



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

2019 SOCIAL RESPONSIBILITY REPORT



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LETTER TO STAKEHOLDERS

Nowadays sustainability topics, particularly environmental and social ones, are shared at every level, ranging from individuals to institutions. Even more significant, they represent sound values that transcend all cultures.

Corporations, a basic component of civil society, as well as families and public institutions must share full responsibility for the profound change underway and must contribute to an improvement in the living conditions of the future generations.

The Prada Group took on this commitment long ago with projects that have been well received both by the local communities, where our manufacturing facilities are located, and by a wider public that has participated in our cultural initiatives, sharing with us the fundamental values of our civilization: in essence, the beauty of nature and the grandeur of the human spirit.

Nevertheless, we believe that it is necessary to continue to dedicate growing efforts to the pursuit of each of the challenging objectives in which the United Nations has articulated the project for a sustainable world where, as suggested by one of the founding fathers of our culture, relationships among people and with nature are inspired by the principle of "frui" (enjoyment) and not "uti" (use).

Carlo Mazzi
Chairman of Prada S.p.A.
Milan, March 18, 2020



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, 2019, the Group's products were sold in 70 countries worldwide through 641 Directly Operated Stores (DOS) and a selected network of luxury department stores, independent retailers and franchise stores.

1.1 HISTORY

The Prada brand dates back to the beginning of the last century. In **1913**, Mario Prada opened a luxury store in the Galleria Vittorio Emanuele II in Milan, selling leather handbags, travelling trunks, beauty cases, luxury accessories, jewels and articles of value. Thanks to its exclusively designed goods, handcrafted using fine materials and sophisticated techniques, Prada rapidly acquired wide popularity across 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.

The Group saw a turning point in the development of its activities at the end of the Seventies, when Miuccia Prada, Mario Prada's granddaughter, launched a partnership with Tuscan businessman Patrizio Bertelli. This partnership combined creativity and business ideas laying the foundations of the international expansion that was to come. Patrizio Bertelli broke new ground in the luxury goods sector, introducing a business model in which he kept direct control over all processes, applying excellent quality criteria across the entire production cycle. Miuccia Prada's creative talent and avant-garde approach attracted the attention of the global fashion industry, while her ability to look at the world from an unconventional vantage point allowed her not only to anticipate but, quite often, to set new trends.



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

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

In response to the growing appreciation for Prada designs, the women's range was extended from leather goods to include the first footwear collection in **1979** and the first womenswear apparel collection as presented in Milan





in **1988**. At the same time, a process of internalization begins with the openings in New York and Madrid, followed by London, Paris and Tokyo.

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

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

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

In **1999**, the prestigious Church's brand, established in 1873 in Northampton, became part of the Prada Group; the investment was initially shared with a private equity firm, and then Prada completed the acquisition in 2007. The brand, specialized in high-end leather footwear, is

a worldwide recognized symbol of top quality British tradition and sophisticated elegance.

In **2001**, the Prada "Epicenter" store, designed in collaboration with Rem Koolhaas, opened on Broadway, New York. This was the first store of the "Epicenters" project whose purpose was to rethink the shopping concept with a new approach and to try out innovative interactions with customers. A second "Epicenter" store was opened in Aoyama, Tokyo, followed by a third, on Rodeo Drive, Beverly Hills in 2004. During the same year, Prada acquired control of Car Shoe, a historic Italian brand renowned for its exclusive car-driving moccasins.

In **2003** Prada entered into a licensing agreement with the Italian eyewear manufacturer Luxottica, a global leader in the eyewear industry which currently produces and distributes eyewear under the Prada and Miu Miu brands. Also in 2003 a new partnership was established for the production of fragrances, which first release, Amber, was launched in 2004.

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

The first Prada Phone by LG was launched in March **2007**; 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 know-how along the entire production chain. That same year, the Prada Group and Coty Inc. launched the first Miu Miu fragrance. The commercial development of the Marchesi brand began to take shape 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.

