

A person riding a motorcycle on a dirt road through a grassy field towards a large tree with red bags hanging from its branches.

# PRADA S.p.A.

(HONG KONG STOCK CODE: 1913)

## 2017 SOCIAL RESPONSIBILITY REPORT





# TABLE OF CONTENTS

HISTORIC PRADA STORE  
IN GALLERIA VITTORIO EMANUELE II, MILAN  
Ph. Armin Linke

<b>LETTER TO THE STAKEHOLDERS</b>	<b>3</b>	<b>4. THE PRADA UNIVERSE: CULTURAL INITIATIVES</b>	<b>49</b>
<b>1. THE PRADA GROUP</b>	<b>4</b>	4.1 Shaping a creative future	50
1.1 History	5	4.2 Fondazione Prada	50
1.2 2017 highlights	9	4.3 Prada and architecture: Rong Zhai Residence	55
1.3 Value chain	9	4.4 Other special projects	57
1.4 Ethics, governance, compliance and risk management	14	<b>5. AT ONE WITH THE COMMUNITY</b>	<b>59</b>
<b>2. STRIVING FOR EXCELLENCE</b>	<b>19</b>	5.1 Environmental protection	59
2.1 Know-How	19	5.2 Preservation of the local territory	63
2.2 Customer experience	34	<b>6. NOTES ON THE METHODOLOGY</b>	<b>66</b>
<b>3. WORKPLACE ETHICS</b>	<b>39</b>	6.1 The material aspects identification	66
3.1 The Workforce	40	6.2 The reporting process	69
3.2 Employee relations	42	<b>7. GRI CONTENT INDEX</b>	
3.3 Diversity and equal opportunity	46	<b>FOR "IN ACCORDANCE" CORE OPTION</b>	<b>71</b>
3.4 Worker safety throughout the supply chain	47		





## LETTER TO STAKEHOLDERS

**The people of the Prada Group are watching with care and respect the profound changes taking place in civil society and in individual lifestyles,**

effects of the crisis ensuing from the gap between technology and social institutions.

**This constantly evolving scenario calls for drastic adaptation**

of our organizational structures, which has been initiated by engaging all the business areas in a rapid digitalization process under the Group's long-term growth strategy.

**Meanwhile, we need to preserve yet innovate the Prada's core values,**

represented by constructive dialogue between a wealth of internal know-how, intellectual curiosity, an acute spirit of observation, which enable to interpret the complex situation by cultivating the creative capacity on which our work is based, and adapting it to the new paradigms introduced by the progression of our culture: foremost, sustainability to protect future generations.

**Prada intends to demonstrate its social commitment with a contribution of in-depth analysis of this theme in the evolving scenario of the contemporary world.**

**Carlo Mazzi**

Milan, March 9, 2018  
Chairman of PRADA S.p.A.



# 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.

At December 31, 2017, products were sold in 70 countries worldwide through 625 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, refined luxury accessories, jewels and articles of value. Thanks to its exclusively designed goods, handcrafted using fine materials and sophisticated techniques, Prada rapidly became a reference point for aristocracy and the most elegant members of the haute-bourgeoisie in Europe.

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.

Over the years, the Prada name gained increasing renown and prestige.

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, internal 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.







MIUCCIA PRADA AND PATRIZIO BERTELLI  
Ph. Brigitte Lacombe

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 the offer of Prada products, the women's range was extended from leather goods to include the first footwear collection in 1979 and the first apparel collection as presented in Milan in 1988. At the same time, a process of internalization begins with the first 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 and is an important component of the Group's sales.

Also in 1993, alongside their entrepreneurial activity, Miuccia Prada and Patrizio Bertelli created "Milano Prada Arte", then become "Fondazione Prada", to pursue 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"), 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 handmade high-end 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, an historic Italian brand renowned for its exclusive driving moccasins.

In 2003, Prada entered into a licensing agreement, then renewed in 2012, with the Italian eyewear manufacturer Luxottica, world leader in the eyewear industry. The Luxottica Group currently produces and distributes eyewear for the Prada and Miu Miu brands. That same year, the Group also began its partnership with Spanish cosmetics manufacturer Puig Beauty & Fashion Group and the first fragrance, Amber, was launched at the end of 2004.

In 2006, Miu Miu organized its first fashion show in Paris to better represent its own identity.

The first Prada Phone by LG was launched in March 2007; it was 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 spa was successfully listed on the Main Board of the Hong Kong Stock Exchange.

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

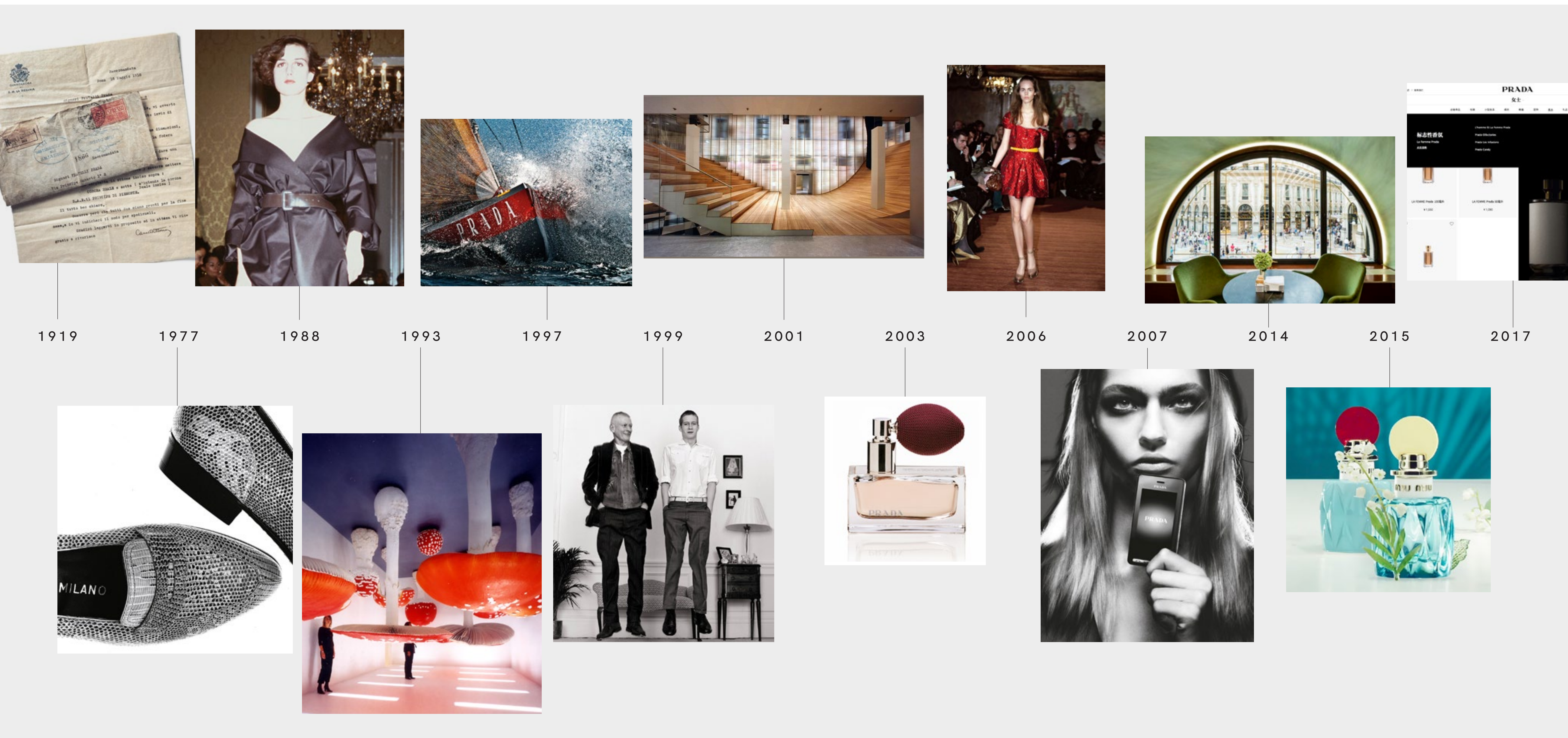
In 2015, the Prada Group completed the acquisition of the French Tannerie Mégisserie Hervy to further strengthen its integrated production know-how. That same year, the Prada Group and Coty Inc. launched the first Miu

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

2016 featured extensive manufacturing investments leading to the completion of the Scandicci leather production site and to the renovation of several factories between Tuscany and Umbria, Italy. The first construction phase of the new logistics hub for finished products was completed in Tuscany. In the retail, the launch of new concepts were implemented for Prada and Miu Miu stores.

In 2017 the restyling plan of the Prada and Miu Miu stores continued and a broad program of pop-up events was launched to further support retail activities. The new Prada e-commerce platform was also unveiled in China, an important step forward for the Group’s digital strategy, under which the new e-commerce experience will go live on a global level in 2018. Also in 2017, the Prada Group was admitted to the cooperative compliance regime introduced with Italian Law Decree 128 of 2015. Under the cooperative compliance regime, the Group has set up a systematic, open communication channel with the Italian tax authorities based on reciprocal transparency and trust, which will enable to minimize uncertainties about the tax aspects of its business operations.





1919 - Prada, official supplier of the Italian royal house | 1977 - Miuccia Prada and Patrizio Bertelli partnership | 1988 - Prada Womenswear | 1993 - Fondazione Prada | 1997 - Luna Rossa | 1999 - Church's acquisition | 2001 - Soho epicenter | 2003 - Prada Fragrances | 2006 - Miu Miu shows its collection in Paris | 2007 - Prada touchscreen phone | 2014 - Acquisition of Pasticceria Marchesi | 2015 - Miu Miu Fragrances | 2017 - Prada Chinese e-commerce launch



## 1.2 2017 HIGHLIGHTS

(Pro-forma economic data\*)



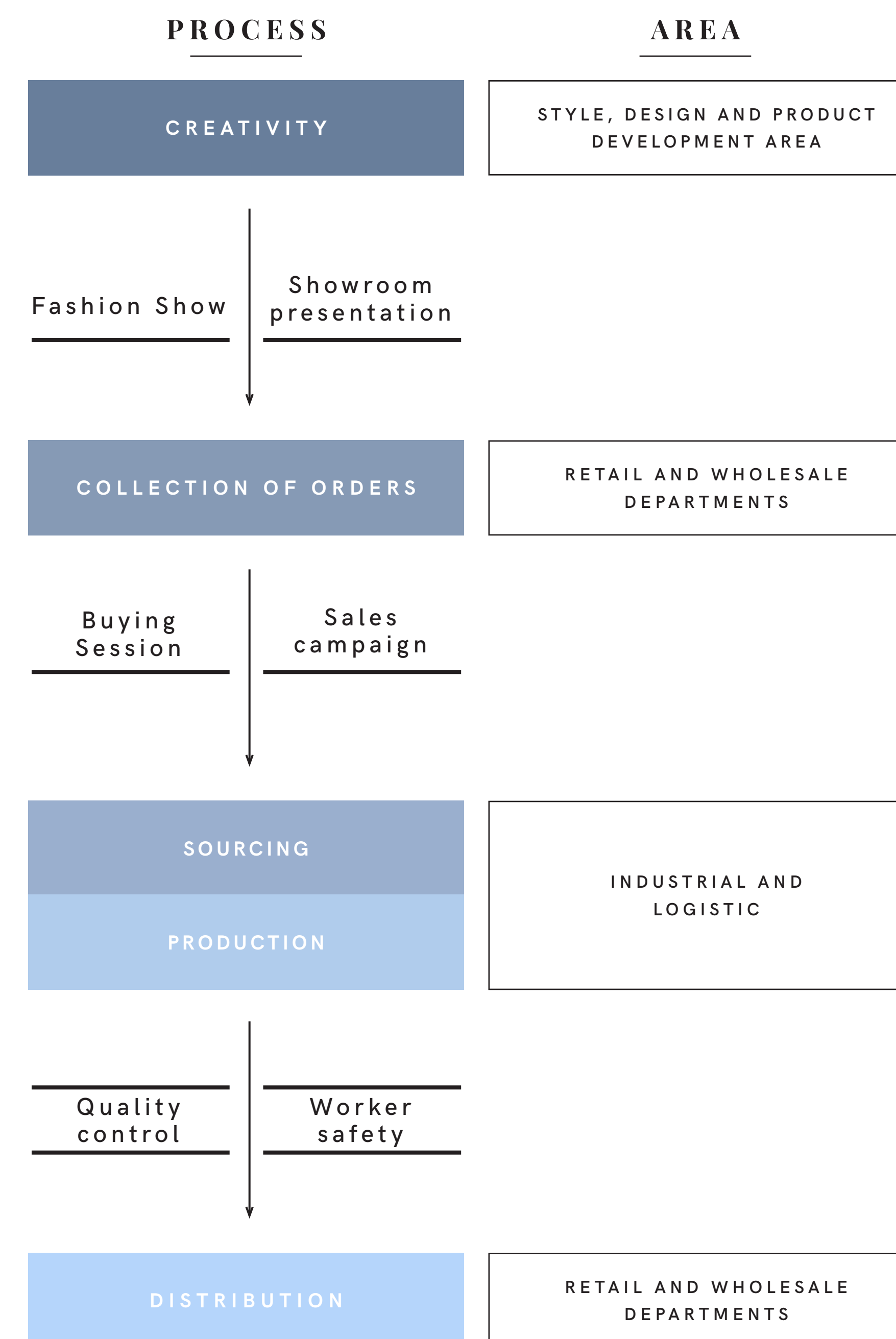
\* Pro Forma data January 31 - december 31, 2017: this year statutory accounts refers to 11 months following to the shift of the closing date from January 31 to December 31.

\*\* Economic value distributed to stakeholders in compliance with GRI-G4 indicator EC1 (reference on page 13).

## 1.3 VALUE CHAIN

The Group's business model is based on a value creation chain that combines artisanal skills with the industrialization of production processes. Thanks to this integration the Group, leveraging on its stylistic skills, is able to translate avant-garde concepts into innovative exclusive products, combining production capacity with rigorous control over qualitative standards. At the same time, Prada is particularly dedicated to the development of know-how and the protection of ethical values along its entire supply chain. The goal has always been to offer customers a sophisticated, exclusive and excellent quality product that exemplifies the integrity and prestige of the Prada world.

## CORE BUSINESS



### 1.3.1 CREATIVITY

Creativity is the first step of the value creation process.

Miuccia Prada, together with a qualified team of designers, has the ability 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 in Prada a genuine “in house” design culture, also based on method and discipline, which guides everyone in the creative process.

This unique approach enables Prada to anticipate and often influence trends, continually experimenting with new designs, fabrics, leathers and production techniques. This experimentation and exchange of ideas are the essential components of the design content found in each of the Group’s products. The time spent at the “drawing board” and in the “fitting room” on research and stylistic development for the brands is fundamental to defining each collection in which apparel, footwear and accessories complement one another, defining a consistent and representative image of the brands.

Prada’s flair and the strong appeal of the Company’s tradition and standards continue to attract talented people from all over the world who want to share Prada’s experience in many different creative fields. This results in teams involved in all aspects of the creative process: from fashion design to manufacture, from architecture to communication and photography, from store interior design to all unique and special projects in which the Prada Group is involved.

#### 1.3.2 FASHION SHOWS AND COLLECTIONS

The collections are inspired by the fashion shows, which are always rich in content and impeccably executed, transforming innovative fashion concepts into commercial products.

#### 1.3.3 ORDER COLLECTION

New collections are unveiled at the Group’s brand-specific showrooms, where a number of presentations and analyses are held with in-house and independent merchandisers and buyers from all over the world. By sharing the process that led to their creation and producing variations through the lens of local markets, each end consumer is given access to the innovation, exclusivity and quality that are the hallmarks of the Group’s merchandise.

#### 1.3.4 SOURCING

Selecting the right suppliers is fundamental for achieving the highest quality standards. Historically, the Group has always worked with the best suppliers of raw materials, 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, economical and ethical reliability. The Prada Group has always valued long-term relationships built on everyday interaction: these partnerships are crucial not only for the growth and improvement of the participants but also for sharing a single, strategic objective hinging on quality, excellence and the creation of value over the medium to long-term.

#### 1.3.5 PRODUCTION

The Prada Group’s products are manufactured in the 21 directly owned production sites (18 in Italy, 1 in England, 1 in France and 1 in Romania), in addition to a wide network of suppliers. Most of the Group’s partners are craft artisan workshops with extensive experience and a strong sense of tradition. They are provided with carefully selected materials and with all technical specifications — from patterns to data sheets — needed to produce first the samples and then the merchandise. The Group’s experienced technicians provide constant support throughout the production process.

The production sites represent the best expression of the manufacturing tradition of the Prada Group, combining the preservation of traditional artisanal skills with state-of-the-art technological processes, designed to achieve and maintain uncompromised standards of excellence, quality and workmanship.

Within the framework of the Group’s industrial development strategy, in 2017 the new industrial site of Valvigna (Tuscany) began operating at full capacity where, during the year, all the structures supporting the industrial processes were added to the cutting and raw materials warehouse; a workforce of 700 people is now employed at the site. Also in Tuscany, the second



part of the new finished products logistics hub was completed, the center for the worldwide distribution of Prada and Miu Miu products, and a third raw materials cutting facility was inaugurated. These sites, in addition to tangible benefits in terms of economies of scale and process control, stand out for the quality of the spaces and for the high technology used by every single function.

#### 1.3.6 CONTROL

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 end 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.

Prada has set up an Industrial Compliance Committee to ensure that the production and distribution of its products worldwide always complies with applicable laws. The Committee's objective is not only compliance with all current legislation, but also 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 consumers, manufacturers and the outside environment as a whole.

#### 1.3.7 DISTRIBUTION

The retail network is regularly studied and improved in order to make the stores more attractive to customers and the product displays more impressive.

Over the years, the Group has expanded its distribution network to 625 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 is a true asset for the Group as it showcases the new collections and represents a

contact point with the customer. The stores 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 its image consistently and categorically, and providing services that protect the products' quality and durability over time. The DOS 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, franchisees and e-tailers) provides additional venues selected for their prestige of location and enables direct, immediate comparison with other brands. In recent years, the overhaul of this channel has gradually reduced the number of accounts, in keeping with the Group's retail strategies and brand positioning. In addition, the Group's developments in the digital world have led to new partnerships with top electronic retailers ("e-tailers").

#### 1.3.8 TRADEMARK PROTECTION

The Group's Intellectual Property Department is engaged in its trademark protection and in the fight against counterfeiting and intellectual property infringement. In pursuing this goal, the Group systematically adopts preventive and defensive measures worldwide, and constantly monitors the registration by third parties of trademarks, patterns or designs that are identical to or likely to be confused with the Prada Group's distinguishing marks. The Group is constantly on the lookout for illegal appropriation of its trademarks, patterns and designs, and monitors both the traditional and online retail and wholesale channels. Any infringement of Prada's intellectual property rights is challenged with opposition or cancellation proceedings before the competent authorities.

