



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

2018 SOCIAL RESPONSIBILITY REPORT



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LETTER TO THE STAKEHOLDERS

Sustainability is a wide-ranging subject that covers environmental and socioeconomic issues, ethics and justice, as acknowledged by the United Nations with its setting of "17 Sustainable Development Goals".

All aspects are essential for the harmonious development of society: every business is first and foremost a member of the society in which it operates, and must seek balance and coherence within that society to embark on a common journey of development.

Each business needs to concentrate on the areas where it can give the greatest possible contribution based on its competencies.

Prada Group has a strong sense of corporate responsibility for three sustainability pillars: people, environment and culture.

In pursuit of value creation while striking a balance between business objectives and societal demands, in 2018 Prada kept up the typical aspects of its sustainability process, such as support for Fondazione Prada's cultural initiatives and the commitment to high-quality workplace relationships, and it opened up to new areas of interest, such as medical and scientific research.

Investments continued to be made in the energy efficiency program, and new environmental projects were set in motion whose impact in terms of reduced resource consumption will be evident in the next few years.

Prada S.p.A.'s Board of Directors has recently passed a resolution to adopt a Sustainability Policy that underlines and promotes, both internally and within its sphere of influence, the most important ethical values and priorities for action within the scope of corporate social responsibility.

Carlo Mazzi
Chairman of Prada S.p.A.
Milan, March 15, 2019



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, 2018, the Group's products were sold in 70 countries worldwide through 634 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.

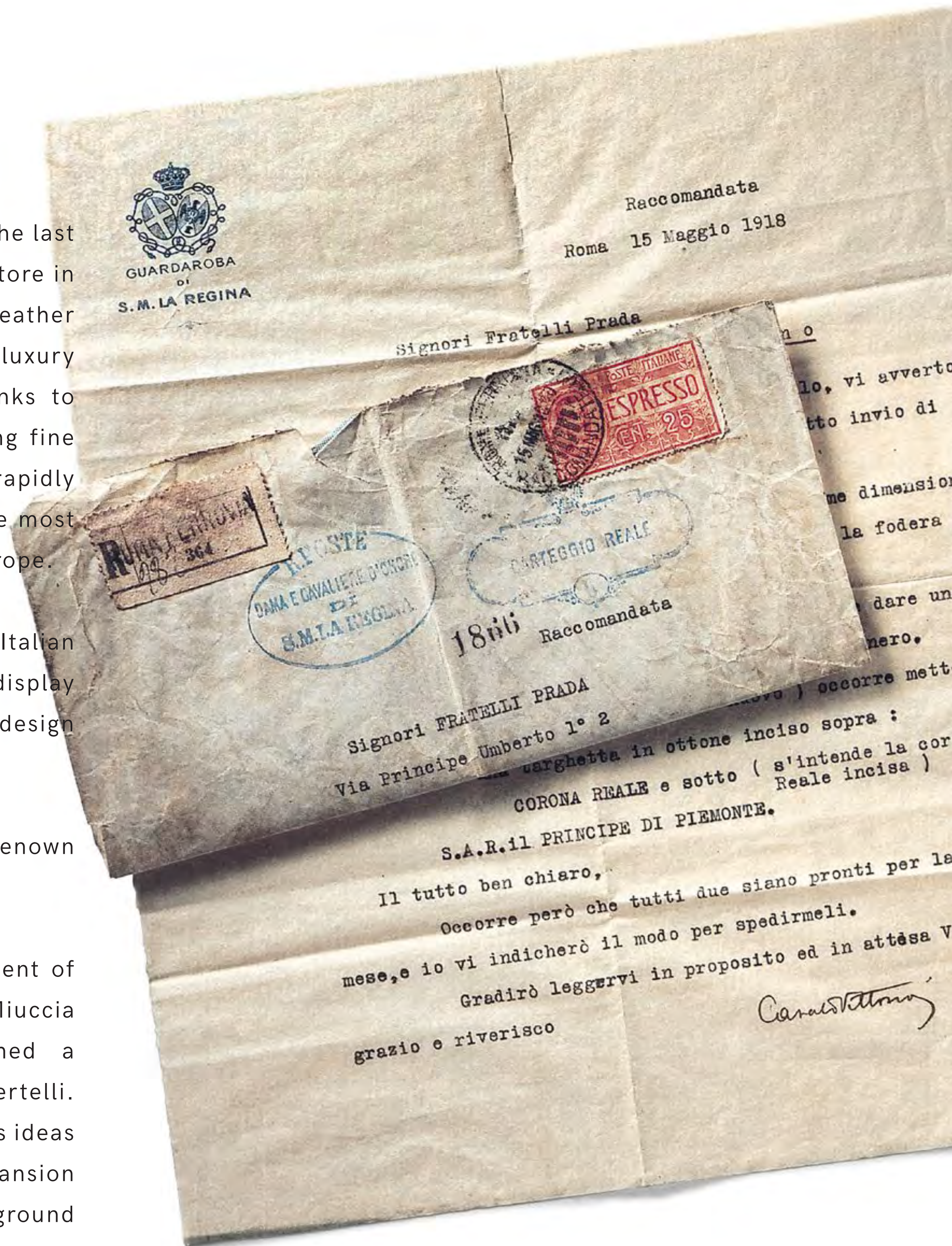
In **1919**, Prada became an official supplier to the Italian Royal Family. Since then, Prada has been able to display the House of Savoy coat of arms and knotted rope design on its trademark logo.

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.

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.

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, a 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 a new leather production site and to the renovation of five factories between Tuscany and Umbria, in Italy. The first construction phase of the new logistics hub for finished products was completed in Tuscany.

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

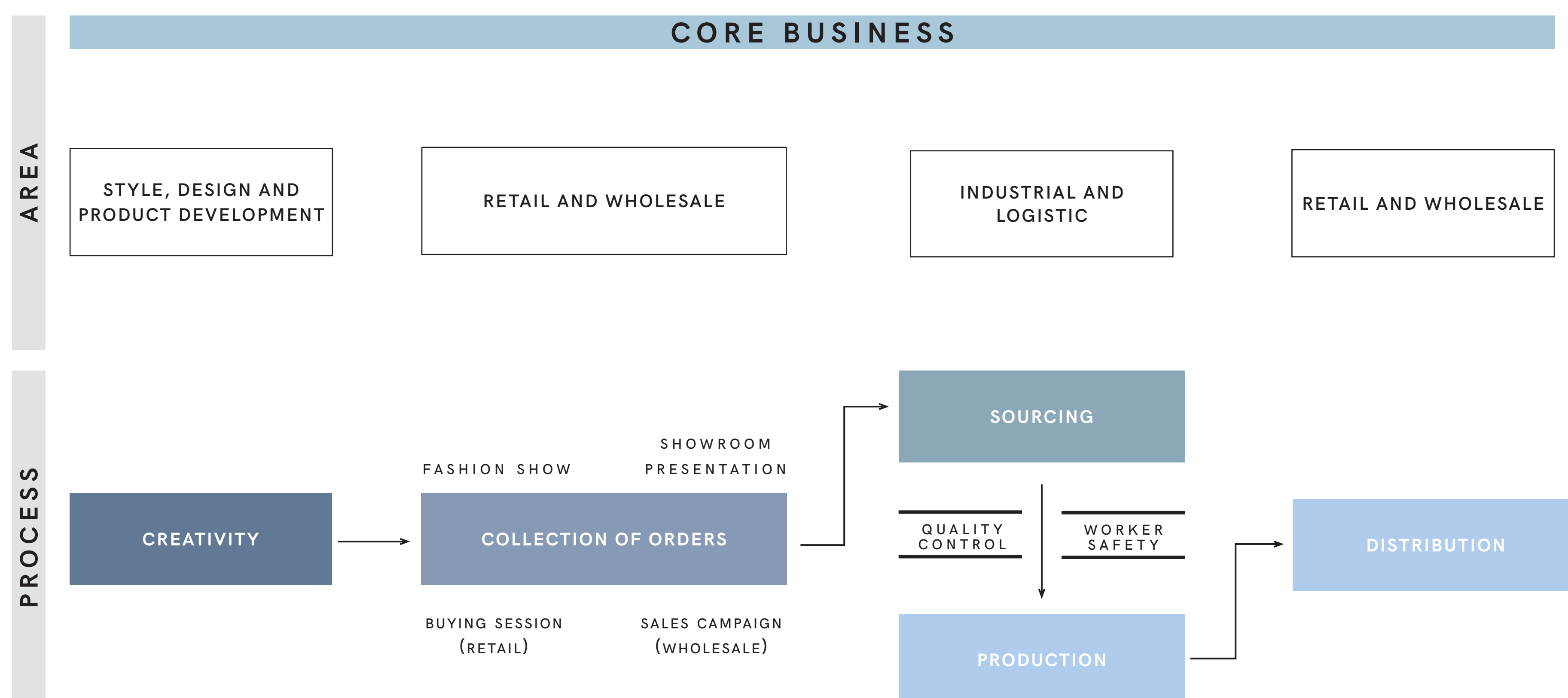
In **2018**, besides the usual Milan and Paris fashion shows, the Group launched two major events for the presentation of pre-collections: Miu Miu Croisière at the Hotel Regina in Paris and the Prada Resort at the Piano Factory, where the Group's offices are located in

Manhattan; the latter was also broadcast live on Times Square's big screens.

The same year, Prada officially started its adventure as Title and Presenting Sponsor of the 36th edition of the America's Cup, as well as Main Sponsor of the sailing team of Luna Rossa, Challenger of Records of the prestigious competition.

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

1.2 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, also placing particular emphasis on the continuous development of know-how and the protection of ethical values along the entire supply chain.

1.2.1 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.

1.2.2 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.

1.2.3 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.

1.2.4 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 and economical, as well as ethical reliability. The Prada Group has always valued long-term relationships built on everyday interaction: these partnerships are crucial not only for the mutual growth and improvement but also for sharing a single, strategic objective hinging on quality, excellence and the creation of value over the medium to long-term.

1.2.5 PRODUCTION

The Prada Group's products are manufactured in the 22 directly owned production sites (19 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 to external manufacturers during all production phases.

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 and integration strategy, in 2018 the new Clothing Quality Control Center has opened within the Levanella Logistics Hub and the new Embroidery Workshop at the historic Terranuova Bracciolini plant, both near Arezzo in Tuscany (Italy). These new production departments are part of a broader industrial development project aimed at the progressive internalization of the most delicate production phases in order to improve efficiency and control over consumptions, while also preserving the quality and excellence typical of Prada products. 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.

1.2.6 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 comply with applicable laws. The Committee's objective is compliance with all current legislation, and the development of standards and procedures that are often more stringent than those required by law. The ultimate goal is to be proactive with respect to the entire system, made up of consumers, manufacturers and the outside environment as a whole.

1.2.7 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 634 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. 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 on-line retailers ("e-tailers").

1.3 DIGITAL TRANSFORMATION

In recent years the Prada Group has stepped up its digital transformation process, as it is considered essential for its growth. Digital investments, prioritized with significant resources by the Directors, enable Prada to be advanced on technological fronts while being fair to its manufacturing tradition of preserving the essential manual elements of fine craftsmanship.

The omnichannel is the most evident context of digital investments, especially to external stakeholders.

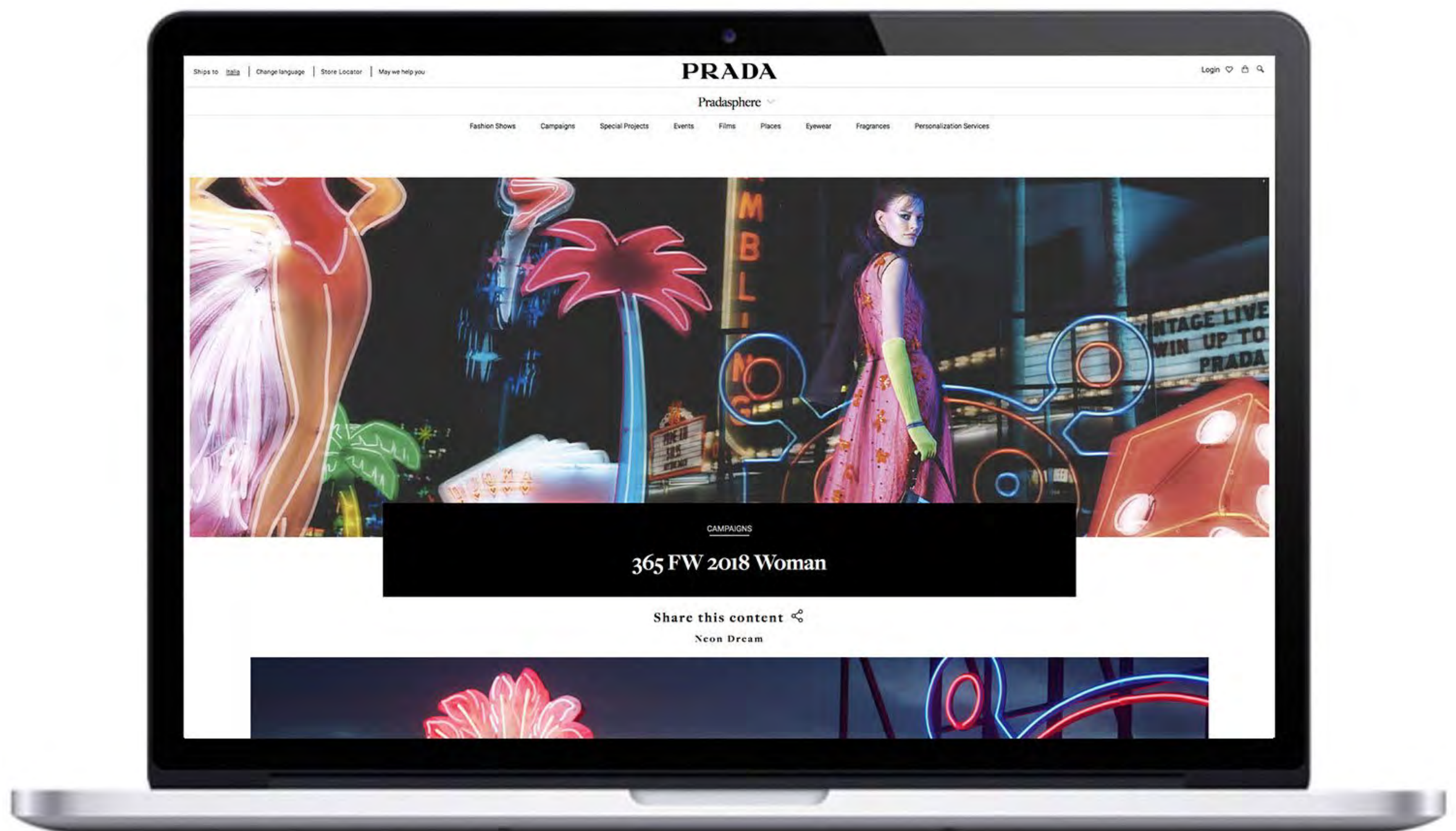
Various projects were completed during the year to focus the Prada Group's digital strategy on the inclinations of the new generations and characteristics of different markets, and to offer customers a full digital vision consistent with the brand identities.

Since the websites are crucial customer touchpoints, they have top priority in this development plan. During the year the prada.com website was expanded in terms of territory reached and functions to provide for new shopping experiences, such as pre-ordering, capsule



collections and pre-launches. Near the end of the year the new miumiu.com website was unveiled, whose new graphics allow for a better user experience, with customization services and the possibility to make appointments at stores, providing a more integrated customer journey. A new Church's website was also introduced within the scope of a plan to expand the brand on the basis of traditional retail and wholesale channels.

Management is confident that the rapid acquisition of important internal digital skills will speed up the Group's responsiveness and increasingly harmonize physical retail, digital retail and communications.



Investments in IT technology involved areas less visible to customers, but nonetheless key to ensuring sustainable growth for the Prada Group.

For example, one of the most popular training platforms in the world was implemented in the human resources area during the year, and numerous projects intended to facilitate the interaction and transparency between employee and employer were finalized.

Also institutional compliance was significantly considered in the business agenda in relation to dematerialization and continuous improvement of processes in order to keep the Prada Group's compliance standards up to date with international best practices.

Resources were allocated to the implementation of an effective data strategy, with the purchase of business analytics tools to identify and process the Group's information assets, and to cyber security for more

extensive detection of cyberattacks and handling abnormal behaviors.

The technology development plan will soon introduce new and important technologies to other phases of the value chain.

These investments will be aimed at optimizing manufacturing and logistics processes and creating the basis for further progress in the use of digital solutions in terms of traceability.

1.4 2018 HIGHLIGHTS

€3.1 Billion* 2018 Revenues	13,556 Employees at December 31, 2018	62% Women at December 31, 2018	634 DOS at December 31, 2018
€2,901 Milion* Economic value distributed to stakeholders in 2018	€284 Milion Investments in 2018	22 Industrial sites at December 31, 2018	€26 Milion* Investments in the community in 2018

* Economic value distributed to stakeholders in compliance with GRI Standards 201 - 1 (reference on page 13)

In 2018 the Prada Group’s sales performance turned around, showing revenue growth that had been absent for some years. The results, which reflect a plan to increase revenues and profitability in the medium term, are reassuring to management with respect to the effectiveness of the omnichannel strategy and of the investments made in recent years.