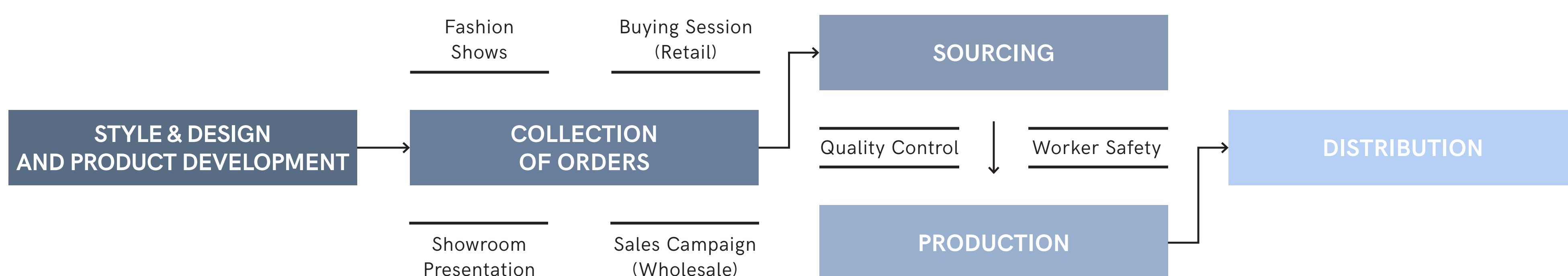
In **2017** a restyling plan of the Prada and Miu Miu stores was coupled with a broad program of pop-up events to further support retail activities. Also in 2017, the Prada Group was admitted to the cooperative compliance regime with the Italian Revenue Agency introduced with Italian Law Decree 128 of 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. Miuccia Prada received, in the same year, the Outstanding Achievement Award from the British Fashion Council for her extraordinary contribution to creativity and the global fashion industry.



In October of **2019**, Prada obtained full control of the retail network through the acquisition of Fratelli Prada spa, the company responsible for operating the Prada monobrand stores in Milan under a franchising agreement effective for more than ten years. In December, Prada spa and L'Oréal announced the stipulation of a long-term licensing agreement for the creation, development and distribution of Prada brand luxury cosmetic products. The agreement, effective from January 1, 2021, will enable to connect with a more extensive clientele worldwide and to maximize the brand potential and its already strong identity in the fragrance industry. Finally, during the year, the Prada Group announced the adoption of a fur-free policy.

1.2 VALUE CHAIN



The Group's business model is based on a value creation process 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 style. 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 quality standards continue to attract talented people from all over the world who want to share the creative experience. This results in teams involved at all stages of the creative process: from fashion design to manufacture, from architecture to communication and photography, from store interior design to all 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 steady interactions: these partnerships are crucial not only for the mutual growth and improvement but also for sharing a single, strategic objective hinging on quality, excellence and the creation of value over the medium to long-term.

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 realized in-house — 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, harmonizing the ability of combining 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 2019 two buildings dedicated to carrying out quality control on finished leather goods and footwear products have been completed and opened in the new Logistics Hub, in Tuscany (Italy). These new spaces are part of a broader industrial development project aimed at the progressive internalization of the most delicate production phases in order to improve efficiency, strengthening process control, while preserving the quality and excellence typical of Prada products. These sites 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 employees and

consumers. Each industrial division employs technicians whose responsibility is to ensure the achievement of these goals through strict controls over incoming and outgoing materials and daily visits to external production sites. Product and process controls not only ensure that standards are being met, but also contribute to ongoing improvement.

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 employees, clients, manufacturers and the outside environment as a whole.

1.2.7 DISTRIBUTION

The retail network is regularly revised and improved in order to offer a better customer experience.

Over the years, the Group has expanded its distribution network to 641 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 the market. In recent years, the overhaul of this channel has gradually reduced the number of wholesalers, 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").

“Close observation and curiosity about the world are at the very origin of the Prada Group’s creativity and modern outlook.

