

MODERN SLAVERY ACT 2015 PRADA GROUP STATEMENT - 2016 FINANCIAL PERIOD -

INTRODUCTION

This document was approved by the Board of Directors of PRADA spa on June 29, 2017 and describes the measures taken by the Prada Group to ensure the absence of any form of slavery, forced labor and human trafficking within its organization and outside along its own supply chain as required by the UK "Modern Slavery Act 2015". The content of this statement refers to the fiscal year ended January 31, 2017.

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 recent acquisition (2014) of Pasticceria Marchesi 1824, has made its entry into the food sector. As of January 31, 2017, the Group's products are sold in 70 countries around the world through 620 directly operated stores and a select network of luxury department stores, independent retailers, franchise stores and on-line distributors (e-tailers).

Prada spa, the parent company, is a joint-stock company, registered and domiciled in Italy. At the date of this report, 80% of the share capital is owned by PRADA Holding spa, a company domiciled in Italy, while the remaining shares are floating on the Main Board of the Hong Kong Stock Exchange.

THE SUPPLY CHAIN

The Group's business model is based on a value chain that combines production process technologies with artisanal skills.

The production of the Group is entrusted to 18 manufacturing facilities located in Europe (15 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 directly managed and controlled: from the choice to purchasing materials, even for external suppliers, to the coordination of internal and external production. This integration between the manufacturing cycle phases enables the Group to translate its innovative fashion

concepts into commercial products while maintaining productive flexibility and technical control over know-how as well as quality and ethical standards throughout the supply chain.

In recent years, the Group has made important investments to strengthen the industrial division and the control over the value chain. This was achieved by internalizing a number of production processes, particularly the more technically complex ones, through the realization of new production sites and the acquisition of manufacturing companies formerly suppliers of the Group. These investments, that have increased the volume of the work operated internally, have expanded for more than 400 units the industrial division (from 2,114 units in 2015 to 2,544 in 2016), extending to the new workforce the high quality standards that the Group assures to its employees.

In 2016, the Group collaborated with about 900¹ raw materials and semi-manufactured products suppliers. About 49% of them have worked with Prada for more than 10 years and over 80% are Italian suppliers; the percentage rises to about 90% if the European Union area is considered. The remaining part is mainly represented by Asian suppliers and out of these, the two main ones are international operators, also listed on the Hong Kong Stock Exchange, with whom the Group has been working since about 10 years. A key part of the strategy is to establish long-term relationships with suppliers in order to develop a relationship of mutual trust and transparency.

The supply chain of the Prada Group is completed with operators not related to the production cycle, among which – quoted for materiality - the suppliers of commercial spaces, logistic services, media spaces, and services providers located in the countries in which the Group operates with its retail activities.

The Prada Group believes that the risk of modern slavery within its organization is almost non-existent, while it deemed that same risk as overall low along its industrial supply chain. The geographic location of the suppliers selected by the Group, as well as the profound knowledge of the same in term of duration and quality of the established partnerships, reduces the risk of preconditions that could lead to modern slavery, forced labor and human trafficking.

¹ To the end of this analysis, only suppliers that worked with the Group in 2016 totaling transactions higher than Euro 30 thousand were taken into account. Taken together, these suppliers totaled more than 98% of the value of raw materials and external manufacturing services purchased by the Group in the year

POLICIES AND ETHICAL PRINCIPLES

The Board of Directors considers respect for ethical principles to be the foundation of the enterprise's success and represents an important expression of its image and reputation. The Prada Group believes and act 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 and our human resources;
- respect for competition, as a crucial instrument in the development of the economic system;
- respect for the environment and 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 shareholders, employees, customers and for the community as a whole.

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

RISK ASSESSMENT AND DUE DILIGENCE

In the last years the Prada Group placed particular focus on the identification and evaluation of the enterprise risks, as well as on the improvement of a system of procedures aimed at mitigating and managing the risks consistently with Group's objectives.

Within this framework, the Company identified the main risks related to its supply chain, including the working conditions of suppliers' employees. To mitigate this risk, in 2016 the Group started to renew the "Group's qualified vendor list" procedure to redefine the responsibilities and operational behaviors required to evaluate ethical, technical and economic reliability. Moreover, further controls to start and continue a supply relationship are also set out by the procurement policy as risks of non-compliance are mitigated through additional checks and assumptions of responsibility.

Specifically for ethical issues, the accreditation and maintenance of a supplier's qualification is based on the collection of documents, attestations and self-certifications that ensure compliance with the law on remuneration, social security, taxation, health and safety, environment, privacy and governance model. Finally, the subscription to the Code of Ethics is a fundamental prerequisite for working with Prada.

This information is subject to periodic updates and systematic checks to ensure veracity and consistency. Such controls, operated by purchasing structures or business areas focused on various topics are made on a sample basis or when a problem is encountered. The procedure may include further inquiries in case of lack of self-certification of compliance with labour, safety in the workplace and social security contribution laws. These types of controls are coupled with visits by industrial divisions to suppliers (almost daily for the most important ones) that, in addition of ensuring compliance with technical and commercial agreements, provide further comfort regarding working conditions.

In the case of non-compliance which can be remedied, the supplier may be temporarily suspended, while for more serious cases of non-compliance with ethical, technical and economic requirements, contract resolution might be immediate.

OUTLOOK

The Prada Group, aware of the growing focus on human rights issues throughout the supply chain, is convinced of the need to constantly update the assessment of this risk to handle any potential changes in its suppliers.

Milan (Italy), June 29, 2017

By Order of the Board

PRADA S.p.A.
Mr. Carlo Mazzi
Chairman