Prada collaborates on a daily basis with national and international customs agencies and with Italy's Guardia di Finanza (Revenue Guard Corps) and Police for the purpose of intercepting and confiscating counterfeit merchandise and assessing progress made in the fight against counterfeiting. The Group also work with organizations on this theme, including the World Intellectual Property Organization, the International Anti-Counterfeiting Coalition,



France's Union des Fabriquants, and the Istituto di Centromarca per la Lotta alla Contraffazione.

Over time, these controls have enabled the Group to make an important contribution to tackling a wide range of criminal activities that are often associated with cases of counterfeiting, such as child labor, forced labor, tax evasion and money laundering.

Through close cooperation with the authorities, over the past three years Prada's anti-counterfeiting measures have led globally to the seizure of 2.5 million fakes, disputes over more than 335,000 e-commerce ads, and the removal of illegal content from more than 4,737 websites.

The Prada Group pays close attention to the increasing illegal sale of counterfeit products on social networks, with over 11,000 unlawful postings canceled in the last six months of 2017. In Italy, the precious collaboration with the Guardia di Finanza has allowed interrupting the activities of illicit websites with extended ramifications not only in Italy, but also in the rest of Europe and in China. In addition, the Prada Group has contributed in recent years to the international In Our Sites (IOS) operation coordinated by Interpol and Europol by communicating hundreds of websites that offered counterfeit products for sale. The operation led to the deactivation of 4,500 websites in 2016 and more than 20,520 websites in 2017.

#### 1.3.9 SPECIAL PROJECTS

Art, architecture, literature and film are just some of the cultural disciplines that represent continuous sources of inspiration for the Group. A network of connections that broaden horizons to subvert schemes, boldly challenge expectations and create scenarios able to cross over ordinary territories. Interaction with these apparently distant environments has led to the realization of special projects that, over the years, helped define the many facets of the Prada universe and which are described in detail in the following chapter 4.

#### 1.3.10 OPERATING PERFORMANCE AND BUSINESS STRATEGY

##### CHANGE OF THE END OF THE ANNUAL REPORTING PERIOD

On May 31, 2017 the Company's General Meeting approved By-Law Article 27, which changed the end of the annual reporting period from January 31 to December 31. For the past few years the proportion of consolidated revenues from the wholesale channel, whose seasonality is concentrated in the middle and at the end of the calendar year, has decreased considerably while the one of the retail channel has grown. Therefore, the reasons for changing the end of the reporting period in 2004 to January are no longer applicable.

##### 2017 HIGHLIGHTS

During the year, the Prada Group focused on a series of initiatives designed to bolster its commercial performance with strategic prospects of increasing volumes and profitability in the medium term.

With this goal in mind, the Group rebalanced the merchandise mix at stores to feature newer products developed thanks to the creative talents of the design team, inspired, as always, by experimentation with shapes, materials and production techniques. The new mix concerns all product categories and is supported by numerous efforts to further enhance the shopping experience and strengthen relationships with the customers. Further progress was made on the 2016 plan to update the concept of Prada and Miu Miu stores according to the brands' new aesthetic concepts; Church's stores are next in line for restyling. Meanwhile, the Group's sales plan was supported by bold action on the digital front even as physical retail remained at the center of its omnichannel strategy. During the year the Group strengthened its partnerships with the major online sales operators. Moreover, the direct e-commerce channel is growing: it has been enlarged in scope and the new graphic and functional version of the prada.com website, unveiled in December in China, will be gradually expanded to all countries in 2018. The new platform is designed to provide a shopping experience reconceived down to the smallest details, while integrating with brick & mortar stores and social networks. The digital strategy has also involved sizable investments



in advertising and communications, in the form of additional media content for social networks and the online world in general.

In various markets the Group has been busy promoting “pop-up” events: temporary displays in the world’s most prestigious shopping malls that launch new products and emphasize brand identity. The pop-up concept, which will be expanded and evolve throughout 2018, brings in valuable information on consumption patterns that are immediately transferred to the management and stocking of retail stores.

The market’s response to the range of marketing initiatives has been encouraging yet varied, both geographically and in terms of products. Overall, sales trends for the year indicate gradual volume growth over the months, and on the profitability front, a greater contribution of full-price items with respect to 2016. These signals reinforce management’s confidence in the ability to achieve the medium/long-term goals.

With respect to manufacturing, additional investments were made with a view to strengthening and optimizing production and distribution. The new cutting facility and materials warehouse in Valvigna (Tuscany) is fully up and running and has been expanded to include all manufacturing support operations, for a current workforce of 700. Also in Tuscany, the Group has completed the second part of the new logistics hub, the central facility from which Prada and Miu Miu merchandise is shipped to all corners of the globe, and has opened a third cutting facility. This latter investment is part of a broader project aimed at keeping a crucial phase of the production process within company walls, for the sake of ensuring top quality. The new manufacturing facilities enable to obtain important benefits in terms of controls over processes and quality, and they stand out for their advanced technologies and the utmost consideration for the work environment.

2017 was a year of special strategic projects regarding image and customer relations.

In October the Group reopened Rong Zhai Residence, an old Liberty-style mansion, following a long, elaborate restoration; it is now the Group’s cultural venue in China. Late in the year, Prada officialized its run for the 36th America’s Cup, where it will sponsor the Luna Rossa team and take on an additional, first-time role as naming and presenting sponsor of the entire sailing competition.

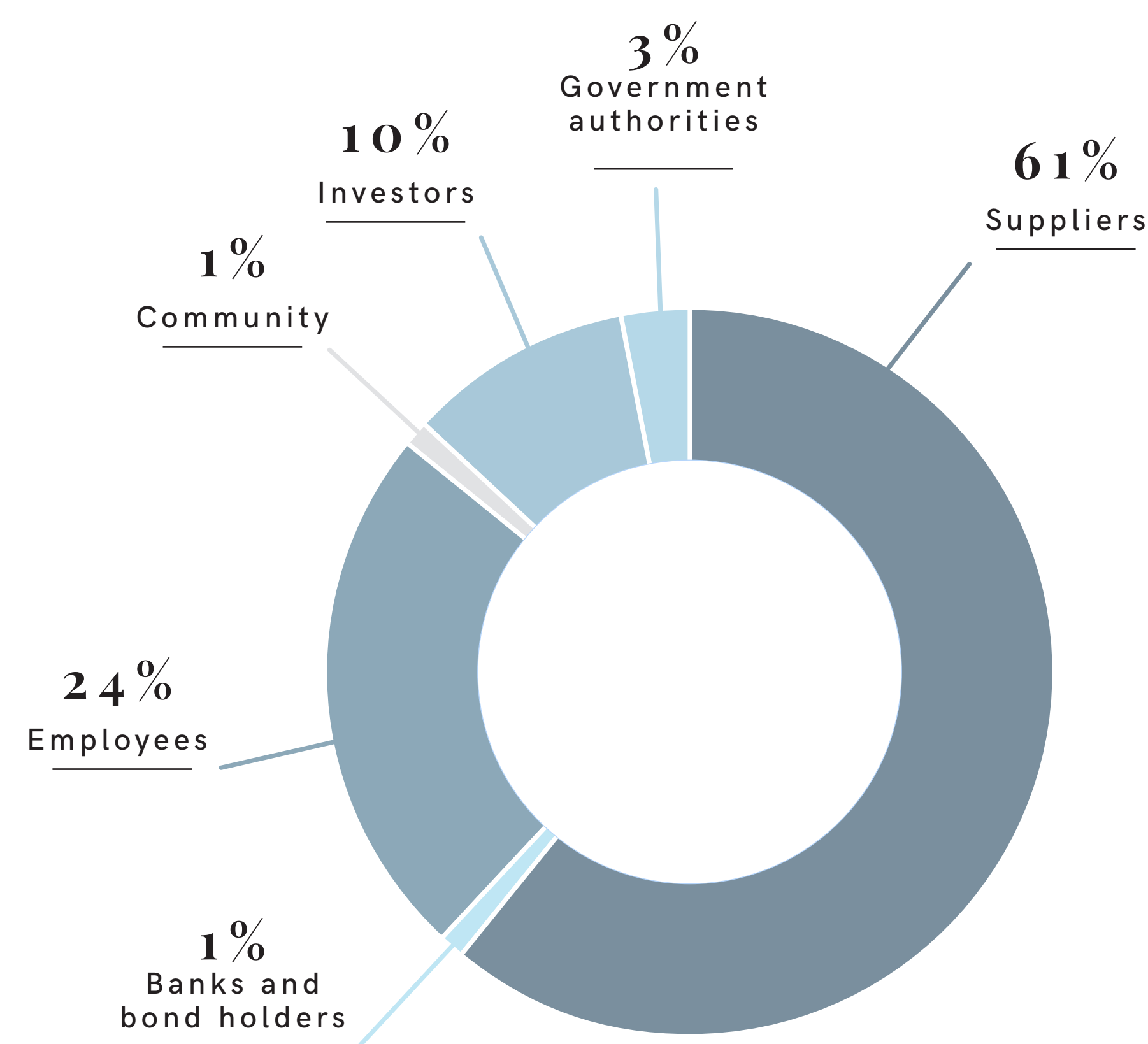
Considerable investments were made in various business areas in 2017. At the same time it was possible to achieve an operating profit in line with that of the previous period.

EC1 INDICATOR - DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED	2015 12 months from Feb. 1, 2015 to Jan. 31, 2016 Euro/1000	2016 12 months from Feb. 1, 2016 to Jan. 31, 2017 Euro/1000	2017 12 months pro-forma from Jan. 1 to Dec. 31, 2017 Euro/1000
<b>Economic Value Generated</b>	<b>3,553,898</b>	<b>3,190,896</b>	<b>3,062,866</b>
<b>Economic Value Distributed</b>	<b>3,207,289</b>	<b>2,925,740</b>	<b>2,885,678</b>
Operating costs	2,014,073	1,831,423	1,753,276
Value distributed to Employees	702,543	677,144	696,759
Value distributed to Banks and Bond Holders	19,420	17,293	16,876
Value distributed to Government Authorities	159,367	95,647	85,156
Value distributed to Investors	284,699	282,180	308,073
Value distributed to the Community	27,187	22,053	25,538
<b>Economic Value Retained</b>	<b>346,609</b>	<b>265,155</b>	<b>177,188</b>

The consolidated income statement for the pro-forma 12 months of 2017, presented according to the model of economic value generated and distributed defined by the EC1 (GRI-G4) indicator, shows a retained economic value of Euro 177.2 million, lower by Euro 88 million compared to the twelve months of 2016. The contraction, as well being a consequence of the shorter duration of the reporting period, is mainly due to the decrease in retail sales and, therefore, in the economic value generated. At the same time, the greater impact of the value distributed to shareholders and employees, respectively 10.1% and 22.7% of the value generated (8.8% and 21.2% in 2016), further diluted the portion of value retained (down from 8.3% in 2016 to 5.8% in 2017).



The graph below presents the economic value distributed to the stakeholders:



## 1.4 ETHICS, GOVERNANCE, COMPLIANCE AND RISK MANAGEMENT

### 1.4.1 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.

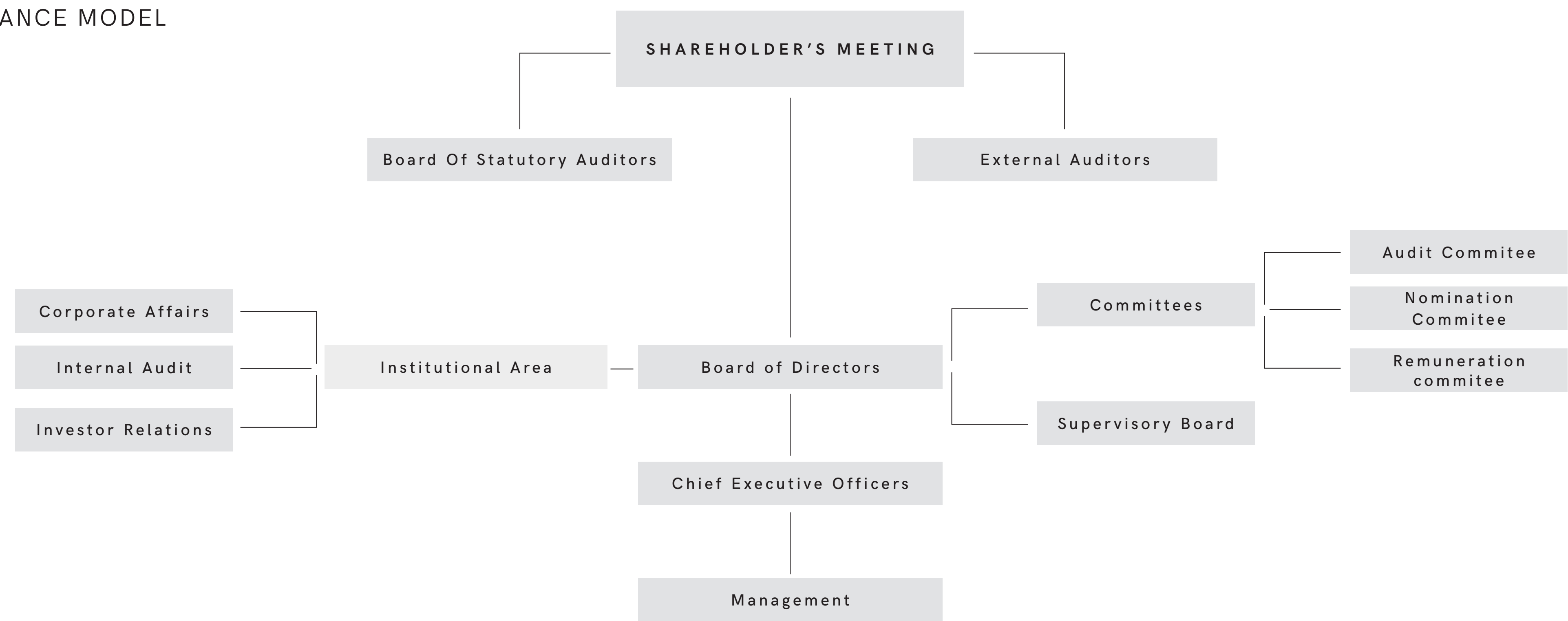
Since 2007, these principles have been given formal expression in the Prada Group's Code of Ethics. The Code contains the guiding principles of the Organization, being one of the main pillars of the Group's governance model, and is supported by a set of procedures in order to turn these values into daily actions.

The adoption and application of the Code of Ethics is essential for the achievement of the Company's primary objective, consisting of the creation of value for shareholders, employees, customers and for the community as a whole.

The Code of Ethics is distributed to all employees and parties who work toward developing, manufacturing, promoting, distributing and selling the Organization's products of the brands in the portfolio. The Group promotes knowledge of the Code through various means such as online publications, direct communications and, by procedure, as part of the supply contract with most of the partners, as it is considered a prerequisite for the establishment of all contractual relationships.



1.4.2 GOVERNANCE MODEL



The corporate governance model adopted by the Group consists of a set of rules, regulations, practices and procedures structured to govern the Company establishing efficient and transparent operations within the Group, with the aim of protecting the rights of the Company’s shareholders and to enhance shareholder value. The corporate governance model adopted by the Company is also in compliance with the applicable regulations, and 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 Company has also adopted a system of proxies and powers based on criteria of responsibility and aimed at ensuring an efficient and regular performance of the activity 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 reach

its strategic objectives. All Board appointments are based on meritocracy and candidates have been 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 since 2013 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 Board of Directors in office until the approval of the financial statements for the eleven months ended December 31, 2017 is made up of nine directors and was appointed at the Shareholders’ Meeting held on May 26, 2015 for a term of three financial years (2015 -2017). Specifically, the Board of Directors is composed of four executive Directors, two non-executive Directors and three independent non-executive Directors.

All Directors have distinguished themselves in their respective areas of expertise and have provided 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. The Board has the power to carry 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 defining the overall strategy of the Group and for approving annual budgets, extraordinary transactions, transactions with related parties and all other initiatives with a significant financial impact. The Board is also responsible for reviewing the operational and financial performances of the Company and the Group; it examines in detail the economic performances at each quarter, updating, if necessary, the Budget.

The Chairman of the Board of Directors is the Company’s legal representative. The Chairman guarantees the proper application of corporate governance practices and procedures and supervises their application, he 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 adopted by the Board.

BOARD OF DIRECTORS	Role	Gender	Age
<b>Executive Directors</b>			
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
<b>Non-Executive Directors</b>			
Stefano Simontacchi		M	30 - 50
Maurizio Cereda		M	> 50
<b>Independent Non-Executive Directors</b>			
Gian Franco Oliviero Mattei		M	> 50
Giancarlo Forestieri		M	> 50
Sing Cheon Liu		M	> 50

The Board of Directors is supported by the mainly preliminary and consultative activity conducted by the committees it sets up, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each Committee is constituted for the majority by Independent Non-Executive Directors including the relative Presidents.

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
Sing Cheong Liu		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 senior management.

REMUNERATION COMMITTEE	Role	Gender	Age
Gian Franco Oliviero Mattei	Chairman	M	> 50
Giancarlo Forestieri		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.

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 advisory committees are periodically submitted to the Board of Directors for discussion and adoption.

The Board of Statutory Auditors is the supervisory body in charge of verifying compliance with applicable laws, regulations and the By-laws, as well as compliance 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 May 26, 2015 appointed the current Board of Statutory Auditors, consisting of three statutory auditors and two alternate statutory auditors for a term of three fiscal years (2015-2017), i.e. until the approval of the financial statements for the year ended December 31, 2017.

BOARD OF STATUTORY AUDITORS	Role	Gender	Age
Antonino Parisi	Chairman	M	> 50
Roberto Spada		M	> 50
David Terracina		M	30 - 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	30 - 50
Paolo De Paoli		M	30 - 50
Gian Franco Oliviero Mattei		M	> 50

In 2016, the Corporate Social Responsibility Committee was set up to promote initiatives and projects in the social responsibility area and to share with senior management the guidelines for their implementation. The Committee started a systematic dialogue with the various departments on those social responsibility issues considered more strategic for the Group.

More detailed information on corporate governance is provided in the Corporate Governance section contained in the 2017 Annual Report.

1.4.3 COMPLIANCE AND RISK MANAGEMENT

Given the complex regulatory environment, the Prada Group 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 an acceptable level.

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 spa, 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, currently assists the Board of Directors and the Internal Audit Committee in risk management activities among others. Furthermore, the Industrial Compliance Committee 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 compliance with the provisions of Legislative Decree n. 231 of 8 June 2001, the Company has established a Supervisory Body whose primary attribution is to ensure the functioning, effectiveness and implementation 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 the commission of crimes provided for therein - including but not limited to bribery and money laundering - by directors, employees and third parties involved in the Company's activities.

During the financial period the Company did not observe 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 might make it difficult to reach business goals, and concludes with the process that determines how those risks should be avoided, mitigated or accepted. The fact that economic, regulatory and operating environments are in constant flux raises the need for mechanisms that help identify and deal with the specific 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;

- 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. With regard to the approach that the Company has towards risks, for example, the decision adopted regarding tax risks can be mentioned: the Prada Group was admitted to the "cooperative compliance" regime introduced with Italian Law Decree 128 of 2015 to which a limited number of Italian companies have been admitted. The process of joining international "cooperative compliance" is currently under way;
- 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 2017 Annual Report.