In society — and therefore in fashion, which in many ways reflects it — the only constant is change.

The transformation and innovation of conventions, underlying all evolution, have led us to interact with different cultural spheres both near and apparently far, helping us capture and anticipate the spirit of the times.

Today this is no longer enough: we must be the agents of change, with the flexibility to translate the demands of the market and society into tangible actions that guide us every day in our business.”

Miuccia Prada and Patrizio Bertelli



1.3 CREATIVITY AND EXCELLENCE



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

Guided by the style inspiration of Miuccia Prada, universally recognized as a reference for the entire fashion industry, the team of designers and craftspeople keep the Group's values and brand identities alive, yet constantly re-interpret them in a contemporary light without forsaking their unique concept.

Fashion, fast and increasingly difficult to interpret, requires a quick 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, find a common ground in the creative processes. Creativity is inexhaustibly linked to those special projects that over time not only define images, fashion shows and store settings, but also outline the collections that are joined together by an extremely fluid relationship.

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.

1.4 CUSTOMER CENTRICITY

In 2019, the Retail Innovation department, reporting to the Marketing Direction, was set up to develop and innovate the omnichannel experience of the Prada Group's customers, consistently with the organization's growth strategy.

With this new structure, the Group merges resources and skills into a single area to serve the customer's central role. The purpose of the Retail Innovation department is to foster a culture of innovation in the multi-channel customer experience while striving to meet the sales objectives in terms of both numbers and improved business metrics. The new department is also responsible for conveying to customers an effective understanding of the brand heritage, the product storytelling and the significance of the buying experience, and ultimately of increasing the customer engagement and customer loyalty.

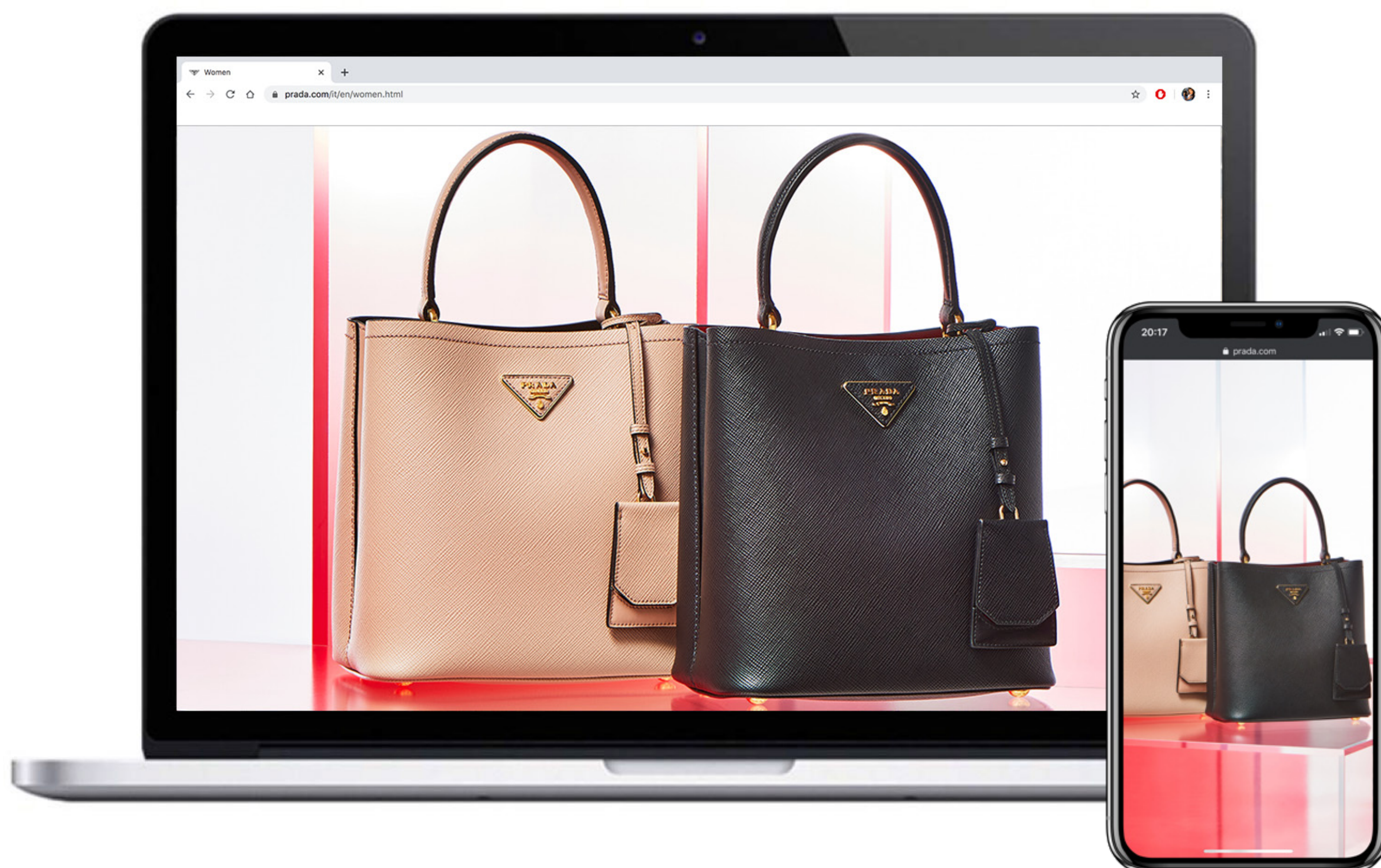
One of the first projects undertaken was the implementation of an ambitious plan to innovate the value of the retail experience, considered not only as time spent in the store, but also in its spatial - physical and digital - and temporal senses - before, during and after