Changes to the organizational structure, especially at operational level, and large steps forward in the digitalization process have made the Prada Group more dynamic and able to interpret more rapidly the spirit of the times. While these changes have involved the entire Company, the design team has focused its creative talent on the development of products that are particularly popular with the new generations, such as sneakers, backpacks and special editions. The collections have therefore benefited from a product mix better targeted to the tastes of such market segment, while maintaining the brand identities and essential brand codes. Nylon was renewed as a major component of the 2018 Spring/Summer collection and of the 2018 Fall/Winter Linea Rossa collection, and was at the center of an important communications campaign.

Handbags, which have enjoyed the continued success of iconic models launched in recent collections, contributed significantly to the annual sales growth.

The strategic decision to go for a product range increasingly geared toward preserving the exclusivity of the brand entailed revising the promotional sales policies to achieve more effective product positioning. In terms of volume, discounted sales fell in 2018 while full-price sales rose. However, the positive contribution of this dynamic is not evident in the operating margin as it was eliminated by the impact of very unfavorable exchange rates compared with those of the prior period.

The Fondazione Prada and Luna Rossa sponsorships have promoted the Prada brand on the international scene and have enhanced its value through its association with the prestigious cultural center and the oldest surviving sports competition.

Special displays at directly operated stores and pop-up shops at prestigious department stores were used to market new collections and celebrate re-releases of iconic products in uniquely designed and conceptualized settings. Meanwhile, the constant research of store concepts led to additional restyling projects. Along with investments in the websites and social media, these activities have further enriched the customer journey and are forging closer integration of physical retail, digital retail and communications.

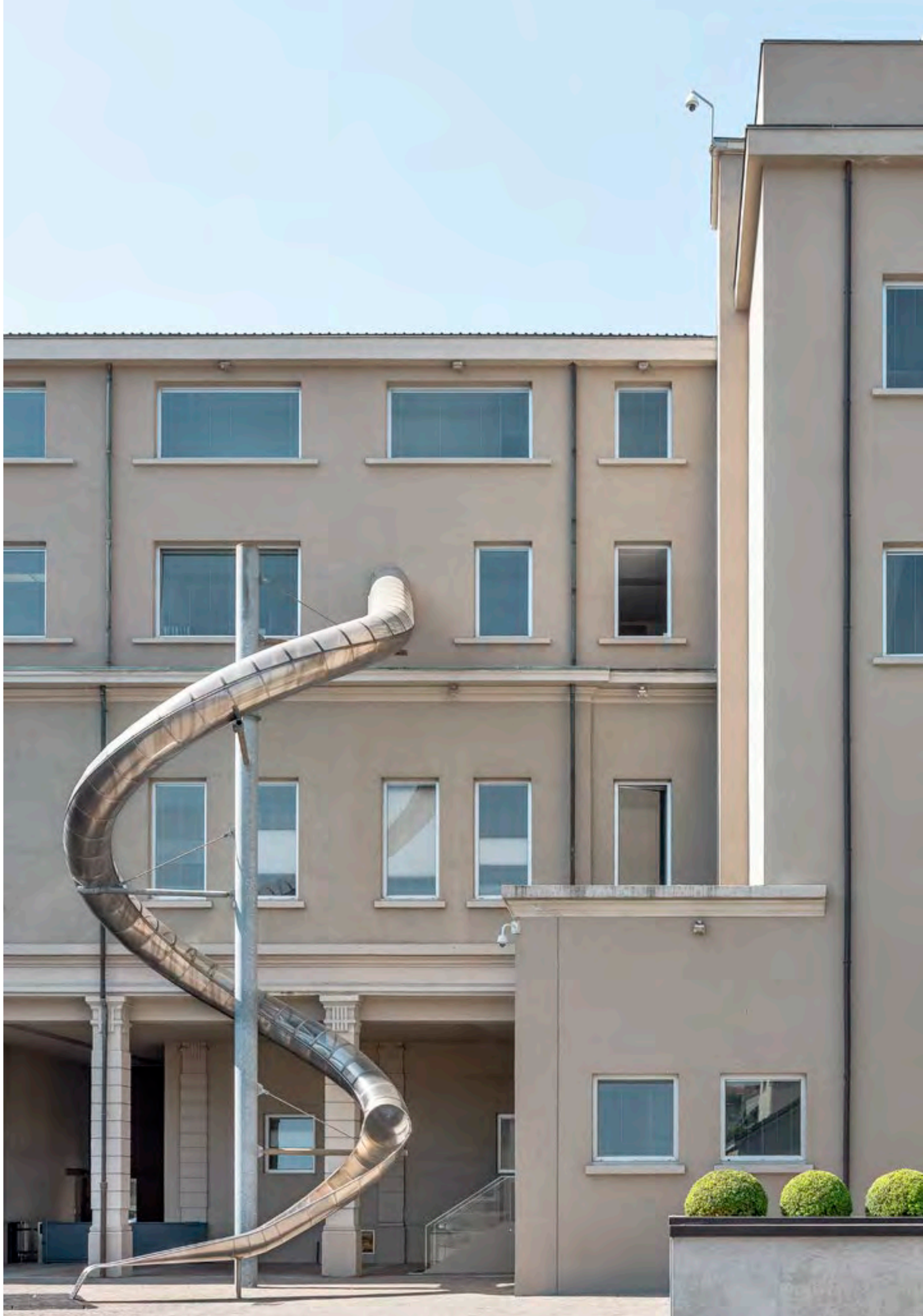
The brand identity was further strengthened with the addition of new fashion shows, Prada Resort in Manhattan, broadcast live in Times Square, and Miu Miu Croisière at Hotel Regina in Paris.

The investments of the year involved the industrial area, with the beefing up of manufacturing and logistics structures in Italy, and the corporate area, with improvements to the central and regional offices. Moreover, an extensive IT investment plan, part of the Group’s broader digital transformation strategy, widely described in the paragraph before, is bringing benefits across the Company, such as in the areas of human resources and institutional compliance.

Considerable investments were made in various business areas in 2018. At the same time it was possible to achieve an operating profit in line with that of the previous period.

GRI-201 DISCLOSURE DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED	2016 ¹	2017 ²	2018 ³
	Amounts in Euro/1000		
Economic Value Generated	3,190,896	3,062,866	3,152,185
Economic Value Distributed	2,925,740	2,885,678	2,901,378
Operating costs	1,831,423	1,753,276	1,839,685
Value distributed to Employees	677,144	696,759	725,230
Value distributed to Banks and Bond Holders	17,293	16,876	17,608
Value distributed to Government Authorities	95,647	85,156	95,184
Value distributed to Investors	282,180	308,073	197,641
Value distributed to the Community	22,053	25,538	26,030
Economic Value Retained	265,155	177,188	250,807

¹ 12 months from Feb. 1, 2016 to Jan. 31, 2017
² 12 months pro-forma from Jan. 1 to Dec. 31, 2017
³ 12 months from Jan. 1 to Dec. 31, 2018



The consolidated income statement for 2018, presented according to the model of economic value generated and distributed defined by the GRI-201 disclosure (GRI Standards), shows a retained economic value of Euro 250.8 million, higher by Euro 74 million compared to the twelve months pro-forma of 2017, mainly as a result of higher economic value generated and less value distributed to investors, net of the increase of operating costs.

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



2 . RESPONSIBLE MANAGEMENT

The Group combines the distinctive elements of its know-how with principles inspired by the enhancement of people, the protection of the environment and the promotion of culture, believing that in this way it can pursue economic development for its own benefit and the widespread interests of the communities and places where it operates.

This commitment and the courses of action are contained in the Sustainability Policy approved by the Board of Directors of Prada spa on March 15, 2019, published on the pradagroup.com website.

2.1 THE GROUP'S ETHICAL VALUES



The Prada Group is committed to operating with full respect for the value of the individual and for the human and workers' rights enshrined in Italian and international covenants and declarations, such as the United Nations Universal Declaration of Human Rights, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

The Group's cooperation with stakeholders such as trade unions and tax authorities, and with partners outside its specific scope of business such as universities and large international institutions, is considered key to the establishment of common values based on a balance between business objectives and societal demands.

The Prada Group is committed to creating, developing and strengthening cooperative ties with the communities where it does business, in social and environmental terms, as they are deemed necessary for inclusive growth.

2.1.1 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 in 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.

2.2 GOVERNANCE MODEL AND INSTITUTIONAL COMPLIANCE



The corporate governance model adopted by the Company 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 is made up of nine directors and was appointed at the Shareholders' Meeting held on April 27, 2018 for a term of three financial years (2018 -2020), namely until the approval of the financial statements for the year ending December 31, 2020. Specifically, the Board of Directors is composed of four executive Directors, one non-executive Director and four independent non-executive Directors. All Directors have distinguished themselves in their respective areas of expertise and 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, and 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			
Executive Directors	Role	Gender	Age
Carlo Mazzi	Chairman	M	> 50
Miuccia Prada Bianchi	Chief Executive Officer	W	> 50
Patrizio Bertelli	Chief Executive Officer	M	> 50
Alessandra Cozzani	Chief Financial Officer	W	> 50
Non-Executive Directors			
Stefano Simontacchi		M	30 - 50
Independent Non-Executive Directors			
Gian Franco Oliviero Mattei		M	> 50
Giancarlo Forestieri		M	> 50
Sing Cheon Liu		M	> 50
Maurizio Cereda		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 Chairman.

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

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

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

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

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

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 April 27, 2018 appointed the current Board of Statutory Auditors, consisting of three statutory auditors and two alternate statutory auditors for a term of three fiscal years (2018-2020), namely until the approval of the financial statements for the year ended December 31, 2020.

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

More detailed information on corporate governance is provided in the Corporate Governance section contained in the 2018 Annual Report.

2.3 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, assists the Board of Directors and the Audit Committee in risk management activities among others.

With particular reference to production and logistics issues, the Industrial Compliance 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 June 8, 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.

All the employees can communicate anonymously to the Supervisory Body through an e-mail address available on the Company's Intranet. In 2018 there were no communications of behavior that could constitute a violation of the Organizational Model, for instance in contrast with the principles set out in the Code of Ethics or with applicable laws and regulations.

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

Risk assessment consists of identifying and analyzing factors that 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 risks posed by such changes.

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

1. risks relating to the international luxury goods market or related to the general state of the economy, the protection of intellectual property rights, image and brand recognition, and the ability to anticipate trends and respond to the changing tastes of consumers. The management of this type of risks, that can be defined typical in the sector, falls within the sphere of sustainability according to its broader meaning, which also includes economic issues related to the company's ability to create long-term value, in addition to social or environmental ones. Further description of these issues is provided in the description of the most relevant topics according to the GRI standards which, for the Prada Group, basically mean: economic performance (chapter 1, paragraph 4), trademark protection (chapter 2, paragraph 4), the search of excellence (chapter 4) and digital transformation (chapter 1, paragraph 3);
2. risks specific to the Prada Group relating to the importance of key personnel, strategy implementation, outsourcing, legal and regulatory compliance and processing of data and information. Within this context, the risks related to sustainability are mainly associated with customer satisfaction and health and safety (chapter 4, paragraph 4.1.4) and respect of human and labor rights both within the organization and along the supply chain (chapter 3 and chapter 4, paragraph 4.1.2);
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 2018 Annual Report.

More information is to be found in the 2018 Annual Report - Note 26 "Provisions for risks and charges" - specifically for updates on investigations and disputes with third parties or authorities that involved the Prada Group in the period.

2.4 TRADEMARK PROTECTION

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



"Observia" - Fall Winter 2018

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



"Real Life Comix" - Spring Summer 2018



"The Conversation" - Fall Winter 2018

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

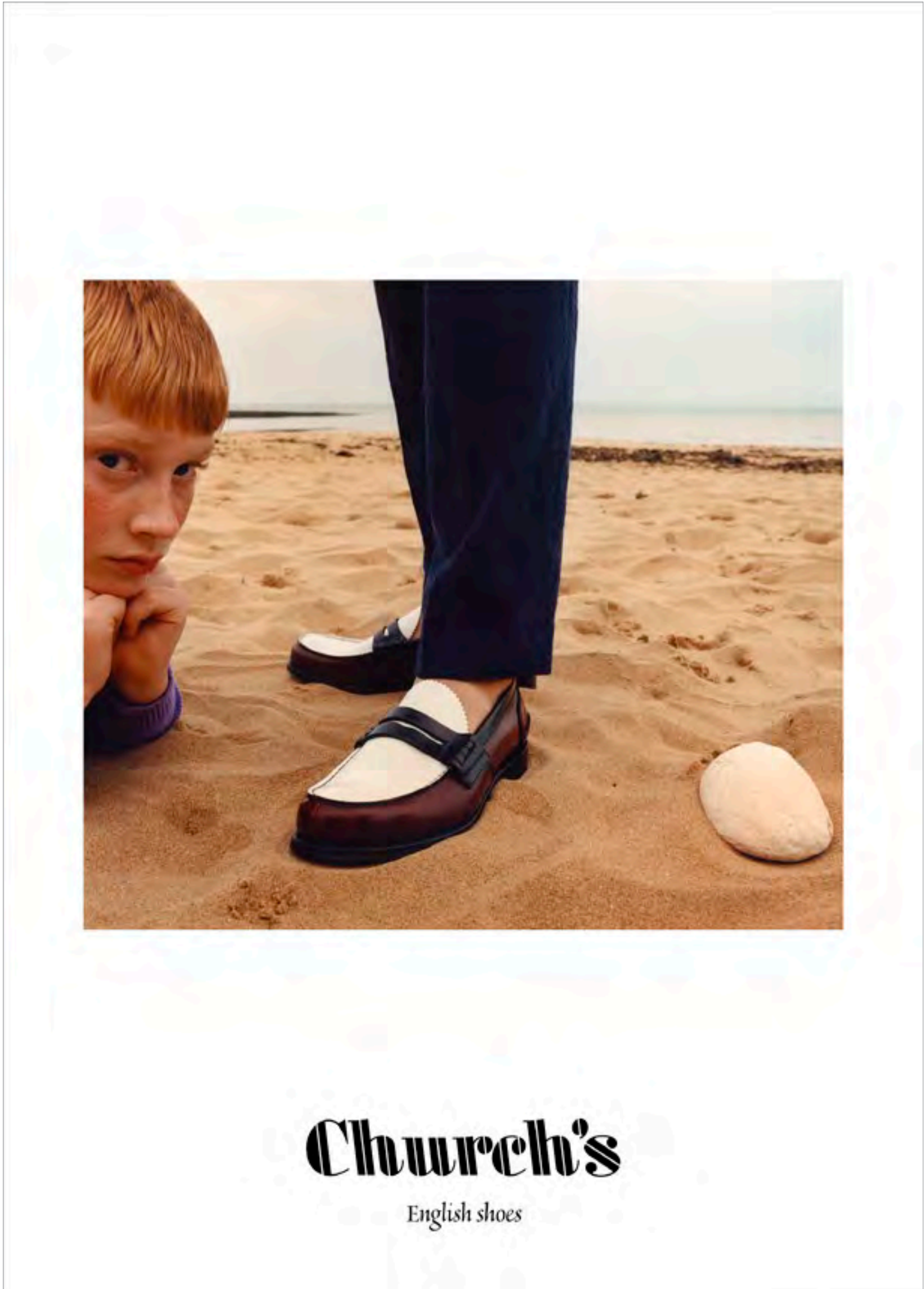
It also cooperates with major associations, such as the Italian Association for the fight against counterfeiting, the Institute of Centromarca for the fight against counterfeiting, the Union des Fabricants, and the Quality Brands Protection Committee (QBPC), to bring such issues to the attention of the institutions, the public and consumers.

