the production cycle, among which - as an example - the suppliers of commercial spaces,

logistic services, media spaces, and services providers linked to the management of stores in the countries where the Group operates with its retail activities; suppliers that, generally, are represented by large and primary companies.

The Prada Group believes that the risk of modern slavery within its organization is non-existent, while it deemed that same risk as overall low along its external industrial supply chain. The geographic location of the suppliers selected by the Group, as well as the profound knowledge of the same in terms of duration and quality of the established partnerships, combined with the systematic control of the quality of the production at the suppliers' sites, reduces the risk of conditions or pre-conditions such as to constitute circumstances of modern slavery, forced labor and human trafficking.

## SUPPLY CHAIN RESPONSIBLE MANAGEMENT

As already anticipated, 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. In fact, through a collaborative and transparent approach, the Group has always worked with its suppliers to implement work, health, safety and environmental standards in the workplace and, therefore, to transmit its high ethical standards.

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; 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.

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 infringement. For this reason, in 2019 the

Group set up internally a task force dedicated to tighten the controls over the supply chain and respond to the growing demand for transparency and accountability in the sourcing and production practices. The Group formalized then in 2020 the inspecting activity 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 labour, 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.

Since 2019, with the aim of bringing the monitoring and management of the supply chain to the Group's levels of excellence, the task force operates in Italy, where the most important portion of the industrial supply chain is rooted, focusing on both first and second tier suppliers for all three industrial divisions: leather goods, footwear and clothing.

Both in 2020 and in 2021, the control activities were slowed down due to the health emergency but, as soon as the working conditions allowed it, they continued to cover the largest number of suppliers. In the three-year period 2019-2021, 175 suppliers were involved and 30 supply

relationships were interrupted due to serious irregularities with respect to the ethical standards of the Prada Group.

Generally, the inspections effectively confirmed what the managers of the production divisions had already perceived; most issues are found at the sub-contracting level, with the Leather Goods Division experiencing more than others. The controls over first-tier suppliers are more encouraging, as they confirmed the effectiveness of the Prada Group's 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.

## **TRAINING**

During 2021, a year still characterized by uncertainty due to the global trend of the pandemic, Prada Group's commitment to environmental and social sustainability has been reinforced and an important course of action has been undertaken aimed at training industrial areas towards ethical issues more related to the responsible management of manufacturing supply chains. The goal of the educational program is to create a corporate culture on sustainability - especially on the risks of human rights infringements and modern slavery, and allow participants to acquire new knowledge and skills, but also the fundamental sensitivity, to manage relationships with industrial suppliers in an increasingly responsible way.

## **OUTLOOK**

The Prada Group is committed to identify opportunities for continuous improvement and to strengthen systems and controls for the respect of human rights across the supply chain, regularly assessing the adequacy of the procedural framework. Furthermore, Prada undertakes a constant review and rationalization of its industrial suppliers to increasingly minimize its risk profile.

During 2022, the control activities on suppliers will continue in order to promptly and efficiently monitor and mitigate the risks associated with the supply chain management, as well as the training activities deemed essential to create a corporate culture around sustainability matters. In fact, a mandatory e-learning training, available in five languages, will be delivered to all Group's employees.

The Group will work proactively for the continuous enhancement of responsible business practices by searching new ways to encourage the respect of human rights, a shared approach with suppliers and business partners.

**Paolo Zannoni**  
Chairman of Prada S.p.A.  
Milan (Italy), May 3, 2022