the store visit. The plan involved dozens of the Group's employees, selected transversally by market, role and experience, and will conclude in 2020 with the adoption of the necessary changes in strategies, processes and technologies.

Also in 2019, an articulate cross-channel system to measure the customer experience (Net Promoter Score) was developed and activated for the purpose of continuously setting and designing strategies and processes for improving the customer experience.

Digital innovation, and more specifically the development of the e-commerce channel, is of prime importance for the Retail Innovation department. The Prada Group has already transformed this area, which remains central to the implementation of a customer centric omnichannel strategy.

Lastly, worth noting is the strategic redefinition of the role of the Customer Service department: a new customer-oriented operating model that allows a personalized, integrated and multi-channel relationship, inclusive of the opportunity to live a shopping experience in line with the Group's values and standards.



1.5 2019 HIGHLIGHTS

**€3.2
Billion***
2019
Revenues

**13,988
Employees**
at December 31,
2019

62%
Women
at December 31,
2019

**641
DOS**
at December 31,
2019

**€2,902
Million***
Economic value
distributed
to stakeholders
in 2019

€302 Million
Investments
in 2019

**22
Industrial sites**
at December 31,
2019

€13 Million*
Investments in the
community in 2019

* Economic value distributed to stakeholders in compliance with GRI Standards 201 - 1 (reference at page 15).

2019 featured important commercial decisions which, relying on the excellence that consumers throughout the world associate with the Group's brands, led to obtaining important results under a strategy of long-term growth.

Markdown sales were eliminated at the directly operated stores, and a stricter policy was adopted in the wholesale channel, both in terms of geography and volumes. These decisions, in addition to a product offer able to meet tastes across generations, yet remained consistent with the brand identity, enabled to enhance the product value and optimize the pricing choices across the channels.

The growth of full-price retail sales, namely the positive market response, represents an important achievement of the whole action plan.

This result, which was particularly evident in the latter months of the year, enabled to completely absorb the losses in revenue following the termination of discounted sales and ensuing from the social unrest in Hong Kong.

The primary level partnerships that the prestige of the brands can attract, also in different fields, represent an important tool for observing society and its changes.