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

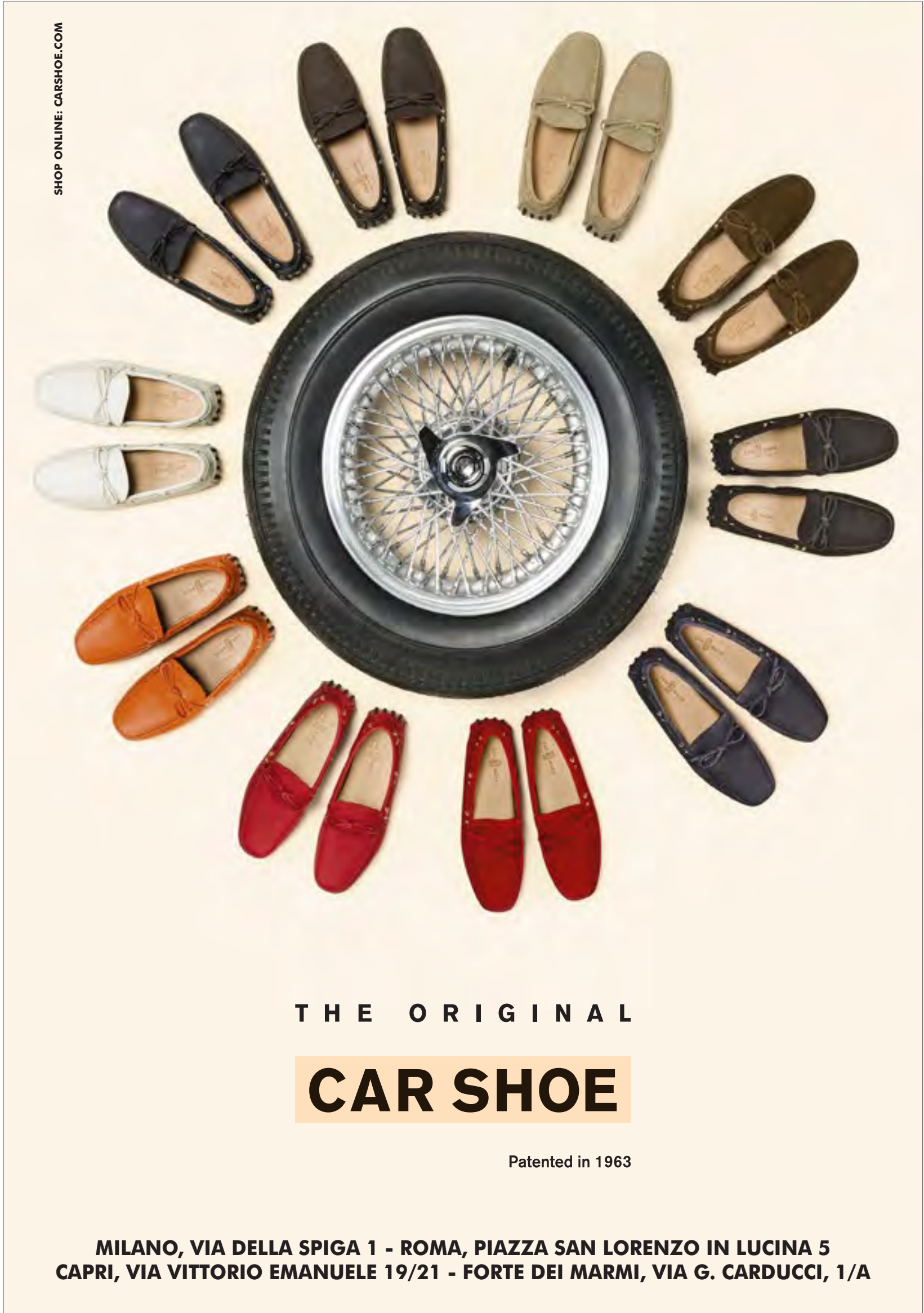
Thanks to close collaboration with the authorities, the fight against counterfeiting undertaken by the Prada Group led to, in 2018 alone on a global level, the seizure of more than 318,000 counterfeit products in off-line markets, the deletion of 130,000 unauthorized advertisements, the deactivation of more than 5,400 websites with illegal content, and the removal of more than 44,000 social media posts.

2.5 COOPERATIVE COMPLIANCE

The Prada Group believes that responsible corporate governance calls for adopting collaborative approaches that can improve the common value creation process while maintaining the balance between business objectives and stakeholders’ expectations. Accordingly, the Group’s tax strategy for risk prevention uses an open and continuous dialogue with tax authorities, built on full transparency and cooperation.



Spring Summer 2018





In 2017, aiming to preventively manage potential tax risks and in accordance with the Italian tax authorities, the Prada spa Directors approved participation in the cooperative tax compliance program (under Italian Legislative Decree 128 of 2015), to which a limited number of Italian companies have been admitted.

Moreover, following the admission to such program, the Italian tax authorities invited Prada spa to join the International Compliance Assurance Program launched in 2017, coordinated by the Organization for Economic Cooperation and Development (OECD) for the management of potential tax risks. Participation in the program, still in its pilot phase, has led to the sharing of a lot of information by the Group’s subsidiaries with the tax authorities of the OECD countries participating in this program, namely Italy, the United States, United Kingdom, Canada and Australia.

Long-term proactive interaction with the tax authorities located in countries where the Group operates has led to unilateral agreements in effect between Prada spa

and the Italian tax authorities, stipulated over the years and systematically renewed. That same collaborative attitude is at the basis of bilateral agreements between the Italian tax authorities and the tax authorities of some countries where Group subsidiaries operate, in which the tax treatment of certain intercompany transactions has been arranged in advance.

In addition to those activities designed to avert tax disputes, the Group companies prefer to resolve existing tax disputes with proceedings in which tax authorities may reach agreements for settlement of the disputes.



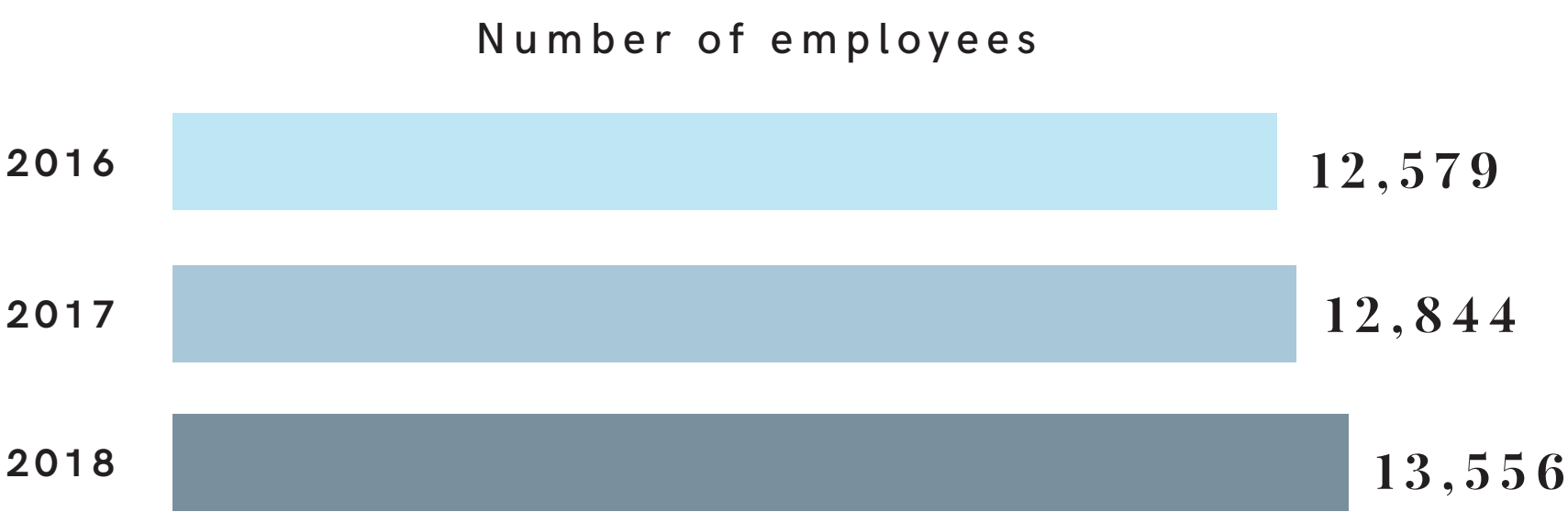
3. THE HUMAN CAPITAL

The Prada Group's business approach is based on the respect for human rights, workers and people in general, as well as the promotion of diversity.

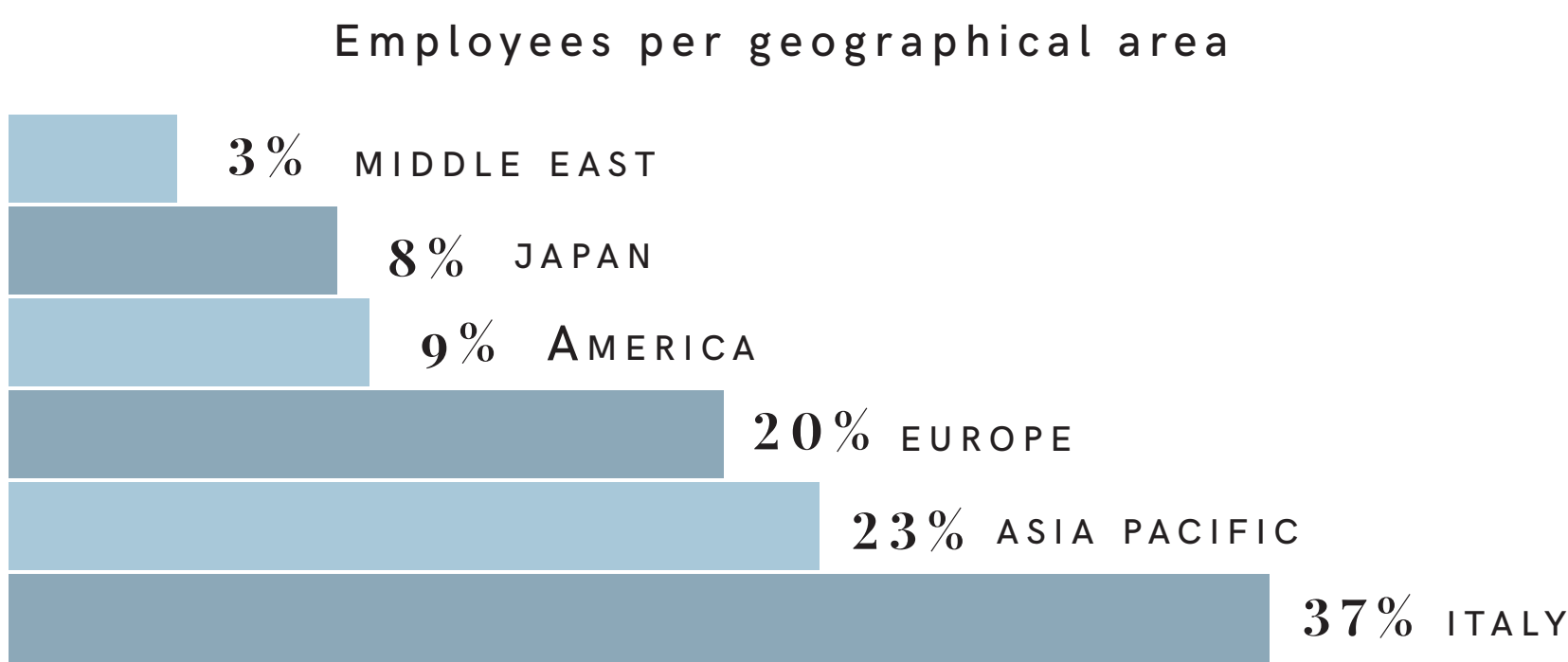
Prada has always considered human capital to be key to its competitive edge and makes every effort to promote and reward professional skills and teamwork, with an emphasis on results. The employees' enthusiasm, craftsmanship and intellectual curiosity are the elements that underpin the innovation and quality of the Group's products.

3.1 THE WORKFORCE

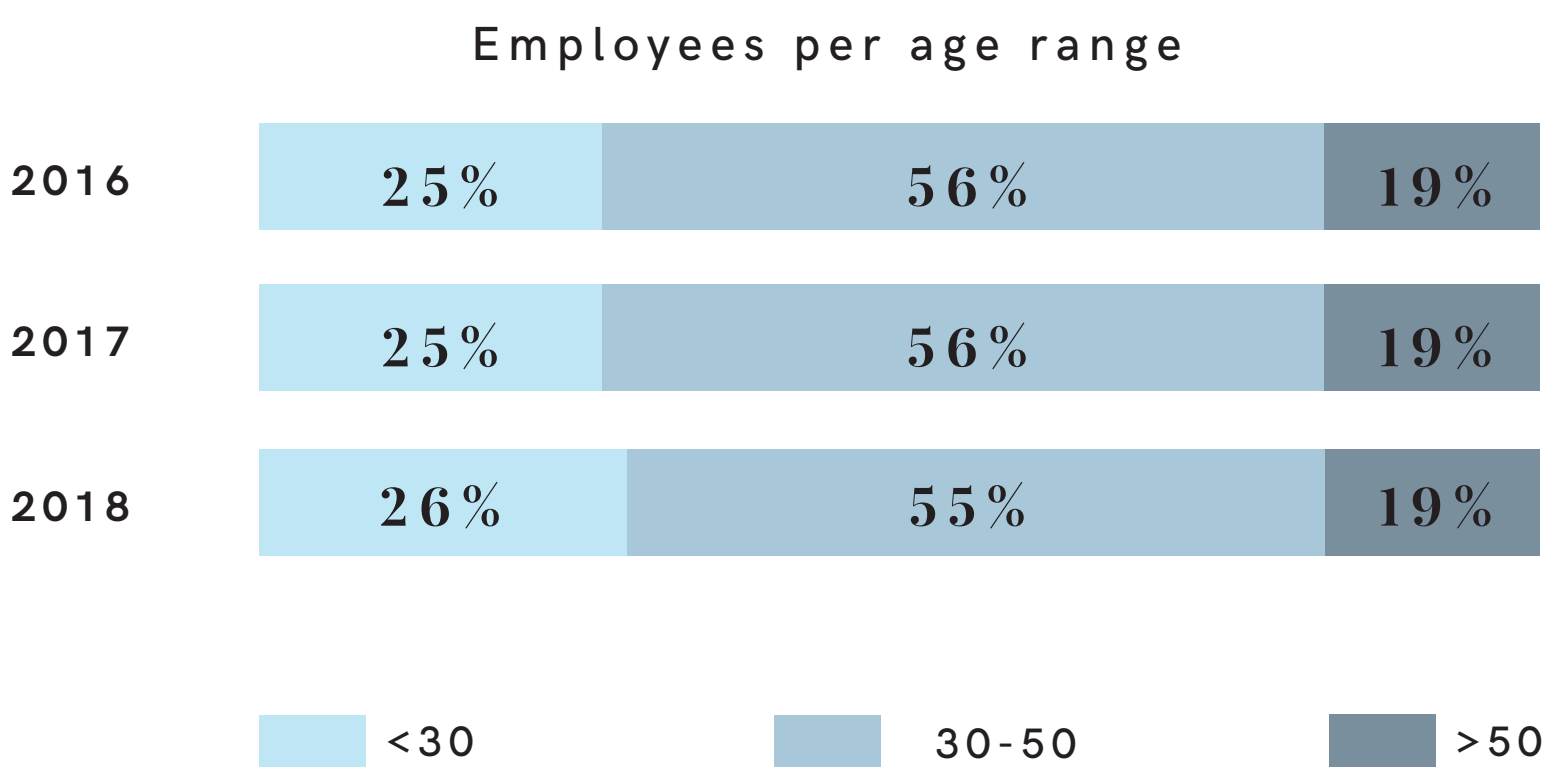
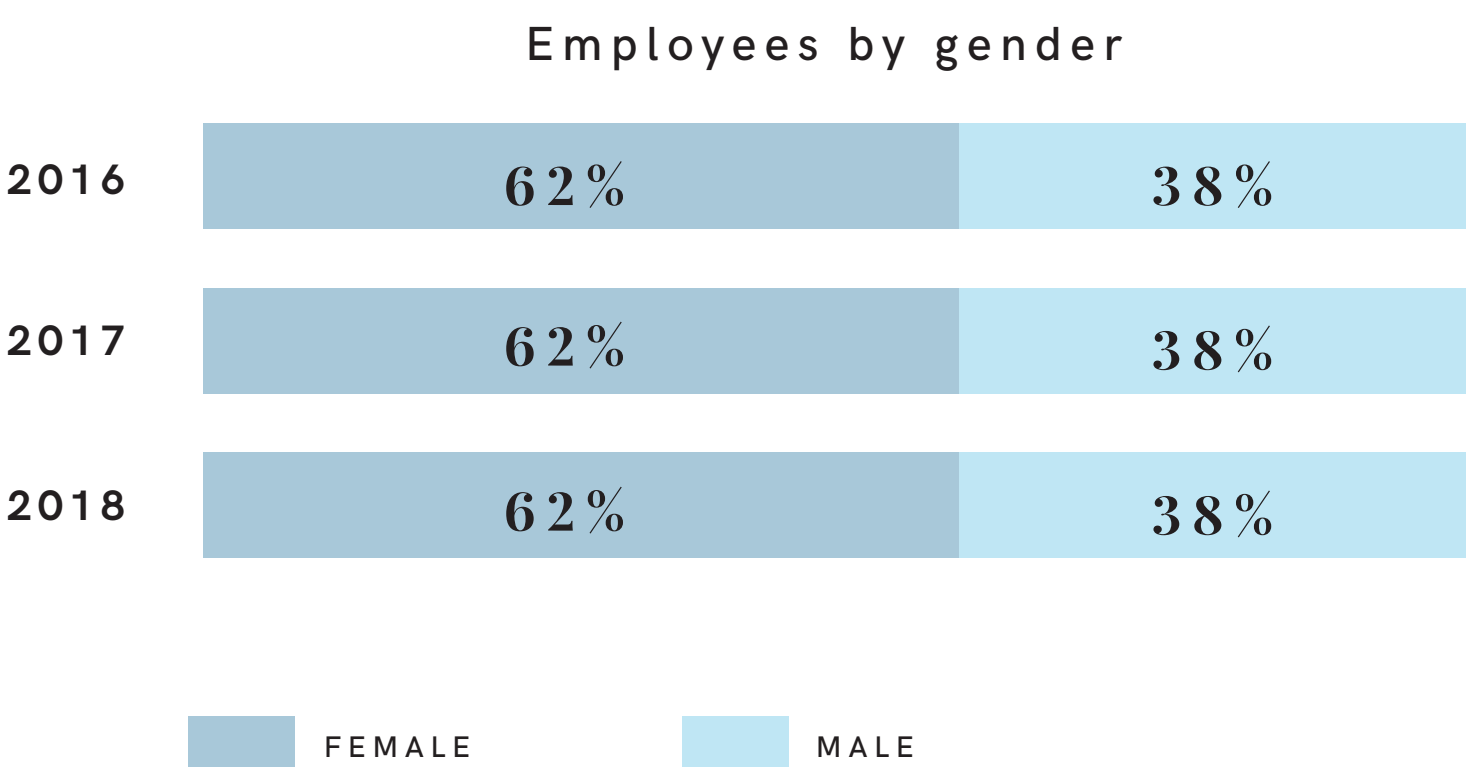
As of December 31, 2018, the Group has 13,556 employees, of whom 37% work in Italy. Compared to the previous year, a 5.5% growth was recorded mainly due to the strengthening of the retail area and, to a lesser extent, the industrial and food & beverage sector.