In addition to the information presented in the 2017 Annual Report specifically in Note 26 ("Provisions for risks and charges") on the subject of tax audits and disputes, no significant fines or non-monetary penalties were imposed on the Prada Group during the year.



## 2. STRIVING FOR EXCELLENCE



### 2.1 KNOW - HOW

Prada's defining asset, know-how, creates continuity and balance between creativity and discipline, tradition and technological progress, craftsmanship and industrial production.

All manufacturing activities preserve the spirit of quality care and detail typical of the artisanal heritage, and they are wisely combined within an industrial organization made up of 21 proprietary plants (18 in Italy, 1 in the United Kingdom, 1 in France and 1 in Romania) and an external network of suppliers that are carefully selected and monitored.



The strong integration of design, product development and direct and outsourced production allows Prada to maintain strong control over its know-how and quality standards throughout the supply chain.

The vast majority of the prototypes, samples and a part of the finished products are produced at the Group's own facilities, as well as the most delicate phases of production, such as the controls over all raw materials and the cutting of hides.

#### 2.1.1 SOURCING AND USE OF RAW MATERIALS

The quality of raw materials is fundamental to the Prada product and a top priority for the Group. This is why the Group's apparel, footwear and leather goods manufacturing divisions select their own suppliers directly, and coordinate and supervise the manufacturing process right through to the finished product. Since the outset, this approach has been a defining element of Prada's industrial strategy and ensures full control of a crucial link in the value chain.

The main raw materials used are leathers, fabrics and yarns. One hundred percent 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).

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).

For Prada, sustainable management of raw materials is synonymous with optimization of the use of resources, following an approach that aims to eliminate waste and therefore minimize the consumption of leather and fabrics. Investments in industrial development realized in recent years have led to the internalization of different production phases with the aim of maintaining quality at the highest levels of excellence, while improving controls over consumption (section 5 for further details).

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 utilized from 2015 to 2017<sup>1</sup> is listed below, including the related unit of measure.

Raw Material	units	2015 (12 months)	2016 (12 months)	2017 (12 months)
Leather	feet	36,245,611	20,319,996	25,015,850
Fabrics	meter	2,862,145	2,427,903	2,813,776
Yarns	kilo	90,984	91,995	130,664
Shoes' soles	pair	940,641	941,903	916,516

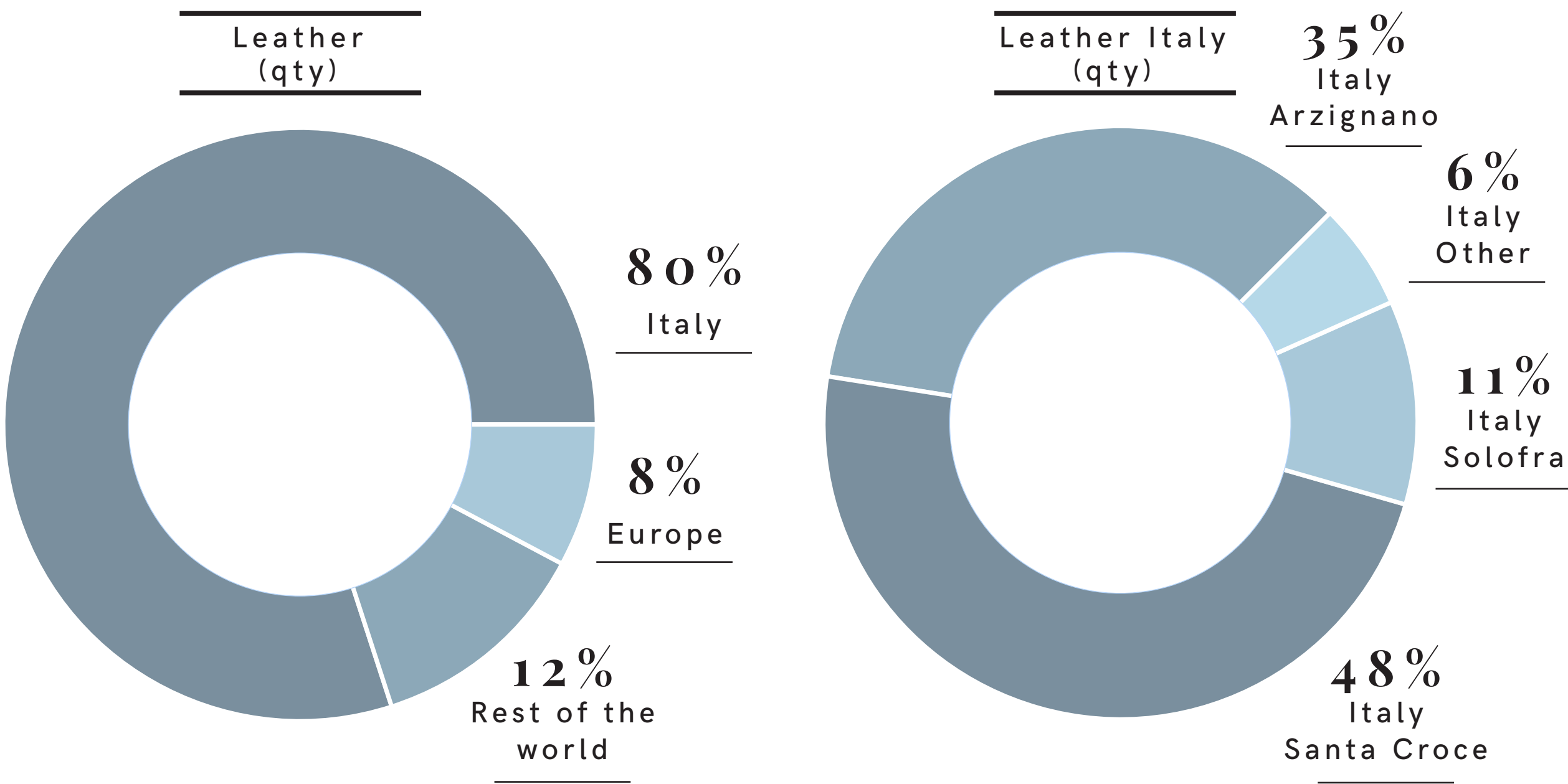
Purchases for 2017, despite referring to just 11 months, shows an increase in line with the planned expansion of the product range at the stores. Overall, purchases of the aforementioned raw materials accounted for approximately 56% of the economic value of all raw and semi-finished materials purchased in 2017.

2.1.2 TIES WITH THE COMMUNITY DURING THE MANUFACTURING PROCESS

The international success of the Prada Group is deeply rooted in Italy, also with respect to the supply chain. In 2017 the Group purchased materials from about 530 suppliers<sup>2</sup>, about 82% of them located in Italy, 9% in other European Union countries and the remaining 9% in other Non-U.E. countries. In many cases the materials are produced expressly for Prada, according to strict technical and design specifications, by long-established partners: 60% of them have been working with the Group for more than 10 years, and 16% for 5 to 10 years.

The focus on Italian origin is demonstrated by the procurement data regarding leather for footwear and accessories. In terms of quantity, in 2017, 80% of

the leather came from Italian tanneries renowned for their quality and time honored tradition. Another 8% came from European suppliers, while the remaining 12% came from outside Europe.



The clusters of Santa Croce (Tuscany) and Arzignano (Veneto) accounted, respectively, for 48% and 35% of all leather purchased by the Prada Group in Italy. These are specialized leather districts that set the standards for the production of high-quality leathers around the world. Both districts share a strong focus on environmental sustainability, also given the strong impacts - especially in terms of water consumption and atmospheric emissions - of production processes related to tanning.

In outsourcing, too, the Prada Group stands out for its strong ties with the artisanal craft experience typical of Italian tradition. In 2017 the Group worked with approximately 400<sup>3</sup> suppliers in addition to the aforementioned 530 suppliers of raw materials. 76% of manufacturing suppliers are located in Italy, 12% in the rest of the European Union and 12% in non-U.E. countries. 42% of the suppliers have been collaborating with the Group for more than 10 years and 22% for 5 to 10 years. These are relationships built on mutual trust, by working together on a daily basis with a view toward constant improvement and learning.

<sup>1</sup> Due to the change in the end-of-period date to December 31, the data for 2017 refers to the eleven-month period from February 1 to December 31, 2017.  
<sup>2</sup> For the purposes of this analysis, only raw materials suppliers with which purchases of more than Euro 30 thousand were conducted in 2017 have been considered.

<sup>3</sup> For the purposes of this analysis, only manufacturing suppliers with which purchases of more than Euro 30 thousand were conducted in 2017 have been considered.



### 2.1.3 GROUP'S QUALIFIED VENDOR LIST PROCEDURE

The Prada Group has adopted the "Group's qualified vendor list" procedure to redefine the responsibilities and operational behaviors required to evaluate ethical, technical and economical reliability. Additional controls needed to initiate and continue with supply relationships are set out in the procurement policy, which calls for mitigating risks of non-compliance through additional controls and accountability.

Specifically for ethical issues, the accreditation and maintenance of a supplier's qualification are based on the collection of documents, attestations and self-certifications that ensure compliance with the law on remuneration, social security, taxation, health and safety, the environment, privacy and the governance model. Finally, the signing of 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, conducted by purchasing structures or business areas focused on various topics, are carried out on a sample basis or when a problem is encountered. The procedure may include further inquiries in the case of doubt or lack of self-certification of compliance with labor, safety in the workplace and social security contribution laws. This type of control is coupled with visits by industrial divisions to suppliers (almost daily for the most important ones) which, apart from ensuring compliance with technical and commercial agreements, provide additional comfort regarding working conditions. In the case of non-compliance that can be remedied, the supplier may be temporarily suspended, while for more serious cases of non-compliance with ethical, technical and economical requirements, the contract may be terminated immediately.

The application of this procedure, which was the subject of a major overhaul in 2016, was launched in early 2017 with suppliers operating in the industrial area of the parent company (representing about 80% of manufacturing collaborations). At the reporting date, on a portion of just under 2/3 of the suppliers, the checks requested by the Qualified Vendor List procedure were

completed to ensure regularity on issues related to social responsibility. The extension of coverage to the remaining part is currently underway and the management is confident of increasing it in the short-term. During the period of application of the procedure, no cases of non-compliance emerged which led to the suspension of the collaboration relationship.

### 2.1.4 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 the more than 70 countries where they are sold.

To achieve these goals, the Group employs some 291 technicians, each 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 subcontractors to assess their processes, the quality of their goods and the general workplace conditions.

In 2010 the Group formed a Committee to assist the manufacturing divisions in matters of legal compliance. Comprised of top managers from the industrial area, the Committee sets guidelines regarding all aspects of compliance with national and international legislation on the nature and proof of origin of raw materials, the creation of the finished product, and consumer health and safety in general.

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 ecotoxicological 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: those that as of January 31, 2017 had formally accepted and signed the procedure accounted for 72% of purchasing volumes, while at December 31, 2017, the "proactive" level of the RSL was guaranteed for 92% of the purchasing volumes relating to Prada's industrial suppliers and 100% of the work performed in the Group's production sites.

The goal is to increase the former percentage through outreach activities aimed at encouraging other suppliers to sign on. 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.

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 2017 there was 1 case (2 in 2016) of non-compliance with health and safety regulations concerning products sold in China, which resulted in total fines of approximately Euro 6,000. There were few cases of non-compliance with information and/or labeling requirements requested by some department stores in North America where the Group operates through DOS, leading to fines of approximately Euro 16,000. However, at the date of this report, investigations by Prada are ongoing and the Group estimates that compensation can be obtained.



**“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**

Guided by the style inspiration of Miuccia Prada, universally acknowledged as a pioneer of the 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.

A collection of vintage clothing and accessories, including a brown leather jacket, a blue floral patterned top, a red sequined top, a black and red floral top, a maroon top with a silver floral pattern, a yellow face mask, a green sequined mask, a black and white mask, a small yellow and red toy car, and various jewelry items like necklaces, earrings, and a bracelet.



#### PRADA ETIQUETTE

The Etiquette handbag plays with the rules of fashion in pure Prada style: the exaltation of craftsmanship, the questioning of the relationship between the brand identity, the product and the inside-out principle. What is normally concealed is revealed and so the iconic blue label, usually inside the garments and therefore only visible to the wearer, is now audaciously displayed.

#### PRADA MONOCROME

Pure and modernist, the Prada Monochrome handbag stands out for its three-dimensional logo in relief in the same tone as the Saffiano leather, with logo appearing and disappearing. The Monochrome is a sleek representation of the brand's aesthetics.

#### PRADA CLOUDBUST

The Cloudbust is a lightweight sneaker made from cutting-edge technical fabrics, a curvilinear rubber sole, ornamental details likewise also in rubber and a velcro closure; the well thought-out ensemble gives the Cloudbust a futuristic allure, bridging sophisticated athleticism and contemporary design.

#### MY MIU

The My Miu handbag marks the first occasion in which the name of the brand features prominently in the form of a large turn-lock closure. With its bright jewel buckles, the My Miu combines respect for handcraftsmanship with a sense of femininity and fun typical of the brand.

#### MIU RIDER

A belt bag that effortlessly combines a timeless sportswear design with the luxurious materials and fine craftsmanship the brand is known for. Made as a lively patchwork of soft signature matelassé leather, the bag has a single zip closure that is easy to open even on the move.

#### MIU RUN

A new sneaker, joyfully feminine, characterized by light-hearted and irreverent design that plays on the juxtaposition between form and function, signature Miu Miu fabrics and efficient technical design.

#### CHURCH'S SHANNON

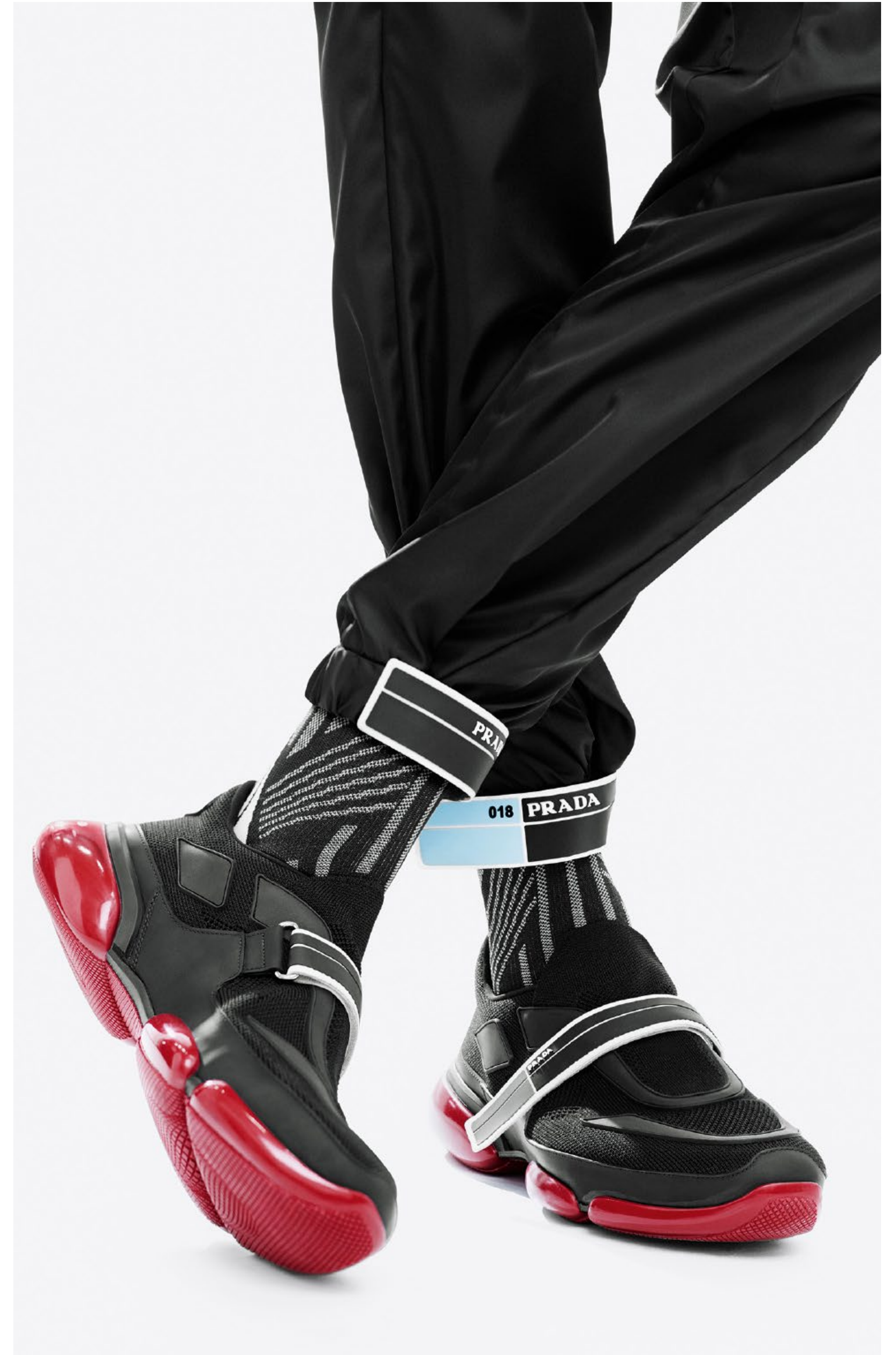
The derby Shannon, a classic model for Church's in brushed calfskin, is distinguished by its smooth upper constructed with a single piece of leather and for the seams that enclose the entirely handmade lacing.