From a product standpoint, it is worth mentioning two high symbolic value capsule collections: "Prada Re-Nylon" and "Prada for adidas Limited Edition". The first one related to a limited edition of products realized with re-generated nylon, to highlight the importance of environmental awareness and responsibility and to announce the ambitious plan to transition to the new sustainable material; the second one which paid tribute to the heritage of the two brands, and marked the beginning of an important business alliance for the two companies.

Meanwhile, two new editions of "Prada Mode", the traveling social club focusing on contemporary culture, came to life, first in Hong Kong and then in London. For Miu Miu, two new episodes of the Women's Tales film series were released.

Consumer interaction with such an intensive creative work was the focus of a communication plan that invested considerable financial resources to ensure very extensive geographical and channel coverage of the communication content regarding products, the brand and the Group's profile in general.

Investments were made to complete important projects for bolstering the Group's image and its store network. A prestigious building was purchased in Madrid, strategic for expanding the Spanish market, and the company Fratelli Prada spa was purchased, thanks to which the Group now fully controls the retail network. Important partnerships with leading technology suppliers were established to assist the marketing and merchandising processes.

In 2019 the Patent Box Agreement was signed with the Italian Revenue Agency, under which the Group obtained an income tax benefit for the tax periods from 2015 to 2019, based on the recognition of intellectual properties as the result of investments similar to R&D.

GRI-201 DISCLOSURE DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED	2017 ¹	2018 ²	2019 ³
	Amounts thousands of Euro		
Economic Value Generated	3,062,866	3,152,185	3,232,054
Economic Value Distributed	2,885,678	2,901,378	2,901,673
Operating costs	1,753,276	1,839,685	1,968,912
Value distributed to Employees	696,759	725,230	752,049
Value distributed to Banks and Bond Holders	16,876	17,608	12,044
Value distributed to Government Authorities	85,156	95,184	951
Value distributed to Investors	308,073	197,641	154,642
Value distributed to the Community	25,538	26,030	13,075
Economic Value Retained	177,188	250,807	330,381

¹ 12 months pro-forma from Jan. 1 to Dec. 31, 2017

² 12 months from Jan. 1 to Dec. 31, 2018

³ 12 months from Jan. 1 to Dec. 31, 2019

The consolidated income statement for 2019, 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 330.4 million, up by Euro 79.6 million compared to the twelve-month period of 2018.

The difference is mainly attributable to a higher economic value generated in 2019.

The economic value distributed remains unchanged as the registration of the extraordinary income due to the Patent Box (Euro 102 million) was offset by higher