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



In Italy, where 19 of the 22 production facilities are located, most employees (64%) work in the industrial division, while in other countries, where 578 out of 634 directly operated stores are located, 85% of employees are in retail.



A breakdown of the workforce by age shows that at December 31, 2018, 26% of Prada employees were under 30 years old and 55% 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, 52% of the workforce belonged to the 30 - 50 year old range and 35% to the over 50 year old range.

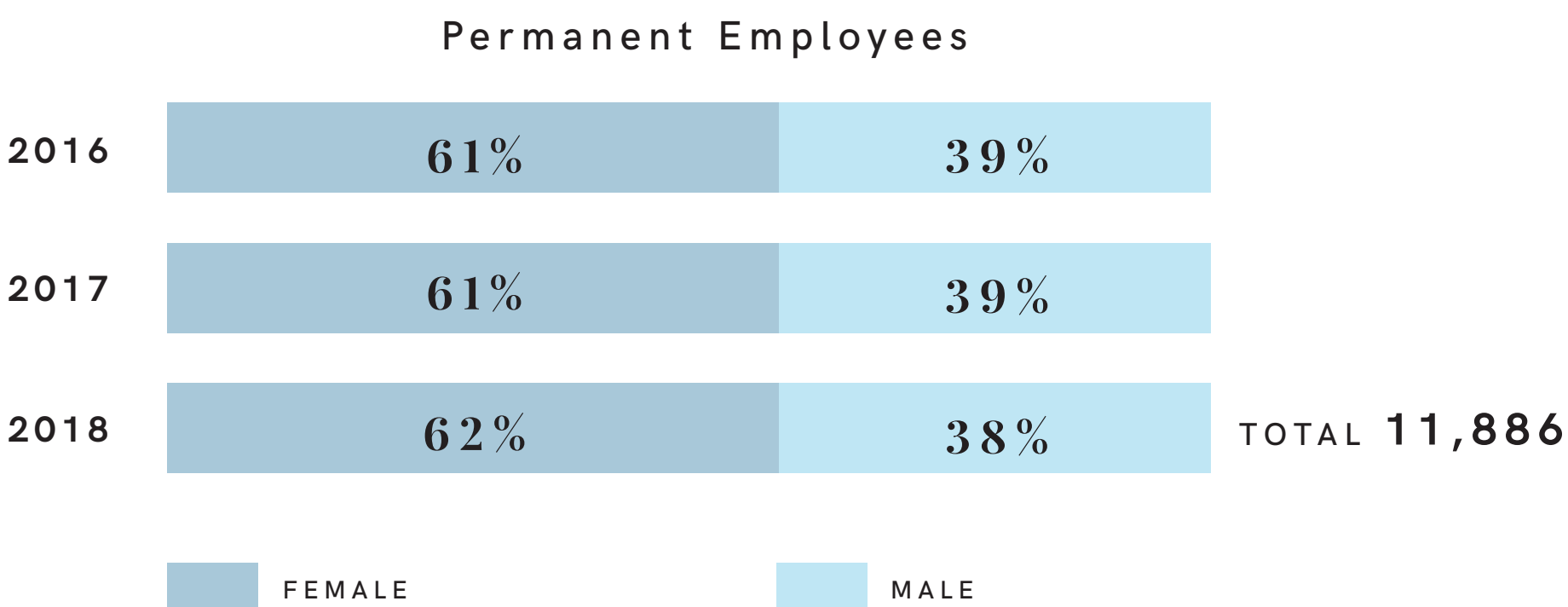


year	LABOR						STAFF						EXECUTIVES AND MANAGERS					
	Female			Male			Female			Male			Female			Male		
	< 30	30 - 50	> 50	< 30	30 - 50	> 50	< 30	30 - 50	> 50	< 30	30 - 50	> 50	< 30	30 - 50	> 50	< 30	30 - 50	> 50
2016	0.9%	5.8%	4.5%	1.8%	4.5%	2.5%	13.8%	23.4%	6.3%	7.9%	12.6%	3.5%	0.2%	5.5%	1.0%	0.2%	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%
2018	1.4%	5.5%	4.9%	2.2%	4.4%	2.4%	14.0%	23.4%	6.1%	7.6%	12.7%	3.3%	0.4%	5.4%	1.1%	0.2%	4.0%	1.1%

In the periods under comparison, the breakdown of employees by age and gender remained quite stable.

In the “Staff” and “Executive and Managers” categories, females accounted for 23.4% (vs. 12.7% of males) and 5.4% (vs. 4.0% of males) of the total workforce respectively in the category 30 - 50 year old.

In terms of contract type, 88% 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. 63% of the contracts are for females.



The employees working full time represent the 98% of the total workforce. In 2018 there were no differences in benefits between full-time and part-time contracts.

3.2 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 and stakeholder base. In fact, the Group ensures equal employment conditions by promoting diversity and equal opportunities, and in 2018 there were no registered cases of discrimination within the Group.

The statistics on employees’ origin prove the various backgrounds of the workforce. In fact, people with 107 different nationalities (100 in 2017) 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 (57%) and Staff (65%), but they are also the largest component (56%) of Executives and Managers.

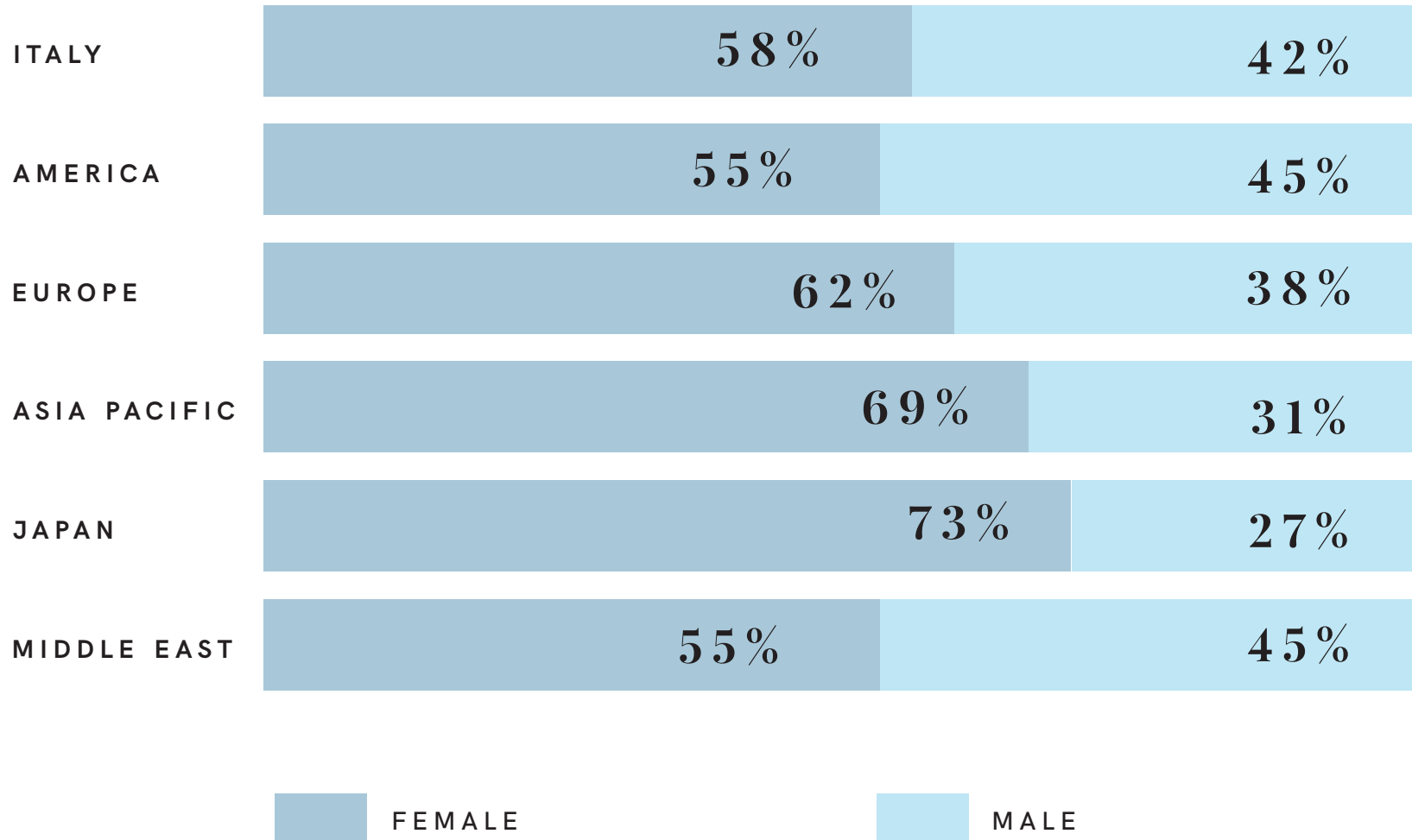
year	LABOR		STAFF		EXECUTIVES AND MANAGERS	
	Female	Male	Female	Male	Female	Male
2016	56%	44%	64%	36%	54%	46%
2017	56%	44%	65%	35%	55%	45%
2018	57%	43%	65%	35%	56%	44%

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

year	INDUSTRIAL		CORPORATE		RETAIL	
	Female	Male	Female	Male	Female	Male
2016	59%	41%	54%	46%	64%	36%
2017	59%	41%	55%	45%	64%	36%
2018	59%	41%	57%	43%	64%	36%

Even at a geographical level females represent more than half of workers in all areas, with peaks in Japan and the Asia Pacific, where females account for 73% and 69% of employees respectively.

Employees per gender and geographical area



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

PAY GAP (with the median as 100%)						
year	LABOR		STAFF		EXECUTIVES AND MANAGERS	
	Female	Male	Female	Male	Female	Male
2016	102%	95%	101%	97%	100%	97%
2017	97%	102%	91%	104%	98%	103%
2018	99%	102%	98%	104%	99%	104%

3.3 PRESERVING TRADITIONAL EXPERTISE AND DEVELOPING SKILLS



The preservation and advancement of expertise is fundamental to the Prada Group, which has always been committed to 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 that they would be accessible within the Group. Even now, details and updates 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

CRAFTSMANSHIP SCHOOL

Footwear
Ready-to-wear
Leather goods

CORPORATE TRAINING

Managerial
Technical
Induction program

RETAIL TRAINING

Brand knowledge
Selling and customer
experience
Induction program

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 develop human capital and convey professional expertise with projects, tools and training modalities diversified for three macro areas: Craftsmanship School, Corporate Training and Retail Training.

2018 was a particularly significant year for training because of the complete implementation of the Learning Management System (LMS) platform, which represents a real technological innovation as well as a cultural change for the Group within a broader context of considering training as a strategic tool for the creation of value in the medium and long-term.

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, a fundamental element for understanding the complexity of the craft tasks.

The first course was dedicated to leather goods in order to train young leather cutters, followed by courses on footwear and clothing. The teaching staff is made up exclusively of in-house personnel, expert craftsmen who

put their vast product knowledge and work experience at the disposal of young artisans.

As of December 31, 2018, over 100 youth between the ages of 18 and 25 had received training enabling them to gradually become leather cutters, shoemakers and dressmakers of the company.

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, product knowledge and customer service.

In 2018 the training opportunities for retail personnel at a worldwide level were enriched with specific e-learning tools on products, in order to further increase knowledge on the shapes, materials and colors of the latest collections, thus strengthening the skills required, to offer an increasingly exclusive customer experience in line with the brand identity. One example is the production of "Product Pill - LTG #Sidonie", a digital training course designed, developed and distributed with the aim of training retail staff on the Sidonie bag, today one of the most iconic products of the Prada brand. This training project was made available to approximately 4,500 people inside the company.

During the year, the third edition of the "Top Seller Prada Group Journey" took place, an event dedicated to the best international sellers of Prada and Miu Miu who distinguished themselves for their exceptional performances. The 23 winners, coming from 16 different countries, were welcomed to Italy for four days to acquire a deeper understanding of the Group's commercial, production and cultural aspects, with visits to the Valvigna Headquarter and the Milan offices. The experience was

enriched by inspirational and motivational meetings with special speakers, including Max Sirena, the Luna Rossa Skipper and Team Director, and a visit to Fondazione Prada.

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.

Retail and corporate training hours

To develop skills, broaden knowledge, and thereby increase employees value as professionals, 93,292 training hours¹ were provided in 2018 to 19,972 participants. Below is a summary of the average training hours, also by gender.

Training Worldwide	2016		2017		2018	
Average number of hours per employee	3.56		6.80		6.88	
Average number of hours per employee by gender	Female	Male	Female	Male	Female	Male
	3.33	3.93	7.34	5.95	7.46	5.94

3.4 EMPLOYEE RELATIONS

To recruit and attract talent, the Group collaborates with universities and entities that organize post-graduate programs focusing on marketing and retail.

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 stronger 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 of its employees.

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 and for technical personnel specialized in the creation of seasonal collections;
- specific benefit plans for each country, which supplement in whole or in part the mandatory entitlements (healthcare, insurance, etc.), and benefits including social services and assistance to families (public transportation, cars, school subsidies, subsistence allowances, etc.).

The Group promotes freedom of association and recognize the right to collective bargaining. In fact, 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, United Kingdom and France, whereby it offers better benefits than those established 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’s industrial division also benefit from supplementary agreements.

¹ Hours of training do not include health and safety training and training related to the craftsmanship school



The most significant benefits of such agreements for 2018 were the following:

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

As part of the supplementary agreements in Italy, in 2018 a corporate welfare plan was launched with the aim of allowing employees access to an extensive package of services such as reimbursements for healthcare, education and welfare expenses, leisure activities

(travel, vacations, cultural and sport events), vouchers for fuel, food, payments to supplementary pension funds, and much more. The funding was provided by the company when the plan was launched, while for future years it will be possible to convert performance bonuses into welfare shares. In this case, employees who choose to convert the entire amount of their performance bonuses into welfare shares can receive additional welfare shares of up to 25% of the performance bonus.

The Group complies with the applicable international and national laws and regulations for working hours, minimum guaranteed breaks and rest periods. Thanks to the respect, dialogue and cooperation in place with Italian trade unions, there were no labor strikes during the year, just as none had occurred in 2016 or 2017.

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.

3.5 WORKER SAFETY

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

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

INJURY/LOST DAY RATE	2016*	2017*	2018**
INJURY RATE (number of accidents/hours worked) x 1,000,000	11.02	11.34	10.47
LOST DAY RATE (days lost for accidents/hours to be worked) x 1,000	0.21	0.29	0.22

* Data related to 2016 and 2017 only refer to the Italian industrial sites.
** Data related to 2018 is related to the industrial sites that the Group owns in Italy, France and United Kingdom.

In Italy, where 19 industrial sites owned by the Group are located, there were 86 incidents, 59% of which involved females and 38% of which occurred during commuting. This result is reflected by the injury rate at Italy level that was equal to 10.74, while for women it was equal to 15.16. Generally, in Italy, injuries inside the organization were mainly related to tripping and slipping, therefore of minor gravity (the gravity rate was equal to 0.21). In Italy, during the year, two cases of occupational disease occurred, involving only female employees, representing an overall occupational disease rate equal to 0.25.

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 2018 training was provided to more than 1,813 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.

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 the relationships with suppliers, social awareness is encouraged and regulatory knowledge and the adoption of environmental, social and quality certifications are promoted.

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

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. STRIVING FOR EXCELLENCE

4.1 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 22 proprietary plants (19 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 and samples, as well as a part of the finished products and the most delicate phases of production, such as the controls over all raw materials and the product accessories (also for suppliers), and the cutting of hides, are produced at the Group's own facilities.



NORTHAMPTON

Each industrial site of the Group has a deep connection with the surrounding environment, as well as with the communities of the people who work there. These values, together with an organization centered on craftsmanship, are shared by seemingly different factories like Church's in Northampton (United Kingdom) and the Prada factory in Valvigna in Tuscany (Italy).