PRADA MONOCROME  
Ph. Willy Vanderperre



PRADA CLOUDBUST  
Ph. Willy Vanderperre





MY MIU  
Courtesy Miu Miu



MIU RUN  
Courtesy Miu Miu





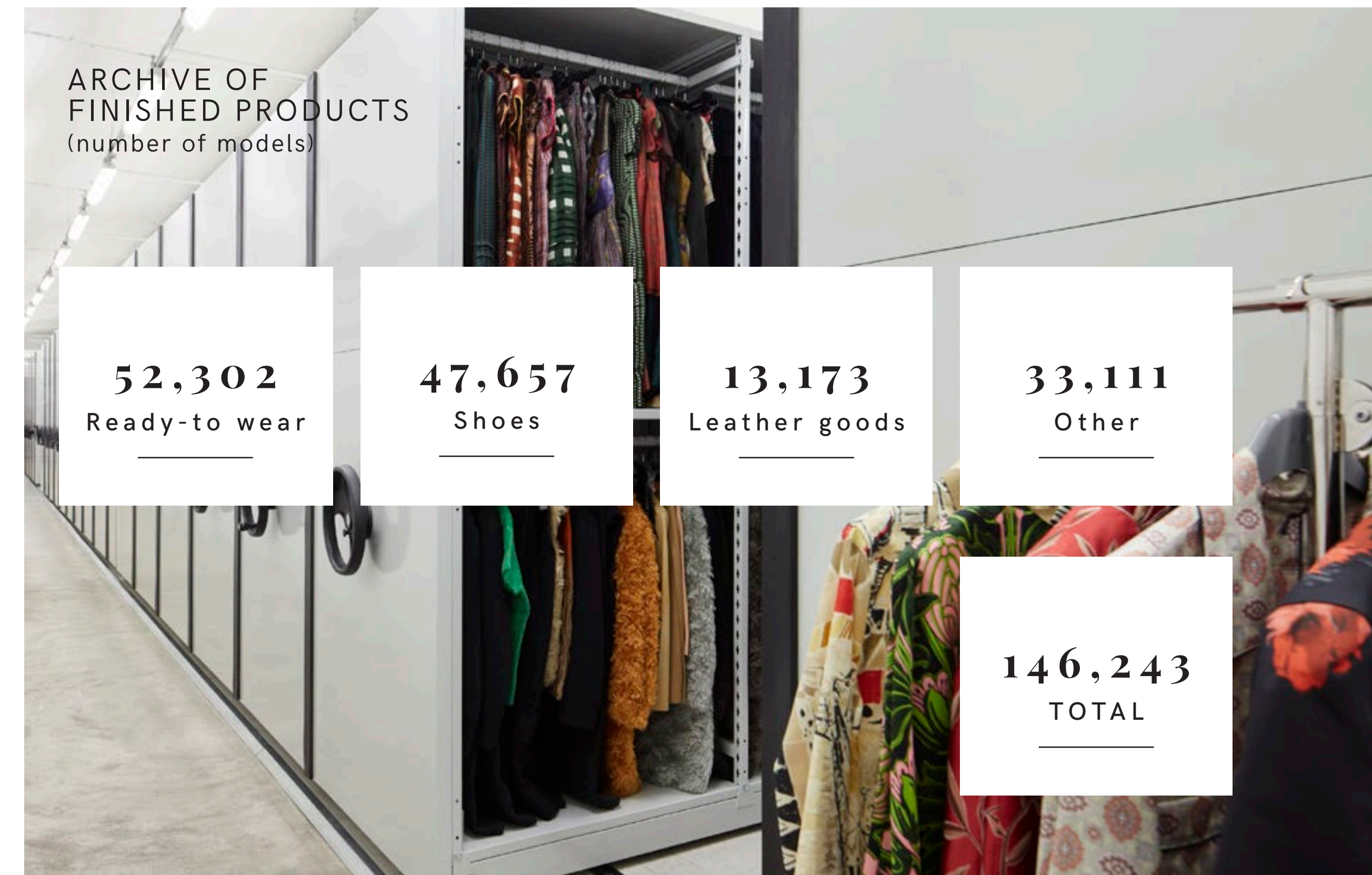
MIU RIDER  
Ph. Alasdair McLellan





CHURCH'S SHANNON  
Ph. Lachlan Bailey

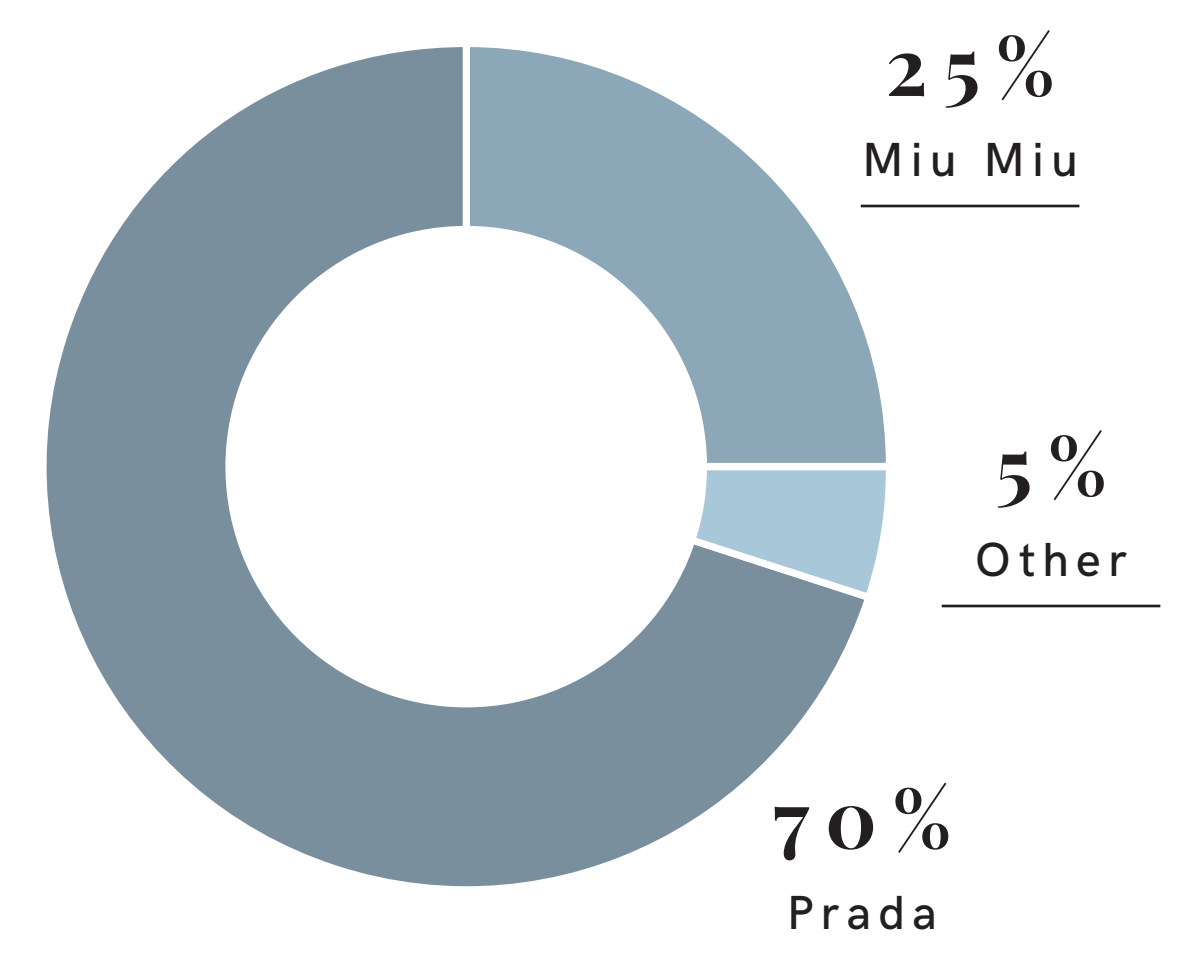
## HISTORICAL ARCHIVES: FINISHED PRODUCTS AND FABRICS



### FINISHED PRODUCTS

The historical archive of finished products represents a real strategic asset for the Group as well as a tangible evidence of the history of its brands. A constant source of inspiration, the archive reconstructs Prada's complex and often elaborate reflections and experiments in the world of fashion and culture in general.

The archive, constantly updated with the products of new collections, is located in 5 warehouses between Tuscany and Milan and, at the date of this Report, consists of 146,000 items.









## FABRICS

The archive dedicated to fabrics represents the distinctive excellence Prada's know-how and is made up of 24,272 samples of original fabrics, with over 5,200 different designs: unique and exclusive prints, lace, macramè and more.

The total archive, constantly expanding as it is constantly integrated with the fabrics of the new collections, has been photographed and entered into a computer system to speed up research and visualization.

## ENGINEERING DESIGN ARCHIVE

The Engineering Design archive, occupying more than 6,000 m<sup>2</sup>, is used to develop 1:1 scale reproduction of concepts for new stores, and to arrange store window displays. The archive is divided into:

- the samples archive, a collection of some 10,000 exemplars of research materials used for the development of stores and brand designs. An extensive range of wood, metals, fabrics, paints, encaustic paintings, glass, plastic materials, marble and stones;
- the models archive, consisting of hundreds of architectural models, complete with furniture and fixtures. It includes an operating Model Laboratory featuring state-of-the art computer equipment that allows modeling and 3D printing;
- the historic furniture archive, which includes unique fine furniture and furnishing accessories, providing a precious source of inspiration for all design activities.

## THE LIBRARY

The Library was created as a small collection of volumes kept in Tuscany and subsequently moved to Milan in 2001. It houses more than 40,000 volumes to date, including books, look books, DVDs, catalogues and magazines - some of which date back to 1894 - mostly feature fashion, customs, art, photography, architecture, design, jewelry, fabrics and prints.

Methodical research and acquisitions allow its precious heritage to constantly expand, representing an irreplaceable value for the Group.









2.1.6 PRESERVING TRADITIONAL EXPERTISE AND DEVELOPING SKILLS

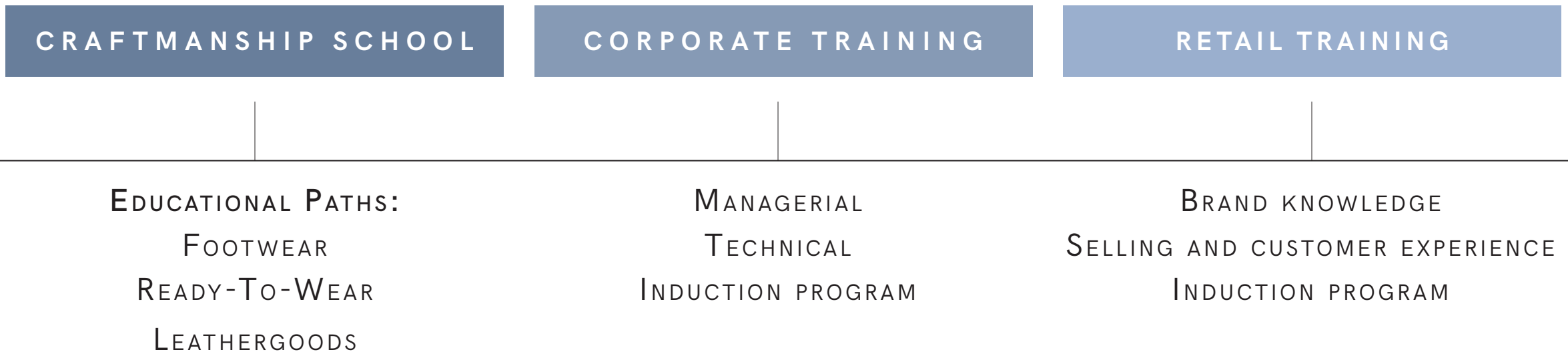
The preservation and advancement of expertise is fundamental to the Prada Group, which prides itself on transmitting skills from generation to generation.

Back in the 1990s, the Group began to codify all its industrial and handcrafting processes in manuals and written procedures so they would be accessible within the Group. Even now, details are constantly added to these documents, which ensure the continuity and consistency of the know-how and serve as inspiration for the corporate activities.

PRADA ACADEMY

Prada Academy is the physical and virtual place in which knowledge, skills, techniques, practices and innovative ideas are shared and developed to foster talent and ensure the Group’s future growth.

The Prada Academy aims to development human capital and convey professional expertise with projects, tools and training modalities diversified for three macro areas: Craftsmanship School, Retail Training and Corporate Training.



CRAFTSMANSHIP SCHOOL

Educational paths related to industrial production take place at the Craftsmanship School through courses dedicated to acquisition of footwear, leather goods and clothing manufacturing know-how. The main goal is the protection and conservation of the wealth of knowledge and expertise that

characterize the industry, as well as their transmission to new generations of artisans.

Each path includes theoretical training (raw materials, manufacturing processes and techniques, such as technology, information technology and the English language) as well as practice applied on the field through activities hosted by the Group and its suppliers.

RETAIL TRAINING

In addition to the daily support of experienced personnel, the activities conceived for the retail staff include Prada Academy institutional training courses designed to consolidate professional skills, knowledge of the product and customer service.

A particular focus is put on the adoption of new ways of communication and relations with customers, resulting from recent investments in digital technology involving the Group’s entire retail network and allowing the sales staff instant access to a wide range of useful information and materials.

CORPORATE TRAINING

Professional training for members of the corporate area is centered on courses geared towards the enhancement of relational and behavioral skills aimed to achieve more effective management of operational complexities.

Besides traditional theoretical training, each employee can access a digital platform that allows continuous and social training and development, through online courses, multimedia libraries, tutorials, blogs and online communities. This tool provides every single employee with easy and ‘on demand’ access to educational material.

Furthermore, within the program for the integration of new employees in the Corporate and Manufacturing areas in Italy, the Prada Group organizes customized courses in which classroom time - to know the Company’s history, culture and main processes - alternates with visits to the industrial sites.



RETAIL AND CORPORATE TRAINING HOURS

To develop skills, broaden knowledge, and thereby increase employees’ value as professionals, 87,403 training hours<sup>4</sup> were provided in 2017 to 13,335 participants. Below is a summary of the training hours by gender.

Training Worldwide	Total	F	M
Number of training hours	87,403	58,089	29,314
Average number of hours per employee in the year	6.80	7.34	5.95
Number of employees	12,844	7,914	4,930

2.2 CUSTOMER EXPERIENCE

Product value is enhanced by targeted communication activities that aim to convey a strong, consistent image of the brands using all the available channels to seize opportunities to forge customer relationships. Ultimately exclusive, personal relationships are built with customers, who understand how the elements of the luxury items can help define their own image and identity.

2.2.1 RETAIL NETWORK AND THE OMNICHANNEL STRATEGY

The Prada Group owns 625 directly operated stores in exclusive locations; they consist of long-established stores, experimental stores and more traditional ones. About 81% of net sales take place through this channel.

Much more than simple points of sale, the stores are important communication tools and function as “ambassadors” of the brand, the brand’s identity and the latest collections. Each store is designed, built and managed according to very precise internal guidelines, defined to convey innovative distribution and communication concepts and respect the different positioning of each brand. All shops are run by meticulously selected personnel who take part in periodic training activities, designed not only to provide customers with the best shopping experience and insight into the style content of the collections, but also to communicate the values, culture and heritage that the products represent. Sales personnel provide clear information on the products and their care,

<sup>4</sup> Hours of training do not include health and safety training



PRADA ST. BARTH





PRADA ST. BARTH



PRADA MIAMI









PRADA SILVERLINE

as well as repair services, which enhances Prada merchandise by ensuring its quality and durability over time.

In order to investigate diverse shopping languages and to allow its brands to benefit from ever-contemporary stores, the Prada Group has collaborated with some of the most prestigious international architecture firms to develop innovative retail solutions. These encounters give life to experimental concepts, developed simultaneously with tradition sales channels, to investigate the multiple universes that enhance the shopping experience. Not just spaces that celebrate the selling and service ceremony, but also stages for communication and culture.

As part of the search for alternative shopping experiences, 2017 was characterized by numerous pop-up projects, i.e. temporary installations with unique concepts aimed at enhancing the brand identity and the characteristics of the products. Among the latest ones, Prada presented "Prada Silver Line" (December 2017), an itinerant project initiating in Macau. This pop-up represents the image of Prada on the move, drawing inspiration from the brand and its fundamental codes such as travel and modernity. The concept is a reconstruction of part of an ideal train in which the various aesthetic themes are combined in a single design. The exterior is a metal shell reminiscent of the American "Streamliners" of the 1930s and 1950s, while the interior features walls covered in red floral silk brocade fabric for a luxurious and romantic look. The setting is completed by the iconic black and white checkered floor that has characterized Prada stores around the world since 1913. In 2018 "Prada Silver Line" will involve several of the most important cities in Asia, Europe and the United States.

In 2017 the restyling plan of the Prada and Miu Miu stores continued, in line with the new aesthetic codes of the brands and aimed at creating a more personalized shopping experience.

The new Prada concept is based on a modular design capable of creating novelty elements and obtaining more intimate spaces dedicated to each individual product category. Also part of the restyling program are the





achievements of unique concepts, such as the Prada Miami Design District, and concepts dedicated to holiday resorts, such as Prada Saint Barth.

The restyling of Miu Miu involved revisiting the brand design that has defined the store concept since 2006, radically transforming it in 2016 in terms of colors used, lighting, and interior layout. Also for this brand, together with the restyling plan of all existing stores, unique concepts have been created such as that of Miu Miu Aoyama. The latter, like the three Prada Epicenters in New York, Los Angeles and Tokyo, was born from the collaboration with some of the most prestigious architectural firms on an international scale (e.g. Herzog & de Meuron and Rem Koolhaas) and is one of the most significant projects in terms of the innovation of the shopping experience concept.

Directly operated stores are at the center of the Group’s omni-channel business strategy, which is completed, on the off-line front, with a select

number of independent shops and department stores and, on the on-line front, with the e-commerce sites of the Group and a select number of leading online sales operators (e-tailers). The integration of physical stores with the digital sales channel further enriches the shopping experience by strengthening the direct link between sales staff and customers through personalized marketing services and initiatives.

Within the broader strategy of redefining its digital communication, in 2017 the Prada Group strengthened its investments in the creation and communication of digital content.

As at December 31, 2017 the data relating to social networks was as follows:

INSTAGRAM	FACEBOOK	TWITTER
<b>19.2</b>	<b>7.6</b>	around <b>1.1</b>
<u>million followers</u>	<u>million followers</u>	<u>million followers</u>

Engagement in digital communication has also affected the Group’s corporate profile through the creation of a new website, [www.pradagroup.com](http://www.pradagroup.com), a modern HUB website that allows visitors to explore all the different aspects of the Prada Group. It was designed to communicate the Group’s values, recount the main brand projects, promote the “company’s reputation” and foster the circularity of information among the various digital channels of the Prada Group.



### 3. WORKPLACE ETHICS



The Prada Group's business approach is based in the promotion of diversity, protection of employment and treatment of staff with care and respect. Prada has always considered human capital to be key to its competitive edge and makes every effort to promote and reward professional skills and teamwork, with an emphasis on results.