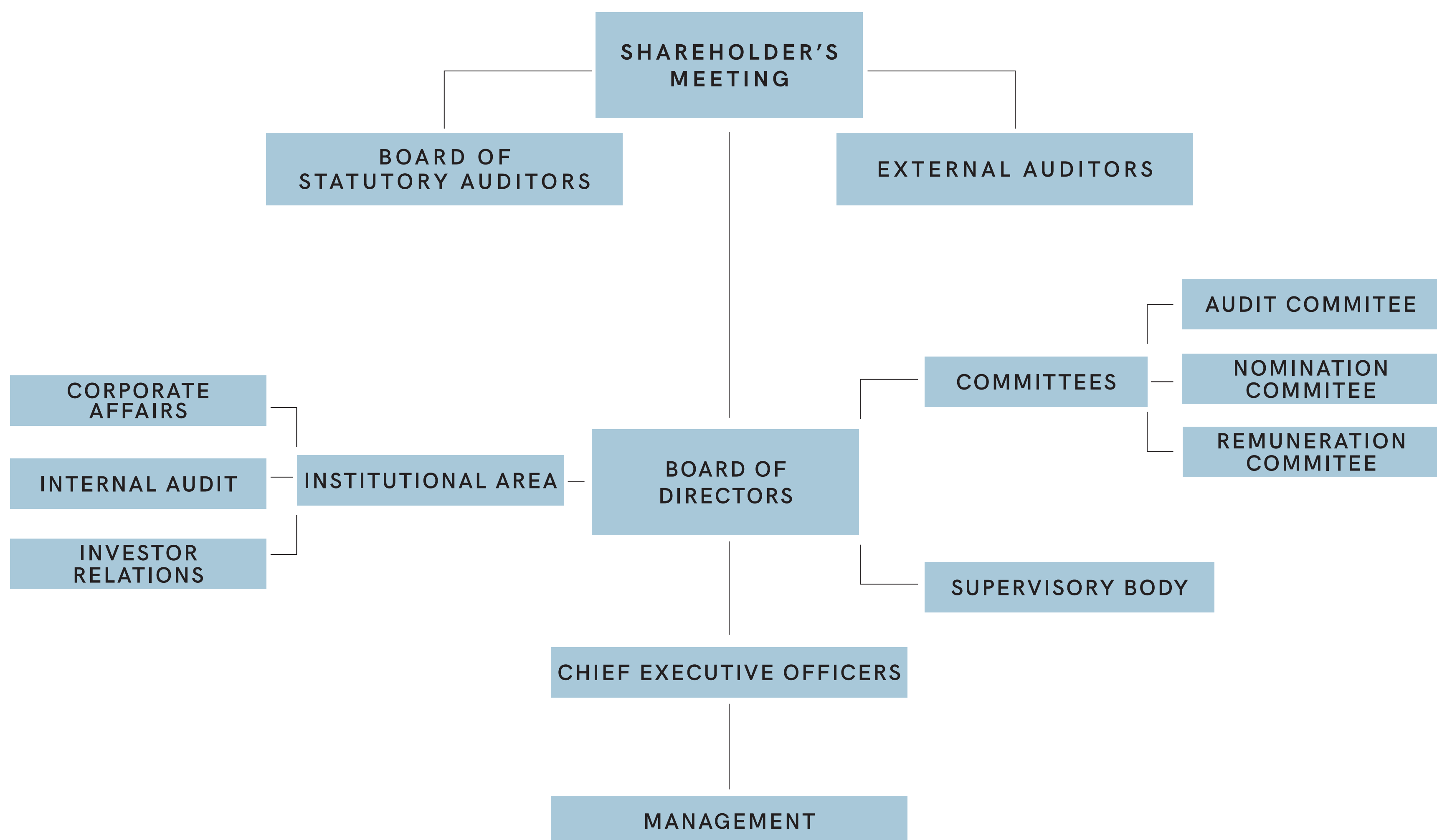
operating costs for communication activities and by the increase in labor costs following the increase of the workforce in the sales area; the extraordinary income almost offset the value distributed to the Government Authorities.



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, the respect of ethical values and the promotion of culture, believing that in this way it can pursue economic development for its own benefit and the interests of the communities and places where it operates.

2.1 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 stakeholder rights and creating value for the communities. 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 allow a constructive dialogue to improve corporate governance. All Board appointments are based on meritocracy and candidates are selected based on objective criteria and the professional contribution that each of them can make

to the operation of the Board of Directors itself. The Board diversity policy has been considered and adopted by the Board and encompasses a wide range of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and nationality.

The Board of Directors is made up of nine members 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. 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 provides valid support to the Board of Directors in their respective functions.

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

The Chairman of the Board of Directors is the Company's legal representative, and 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 outlined by the Board.

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

The Board of Directors is supported by the mainly preliminary and advisory 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 role of Chairman.

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

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

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

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

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

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 regularly 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	> 50

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

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

More detailed information on corporate governance is provided in the Corporate Governance section contained in the 2019 Annual Report.

2.2 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 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.

2.2.1 CODE OF ETHICS

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

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

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

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

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

2.2.2 SUSTAINABILITY TARGETS

At the beginning of 2019, the Prada Group decided to formally commit to sustainable goals towards the entire social community where it operates. To this end, the Group drafted its Sustainability Policy, which has been published and shared also through a series of video-interviews featuring the top management. These videos describe the company's commitment to sustainability based on the three priorities for action - people, environment and culture - where it believes it can provide the greatest contribution in terms of returning value to its own industry and to benefit society as a whole.