Since 2007, after an initial acquisition in 1999 shared with a private equity fund, Church's has been owned by the Prada Group. The history of Church's has always been inextricably linked to the district and the city of Northampton, known for its footwear industry. The area's leatherworking tradition, dating back to the Middle Ages, gave way to a flourishing footwear industry when, in the late XIXth century, shoemakers made up almost half of the population of the English town.

The structure built during the late Victorian Age was originally arranged as a stretched out and narrow production site with adjoining accommodations for its craftsmen. Enlarged and renovated in 1965, for the visit

of Queen Elizabeth II and the conferral of the prestigious Queen's Award to Industry for its export performance, the facility was restored once again in 1998 following a destructive flood.

Beyond the red brick façade, there is more than just a building; there are craftsmen who developed a deep sense of belonging to these spaces over the years. Passionate workers, who feel entrusted with the preservation and handing down of the priceless secrets of manufacturing tradition.

The Prada Group has decided to preserve this history of pride and excellence by keeping the production of this line of footwear in the places where everything started, becoming an ally that provides the level of work efficiency that only modern planning can conceive. This decision has allowed to introduce footwear with a more contemporary style while remaining strictly dedicated to the British identity of the brand.

The historic factory in Northampton provides the backdrop to the new Church's Fall/Winter 2018 advertising campaign.



The two young talents of the campaign wander around the workshops of the factory, going through the same stages of craftsmanship that each pair of Church's shoes undergoes before they arrive in the shop: from the leather cutting room to applying the final finishes and polishing. The machines seem to bring the shoes to life, and the images show how craftsmanship and tradition go hand-in-hand with cutting-edge, contemporary design.

Church's shoes, on average, take about eight weeks and more than 250 manual operations to be produced; in 2018 the Northampton plant produced just over 153 thousand pairs of shoes.

VALVIGNA

The "garden factory" of Valvigna in Tuscany (Italy), signed by the architect Guido Canali, was the result of the search for a balance between building and nature and the attempt to mitigate the impact of the building on the landscape, ambition that the Prada Group has shared with the architect from the beginning.

Since its design, the Valvigna factory has been conceived as a workplace of people and for people that respects nature faithfully. In fact, the complex was designed to closely relate to and respect the environment, with visibly contained volumes; the placement of the building in the landscape was considered before the building itself.

Spaces live in harmonic proportion, punctuated by 'suspended' roof gardens, places to rest and get in contact with nature. Green steps, dirt tanks with row of vines, perspective cuts and glass ceilings that play with light, terracing and scenographic backdrops that embrace the structure offering workers the feeling of living in an harmonious and pleasant space contributing to mitigate the impact of the industrial complex on the surrounding hilly landscape, also acquired and reclaimed by the Group to preserve its original natural beauty.

The industrial headquarters in Valvigna hosts the production division and the development of the Prada and Miu Miu leather goods collections, the warehouses for raw materials, the historical archives of the leather goods and footwear collections, the offices for general

services and industrial administration, an auditorium, systems areas and the Prada Group data processing. On June 8, 2018, during a round table on the themes of the quality of workplaces and sustainability, Patrizio Bertelli, CEO of the Prada Group, architect Guido Canali and architect Italo Lupi, curator of the "Prada Architecture by Guido Canali" book publication, presented the entire project in front of an audience of journalists, investors, analysts and students of the Politecnico of Milan.

2018 INDUSTRIAL INVESTMENTS

During 2018, the process of vertical integration of the production chain continued with three main projects. These investments, in addition to ensuring excellence in the most delicate manufacturing phases, extend to the new employees the same high quality in work environment that the Prada Group ensures its workers.

New Quality Control Center

A new Clothing Quality Control Center has opened at the Logistics Hub in Levanella (Arezzo, Italy). This new department, designed to ensure that the clothes sent to stores are flawless and of the highest level of quality, is managed by an automated system that allows workers to concentrate on checking the garments and minimizes manual activities. Approved garments are certified with a digital signature, while those that do not meet the required quality standards are sent back to the manufacturing department to be replaced. The area dedicated to this activity is featuring large windows and bright, open spaces, ensuring a welcoming and relaxing workplace.

New Cutting Center

A new cutting center has opened within the historic Terranuova Bracciolini industrial headquarter (Arezzo, Italy), using part of the area that for many years was dedicated to research and development for Prada's leather goods collections, which joins the existing facilities at the Scandicci and Valvigna plants. The new department has 2,500 m² of floor space and comprises a single room on two floors, fitted with 21 state-of-the-art automatic cutting machines made by leading Italian firms.



New Embroidery Workshop

In the same historic Terranuova Bracciolini plant (Arezzo, Italy), a new Embroidery Workshop has opened to bring two special processing techniques in-house for both production and samples: matelassé, a hallmark of the Miu Miu brand, and cloquet, ensuring the highest levels of quality and the direct control of the manufacturing process. The workshop rooms cover a total floor area of 400 m², and contain cutting-edge, highly specialized machinery and equipment.

4.1.1 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 of optimization of resources’use, 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.

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 2016 to 2018 is listed below, including the related unit of measure.

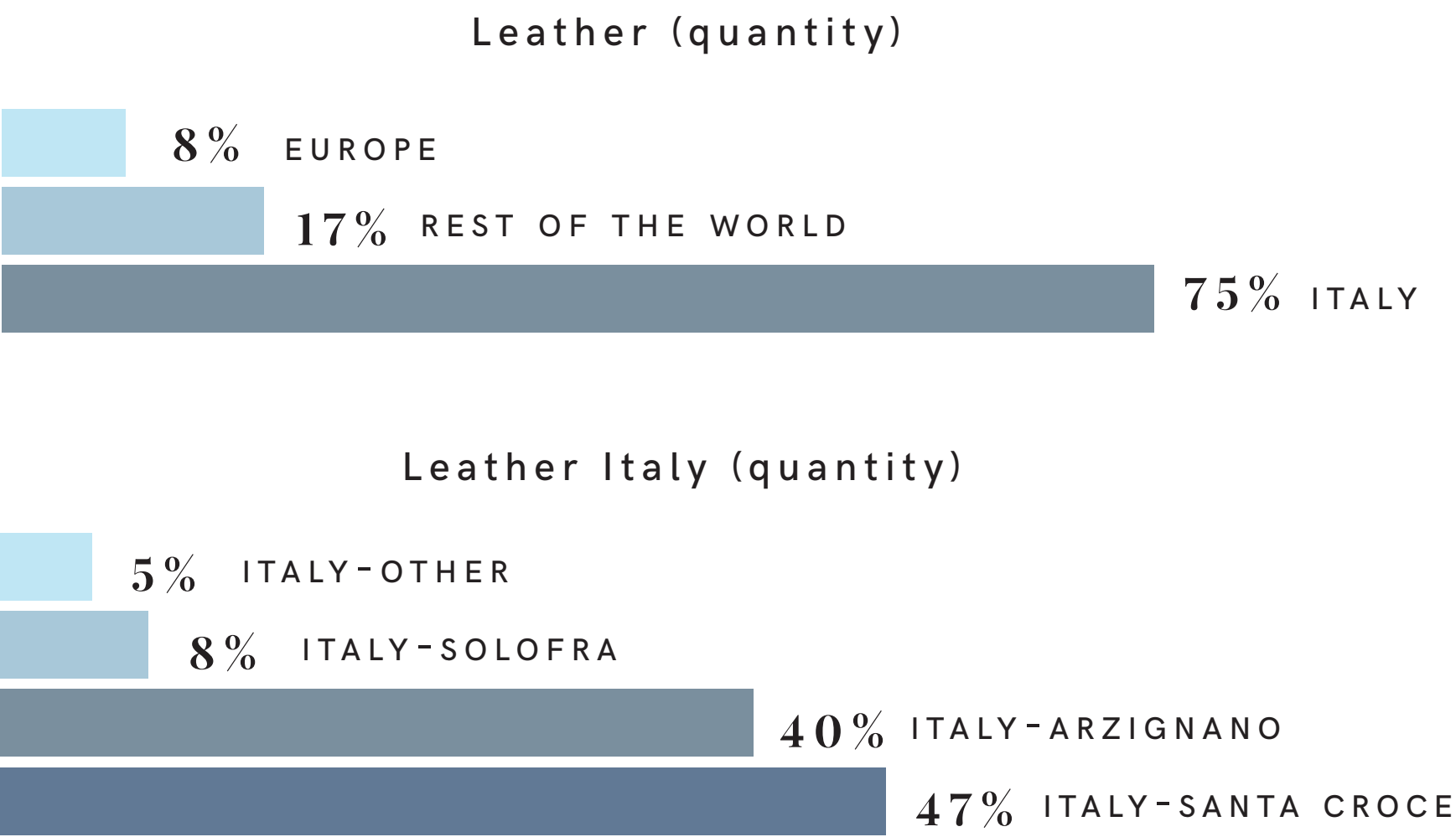
RAW MATERIAL	units	2016	2017	2018
Leather	Feet	20,319,996	28,301,004	29,192,490
Fabrics	Meter	2,427,903	3,673,886	4,015,597
Yarns	Kilo	91,995	179,221	218,000
Shoes' soles	Pair	941,903	1,098,684	1,385,657

Purchases for 2018 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 57% of the economic value of all raw and semi-finished materials purchased in 2018.

4.1.2 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 2018 the Group purchased materials from about 550 suppliers², around 80% of them located in Italy, around 12% in other European Union countries and the remaining 8% in other Non-EU countries. In many cases the materials are produced expressly for Prada, according to strict technical and design specifications, by long-established partners: around 52% of them have been working with the Group for more than 10 years, and around 18% 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 2018, 75% of the leather came from Italian tanneries renowned for their quality and long tradition. Another 8% has been purchased from European suppliers, while the remaining 17% came from outside Europe.



² For the purposes of this analysis, only raw materials suppliers with which purchases of more than Euro 30 thousand were conducted in 2018 have been considered.

The clusters of Santa Croce (Tuscany) and Arzignano (Veneto) accounted, respectively, for 47% and 40% 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 leather 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.

Also for outsourcing, the Prada Group stands out for its strong ties with the artisanal craft experience typical of the Italian tradition. In 2018 the Group worked with approximately 400 manufacturing suppliers³ in addition to the aforementioned 550 suppliers of raw materials. Around 84% of these manufacturing suppliers are located in Italy, around 7% in the rest of the European Union and the remaining 9% in non-EU countries. Around 37% of the manufacturing suppliers have been collaborating with the Group for more than 10 years and around 24% for 5 to 10 years. These are relationships built on mutual trust, characterized by working together on a daily basis with a view toward constant improvement and learning.

On the whole, approximately 82% of the Group's industrial suppliers are located in Italy, so the working conditions of their employees are regulated by the collective labor agreements in force in Italy. Under Italian labor law, the National Collective Labor Contracts (CCNL) supplements the law and is stipulated at a national level, for commodity sectors (Trade, Metalworking and Mechanical Engineering, Footwear and Leather Goods, etc.) between trade unions and associations representing companies. The CCNL regulates the rights, guarantees and obligations of all workers belonging to a specific sector, in terms of pay and regulatory provisions, such as guaranteed minimum wages, working hours, holidays, seniority treatment, treatment of overtime, holiday and night-time work (with the related pay increases), the duration of the trial period and notice period, sick leave, maternity leave, accident leave and the disciplinary code. The CCNL is negotiated and renewed every three years, thus allowing for wage and regulatory adjustments in line with the Italian economic and legislative changes.

³ For the purposes of this analysis, only manufacturing suppliers with which purchases of more than Euro 30 thousand were conducted in 2018 have been considered.

The Group fights against all forms of discrimination, forced and child labor inside the organization and promotes the same respect along its supply chain. Prada believes that the risk of modern slavery within its own organization is almost non-existent, while it considers the same risk to be very low along its industrial supply chain. The geographic location of the suppliers selected by the Group, as well as their profound knowledge in term of duration and quality of the established partnerships, reduces the risk of conditions or pre-conditions such as to constitute circumstances of modern slavery, forced labor and human trafficking.

4.1.3 GROUP'S QUALIFIED VENDOR LIST PROCEDURE

The Prada Group has adopted the "Group's qualified vendor list" procedure to define 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 request 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, also intra-year, to ensure veracity and consistency. Such controls, of a documental nature and conducted by purchasing structures or business areas focused on several topics, are carried out on a sample basis or when a problem is encountered. The procedure may include further inquiries in case of potential non-compliance in the documentation. 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 confirmation regarding working conditions. In case of a non-compliance that can be remedied, the supplier may be temporarily

suspended, while for more serious cases, the contract may be terminated immediately.

This procedure, implemented in early 2017 to suppliers operating in the industrial area, has been gradually extended to businesses not strictly involved in the production cycle, reaching 80% coverage of all industrial, engineering and logistics suppliers at December 31, 2018. Furthermore, during the year, internal controls were launched both on first and second level to ensure the periodic updating of the information required by the procedure, as well as its correct execution, also through internal training meetings aimed at preventing cases of non-compliance.

The Prada Group considers the risk of non-compliance throughout its direct supply chain to be low thanks to the geographical location of the suppliers and the in-depth knowledge of such suppliers obtained as a result of the duration and quality of the relationships established.

4.1.4 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 308 technicians (291 in 2017 and 290 in 2016), 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.

Within the scope of these control and guidance activities, since 2014 the Prada Group has drawn up and updated a Restricted Substances List ("RSL"), the procedure that sets limits on the presence of chemicals in its products. In 2016, Prada took the additional step of aligning its RSL limits with the more stringent, proactive approach outlined in the "Guidelines on eco-toxicological requirements for clothing, leather goods, footwear and accessories" endorsed by the Camera Nazionale della Moda Italiana ("CNMI"). These limits are the most virtuous in international practice and aim to ensure

higher chemical safety standards than those prescribed by the strictest national and international laws. Prada's suppliers of raw materials, packaging and manufacturing services, which represent Prada's production chain, have all received the Group's RSL and are progressively accepting and signing it: since 2016, when 72% of the purchase volumes were carried out according to this procedure, as at December 31, 2018 the "proactive" level of the RSL was guaranteed by 96% (92% in 2017) of the purchase volumes relating to Prada's industrial suppliers and by 100% of the work performed in the Group's production sites.

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

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 2018 no cases of non-compliance with health and safety regulations were recorded (one case in 2017). There were two cases of non-compliance with information and/or labeling requirements in China that led to fines for a total amount of Euro 4,000.

“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



4.1.5 CREATIVITY AND PRODUCT EXCELLENCE

Guided by the style inspiration of Miuccia Prada, universally acknowledged as a pioneer by the fashion industry, as evidenced by the prestigious Outstanding Achievement Award assigned in 2018 by the British Fashion Council for her extraordinary contribution to creativity and the world 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.

Fashion, fast and increasingly difficult to interpret, requires a cyclical response to the prevailing cultural trends. Therefore, each collection is like a snapshot that captures a specific moment of our time, but looking carefully at the aesthetics represented in the different seasons, it is possible to perceive a superior continuity, a leitmotiv that drives the style.

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

In 2018, for instance, Prada is highlighting its innovative and modern approach to style by relaunching its Linea Rossa collection, which was cutting-edge when it was first unveiled back in 1997, far ahead of its time.

The latest incarnation of Prada's identity, inspired by leisure activities and featuring innovative, highly performant and futuristic materials made with nano-fabric technology, fit perfectly into the brand's aesthetic language and its fundamental codes.

4.2 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 strengthen 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.

4.2.1 RETAIL NETWORK AND THE OMNICHANNEL STRATEGY

The Prada Group owns 634 directly operated stores in exclusive locations; they consist of long-established stores, experimental stores and more traditional ones. About 82% 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.

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, and on the occasion of the 2018 Chinese New Year, Prada presented "Prada Spirit", a temporary installation that rebuilt a traditional and prestigious Bar Caffè, typically Italian, welcoming visitors in comfortable lounges



furnished with sofas upholstered with red velvet and small tables set up to check the “Menu of products”. An imposing central counter and a backdrop of the bar covered with a wall-mounted chandelier completed the project.

4.2.2 THE ROLE OF THE FASHION SHOW

Thanks to the importance acquired in recent years by social media, previously exclusive event, dedicated to professional, have become global cultural experiences that attract not only professionals in the industry but also end consumers.

Fashion shows still represent the most important opportunity to present and communicate new collections and the latest brands’ aesthetics, but their function has expanded to attract the attention not only of the media, but also of the public that follows these events on-line.

In 2018, during the Prada Resort 2019 show in Piano Factory, headquarters of the Group in North America - and an example of industrial building requalification - while transparent screens reproduced images of New York and digital urban landscapes, in Times Square the

entire Prada fashion show was projected live on the big screens of the three most important skyscrapers of New York’s symbolic square: the Nasdaq Tower, the Thomson Reuters building and the central screen of the Triple Stack.

Just before the show, the young actress Taylor Russell, star of the Netflix series “Lost in Space”, involved her Instagram followers in choosing her outfit for the evening, with a live stream on the Instagram profile of Netflix at the Prada Epicenter on Broadway, in which the social media journalist Derek Blasberg participated on Prada’s profile.