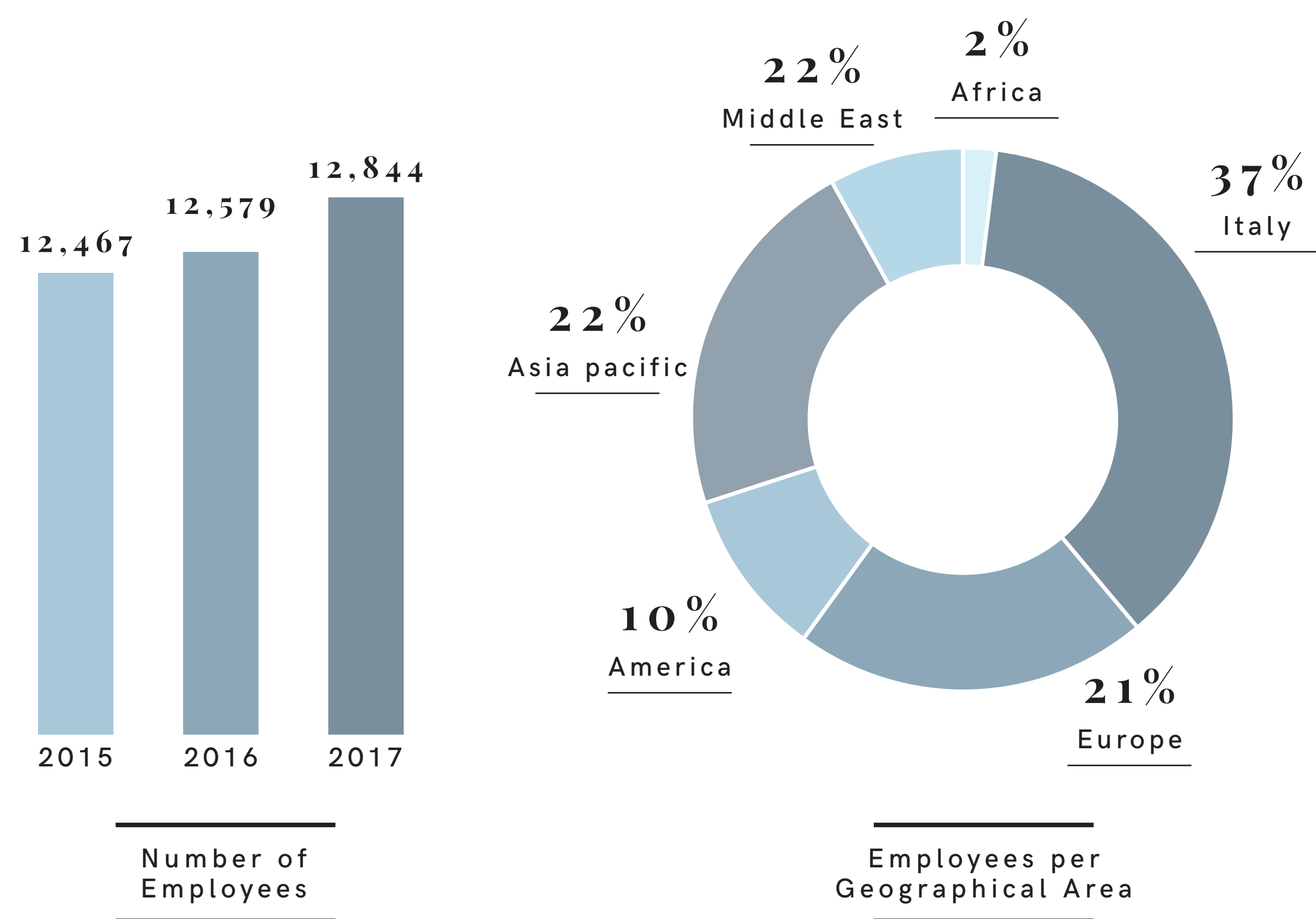
The employees' enthusiasm, craftsmanship and intellectual curiosity are the elements that underpin the innovation and quality of the Group's products. Over time, the goal has been to build and fortify an open working environment where human relationships are inspired by empathy and mutual understanding, including by way of specially designed communication channels.



In order to strengthen the sense of belonging to the Prada Group, a corporate newsletter is drafted simultaneously in four languages (Italian, English, Chinese/Mandarin and Japanese) for all staff; it provides updates on the Group's activities and news about the luxury industry. During the year, 16 newsletters were sent out.

3.1 THE WORKFORCE

As of December 31, 2017, the Group had 12,844 employees, of whom 37% work in Italy. 2.1% growth was recorded compared to the previous year mainly due to the expansion of the retail organization.

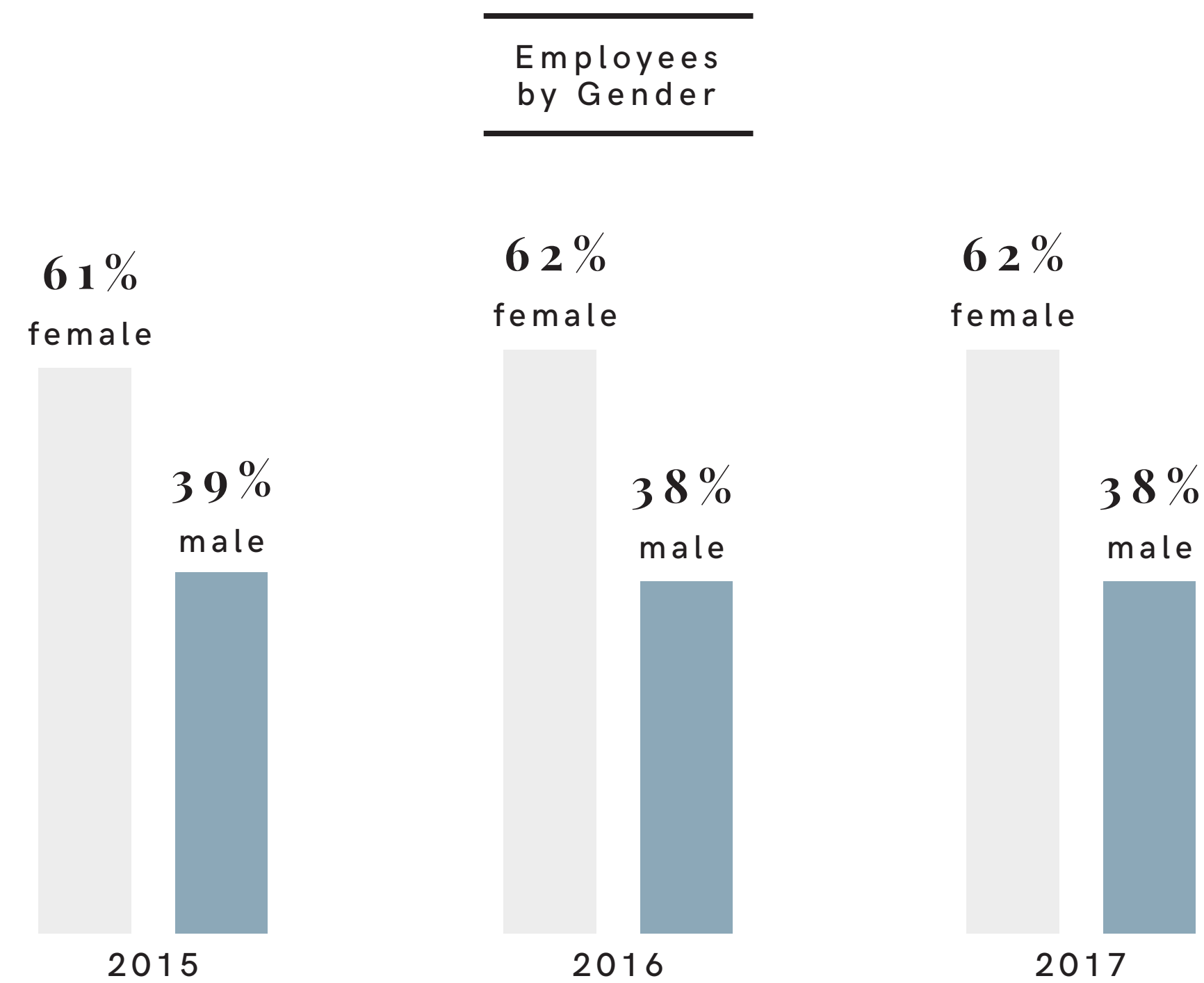


Outside Italy, the most sizable part of the workforce is in Asia-Pacific (22%) followed by the rest of Europe (21%).



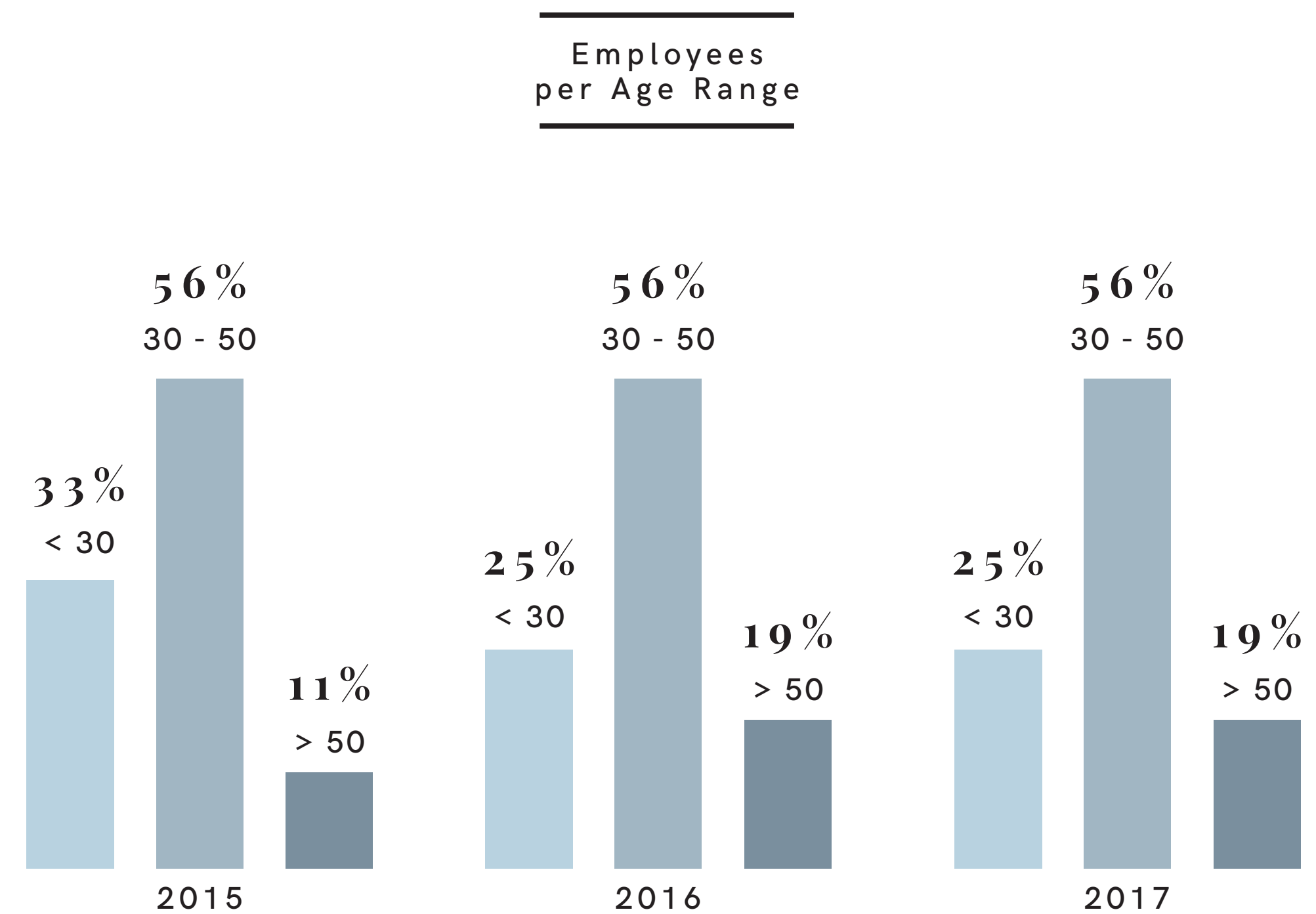


In Italy, where 18 of the 21 production facilities are located, most employees (63%) work in the industrial division, while in other countries, where 568 out of 625 directly operated stores are located, 84% of employees are in retail.



A breakdown of the workforce by age shows that in 2017, 25% of Prada employees were under 30 years old and 56% were aged 30 to 50. Further analysis shows that 33% of the retail workforce were under 30 years old, while in the industrial division, where at least ten years of experience in production

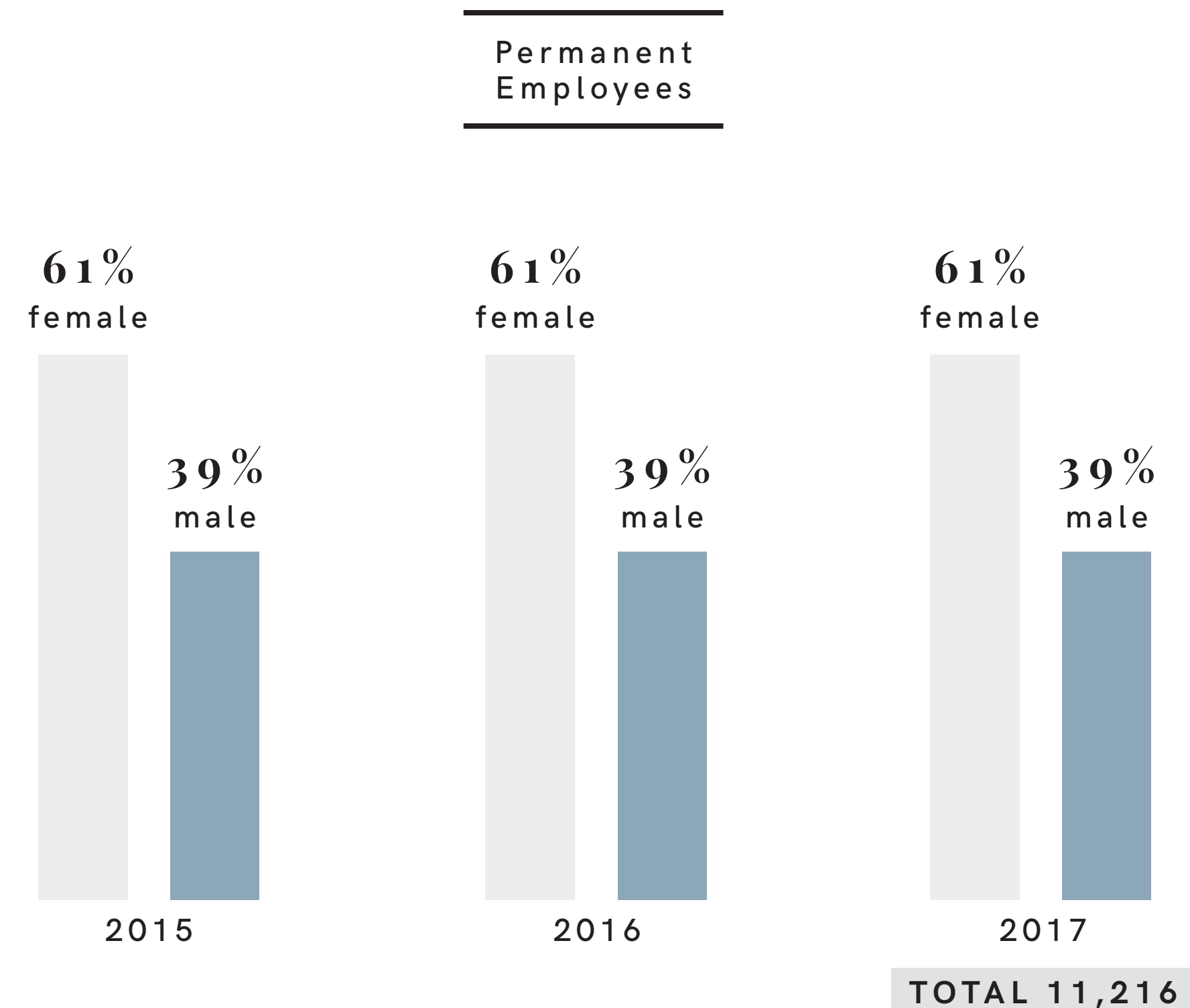
and craftsmanship is particularly important, 54% of the workforce belonged to the 30 - 50 year old range and 35% to the over 50 year old range.



In 2017, the breakdown of employees by age and gender remained quite stable. In the “Staff” and “Executive and Managers” categories, females accounted for 23.3% (vs. 12.7% of males) and 5.5% (vs. 4.1% of males) of the total workforce respectively in the category 30 – 50 year old.

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
2015	0.4%	5.6%	5.7%	1.2%	4.4%	3.2%	11.7%	23.8%	7.1%	6.6%	12.8%	4.3%	0.2%	5.9%	1.1%	0.2%	4.5%	1.3%
2016	0.9%	5.8%	4.5%	1.8%	4.5%	2.5%	13.8%	23.4%	6.3%	7.9%	12.6%	3.5%	0.2%	5.5%	1.0%	0.2%	4.3%	1.2%
2017	1.2%	5.7%	4.7%	2.1%	4.4%	2.6%	13.7%	23.3%	6.1%	7.4%	12.7%	3.5%	0.3%	5.5%	1.1%	0.3%	4.1%	1.3%





In terms of contract type, just over 87% of international employees are permanent hires, proving the Group's commitment to stability and long-term investment in human resources.

Most of the fixed-term contracts concern younger (under 30) staff in the retail area. 64% of the contracts are for females.

97% of employees work full time. In 2017 there were no differences in benefits between full-time and part-time contracts.

### 3.2 EMPLOYEE RELATIONS

To recruit and attract talent, the Group collaborates with universities and entities that organize post-graduate programs focusing on marketing and retail. Prada also offers internships to new graduates to enable them to obtain experience and demonstrate their skills, and have the opportunity to work in the business afterward.







The selection process, which consists of various evaluation approaches according to the position offered and experience of the candidates, is based on transparent internal policies and ensures equal opportunity.

New college or high-school graduates and candidates with up to three years of experience are screened through individual and collective testing, whereas those with strong experience undergo an individual screening process.

The Prada Group's remuneration and retention policy is designed to reward and retain highly professional staff and skilled managers, with the conviction that value is created in the medium and long-term, through constant organizational learning and consolidation of experience and competence.

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.

The remuneration system is formulated by the Human Resource Management using constant comparisons of the central and peripheral staff, and by external firms that carry out salary surveys on international markets and are specialized in the fashion and luxury industry.

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; similarly, bonuses relating to the development of seasonal collections are awarded to technical specialists;



- 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 Prada Group collaborates 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, in the United Kingdom and in France, whereby it offers better benefits than those in the local collective bargaining agreements. For instance, 80% of the employees in Italy and 100% in France can benefit from the supplementary agreements. Employees in the UK of the industrial division also benefit from supplementary agreements.

The most significant benefits of such agreements for this year are as follows:

- 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 leave 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.

Thanks to the respect, dialogue and cooperation in place with Italian trade



unions (of which 26% of the Group's employees were members in 2017), no labor strikes occurred in the year, just as none occurred in 2016.

In 2017, a preliminary study was begun to introduce a new corporate welfare system to the supplementary bargaining agreement for the Italian structure, with the aim of giving employees access to a cohesive package of services for health, leisure, education, culture and more. The use of these services can also be financed by additional resources made available as part of the supplementary agreements.

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.







### 3.3 DIVERSITY AND EQUAL OPPORTUNITY

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

The Group firmly believes in the value of diversity as inspiration for the business and as a form of cultural richness, well-being and creativity, which enables it to forge close relationships with a diversified, global customer base.

The statistics on employee origin are evidence of the various backgrounds of the workforce. In fact, persons of 100 different nationalities (101 in 2016) work for the Group.