Sustainability is a founding element of the Group's identity and is deeply rooted in the Company's strategy, even from a communication point of view. During the year, the key management of the Company - the co-CEOs Miuccia Prada and Patrizio Bertelli, the Chairman Carlo Mazzi and two Directors, Alessandra Cozzani (CFO) and Lorenzo Bertelli (Head of Marketing and Head of Corporate Social Responsibility) - deepened the most distinctive features of sustainability in Prada through an analysis referring to the 17 United Nations Sustainable Development Goals (SDGs).



The commitment to numerous aspects of social and environmental development, such as the investment in culture as an opportunity for aggregation, the cooperation with stakeholders, the importance of diversity and equal opportunities, the investment in new sustainable

materials and the quality of working environments, and their harmonious integration with the local community, has enabled Prada representatives to offer concrete examples of the Group's sustainability strategy.

The Sustainability Policy was approved by the Board of Directors of Prada spa on March 15, 2019 and may be consulted on the pradagroup.com website.

THE FASHION PACT

2019 clearly marked a turning point for the fashion world in climate change and environmental protection challenges.

On the occasion of the G7 meeting in Biarritz, held at the end of August 2019, 32 world leaders of the fashion industry, including the Prada Group, signed the Fashion Pact. This coalition, which sees luxury, fast-fashion, sportswear companies, suppliers and retailers working side by side, aims to define concrete targets in three key areas that are crucial for the preservation of the planet: the fight against climate change, the conservation of biodiversity and the protection of the oceans.

The set of goals, which all the signatories are committed to achieving over the next few years, are not only declarations but represent a commitment that will be pursued through action plans with solid scientific bases, such as by joining the Science-Based Target¹ (SBT) initiative.

In October 2019, 24 new companies signed the agreement, bringing the total number of signatories to 56, collectively representing 250 brands.

On this occasion, important decisions were taken such as the determination of the Fashion Pact's governance and the choice of priorities that each company is committed to promoting within the overall coalition program.

During 2019, the Prada Group assessed the actions needed to achieve these objectives and started to implement an action plan to meet the top-priority targets.

¹ The purpose of the SBT initiative is to align the corporations' objectives relating to the reduction of greenhouse gas emissions with the data provided by climatology.

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

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

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

“This transaction demonstrates that sustainability is a key element for the development of the Prada Group, increasingly integrated into our strategy. We are confident that this collaboration with *Crédit Agricole*, a leader in its sector, will help to extend the benefits of a responsible business to the financial world.”

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

SUSTAINABLE FINANCE

On November 2019, the Prada Group signed a Sustainability Linked Term Loan with *Crédit Agricole* Group, becoming the first Italian company in the luxury sector to undertake such initiative. The operation, while representing a small share of the Group's total indebtedness, fits perfectly into a much wider framework of sustainability integration into the corporate strategy.



Prada Scandicci, LEED Certified plant

This new facility is a 50 million Euro five-year term loan which interest rate can be reduced following the achievement of targets related to:

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

Independent third-party bodies will annually review the achievement of these objectives.

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 a minimum levels.

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

More specifically, the Board of Directors of Prada 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 2019, with the aim of increasing the integration of the control activities carried out along the supply chain, a multi-function working group has been set up to strengthen the on-site inspections of the Group suppliers in order to ensure human rights protection and fair working conditions.

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 crimes in different areas and of different nature - 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 report anonymously to the Supervisory Body through an e-mail address available on the Company's Intranet events or behaviors that do not meet Group's standards. In 2019 there were no

communications of behavior that could constitute a violation of the Organizational Model, for instance in contrast with the principles set out in the Code of Ethics or with applicable laws and regulations.