4.2.3 PRADA CUP AND LUNA ROSSA

The area of high-profile sports is another source of inspiration for Prada as it set up scenarios capable of going beyond the ordinary.

The Luna Rossa team, sponsored by the Prada Group, was a challenger in the America's Cup sailing yacht races of 2000, 2003, 2007 and 2013, winning the challenger selection regattas in 2000 and reaching the finals in 2007 and 2013.

Having benefited from this experience, which made a huge contribution to the commercial success of the leisure clothing and footwear lines and raised visibility of the Prada brand around the world, the Group has again secured the role of main sponsor of the Luna Rossa sailing team for the 36th America's Cup.

As a result of the role acquired, the Prada brand will be promoted along with the Luna Rossa brand for the duration of the competition and in all the regattas and events relating to the America's Cup race that will take place until 2021. Furthermore, for the first time Prada will have the role of Title and Presenting Sponsor of

the 36th edition of the America's Cup, gaining further prestigious exposure through the oldest sports trophy competition in the world.

With this new role in the organization of the competition, Prada also sets the ambitious goal of building a lasting legacy in terms of sustainability. A detailed plan of objectives related to the protection of the oceans and the reduction of the impact on the environment of all activities related to the life cycle of the sport project is being defined, from the design of the hulls to the management of the villages for the regattas.

The program also includes partnerships with large international institutions dealing with environmental issues.



5. CULTURAL INITIATIVES

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

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



5.1 SHAPING A SUSTAINABLE DIGITAL FUTURE

On November 20, 2018, at Fondazione Prada Milan, the Prada Group presented "Shaping a Sustainable Digital Future", the second edition of the conference program launched in 2017. With this event, the Group explored the relationship between sustainability and digital innovation.

Business leaders and representatives of institutions and international organizations debated the overarching theme, offering their insights and experience in trying to analyze how technology contributes to the sustainable development of business and society and, at the same time, reflecting on the pressing risks in terms of sustainability posed by technology's onward march.

Also for this edition, Prada collaborated with the Schools of Management of Yale University and the Politecnico of Milan. During the months preceding the event, both business schools launched a student contest open to an extensive audience of students (mainly graduate students) who were invited to develop insights on the theme of the conference.

The most interesting contributions, selected by a jury made up of professors and Prada representatives, were admitted to the final phase (the Hackathon), held on October 26 and 27 at Yale University. The students worked in a single environment for around 15 hours to develop new ideas addressing the relationship between sustainability and digital technologies, then presented at the conference.



Exhibition view of "Atlas"
Jeff Koons : Tulips, 1995-2004

5.2 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 2010 it has presented 24 solo exhibitions in Milan dedicated to important Italian and international artists. Since 2011, the foundation has also been operating from its venetian venue, Ca' Corner della Regina, an eighteenth-century building that has hosted 7 research exhibitions and an experimental platform dedicated to cinema. In 2018,

"Machines à penser" was presented, a project curated by Dieter Roelstrate that explored the connections between philosophy, art and architecture and focused on three fundamental figures of philosophy in the 20th century: Theodor W. Adorno, Martin Heidegger and Ludwig Wittgenstein.

The program of the Foundation's permanent headquarters in Milan, unveiled in 2015 and designed by the architectural firm OMA, included in 2018 various exhibition: historical, artist projects and site-specific installations.

The exhibition "Post Zang Tumb Tuuum. Art Life Politics: Italia 1918-1943", conceived by Germano Celant has investigated the system of art and culture in Italy



Ca' Corner della Regina

between the two world wars, starting from the research and study of historical documents and photographs that reveal the spatial context, social and political in which works of art were created, staged, lived and interpreted by the public at the time.

The Belgian artist Luc Tuymans with the exhibition project "Sanguine. Luc Tuymans on Baroque", organized in collaboration with M HKA (Museum of Contemporary Art in Antwerp), KMSKA (Royal Museum of Fine Arts in Antwerp) and the city of Antwerp, has reinterpreted the notion of Baroque in a personal way, creating a dialogue between works by contemporary artists and works by masters of the past.

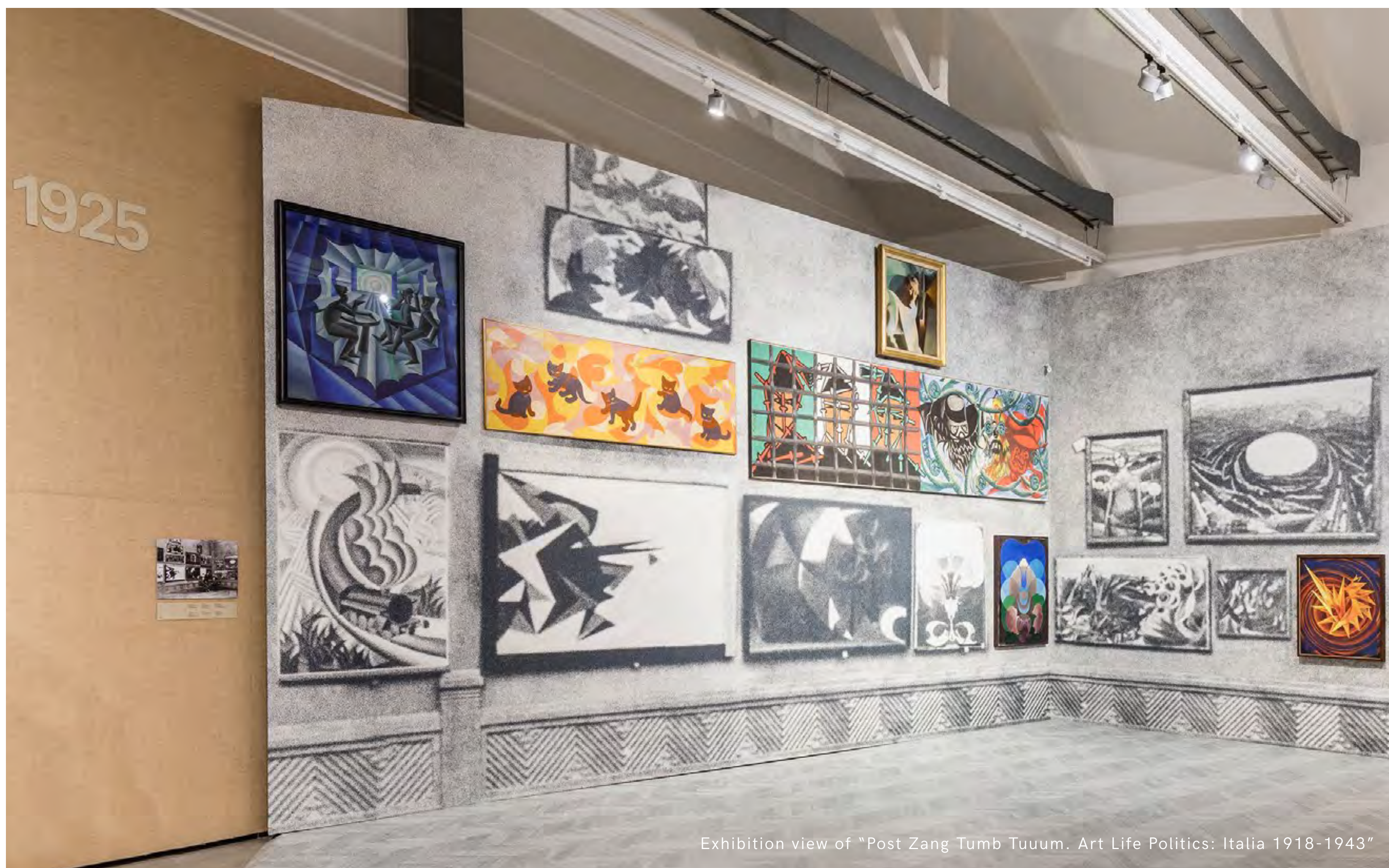
The site-specific intervention of the Brazilian artist Laura Lima, commissioned for the Cisterna spaces, completed the "Sligh Agitation" exhibition project curated by the Prada Foundation Thought Council, currently composed by Shumon Basar, Elvira Dyangani Ose and Dieter Roelstraete.

The German artist John Bock created "The Next Quasi-Complex", an exhibition that brings together existing

installations and new works, staging an original theater of the absurd.

Fondazione Prada also presented the musical project "I WANT TO LIKE YOU BUT I FIND IT DIFFICULT" in the external spaces of its Milan headquarters. Divided into three events and curated by Craig Richard, the project featured international artists, such as Ricardo Villalobos, Mulatu Astatke, Midori Takada, E / Tape, Nicolas Lutz, Monolake Live Surround, Burnt Friedman, Joy Orbison and Baby Vulture, that explored a variety of musical genres and languages: from electronic music to Ethio-jazz, from minimal to techno.

Since May 2018, Fondazione Prada's Cinema, active every weekend, has offered a program in which première, classics, experimental and avant-garde works, rare films and restorations coexist. As part of this project, film festivals were organized with directors such as Bernardo Bertolucci, Spike Lee and Hans-Jürgen Syberberg and three film series of the "Subjective" series proposed by artists such as Damien Hirst, Theaster Gates and Luc Tuymans, all invited to share with the audience their



Exhibition view of "Post Zang Tumb Tuuum. Art Life Politics: Italia 1918-1943"



Exhibition view of "Sanguine. Luc Tuymans on Baroque"
Mark Manders: Room with Unfired Clay Figures, 2011-15



Exhibition view of "The Black Image Corporation"
A project by Theaster Gates

favorite films that have contributed to their personal and intellectual training.

In addition to the exhibition and cultural activities, the educational workshops of the Children's Academy continued with new cycles of workshops conceived and curated by "masters" coming from different disciplines, including the musician Devendra Banhart.

Osservatorio, the exhibition outpost inaugurated in December 2016 in Galleria Vittorio Emanuele II and devoted to photography, hosted two further exhibitions: "Torbjørn Rødland: The Touch That Made You", initially presented by the Serpentine Galleries in London and conceived by Hans Ulrich Obrist and Amira Gad, was dedicated to the Norwegian artist's photographic and

video production. "The Black Image Corporation", the exhibition conceived by the artist Theaster Gates, enhanced the photographic archives of the Johnson Publishing Company that has helped define the aesthetic-cultural codes of contemporary Afro-American identity.

5.3 PRADA AND SCIENTIFIC RESEARCH



In October, during a conference held at Fondazione Prada in Milan in the presence of Miuccia Prada and a large representation of media and members of the scientific community, the Prada Group announced its partnership with the Gianni Bonadonna Foundation as “Supporting Partner” for the therapeutic and scientific research project in the field of oncology conceived by Fondazione Bonadonna. The purpose of this program is to give continuity to the work of Gianni Bonadonna, the great oncologist who has innovated every aspect of research and therapies, allowing to reach enormous progress and concrete clinical successes in the treatment of neoplasia.

The project involves the support of a multidisciplinary teams of doctors and researchers dedicated to studying and developing new treatments for cancer patients, and a fellowship program for young oncologists in partnership with universities across the world, hospitals and leading research centers, providing an effective way to expand the exchange of scientific ideas.

The Prada Group therefore will contribute also through the commitment of its representatives to the development of the project by promoting the Fondazione Gianni Bonadonna initiatives and providing their expertise in communication to ensure the public is informed about the ideas, results and breakthroughs that will emerge over the years.

The project’s launch day was structured into two separate moments. The morning saw the speeches by Dr. Larry Norton, Senior Vice President at the Memorial Sloan Kettering Cancer Center in New York, Dr. Luca Gianni, Chairman of the Fondazione Gianni Bonadonna, and Carlo Mazzi, Chairman at Prada spa. A scientific session was then held in the afternoon with the participation of over 150 oncologists from Italy and abroad, representing key global players in cancer research and treatment.



6. AT ONE WITH THE COMMUNITY

6.1 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 industrial development. With the belief that a 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 renew 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 m² of production facilities and warehouse spaces, located almost entirely in Italy. Among these, 5 are new buildings, 3 are renovations of industrial archaeology and many are cases of preservation 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.

In 2015 a three-year investment plan was launched aimed at re-qualifying and reorganizing the Group's manufacturing facilities in order to preserve the artisanal know-how, support the technical development of

production processes and improve the quality of the work environments. Many renovations and very important works were carried out to refurbish the spaces.

Also 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 territory thanks to border plantings, artificial dunes, roof gardens, reflecting pools, picture windows and nature paths.

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 with a photovoltaic system, LED lighting, an energy-saving smart home system, low-loss transformers, high-efficiency generators and a geothermal plant. Construction began in 2016 and in 2017 the first of the two warehouses was finished; the second was completed in August 2018, a new building realized with the adoption of cutting-edge technological solutions in terms of sustainability, including an innovative "water loop heat pump" air conditioning system that is able to exploit the geothermal contribution in combination with heat recovery, and thus generate a reduction in energy consumption of 30%, equal to about 65 tons / year of CO₂ not emitted.

6.2 ENVIRONMENTAL PROTECTION

In addition to culture and people, environmental protection is another great interest 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 practices 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 with environmental laws and regulations, the Prada Group did not receive significant fines or non-monetary sanctions during the year.

6.2.1 GREEN ENERGY

In 2017 the Prada Group signed a partnership agreement to ensure that 100% of the electricity for all its Italian offices is supplied by sustainable sources with Guarantees of Origin. The environmental impact corresponds to a reduction of over 20,000 tons of CO₂ emissions per year.

This type of collaboration also includes investments in energy efficiency for all the Group's industrial sites. Specific feasibility studies are already underway for the realization of some interventions ranging from cogeneration and tri-generation to photovoltaic systems and the smart management of production plants to reduce energy consumption.

6.2.2 PHOTOVOLTAIC SYSTEM

At December 31, 2018 the Group had 9 large rooftop photovoltaic installations on factories. The renewable energy investment plan provides for converting all the available surfaces. From simple passive roofing, these surfaces will become power plants with lower environmental and landscape impacts than large ground-based systems. The total installed power is equal to 2.2 megawatts, with an expected annual capacity of over 2.5 million kWh, able to cover almost 10% of the total industrial consumption.

6.2.3 OTHER ENERGY EFFICIENCY INITIATIVES

FACTORY HEATING AND AIR CONDITIONING SYSTEMS

During 2018 investments continued to be made to replace the cooling and heating systems of the historic industrial and corporate buildings both in Tuscany and in Milan. Old heating systems became new high-efficiency condensation power plants with savings of consumption and CO₂ emissions of approximately 200 tons / year. Moreover, at the industrial site of Piancastagnaio (Tuscany, Italy), the old thermal power plant was eliminated and the building was connected to the district heating network that uses the natural geothermal energy of southern Tuscany, allowing CO₂ emissions savings of 100 tons / year.



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.

LEED (Leadership in Energy and Environmental Design)

In 2018, the Prada Group achieved LEED Gold certification for 9 stores - 4 in Asia, 2 in Australia, 2 in Europe and 1 in Canada - and for the Scandicci plant purchased by the Group in 2014 and subsequently renovated to become a cutting-edge factory for leather goods production. As at December 31, 2018 the Group had attained a total of 19 LEED certifications and estimates that it will be able to obtain additional ones in 2019.

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, 2018, there were multi-meters installed in over 300 industrial sites, offices and stores.

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, also involved interventions on halogen and metal halide lamps in the ceiling lighting. At December 31, 2018 all Group's directly operated stores used LED lamps in the furnishings and displays and for all the store lighting.

The direct energy savings obtained is equal to 70%, whereas the indirect energy savings relates to the lower heat produced by the lamps, which enables to use less air conditioning during summer and to reduce 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.

RESPONSIBLE SUPPLY

In the implementation of strategies to reduce its environmental impact, in 2018 the Prada Group developed and adopted guidelines to encourage the responsible procurement of materials for personal hygiene (toilet paper, paper towels, soap, garbage bags, etc.) used by customers in the stores and by employees. Lastly, the Group has started to introduce strict guidelines in the supply agreements with the firms engaged to clean the offices and stores: the exclusive use of environmentally friendly products and sustainable practices are considered fundamental to the maintenance of health and quality in such environments.

6.2.4 WASTE

The Group recognizes the importance of responsible natural resources 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.