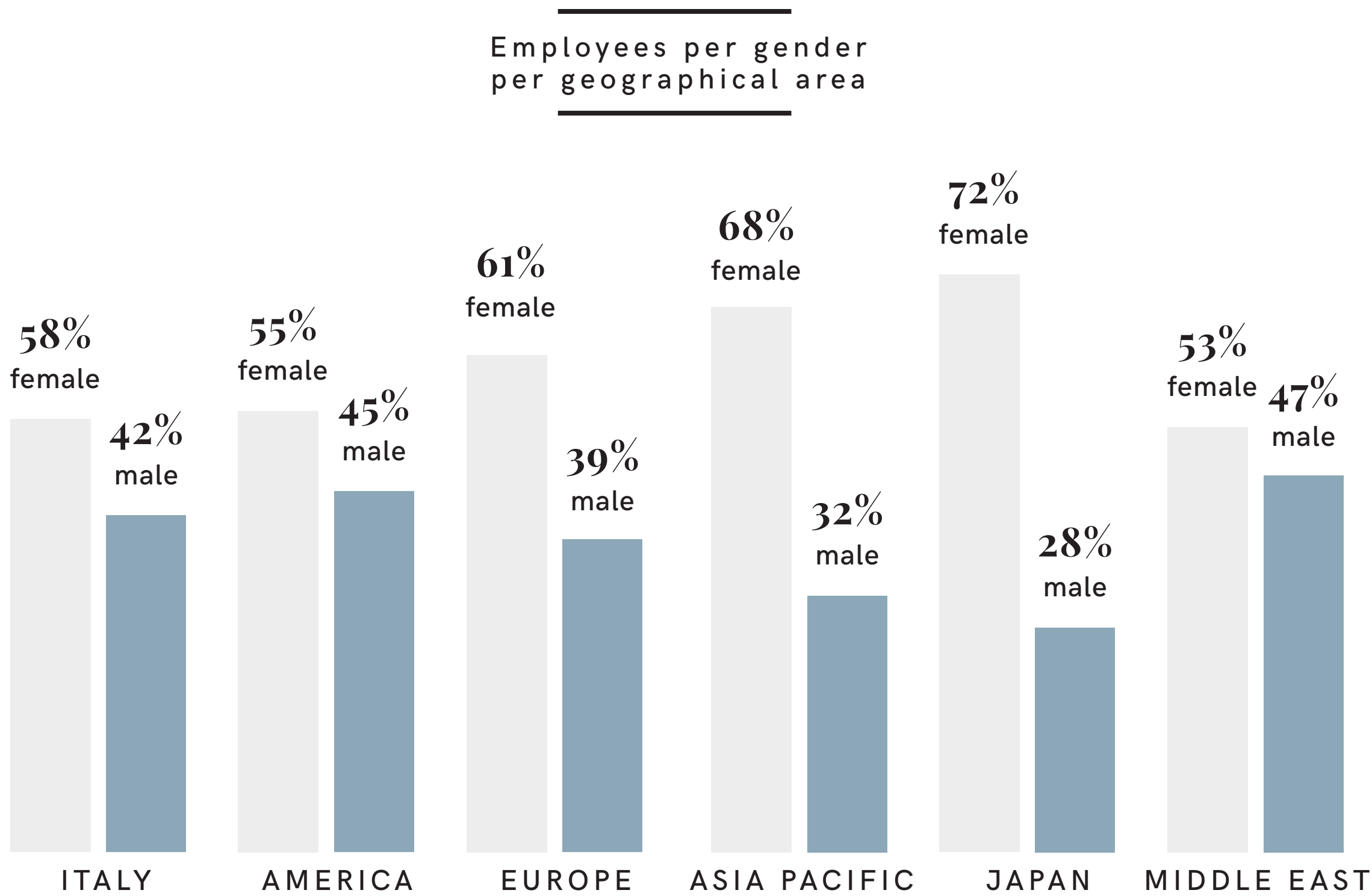
The strong female presence is demonstrated by the ratio between males and females for each job category: women not only represent the majority of Labor (56%) and Staff Workers (65%); they are also the largest component (55%) of Executives and Managers.

year	LABOR		STAFF		EXECUTIVES AND MANAGERS	
	Female	Male	Female	Male	Female	Male
2015	54%	46%	64%	36%	54%	46%
2016	56%	44%	64%	36%	54%	46%
2017	56%	44%	65%	35%	55%	45%

Another distinctive characteristic is the prevalence of females in all divisions

year	INDUSTRIAL		CORPORATE		EXECUTIVES AND MANAGERS	
	Female	Male	Female	Male	Female	Male
2015	65%	35%	64%	36%	64%	36%
2016	59%	41%	54%	46%	64%	36%
2017	59%	41%	55%	45%	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 72% and 68% of employees respectively.



Equal opportunity is also reflected in the compensation and benefit system, based on the enhancement of skills and on merit, which ensures consistent treatment of genders, seniority and positions.

The gender pay gap with respect to men's and women's average salaries is shown below. In line with the data on the female presence by qualification, substantial equality in the remuneration treatment typical of the Prada Group is evident, with a ratio almost always equal to 100% for all types of qualification.

PAY GAP (with the median as 100%)						
year	LABOR		STAFF		EXECUTIVES AND MANAGERS	
	Female	Male	Female	Male	Female	Male
2015	101%	98%	102%	106%	102%	98%
2016	102%	95%	101%	97%	100%	97%
2017	97%	102%	91%	104%	98%	103%



3.4 WORKER SAFETY THROUGHOUT THE SUPPLY CHAIN

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), risks associated with the Group’s operations are limited. Manufacturing facilities present the greatest risk in terms of health and safety, but still to a small degree.

year	INJURY RATE	GRAVITY RATE
	(number of accidents/hours worked)*1,000,000	(days lost for accidents/hours worked)*1,000
2015	11.08	0.19
2016	11.02	0.21
2017	11.34	0.29

\*The data only refers to Italy where there are 18 of the Group’s 21 industrial sites

The indicators highlight the almost total absence of injuries, also thanks to training activities and updated safety measures, especially in the industrial areas. In Italy there were 85 incidents, 62% of which involved females. 40% occurred during commuting and 60% at Company premises (25% due to tripping/slipping). There was one case of occupational disease in Italy in the period.

In order to promote widespread safety awareness, thanks in part to regulatory developments on this matter, the Company uses on-line safety courses with specific IT platforms that are easy and simple to use. In 2017 training was provided to more than 1,632 people in Italy.

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.

Moreover, safety of the manufacturing facilities is the focus of targeted initiatives. Following the tragic earthquake that struck Italy's Emilia Romagna region in 2012, the Prada Group engaged a team of professionals to assess the seismic vulnerability of all its owned production facilities in Italy. Afterward, voluntary improvements to safety standards beyond those prescribed by the Building Code were made to all structures built before seismic laws were in effect. In addition to the work already undertaken, some of which has been completed, in 2017 the seismic improvement were made to the factory in Torgiano, Umbria.

Generally, the industrial investments take into account the need to ensure workers high safety standards and high work environment quality through the upgrading of areas both inside and outside the buildings.

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.

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 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 realized in part by the promotion, dissemination and signing of the Group's Code of Ethics, which is often included within business agreements.

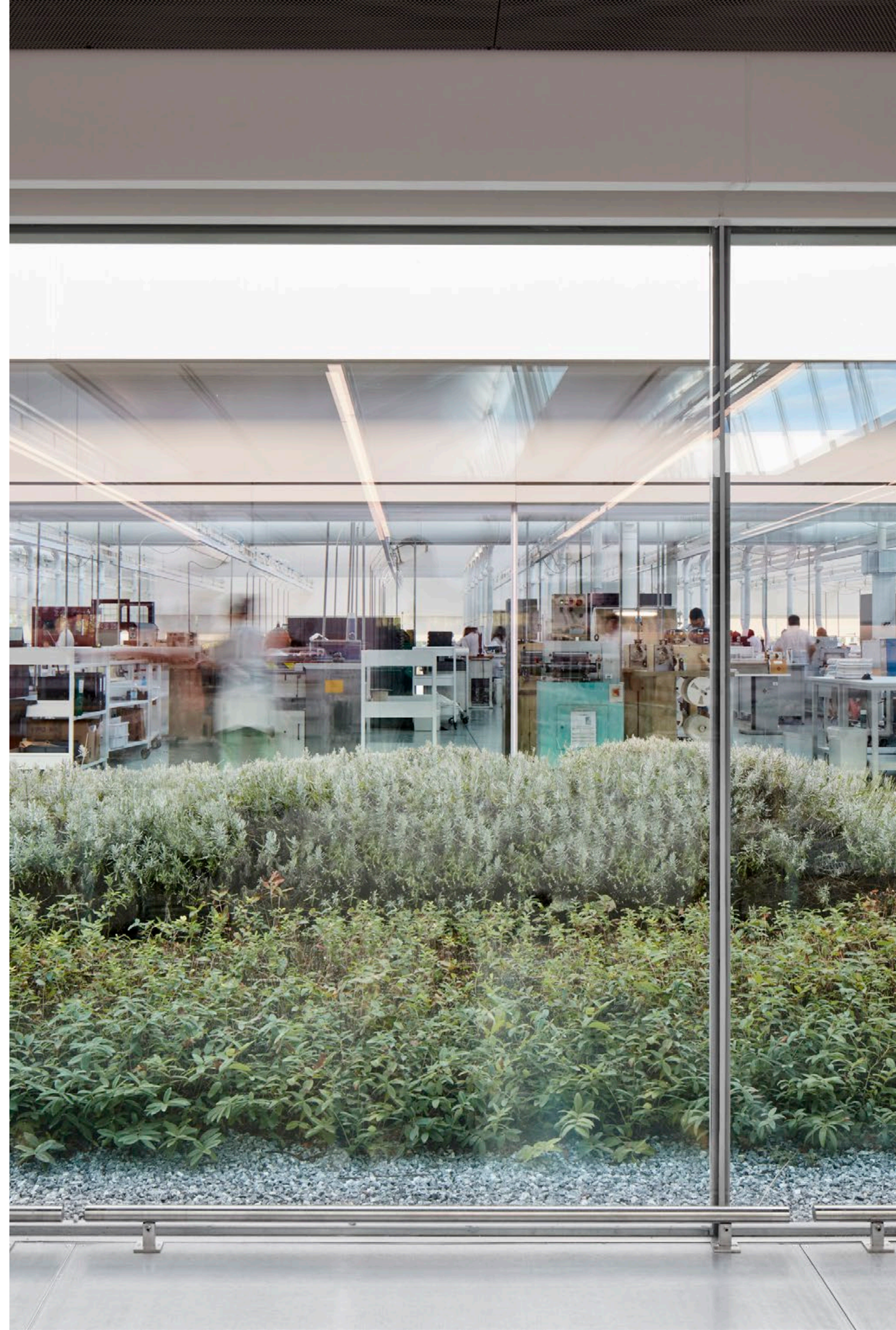
The Code of Ethics sets minimum standards for suppliers regarding:

- employee rights of and working conditions (including number of regular/ overtime/vacation hours, salaries and zero tolerance for child labor and forced labor);



- the safety, health and well-being of employees;
- equal opportunities for employees;
- freedom of association;
- health insurance for employees;
- environmental protection in the sourcing of materials and in manufacturing activities;
- the protection of intellectual property and the fight against counterfeiting.

Factories and external suppliers are required to ensure that any third party that provides them with materials and/or labor for making the products is authorized and complies with the Code of Ethics.









## 4.1 SHAPING A CREATIVE FUTURE



On March 20 and 21, 2017, the “Shaping a Creative Future” conference was held in Milan in front of an audience of over 300 students, professors, professionals, entrepreneurs and journalists. The conference organized by the Prada Group, in collaboration with Yale University School of Management and the Politecnico University of Milan, represented an opportunity to explore new connections possible between creativity, sustainability and innovation.

For the first time, the debate saw the participation of numerous business leaders from different sectors discussing with representatives of institutions and international organizations, lecturers and students, on sustainability issues which today represent one of the most difficult challenges to overcome for companies wanting to achieve growth and success in the medium to long-term.

The conversation focused on four engaging topics:

- “Brand heritage and market value”, i.e. the influence of the history of a brand over its products and the preservation of artisanal skills;
- “Design for sustainability through innovation and tradition”, the marriage of tradition and innovation to achieve sustainable results;
- “Sustainability and value creation”, innovation and sustainability as key factors for the creation of value;
- “Driving creative excellence”, which examines leadership as an inspiring element for creativity and innovation.

The conference was preceded by a dynamic work session, resumed in the discussion of the next day, in which representatives of companies and associations met with the professors and students of the two Universities to develop a critical perspective on sustainability and innovation.

With this conference the Prada Group reaffirmed its commitment to promoting discussion on some of the main issues raised by civil society regarding the search for more sustainable solutions.

## 4.2 FONDAZIONE PRADA

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

Fondazione Prada was created as a platform to conceive and develop art exhibitions along with architecture, cinema and philosophy projects. Since 2011 the Fondazione has also been operating from its venetian venue, Ca’ Corner della Regina, an 18th century palazzo which so far has hosted 5 research shows, an experimental cinema platform and a transmedia exhibition project entitled “The Boat is Leaking. The Captain Lied”, the result of the collaboration between artist Thomas Demand, director and writer Alexander Kluge and stage designer Anna Viebrock.



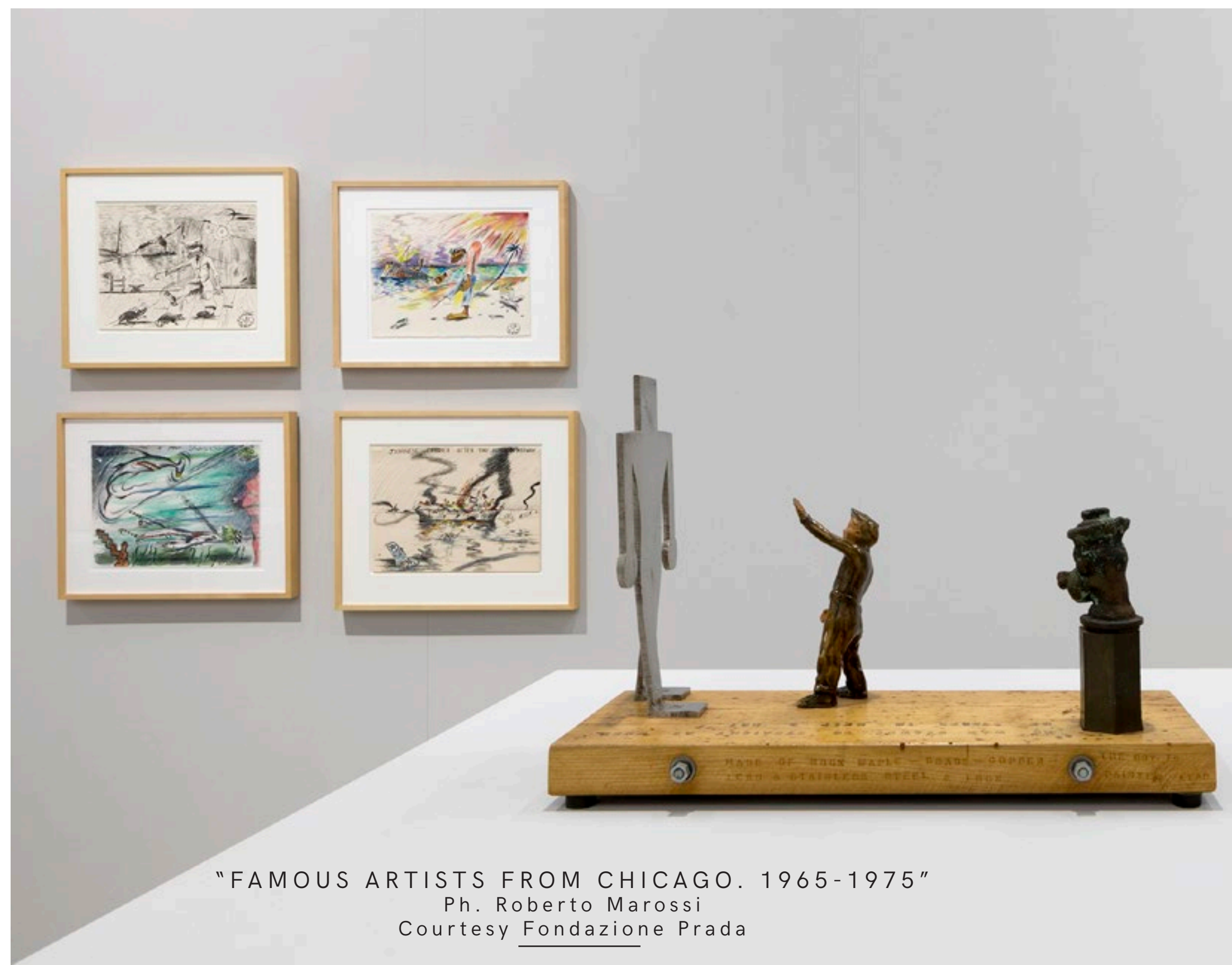


FAMOUS ARTISTS FROM CHICAGO. 1965-1975  
Ph. Roberto Marossi  
Courtesy Fondazione Prada



LEON GOLUB  
Ph. Roberto Marossi  
Courtesy Fondazione Prada





In its permanent headquarters in Milan, opened in 2015 and designed by architecture firm OMA, a series of anthological and retrospective shows was held throughout 2017, along with site-specific installations, film festivals and an experimental virtual reality installation. The second and third chapters of the "Slight Agitation" exhibition was presented, which was conceived by the Fondazione's Thought Council, with installations realized by Pamela Rosenkranz and by the Gelitin group, and a show devoted to the Chicago art scene after WWII, curated by Germano Celant, with sections about Leon Golub, H.C. Westermann and the group known as Chicago Imagists. The Cinema at the Milan venue hosted two film festivals, one about the works of Alexander Kluge, the other devoted to the experimentation carried out by the New American Cinema authors.

The Fondazione developed the "TV 70: Francesco Vezzoli guarda la Rai" exhibition in collaboration with RAI, a project that explored Italian television production during the 1970's, through the eye of artist Francesco Vezzoli.







TV 70: FRANCESCO VEZZOLI GUARDA LA RAI  
Ph. Delfino Sisto Legnani and Marco Cappelletti  
Courtesy Fondazione Prada





The show was accompanied by “Maratone TV 70”, a selection of the most popular TV shows of the time.

Director Alejandro G. Iñárritu realized “CARNE y ARENA (Virtually Present, Physically Invisible)”, a virtual reality installation produced by Legendary Entertainment and Fondazione Prada. Included in the Official Selection at the 70th Cannes Film Festival, this innovative multimedia project, harmonious symbiosis between the artistic talent of the director and advanced tools of technology, received a special Oscar by the Academy of Motion Picture Arts and Sciences in Los Angeles.

Fondazione Prada’s program also included the three Curate Award winning projects (“Extinct in the Wild” by Michael Wang presented in Milan, “Driftwood, or how we surfaced through currents” by Evelyn Simons in Athens and “Mutterzunge” by Adnan Misal in Berlin) and the “The Prada Double Club Miami”, an installation conceived by Carsten Höller as a real night club, opened in Miami for three nights.

Along with its exhibition and cultural activities, Fondazione Prada has continued to promote a new workshop series at the Accademia dei bambini, each conceived by a different “master” from a specific discipline, among whom were artist Mario Airò and calligrapher Chen Li.

The program at the Osservatorio, the exhibition space opened in December 2016 at the Galleria Vittorio Emanuele II and devoted to photography, has continued with solo shows by Japanese artist Satoshi Fujwara and Italian photographer Stefano Graziani.





#### 4.3 PRADA AND ARCHITECTURE: RONG ZHAI RESIDENCE

Demonstrating Miuccia Prada and Patrizio Bertelli's respect and admiration for Chinese cultural heritage, in 2011 Prada initiated the restoration of the Rong Zhai residence, historical building of 1918 in the central district of Shanghai, which was completed in 2017. The Rong Zhai renovation embodies truly global cultural collaboration among Prada, Western architects, scholars and Chinese craftsmen.

**“Architecture has always been a source of inspiration for Prada.**

The analysis of practical, commercial and historic implications of buildings has always had a crucial role in the development of Prada's activity, through a profound commitment to contemporary architectural experimentation projects and rigorous historic preservation.

**Notably, China — the country and how Europeans perceive it — has always been part of the brand's imagery.**

Through the expansion of the various cultural activities of the company and the Fondazione Prada, we have sought opportunities to expand our explorations in architecture and other artistic fields in China.

**This was the principle that led us to Rong Zhai,**

the historic residence capable to properly embody our ongoing commitment to Chinese culture and Sino-European dialogue”

**Miuccia Prada and Patrizio Bertelli**









Declared a cultural landmark in 2004 and included in the list of Shanghai's most important historic buildings in 2005, Rong Zhai was unveiled for the first time with a calendar of events taking place in October 2017, which included an exhibition illustrating the restoration process of the mansion as well as Prada's previous architectural explorations.

This project, as well as the restoration of the Galleria Vittorio Emanuele in Milan and Ca' Corner della Regina in Venice, testifies to the Group's interest in the recovery and requalification of historic buildings.

#### 4.4 OTHER SPECIAL PROJECTS

Miuccia Prada's interest in cinema, as a contemporary form of art, has led to creative collaborations through which numerous short-films. The series, called "The Miu Miu Women's Tales", include fourteen short movies at December 2017, with which internationally renowned female directors with different intellectual backgrounds explored the female universe.

The interaction with the world of cinema has given rise to several other initiatives, including film productions on specific topics with international directors such as Thunder Perfect Mind by Jordan and Ridley Scott in 2006, A Therapy by Roman Polanski in 2012, Castello Cavalcanti by Wes Anderson in 2013 and, most recently, Past Forward by Oscar-winning director David O. Russell in 2016.





MIU MIU WOMEN'S TALE  
CARMEN  
Ph. Brigitte Lacombe  
Courtesy Miu Miu



## 5. AT ONE WITH THE COMMUNITY



### 5.1 ENVIRONMENTAL PROTECTION

Environmental protection is one of the interests of the Prada Group, which feels responsible for engaging in and cultivating virtuous behaviors that contribute to its sustainable growth and are examples of good practice within the entire industry.



The commitment to respect the environment is a key element of the Code of Ethics, applied without distinction both within the organization, by constantly raising staff awareness, and with third parties working with the Group.

The main direct impact of the Group’s business originates from the use of energy for offices, factories, logistics centers and stores in the various parts of the world. The objective is to reach ever higher levels of energy efficiency and continuously pursue new ways to reduce waste.

In terms of compliance towards environment laws and regulations, the Prada Group did not receive significant fines or non-monetary sanctions during the year.

5.1.1 ENERGY CONSUMPTION AND CO<sub>2</sub> EMISSIONS

In 2017<sup>5</sup> the Prada Group reported electricity consumption of 148,108 MWh, down over the three-year period (-3.5%); gas consumption for 2,367,905 m<sup>3</sup>, slightly up compared to 2015 (+3.7%). Diesel and kerosene consumption, mainly used for transportation (owned and leased), amounted to 1,203,669 liters, down compared to 2015 (-14.2%).

Energy Consumption	units	2015	2016	2017**
Gas*	m <sup>3</sup>	2,283,624	2,361,125	2,367,905
Diesel and Kerosene	l	1,403,059	1,230,361	1,203,669
Electricity energy*	KWh	153,502,779	153,049,412	148,107,827

\* Data on electricity and gas consumption are estimated.  
\*\* The data for 2017 are re-proportioned over a period of 12 months in order to make them comparable with previous years

The CO<sub>2</sub> emissions from electricity, natural gas and fuel consumption are reported in the table below: direct emissions (scope 1), i.e. those deriving from the consumption of natural gas and fuel for vehicles owned, amounted to 5,456 tons, slightly up compared to 2015 (+1.4%) above all due to higher gas consumption; indirect energy emissions (scope 2) amounted to 71,240 tons, down compared to 2015 (-3.5%) due to lower electricity consumption; the other indirect emissions (scope 3), relating to the fuel consumption of the leased fleet, amounted to 2,381 tons, down compared to 2015 (-14.9%).

<sup>5</sup> In order to compare the data on energy consumption and emissions over the three-year period, the following are the figures for the 2017 period, re-proportioned over 12 months.

CO <sub>2</sub> emissions	units	2015	2016	2017**
Direct emissions (Scope 1)	ton CO <sub>2</sub>	5,381	5,431	5,456
Buildings	ton CO <sub>2</sub>	4,464	4,616	4,651
Means of transport (owned)	ton CO <sub>2</sub>	917	815	806
Energy - indirect emissions (Scope 2)*	ton CO <sub>2</sub>	73,835	73,617	71,240
Other indirect emissions - Means of transport (leasing) (Scope 3)	ton CO <sub>2</sub>	2,799	2,443	2,381

\* The data on CO<sub>2</sub> emissions deriving from electricity consumption for 2016 and 2015 differ from those published in the Prada Group 2016 Corporate Responsibility Report, following the update of the emission factors (source: terna 2015).  
\*\* The data for 2017 are re-proportioned over a 12-month period in order to make them comparable with previous years.

In the past few years, a long-term plan has been implemented to make energy consumption in both the industrial and retail environment increasingly sustainable through efficiency measures and greater use of renewable energy. The initiatives of the plan include:

- purchasing electricity from traders using certified renewable sources (100%);
- maximization of self-generated energy through the development of projects focused on photovoltaics;
- evaluation of energy efficiency projects in ESCo (Energy Saving Company) partnerships;
- installation of digital multimeters for monitoring and optimization of electricity consumption;
- a strong campaign to definitively and completely light areas with low-consumption LED bulbs;
- gradual replacement of all air conditioners with latest-generation high energy efficiency systems;
- gradual installation of inverters on the electric motors that lack them.

PHOTOVOLTAIC SYSTEM

At December 31, 2017 there were 7 photovoltaic plants in operation, on the coverage of the same number of industrial buildings, for 1.2 MW of total power and, in the eleven-month period, produced energy equal to





1,232.6 MWh, of which 63% was self-consumed and the remaining 37% was fed into the grid. Approximately 86% of the energy was produced by the Scandicci production site and the new Logistics Hub, both located in Tuscany. Furthermore, the expansion of the plant in the Logistics Hub was completed for an additional 880 kWp, and the connection is expected in the first quarter of 2018. The renewable energy investment plan involves the construction of new plants in the coming years.

#### FACTORY HEATING AND AIR CONDITIONING SYSTEMS

In 2017 the plan to replace the cooling and heating systems of industrial and corporate buildings continued through the installation of new machinery that guarantees a reduction in energy consumption. In addition to these investments, during the year corrective actions were taken on the remaining equipment to optimize the hours of operation. Personnel training was carried out focusing on appropriate, rational electricity use.

#### RELAMPING PROJECT

Since 2014 the Group has been pursuing an important project to replace store lighting systems with LED technology ("Relamping" project). The program initially led to the replacement of fluorescent lamps in furnishings and displays, while in a second phase, still in progress, also involves interventions on halogen and metal halide lamps in the ceiling lighting.

Thanks to this initiative, by December 31, 2017 almost all the Group's directly operated stores were using LED lamps in the furnishings and displays, while about a third of them were using LED lamps for all the store lighting.

Approximately 10% direct energy savings were obtained for furnishings and 70% for ceilings. Finally, indirect energy savings result from the reduced heat produced by the lamps, which enables Prada to use less air conditioning in the summer, and from the reduced waste because LED lamps last much longer on average than fluorescent or halogen lamps, and in contrast to the latter do not contain any mercury.



In 2017 the “Relamping” project was extended to the industrial sites in Tuscany and the corporate sites in Milan and the savings achieved in terms of energy consumption were around 55%.

LEED (Leadership in Energy and Environmental Design)

In 2017, the Prada Group achieved LEED Gold certification for 2 Prada stores, in Switzerland and Malaysia. As at December 31, 2017 the Group reached a total of 9 certifications and estimates that it will be able to obtain others in 2018.

ENERGY BOX PROJECT

In 2017 the Group also launched the “Energy Box” project, which is a long-term plan for industrial sites, offices and stores aimed at optimizing energy consumption. The project is based on the installation of multi-meters that allow constant monitoring and the understanding of consumption information through accurate comparisons between periods. The data obtained from these tools can reduce waste, identify discrepancies between actual consumption and consumption in the bill, optimize maintenance and simplify spending forecasts. As at December 31, 2017, there were 112 multi-meters installed in Europe and 114 in Asia Pacific. The Group estimates that in 2018 the installation plan will continue also in America.

5.1.2 WASTE

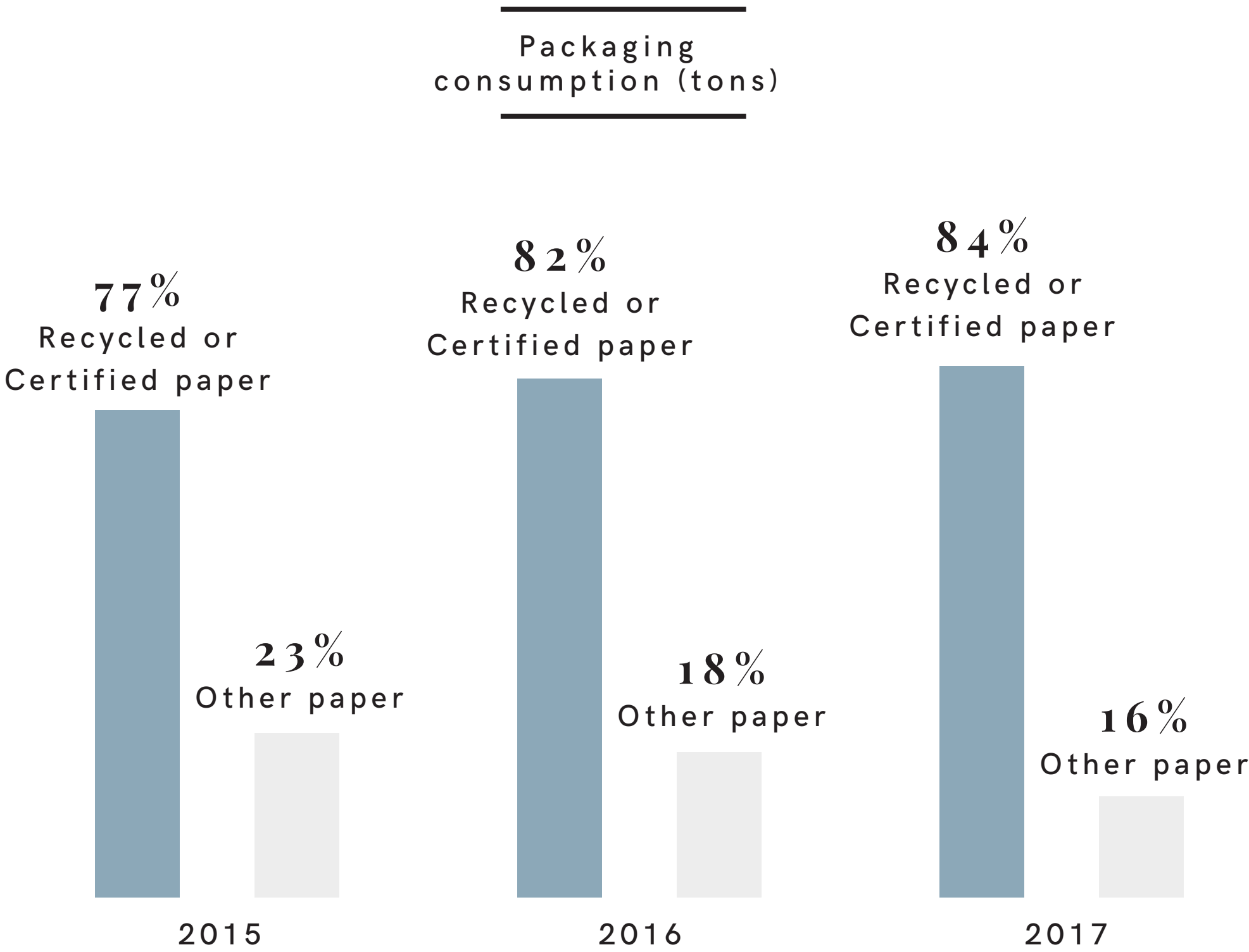
The Group recognizes the importance of responsible natural resource use and waste management.

The Company conducted an analysis of the processes carried out and waste produced in each manufacturing phase of 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 available resources, thereby reducing waste production and increasing waste recycling. Moreover, the new procedures implemented enabled the Prada Group to recycle more paper, plastic, glass and printer cartridges not just at the factories but also at the Group’s offices.

The Prada Group focuses on promoting internal industrial waste collection methods and standards that can ensure their reuse and recycling or disposal in accordance with the best practices.

5.1.3 USE OF RECYCLED AND CERTIFIED PAPER

In the eleven-month period ended at December 31, 2017 the Prada Group used 3,437 tons of material to package products worldwide, while in the twelve-month period ended January 31, 2017 the consumption was 3,460 tons. In the eleven months, 84% of the total packaging consumption was represented by paper certified by the Forest Stewardship Council (FSC) and recycled paper.





## 5.2 PRESERVATION OF THE TERRITORY

Respect for the 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 the industrial development.

With the belief that new construction can impact an area considerably, and that such a decision must be taken only when necessary, the Prada Group prefers to purchase and salvage existing buildings. Indeed, the few newly constructed buildings fit harmoniously into the local areas, without causing disruption.

The Prada Group has more than 200,000 m<sup>2</sup> of production facilities and warehouse space, including more than 181,000 m<sup>2</sup> in Italy. Among these, 4 are new buildings, 3 are renovations of industrial archaeology and many are cases of salvage of degraded sites that had been abandoned for many years. Four of the most important industrial projects were assigned to architect Guido Canali, master in Italy of sustainable architecture.

### 5.2.1 VALORIZATION IN THE INDUSTRIAL DEVELOPMENT

In 2015 a three-year investment plan was implemented to re-qualify and reorganize the Group's manufacturing structure in order to preserve artisanal know-how, support the technical development of production processes and improve the quality of work environments. In 2015 and 2016, numerous renovations were carried out, followed in 2017 by the refurbishment of the factories in Città di Castello, Montone and Arezzo, Italy.

#### EXPANSION OF THE MONTEGRANARO FACTORY IN THE MARCHE REGION, ITALY

The Montegrano project involved the complete renovation of the interior, a total of 3,600 m<sup>2</sup>, and wide-ranging modifications to the outdoor environment, with the installation of a terraced system providing space for maneuvering vehicles and for 75 new car parking spaces. To complete the refurbishment plan, the plant will host a raw materials warehouse, two







service laboratories for finished product quality control, a manufacturing workshop and a staff canteen.

At December 31, 2017 the factory employed 197 employees.

#### TORGIANO (PERUGIA) FACTORY, ITALY

At the Torgiano factory in Perugia, the Prada Group's historic knitwear manufacturing hub, an extensive restructuring and internal reorganization project has been completed including the opening of a new 2000 m<sup>2</sup> building.

The aim of this operation was to bring in a few production lines and activities previously outsourced in order to obtain greater efficiency and quality control for the production process and the finished product. This was achieved by expanding the existing structure through both the acquisition of equipment and machinery and staff hiring.

The project, implemented in steps, was first realized with the opening of the new building, designed with a special focus on work quality, in terms of space, fixtures and lighting, with overhead lighting and floor-to-ceiling windows fitted for this purpose. The second step entailed thorough restoration of the existing building - now connected to the new one - involving the structures, new fixtures, floors and windows.

At December 31, 2017 the factory had 105 employees.

#### NEW LEVANELLA AND BURESTA CANTEENS IN AREZZO, ITALY

Glass walls, gardens, relaxation areas, exquisite finishing touches, furnishings and cutting-edge technology are the key features of the new staff canteens in the Levanella and Buresta industrial sites, both located in the province of Arezzo in Tuscany and designed to offer the highest quality service and best possible use of space.

The Levanella canteen is now able to serve an average of 400 meals per day, and in addition to the catering area it has a newly designed relaxation area



with cafeteria equipment, seating and foosball that is completely separate from the other spaces, and whose purpose is to encourage communication and socialization among colleagues.

The Buresta canteen has undergone refurbishment by Studio Canali that has led to the creation of a garden, used as a relaxation area, green areas and a garden roof.

### 5.2.2 LOGISTICS HUB

The new Levanella logistics hub, located in Tuscany, is part of a major plan to reorganize the warehousing and distribution of finished products. Designed by Guido Canali, it is environmentally friendly, worker friendly, and responsibly integrated into the community thanks to border plantings, artificial dunes, roof gardens, reflecting pools, picture windows and nature paths.

Green areas cover more than 70% of the total surface of this facility. Specifically, 1,030 poplar trees were used to make a 1,200 m pedestrian ring that surrounds the entire area and 35 mulberry trees provide shade to the employee parking lots. Finally, a 1,000 meter-long hedge was created, consisting of shrubs typical of Mediterranean vegetation and which, once finished, will surround all the buildings and shield them from view. As of December 31, 2017 about 360 m has been built.

In terms of energy-efficiency features, the logistics hub is a reference point for the Group's cutting-edge industrial structure since it was built using a solar panel roof (expected to generate some 561 MWh/year), LED lighting, an energy-saving smart home system, low-loss transformers, high-efficiency generators and a geothermal plant. Construction began in 2016 and in the same year the first of the two warehouses was finished; the second will be completed in 2018.









This process identified many key stakeholders in the following categories:



To identify the material aspects that favor the achievement of long-term goals - which for the Prada Group consist of business growth with continuous improvement in product quality and work organization - while satisfying the interests of our stakeholders, Prada gathered perspectives from the various department heads who interact with stakeholders on a daily basis. Together with the materiality analysis (see following paragraph), this helped determine the sustainability issues of relevance both for the Company and its stakeholders.

## MATERIALITY ANALYSIS

For 2017, the Prada Group has drawn up its Social Responsibility Report according to the latest sustainability reporting guidelines of the Global Reporting Initiative (GRI-G4) and following 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 carried out in the last months of 2015: a process of identifying, evaluating and ranking the sustainability aspects that are relevant to our stakeholders and that influence our ability to create value in the short, medium and long-term.

The materiality analysis is a two-phase process that involves:

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 on the basis of their relevance for achieving business goals (internal materiality) and concern to stakeholders (external materiality).

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

- 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 sector-based press review to present the perception of public opinion for each sustainability issue. The analysis was performed so that each issue could also be assessed in terms of its impact outside the Company;
- reviewing internal documents (Annual Report, Code of Ethics, policies and procedures) to understand the business point of view with respect to various sustainability issues;
- analyzing the sustainability issues included in the GRI-G4 guidelines.