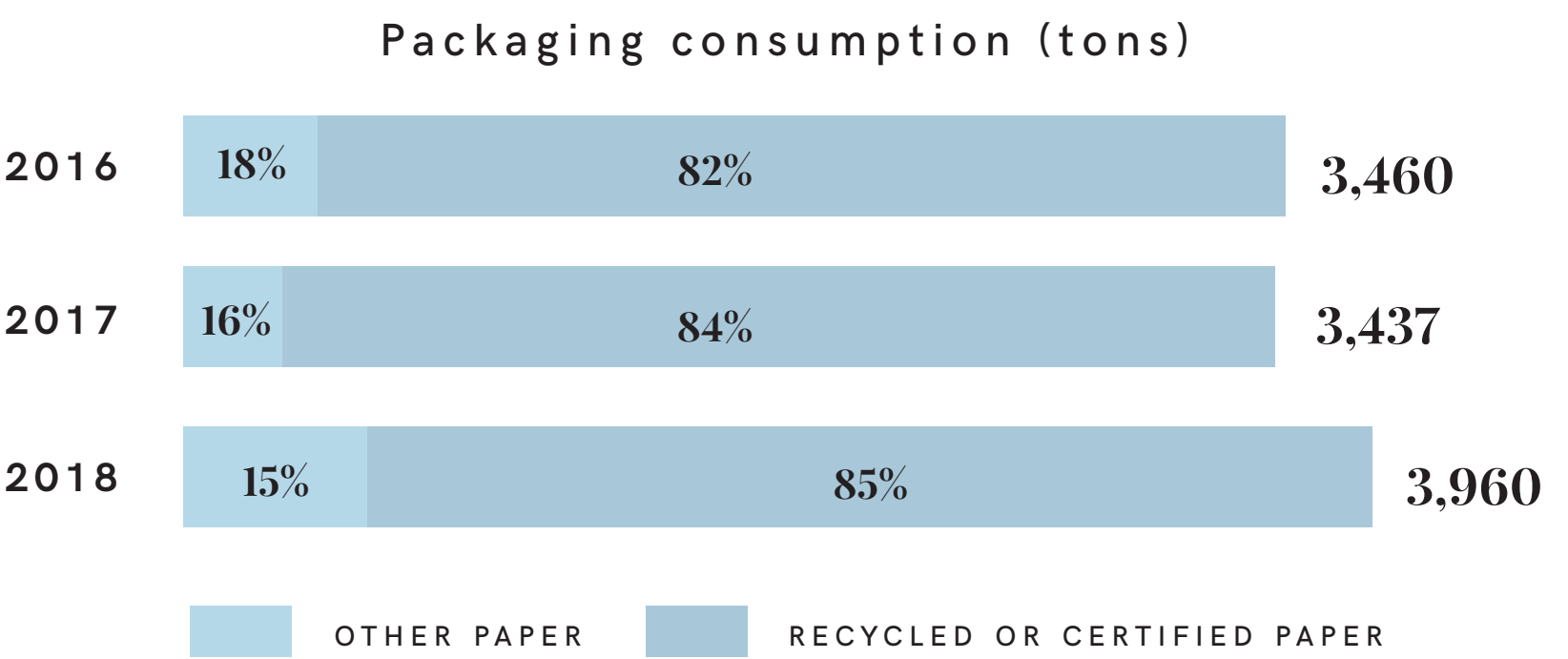
The analysis enabled to optimize the available resources, thereby reducing waste production and increasing waste recycling. Moreover, the new procedures implemented enabled the Prada Group to recycle more paper, plastic, glass and printer cartridges not just at the factories but also at the Group's offices.

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.

6.2.5 USE OF RECYCLED AND CERTIFIED PAPER

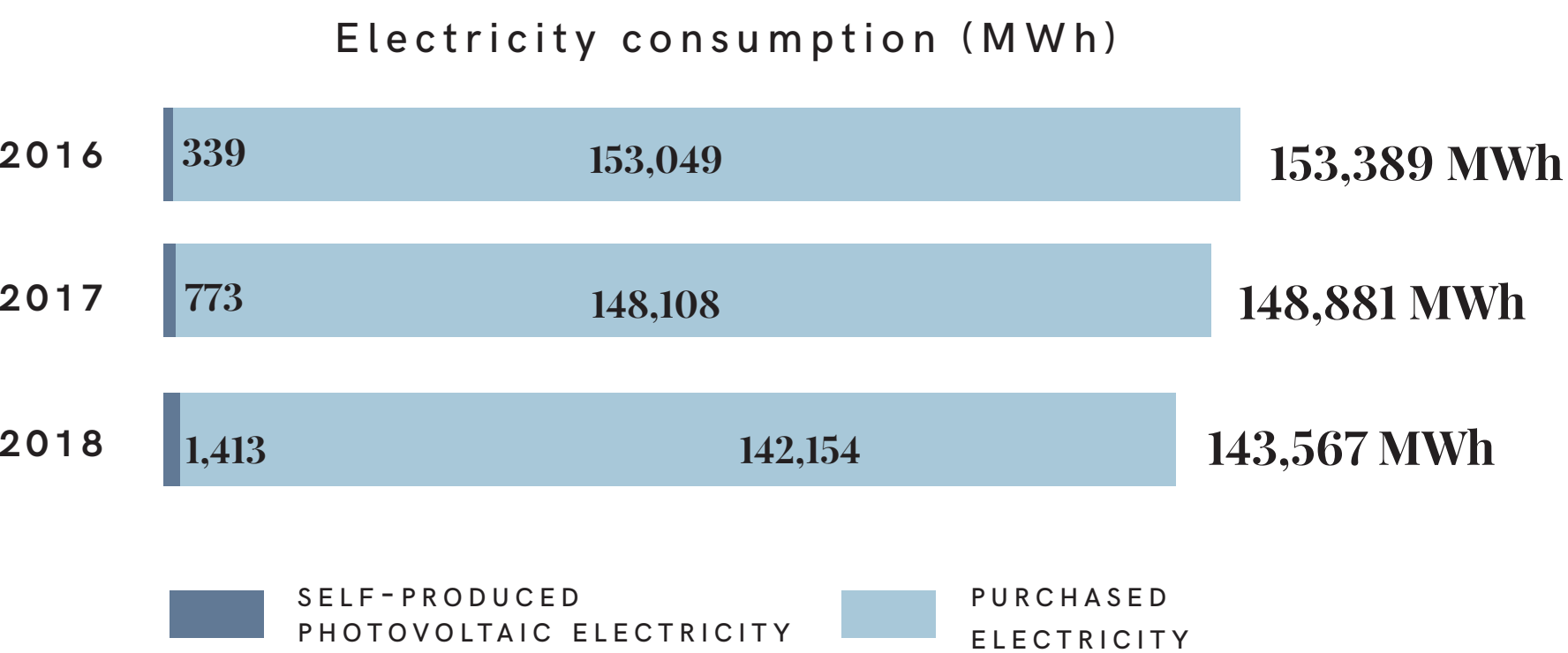
In the twelve-month period ended at December 31, 2018 the Prada Group used 3,960 tons of material to package products worldwide, while in 2017 the consumption was 3,437 tons. The increase is due to supplies for tissue paper and paper for paper patterns that in previous periods were not included and that amounted almost 280 tons in 2017. In 2018, 85% of the total packaging

consumption was represented by paper certified by the Forest Stewardship Council (FSC) and recycled paper.

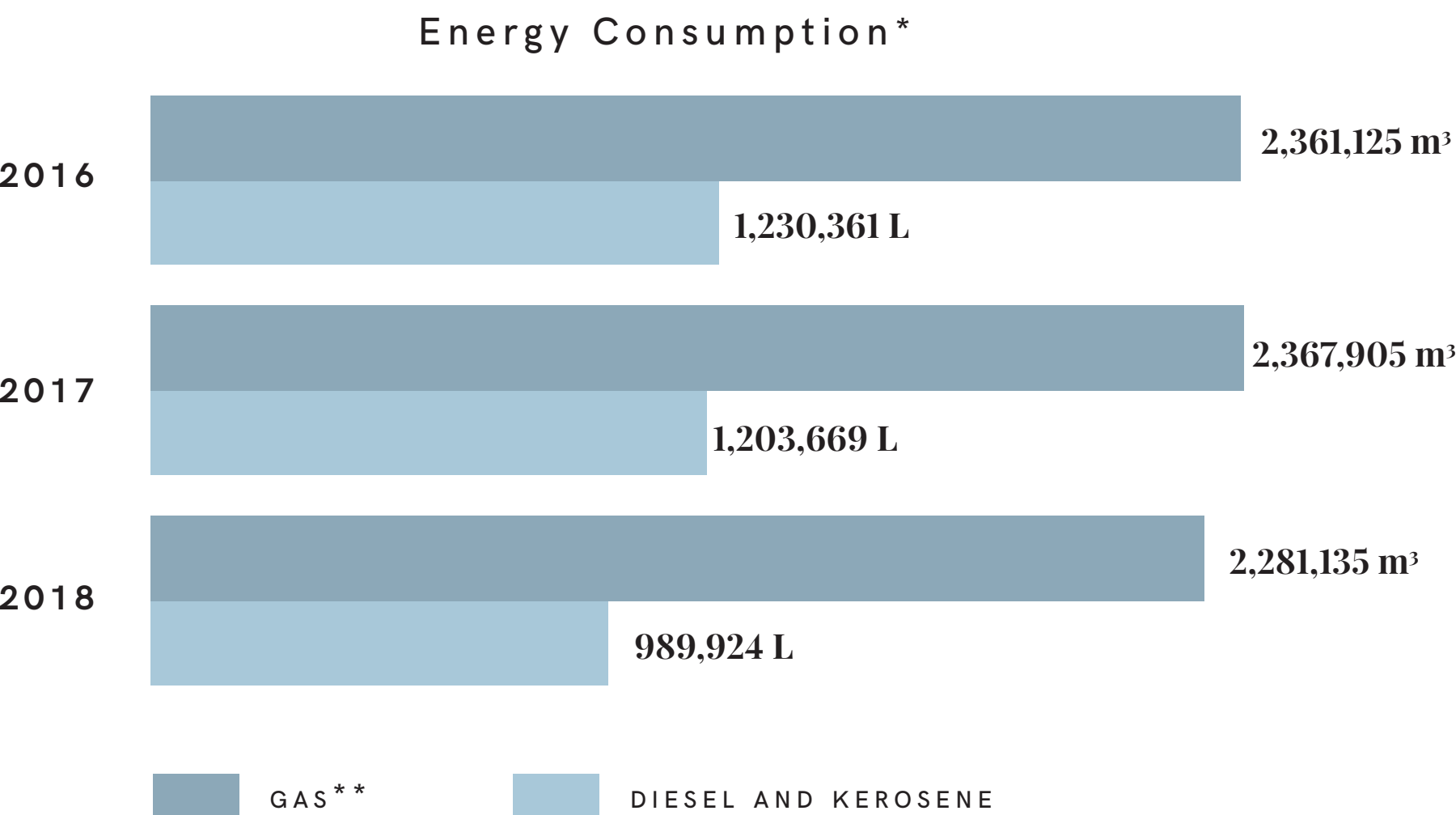


6.2.6 ENERGY CONSUMPTION AND CO₂ EMISSIONS

In 2018 the Prada Group reported electricity consumption of 143,567 MWh, down by 6.4% over the three-year period and including self-produced photovoltaic electricity consumption of 1,413 MWh (+317% compared to 2016).



With regard to fuel consumption (diesel and kerosene) and natural gas, mainly used for means of transport (owned and leased) and for heating, there is a decrease of 19.5% and 3.4% respectively over the three years.

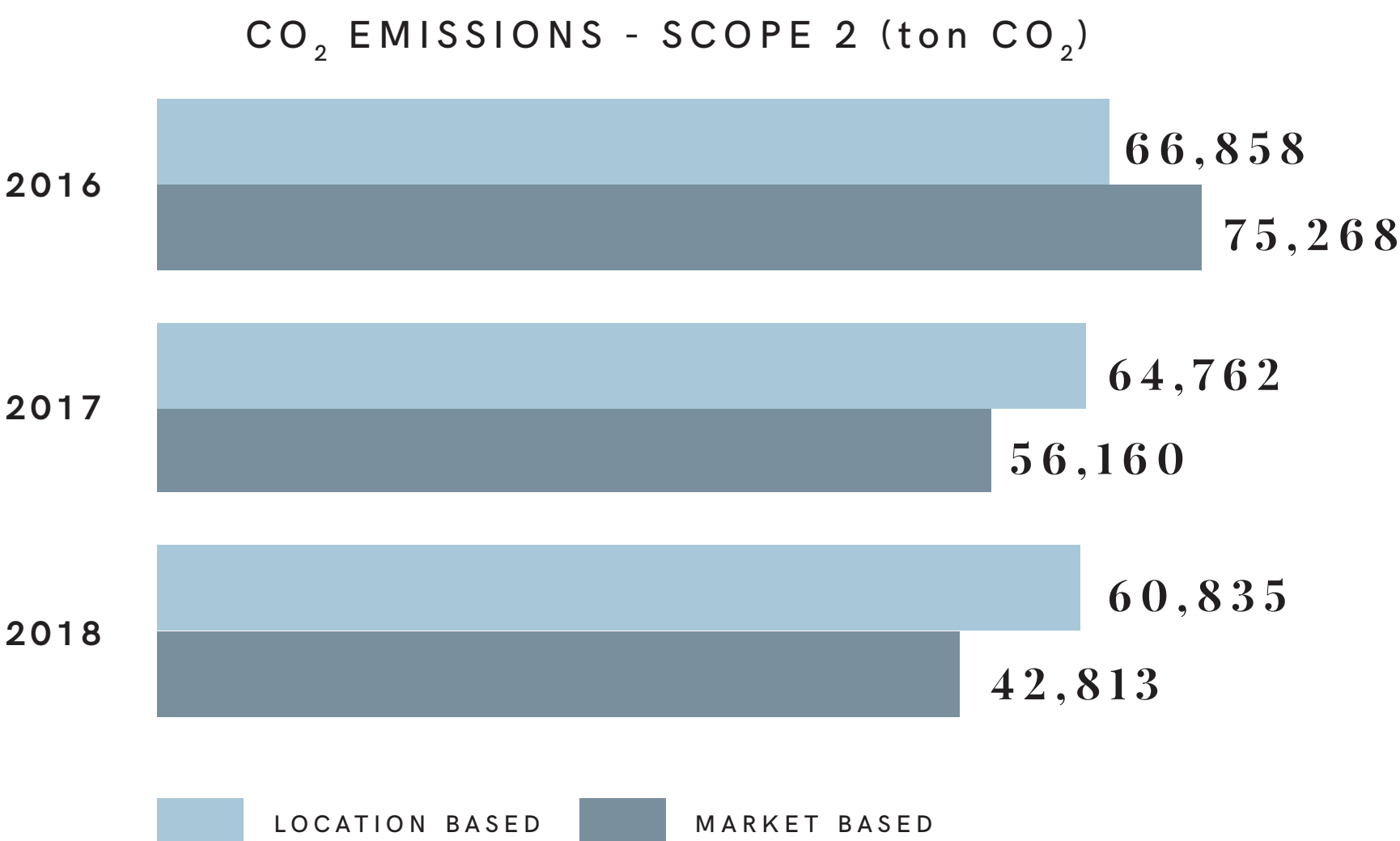


* Thanks to greater availability of data, it was possible to include self produced electricity from photovoltaic systems in the calculation of total energy consumption.
** The data for electricity consumption and natural gas are estimates.

The CO₂ emissions corresponding to the consumption of gas and fuel (scope 1) amount to 5,035 tons of CO₂, down by 7.3% compared to 2016.

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

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



In 2018, indirect energy emissions, according to the "market-based" method, decreased significantly compared to both 2016 (-43.1%) and to 2017 (-23.8%), while the amount of energy purchased from renewable sources increased.

The other indirect emissions (scope 3), relating to the fuel consumption of the leased company fleet, amounted to 2,090 tons of CO₂, down compared to 2016 (-14.4%).

CO ₂ EMISSIONS (ton CO ₂)	2016	2017	2018
Direct emissions (Scope 1)	5,431	5,456	5,035
Buildings	4,616	4,651	4,498
Means of transport (owned)	815	806	537
Energy - indirect emissions (Scope 2)* - Location-based	66,858	64,726	60,835
Energy - indirect emissions (Scope 2) - Market-based	75,268	56,160	42,813
Other indirect emissions Means of transport (leasing) (Scope 3)	2,443	2,381	2,090

* The data relating to CO₂ emissions from electricity consumption for 2017 and 2016 differ from those published in the Prada Group's 2017 Social Responsibility Report, due to the updating of emission factors.

Moreover, thanks to the self-production of energy through its photovoltaic systems, Prada avoided the production of 509 tons of CO₂ emissions that would have occurred if the electricity were purchased from the grid.



7. NOTES ON THE METHODOLOGY

7.1 THE MATERIAL ASPECTS IDENTIFICATION

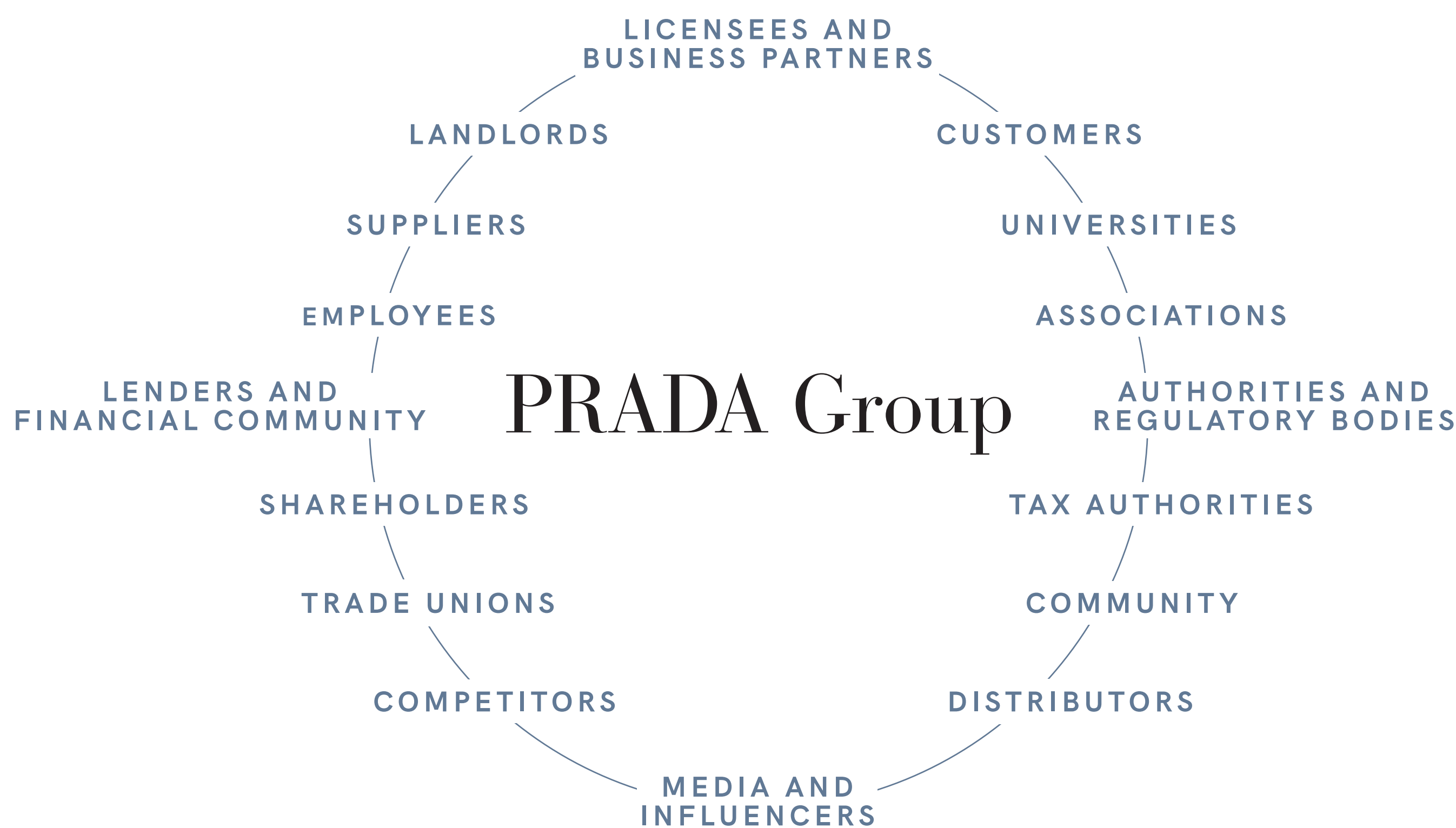
THE PRADA GROUP'S STAKEHOLDERS

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

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

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

This process identified many key stakeholders in the following categories:



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 departments which 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 2018, the Prada Group has drawn up its Social Responsibility Report according to the GRI (Global Reporting Initiative) Sustainability Reporting Standards (hereafter "GRI Standards") and in line with the "ESG (Environmental, Social and Governance) Reporting Guide" of the Hong Kong Stock Exchange.

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

In this regard, during 2018 the Prada Group updated its materiality analysis with the aim of submitting selected sustainability issues to the attention of the management and prioritizing among them the most relevant ones for the company and its stakeholders.

The updated materiality analysis was a two-phase process that involved:

- 1. Identifying sustainability issues: determining which issues are key to understanding Prada's business and strategic context and to describing its main environmental, economic and social impacts;
- 2. Ranking: putting these aspects in order based on their relevance for achieving business goals (internal significance) and concern to stakeholders (external significance).

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

- mapping the key stakeholders and analyzing their concerns;
- performing a benchmark analysis against Italian and international fashion and luxury firms, producing a list of the most common sustainability issues in the industry;

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

Once the sustainability issues were defined, they were ranked in order to define their materiality and include the most significant ones in this report. 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 Standards, the aspects were ranked in terms of their impact both within and outside the organization, i.e. by extending the analysis to the entire value chain.

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

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

The following results emerged:

- again, the most significant aspect proved to be product creativity and excellence, which demonstrates the fundamental importance — for the Group and its stakeholders alike — of the high standards of quality and style that accompany Prada merchandise along the entire value chain;
- equally relevant for the Group and its stakeholders are the issues related to the management and development of human capital (know-how preservation, skills development and attraction and retention of talents);
- aspects associated with the production processes and their impact throughout the supply chain (respect for human rights, evaluation of suppliers according to social criteria, occupational health and safety and energy consumption and climate change) resulted among the most relevant for stakeholders;
- customer experience and integrity, transparency and cooperation are the issues most important to the Group, demonstrating its commitment to operating in full compliance with current laws and regulations and to building trust-based relationships with its stakeholders.

In compliance with Standard GRI 101: Foundation, paragraph 3, this document has been prepared in line with "GRI Standards: Core Option". References to the Hong Kong Stock Exchange's ESG Reporting Guide (Main Board Listing Rules - Appendix 27) are listed in the Content Index⁴.

The table sets forth the material aspects defined in the GRI Standards: 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.

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

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

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



7.2 THE REPORTING PROCESS

SCOPE

This document is the Prada Group's sixth - first according to the GRI principles published in 2016 - Social Responsibility Report and contains a description of the main initiatives undertaken in fiscal year 2018, i.e. from January 1, 2018, to December 31, 2018, and the performance trends for the three-year period 2016-2018 where available; particularly significant initiatives and events of fiscal year 2019 already known at the reporting date are also included.

During 2017, 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 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 2016 and 2018 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 2018 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

The attention given to topics such as the environment, human rights and equal opportunities, and how to preserve manufacturing know-how, promote the culture and protect the artistic heritage, are values that have always distinguished the corporate culture. The social

responsibility report aims to represent the Group in view of these values so that its stakeholders can evaluate the impacts of Prada's activities from an environmental, social and governance standpoint.

This document was drawn up with the purpose of reporting both the successful aspects and the weaknesses of the Prada Group, with a view toward constant improvement. The information and indicators included aim to provide a balanced portrayal of the Group's sustainability performance and initiatives.

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

In this regard, at the beginning of 2018 the Group adopted a procedure for the preparation of the Report of Social Responsibility ("Guidelines for the preparation of the annual Report of Social Responsibility") approved by the Board of Directors, which indicates the principles to be followed (materiality, measurability, impartiality, coherence) and the responsibilities for drawing up the document.

CALCULATION METHODOLOGY

The Prada Group involved all corporate functions and engaged Ernst & Young Italy's Climate Change and Sustainability Service team to determine the contents of the 2018 sustainability report.

With respect to the calculation methodology:

- lost day rate: it is the ratio between total number of days lost due to injuries and the total number of scheduled hours to be worked x 1,000;
- injury rate: it is the ratio between the total number of injuries and the total number of hours worked x 1,000,000;
- occupation disease rate: it is the ratio between the total number of occupational diseases and the total number of hours worked x 1,000,000;

- where environmental data were unavailable, conservative estimates were used that resulted in choosing assumptions associated with the least positive environmental performance for the Company;
- 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 for the Environment and Protection of Land and the Sea, updated to 2018;
 - emissions scope 2 - Location Based: emission factor per country taken from Terna's international comparisons on Enerdata data - 2016 data;
 - emissions scope 2 - Market Based: Country Emission Factor from the European Residual Mixes of AIB (Association of Issuing Bodies) updated to 2018 when available; for the United States and Canada it was considered an average of the Residual Mixes published by the Green-E certification body; for the other countries the emission factor taken from Terna International comparisons on Enerdata data - data 2016 was considered;
 - emissions scope 3: emission factor taken from the list of Italian standard parameters published by the Ministry for the Environment and Protection of Land and the Sea, updated to 2018.

Finally, carbon dioxide is the only greenhouse gas considered.

The 2016 and 2017 data may differ slightly from the data published in the 2016/2017 Social Responsibility Reports due to the aggregation of data that became available after such Reports were published. For the same reason, the 2018 data reflects the best possible estimate using the data available when the 2018 Social Responsibility Report was published.



8. GRI CONTENT INDEX FOR "IN ACCORDANCE" CORE OPTION

INDICATOR	References to HKEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
GRI 102: GENERAL DISCLOSURES - 2016				
102-1		Name of the organization	Pag. 60	
102-2		Activities, brands, products, and services	Pag. 4-11; 33-36; 41-43	
102-3		Location of headquarters	Pag. 60	
102-4		Location of operations	Pag. 4; 33-38	
102-5		Ownership and legal form	Pag. 60	
102-6		Markets Served	Pag. 4; 8-13	
102-7		Scale of the organization	Pag. 12-13; 33-35; 41-42	
102-8	KPI B1.1	Information on employees and other workers	Pag. 25-26	
102-9	KPI B5.1	Supply chain	Pag. 8-10; 37-39	
102-10		Significant changes to the organization and its supply chain	Pag.12-13; 60	
102-11		Precautionary Principle or approach	Pag. 19-20; 60-61	
102-12		External initiatives	Pag. 15; 20-23; 39	
102-13		Membership of associations	The Group's main partnerships are with: Assonime, Camera Nazionale della Moda Italiana, Assolombarda and Confindustria Toscana	
102-14		Statement from senior decision- maker	Pag. 3	
102-16		Values, principles, standards and norms of behavior	Pag. 15-16; 38-39	
102-18		Governance structure	Pag. 16-18	
102-40		List of stakeholder groups	Pag. 57	
102-41		Collective bargaining agreements	Pag. 30-31	
102-42		Identifying and selecting stakeholders	Pag.56-57	
102-43		Approach to stakeholder engagement	Pag. 56-57	
102-44		Key topics and concerns raised	Pag. 56-59	
102-45		Entities included in the consolidated financial statements	Pag. 60	
102-46		Defining report content and topic Boundaries	Pag. 57-59	
102-47		List of material topics	Pag. 58	
102-48		Restatements of information	Pag. 60	
102-49		Changes in reporting	Pag. 60	
102-50		Reporting period	Pag. 60	
102-51		Date of the most recent report	Pag. 60	
102-52		Reporting cycle	Pag. 60	
102-53		Contact point for questions regarding the report	Pag. 66	
102-54		Claims of reporting in accordance with the GRI Standards	Pag. 59	
102-55		GRI content index	Pag 63-66	
102-56		External assurance	This document is not submitted to external assurance.	

MATERIAL TOPICS

INDICATOR	References to HKEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
SPECIFIC STANDARD DISCLOSURES				
ECONOMIC PERFORMANCE INDICATORS				
GRI 201: Economic Performance - 2016				
103-1	G.D 8	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D 8	The management approach and its components	Pag. 12-13	
103-3	G.D 8	Evaluation of the management approach	Pag. 12-13	
201-1	KPI B8.2	Direct economic value generated and distributed	Pag. 13	
GRI 204: Procurement Practices – 2016				
103-1		Explanation of the material topic and its Boundary	Pag. 56-59	
103-2		The management approach and its components	Pag. 37-38	
103-3		Evaluation of the management approach	Pag. 37-38	
204-1	KPI B5.1	Proportion of spending on local suppliers	Pag. 37-38	
GRI 205: Anti-corruption – 2016				
103-1	G.D B7	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D B7	The management approach and its components	Pag. 18-20	
103-3	G.D B7	Evaluation of the management approach	Pag. 18-20	
205-3	KPI B7.1	Confirmed incidents of corruption and actions taken	Pag. 19	
ENVIRONMENTAL PERFORMANCE INDICATORS				
GRI 301: Materials – 2016				
103-1	G.D A2	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D A2	The management approach and its components	Pag. 37	
103-3	G.D A2	Evaluation of the management approach	Pag. 37	
301-1	KPI A2.5	Materials used by weight or volume	Pag. 37	
GRI 302: Energy – 2016				
103-1	G.D A2	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D A2	The management approach and its components	Pag 52-55	
103-3	G.D A2	Evaluation of the management approach	Pag 52-55	
302-1	KPI A2.1	Energy consumption within the organization	Pag. 54	
302-4	KPI A2.3	Reduction of energy consumption	Pag. 54	
GRI 305: Emissions - 2016				
103-1	G.D A1	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D A1	The management approach and its components	Pag 52-55	
103-3	G.D A1	Evaluation of the management approach	Pag 52-55	
305-1	KPI A1.1 KPI A1.2	Direct (Scope 1) GHG emissions	Pag. 55	

INDICATOR	References to HKEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
305-2	KPI A1.1 KPI A1.2	Energy indirect (Scope 2) GHG emissions	Pag. 55	
305-3	KPI A1.1 KPI A1.2	Other indirect (Scope 3) GHG emissions	Pag. 55	
305-5	KPI A1.5	Reduction of GHG emissions	Pag. 55	
GRI 307: Environmental compliance - 2016				
103-1	G.D A1	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D A1	The management approach and its components	Pag. 51-55	
103-3	G.D A1	Evaluation of the management approach	Pag 51-55	
307-1	G.D. A1	Non-compliance with environmental laws and regulations	Pag. 52	
SOCIAL PERFORMANCE INDICATORS				
GRI 401: Employment - 2016				
103-1	G.D. B1	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D. B1	The management approach and its components	Pag. 24-27; 30-31	
103-3	G.D. B1	Evaluation of the management approach	Pag. 24-27; 30-31	
401-2	KPI B1.2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pag. 26	
GRI 403: Occupational health and safety - 2016				
103-1	G.D. B2	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D. B2	The management approach and its components	Pag. 32	
103-3	G.D. B2	Evaluation of the management approach	Pag. 32	
403-1	KPI B2.3	Workers representation in formal joint management-worker health and safety committees	Pag. 32	
403-2	KPI B2.1 KPI B2.2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Pag. 32	
GRI 404: Training and education - 2016				
103-1	G.D. B3	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D. B3	The management approach and its components	Pag. 28-30	
103-3	G.D. B3	Evaluation of the management approach	Pag. 28-30	
404-1	KPI B3.1 KPI B3.2	Average hours of training per year per employee	Pag. 30	
GRI 405: Diversity and equal opportunities - 2016				
103-1	G.D. B1	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D. B1	The management approach and its components	Pag. 16-18; 27	
103-3	G.D. B1	Evaluation of the management approach	Pag. 16-18; 27	
405-1	KPI B1.1	Diversity of governance bodies and employees	Pag. 17	
405-2	G.D. B1	Ratio of basic salary and remuneration of women to men	Pag. 27	
GRI 406: Non-discrimination - 2016				
103-1	G.D. B1	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D. B1	The management approach and its components	Pag. 27; 37-39	

INDICATOR	References to HKEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
103-3	G.D. B1	Evaluation of the management approach	Pag. 27; 37-39	
406-1	G.D. B1	Incidents of discrimination and corrective actions taken	Pag. 27; 38	
GRI 412: Human rights assessment - 2016				
103-1	G.D. B4	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D. B4	The management approach and its components	Pag. 15-16; 32; 37-39	
103-3	G.D. B4	Evaluation of the management approach	Pag. 15-16; 32; 37-39	
412-1	G.D. B4	Operations that have been subject to human rights reviews or impact assessments	Pag. 32; 38	
GRI 413: Local communities- 2016				
103-1	G.D. B8	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D. B8	The management approach and its components	Pag. 13; 44-52	
103-3	G.D. B8	Evaluation of the management approach	Pag. 13; 44-52	
413-1	G.D. B8	Operations with local community engagement, impact assessment, and development programs	Pag. 13; 44-52	
GRI 414: Suppliers social assessment - 2016				
103-1	G.D. B5	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D. B5	The management approach and its components	Pag. 37-39	
103-3	G.D. B5	Evaluation of the management approach	Pag. 37-39	
414-2	KPI B5.2	Negative social impacts in the supply chain and actions taken	Pag. 38	
GRI 416: Customer health and safety - 2016				
103-1	G.D. B6	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D. B6	The management approach and its components	Pag. 33-36; 39; 41-42	
103-3	G.D. B6	Evaluation of the management approach	Pag. 33-36; 39; 41-42	
416-2	G.D B6	Incidents of non-compliance concerning the health and safety impacts of products and services	Pag. 39	
GRI 417: Marketing and labeling - 2016				
103-1	G.D. B6	Explanation of the material topic and its Boundary	Pag. 56-59	
103-2	G.D. B6	The management approach and its components	Pag. 39	
103-3	G.D. B6	Evaluation of the management approach	Pag. 39	
417-2	G.D B6	Incidents of non-compliance concerning product and service information and labeling	Pag. 39	
GRI 419: Socioeconomic compliance - 2016				
103-1		Explanation of the material topic and its Boundary	Pag. 56-59	
103-2		The management approach and its components	Pag. 19-20; 22-23; 39	
103-3		Evaluation of the management approach	Pag. 19-20; 22-23; 39	
419-1	G.D. B1 G.D. B2 G.D. B4 G.D. B6 G.D. B7	Non-compliance with laws and regulations in the social and economic area	Pag. 19; 39	

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