Once the sustainability issues were defined, they were ranked for materiality in order to include the most significant ones in this report. This was achieved



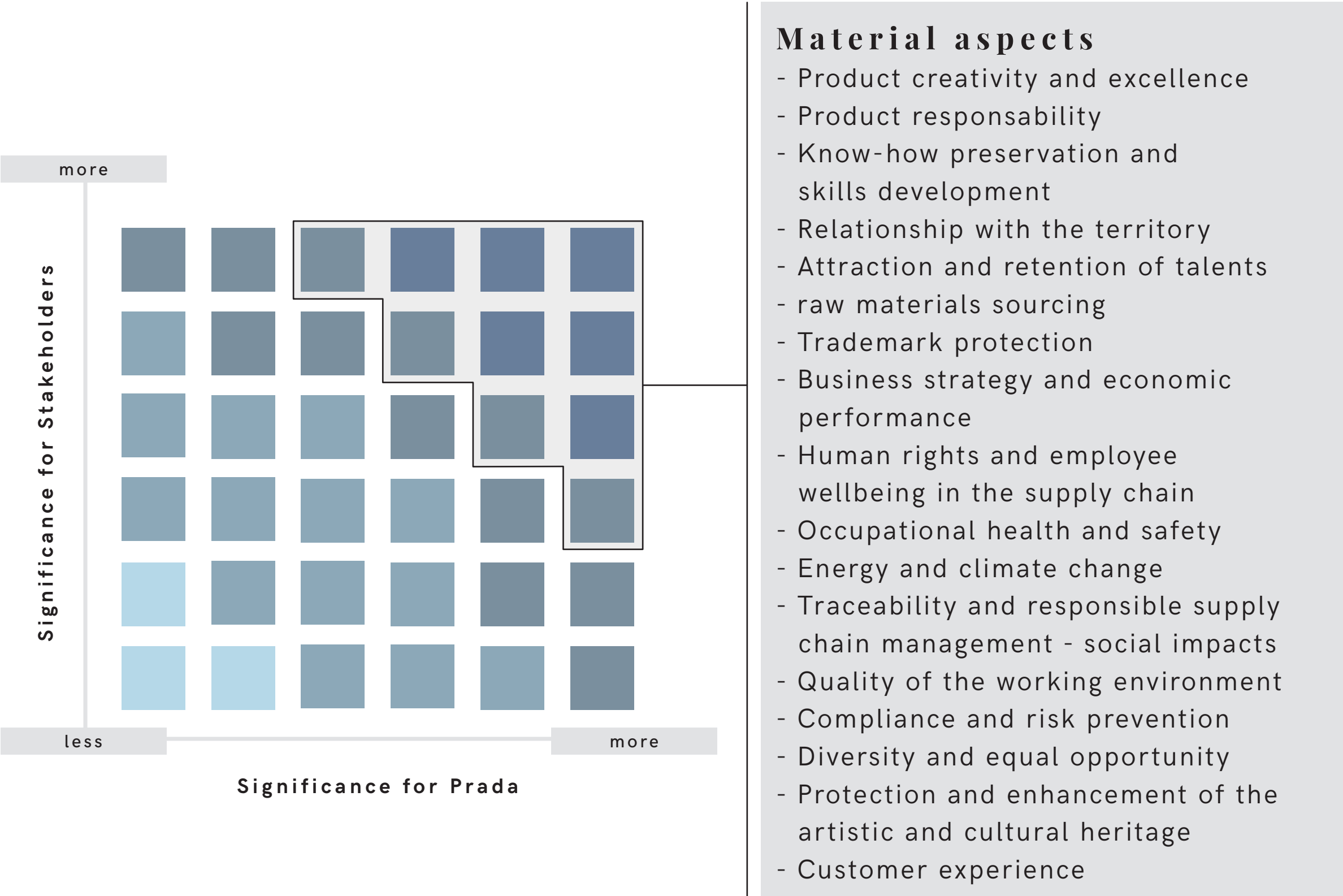
by interviewing key department heads, who assigned priority rankings to the issues according to their significance for Prada and its stakeholders.

In accordance with the GRI-G4 guidelines, 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 input from the department heads was then integrated with other criteria from outside the management team's perspective. In particular:

- internal materiality was also assessed considering the Prada Group’s commitment to the individual issues and their impact on its various forms of “capital”, as defined in the Integrated Report (financial, manufactured, natural, human, intellectual and social and relationship capital);
- in assessing external materiality (significance for stakeholders), the analysis focused on the various aspects relevant to the Prada Group’s specific sector.

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



Of the more notable results:

- 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;
- aspects relating to long-term value creation are among the most significant (business strategy and economic performance, trademark protection), as is the management of human capital (know-how preservation and skill development, quality of the working environment, attraction and retention of talent) and the customer experience;
- aspects associated with the production process and its impact throughout the supply chain are the most important for stakeholders (product responsibility, human rights and employee well-being along the supply chain, occupational health and safety, raw materials sourcing, traceability and responsible supply chain management).

During the meetings that the CSR working group carried out with the various business divisions, the relevant issues highlighted above were also confirmed as such for the 2017 fiscal year to which this report refers. Based on the current coverage of the GRI’s General Standard Disclosures and Specific Standard Disclosures relating to material aspects, we have chosen to implement the GRI-G4 standard using the “In accordance - 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>6</sup>.

The following table sets forth the material aspects defined in the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines (Standard Specific Disclosures): it reports the material aspects for Prada with the related aspect boundaries and any limitations regarding non-extension of the disclosures to outside the organization.

<sup>6</sup> No reference is made to General Disclosure A3 (Environment and Natural Resources) and to Comply or Explain provisions A2.2 and A2.4 (related to the management of water resources) 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 - G4 materiality assessment. On the contrary, for information completeness, the General Disclosure B7 (Anti-corruption) is treated in the paragraph “Compliance and risk management”, although the aspects related to corruption are not material for the Group.



GRI - G4 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	-	-	-
Materials	Group	-	-	-
Emissions	Group	Independent clients (*) and Suppliers	-	Not extended to Independent clients (*) and Suppliers
Energy	Group	Independent clients (*) and Suppliers	-	Not extended to Independent clients (*) and Suppliers
Environmental compliance	Group	-	-	-
Employment	Group	-	-	-
Diversity and equal opportunity	Group	-	-	-
Equal remuneration for women and men	Group	-	-	-
Training and education	Group	Industrial Suppliers	-	Not extended to Industrial Suppliers
Occupational health and safety	Group	Independent clients (*) and Suppliers	-	Not extended to Independent clients (*) and Suppliers
Supplier assessment for labor practices	Group	-	-	-
Supplier human rights assessment	Group	-	-	-
Non - discrimination	-	Industrial Suppliers	-	Not extended to Industrial Suppliers
Freedom of association and collective bargaining	-	Industrial Suppliers	-	Not extended to Industrial Suppliers
Child labor	-	Industrial Suppliers	-	Not extended to Industrial Suppliers
Forced or compulsory labor	-	Industrial Suppliers	-	Not extended to Industrial Suppliers
Compliance - product responsibility	Group	-	-	-
Product and service labelling	Group	-	-	-
Customer health and safety	Group	-	-	-
Compliance - society	Group	-	-	-

(\*) Independent clients mean Department stores, multi-brand stores and Franchisees

## 6.2 THE REPORTING PROCESS

### SCOPE

This document is the Prada Group’s fifth - third according to the GRI - G4 principles - Social Responsibility Report and provides a description of the main initiatives undertaken in fiscal year 2017, i.e. from February 1, 2017, to December 31, 2017, and the performance trends for the three-year period 2015-2017 where available; particularly significant initiatives and events of fiscal year 2018 already known at the reporting date are also included.

During the year, the Shareholders’ Meeting of Prada spa approved the change of the end of the annual reporting period from January 31 to December 31 of each year, thus realigning the fiscal year to the calendar year. Therefore, it should be noted that the reporting period for 2017 consists of eleven months and not twelve as for 2016 and 2015. For this reason, for some performance indicators it was not possible to return a correct interpretation of the three-year trend.

The performance indicators were collected on an annual basis for 2015 and 2016 years, while for 2017 the reporting is for eleven months (February 2017 - December 2017), if not differently indicated in the text; the reporting cycle is set according to an annual frequency. The reporting boundary is the same as the information reported in the 2017 Annual Report, or Prada spa and its subsidiaries, with the exception of some data expressly indicated in the text.

Prada spa, together with its subsidiaries collectively the “Prada Group”, is a joint-stock company incorporated and domiciled in Italy with headquarters in Via Antonio Fogazzaro 28, 20135 Milan, whose share capital is 80%-owned by Prada Holding spa, 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

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 prospective 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.

## **CALCULATION METHODOLOGY**

The Prada Group involved all corporate functions and engaged Ernst & Young Italy's Climate Change and Sustainability Service team to determine the contents of the sustainability report.

With respect to the calculation methodology:

- the injury rate is the ratio between the total number of hours lost due to injuries and the total number of working hours;
- where environmental data was unavailable, conservative estimates were used that resulted in choosing assumptions associated with the least positive environmental performance for the Company;
- greenhouse gas emissions were calculated using the following emission factors:
  - emissions scope 1: emission factors taken from the list of Italian standard parameters published by the Ministry of Environment and Protection of Land and Sea;
  - emissions scope 2: emission factors taken from the Terna International Comparison on 2015 Enerdata data;
  - emissions scope 3: emission factor taken from the list of Italian standard parameters published by the Ministry of Environment and Protection of Land and Sea.

Finally, carbon dioxide is the only greenhouse gas considered.

The 2015 and 2016 data may differ slightly from the data published in the 2015/2016 Social Responsibility Reports due to the aggregation of data that

became available after such Reports were published. For the same reason, the 2017 data reflects the best possible estimate using the data available when the 2017 Social Responsibility Report was published.



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





INDICATOR	References to HKEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
GENERAL STANDARD DISCLOSURE				
Strategy and analysis				
G4-1		Statement from the most senior decision-maker about the relevance of sustainability to the organization and the organization's strategy	Pag. 3	
Organizational profile				
G4-3		Name of organization	Pag. 69	
G4-4		Primary brands, products and/or services	Pag. 4; 9-12; 24-31	
G4-5		Location of the organization's headquarters	Pag. 69	
G4-6		Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the Social Responsibility Report	Pag. 4; 19-21	
G4-7		Nature of ownership and legal form	Pag. 69	
G4-8		Markets served	Pag. 4; 9-12	
G4-9		Scale of the organization	Pag. 9; 12-14; 19; 34-38	
G4-10	KPI B1.1	Total number of employees by employment contract, employment type, region and gender	Pag. 39-42	
G4-11		Percentage of total employees covered by collective bargaining agreements	Pag. 42-44	
G4-12	KPI B5.1	Describe the organization's supply chain (number of suppliers, volumes and sourcing markets)	Pag. 9-12; 19-22	
G4-13		Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	Pag. 9; 12-14; 69	
G4-14		Explanation of whether and how the precautionary approach or principle is addressed by the organization	Pag. 17-18; 70	
G4-15		Externally developed economic, social and environmental codes of conduct, principles and charters to which the organization subscribes or which it endorses	Pag. 14; 22-23	
G4-16		Memberships of national and/or international trade associations	The Group's main partnerships are with: Assonime, Camera Nazionale della Moda Italiana, Assolombarda and Confindustria Toscana	
Identified material aspects and boundaries				
G4-17		List of all entities included in the consolidated financial statements and those not covered by the Social Responsibility Report	Pag. 69	

INDICATOR	References to HKEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
G4-18		Explanation of the process for defining the report content and how the organization has implemented the related reporting principles	Pag. 66-69	
G4-19		List of all the material aspects identified	Pag. 69	
G4-20		Aspect boundary within the organization for each material aspect	Pag. 69	
G4-21		Aspect boundary outside the organization for each material aspect	Pag. 69	
G4-22		Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Pag. 69	
G4-23		Significant changes in the scope and aspect boundaries	Pag. 69	
Stakeholder engagement				
G4-24		List of stakeholders groups engaged by the organization	Pag. 66-67	
G4-25		Basis for identification and selection of stakeholders with whom to engage	Pag. 66-67	
G4-26		Approach to stakeholders engagement	Pag. 66-67	
G4-27		Key topics and concerns that have been raised through stakeholders engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Pag. 66-69	
Report profile				
G4-28		Reporting period for information provided	Pag. 69	
G4-29		Date of most recent previous Social Responsibility Report	Pag. 69	
G4-30		Reporting cycle	Pag. 69	
G4-31		Contact points and useful information for questions regarding the Social Responsibility Report and its contents	Pag. 74	
G4-32		Choice of "in accordance" option and GRI Content Index for the chosen option	Pag. 68	
G4-33		Policy and current practice with regard to seeking external assurance for the report	This document is not submitted to external assurance.	
Governance				
G4-34		Governance structure of the organization, including committees of the highest governance body Committees responsible for decision-making on economic, environmental and social impacts	Pag. 15-17	
Ethics and integrity				
G4-56		Internally developed mission, values, codes of conduct, significant principles for the economic, environmental and social performance, and progress of their implementation	Pag. 14; 22-23	



MATERIAL ASPECTS

INDICATOR	References to HKEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
SPECIFIC STANDARD DISCLOSURES				
ECONOMIC PERFORMANCE INDICATORS				
ECONOMIC PERFORMANCE				
G4-DMA	G.D. B8	Disclosures on Management Approach	Pag. 12-14; 50-57	
G4-EC1	KPI B8.2	Direct economic value generated and distributed	Pag. 13-14	
PROCUREMENT PRACTICES				
G4-DMA		Disclosures on Management Approach	Pag. 20-22	
G4-EC9	KPI B5.1	Percentage of the procurement budget used for significant locations of operation spent on suppliers local to that operation	Pag. 21	
ENVIRONMETAL PERFORMANCE INDICATORS				
RAW MATERIALS				
G4-DMA	G.D. A2	Disclosures on Management Approach	Pag. 20-21; 62	
G4- EN1	KPI A2.5	Total weight or volume of raw materials used	Pag. 21; 62	
ENERGY				
G4-DMA	G.D. A2	Disclosures on Management Approach	Pag. 59-65	
G4-EN3	KPI A2.1	Energy consumption within the organization	Pag. 60	
G4-EN6	KPI A2.3	Reduction of energy consumption	Pag. 60-65	
EMISSIONS				
G4-DMA	G.D. A1	Disclosures on Management Approach	Pag. 59-65	
G4-EN15	KPI A1.1 KPI A1.2	Direct greenhouse gas emissions (scope 1)	Pag. 60	
G4-EN16	KPI A1.1 KPI A1.2	Energy indirect greenhouse gas emissions (scope 2)	Pag. 60	
G4-EN17	KPI A1.1 KPI A1.2	Other indirect greenhouse gas emissions (scope 3)	Pag. 60	
COMPLIANCE				
G4-DMA	G.D. A1	Disclosure on Management Approach	Pag. 59-60	
G4- EN29	G.D. A1	Cases of non-compliance with environmental laws and regulations	Pag. 60	
SOCIAL PERFORMANCE INDICATORS				
LABOR PRACTICES				
EMPLOYMENT				
G4-DMA	G.D. B1	Disclosures on Management Approach	Pag. 39-45	
G4-LA2	G.D. B1	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Pag. 42	

INDICATOR	References to HKEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
OCCUPATIONAL HEATH AND SAFETY				
G4-DMA	G.D. B2 KPI B2.3	Disclosures on Management Approach	Pag. 47-48	
G4-LA5	KPI B2.3	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Pag. 47	
G4-LA6	KPI B2.1 KPI B2.2	Rate of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities, by region and by gender	Pag. 47	
TRAINING AND EDUCATION				
G4-DMA	G.D. B3	Disclosures on Management Approach	Pag. 33-34	
G4-LA9	KPI B3.1 KPI B3.2	Average hours of training per year per employee, by employee category and by gender	Pag. 34	At the moment the information on the average number of training hours by category is not available. Prada is committed to collect the information for the future.
DIVERSITY AND EQUAL OPPORTUNITY				
G4-DMA	G.D. B1	Disclosures on Management Approach	Pag. 16-17; 40-42; 46	
G4-LA12	KPI B1.1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Pag. 16-17; 41-42; 46	
EQUAL REMUNERATION FOR WOMEN AND MEN				
G4-DMA	G.D. B1	Disclosures on Management Approach	Pag. 46	
G4-LA13		Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Pag. 46	
SUPPLIER ASSESSMENT FOR LABOR PRACTICES				
G4-DMA	G.D. B5 KPI B5.2	Disclosures on Management Approach	Pag. 14; 22; 47-48	
G4-LA15	KPI B5.2	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Pag. 22	In 2017, after the review of the qualified vendor list procedure according to criteria that include labor practices, the Prada Group has begun its gradual application to its own supply chain. At the date of this document, the information collected is yet not complete, therefore the indicator is partially covered
HUMAN RIGHTS				
NON-DISCRIMINATION				
G4-DMA		Disclosures on Management Approach	Pag. 14; 22; 47-48	
G4-HR3		Total number of incidents of discrimination and corrective actions taken		At this time the information needed to cover the indicator (aspect boundary outside the organization) is unavailable



INDICATOR	References to HKEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
FREEDOM OF ASSOCIATION				
G4-DMA		Disclosures on Management Approach	Pag. 14; 22; 47-48	
G4-HR4		Operations and main suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights		At this time the information needed to cover the indicator (aspect boundary outside the organization) is unavailable
CHILD LABOR				
G4-DMA	G.D. B4 KPI B4.1 KPI B4.2	Disclosures on Management Approach	Pag. 14; 22; 47-48	
G4-HR5	KPI B4.1 KPI B4.2	Operations and main suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Pag. 22	In 2017, after the review of the qualified vendor list procedure according to criteria that include labor practices, the Prada Group has begun its gradual application to its own supply chain. At the date of this document, the information collected is yet not complete, therefore the indicator is partially covered
FORCED OR COMPULSORY LABOR				
G4-DMA	G.D. B4 KPI B4.1 KPI B4.2	Disclosures on Management Approach	Pag. 14; 22; 47-48	
G4-HR6	KPI B4.1 KPI B4.2	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to their elimination	Pag. 22	In 2017, after the review of the qualified vendor list procedure according to criteria that include labor practices, the Prada Group has begun its gradual application to its own supply chain. At the date of this document, the information collected is yet not complete, therefore the indicator is partially covered
SUPPLIER HUMAN RIGHTS ASSESSMENT				
G4-DMA	G.D. B5 KPI B5.2	Disclosures on Management Approach	Pag. 14; 22; 47-48	
G4- HR11	KPI B5.2	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Pag. 22	In 2017, after the review of the qualified vendor list procedure according to criteria that include labor practices, the Prada Group has begun its gradual application to its own supply chain. At the date of this document, the information collected is yet not complete, therefore the indicator is partially covered
SOCIETY				
COMPLIANCE				
G4-DMA		Disclosures on Management Approach	Pag. 17-18	
G4 - SO8	G.D. B1 G.D. B2 G.D. B4 G.D. B7	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Pag. 18	

INDICATOR	References to HKEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
PRODUCT RESPONSIBILITY				
CONSUMER HEALTH AND SAFETY				
G4-DMA	G.D. B6	Disclosures on Management Approach	Pag. 22-23	
G4-PR2	G.D. B6	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Pag. 23	
PRODUCT AND SERVICE LABELING				
G4-DMA	G.D. B6	Disclosures on Management Approach	Pag. 23	
G4-PR4	G.D. B6	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Pag. 23	
COMPLIANCE				
G4-DMA		Disclosures on Management Approach	Pag. 23	
G4-PR9	G.D. B6	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Pag. 23	

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