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

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

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

1. risks relating to the international luxury goods market or related to the general state of the economy, the protection of intellectual property rights, image and brand recognition, and the ability to anticipate trends and respond to the changing tastes of consumers. The management of this type of risks, that can be defined typical in the sector, falls within the sphere of sustainability according to its broader meaning, which also includes economic issues related to the company's ability to create long-term value, in addition to social or environmental ones. Further description of these issues is provided in the description of the most relevant topics according to the Global Reporting Initiative (GRI) standards which, for the Prada Group, basically mean: economic performance (chapter 1, paragraph 5), trademark protection (chapter 2, paragraph 4), the search of excellence (chapter 1, paragraph 3) and digital transformation (chapter 1, paragraph 4);
2. risks specific to the Prada Group relating to the importance of key personnel, strategy implementation, outsourcing, legal and regulatory compliance and processing of data and information. Within this context, the risks related to sustainability are mainly associated with customer satisfaction and health and safety (chapter 3, paragraph 3.3) and respect of

human and labor rights both within the organization and along the supply chain (chapter 4);

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 2019 Annual Report.

More information is to be found in the 2019 Annual Report - Note 27 "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.

The Prada Group regularly monitors registrations by third parties and any possible misappropriation of trademarks, designs and domain names identical to or that could be confused with its own distinctive marks and products. Any violation is tackled through appropriate action with the competent authorities.

The Group cooperates on a daily basis with the Italian and international customs agencies to assist the blocking of market entries of unauthentic products, and with the police and tax authorities in order to have counterfeit products existing in the market confiscated, distribution and production processes rebuilt, and the individuals and organizations responsible brought to justice. In pursuing such objectives, the Group shares relevant information with the authorities and participates in training events on the Company's brands and products, so that the authorities may have everything at their



Prada advertising campaign - Fall Winter 2019



Prada advertising campaign - Fall Winter 2019

MIU MIU



PAWS UP
MONTANA
MAY 13 - 16 2019
BY EDDIE WREY

Miu Miu advertising campaign - Fall Winter 2019



Church's advertising campaign - Fall Winter 2019



Car Shoe advertising campaign - Fall Winter 2019

disposal to effectively fight counterfeiting and the criminal organizations responsible for it.

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

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.



Pasticceria Marchesi 1824 - London, 117 Mount Street

Thanks to close collaboration with the authorities, the fight against counterfeiting undertaken by the Prada Group led to, in 2019 alone on a global level, the seizure of more than 250,000 counterfeit products in off-line markets, the deletion of 130,000 unauthorized advertisements, the deactivation of more than 8,000 websites with illegal content, and the removal of more than 58,000 social media posts.

2.5 COLLABORATIONS AND COOPERATIONS

Partnerships represents a form of strategic collaboration for value creation with stakeholders who are aligned with the Group's principles and values.

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.

Here as follows, some of the most significant partnerships in place at December 31, 2019.

2.5.1 NATIONAL CHAMBER FOR ITALIAN FASHION (CNMI)

The Prada Group actively participates in the initiatives advanced by the National Chamber for Italian Fashion, which promotes the development of the industry in Italy and abroad. Since 2010, this institution has undertaken a strong commitment towards sustainability, seeking to support its members in the transition toward more responsible management of their businesses and supply chains, firmly believing that sustainability is a key competitive lever for consolidating the leadership of Italian fashion in the global industry.

The Prada Group is involved in many of CNMI's initiatives, which consist of participation in numerous round tables to create tools and shared standards for the benefit of the entire system.

The initiatives relating to the use of chemicals in production processes (chapter 3, paragraph 3.3) and social sustainability are particularly significant. Concerning

the latter, CNMI is supporting a study, carried out in collaboration with a Fair Wage NGO, whose purpose is to assess and describe the working conditions generally adopted along the Italian manufacturing supply chain.

The study will provide a faithful representation of the Italian luxury sector's supply chain, and offer an important business tool for any improvements.

2.5.2 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 of all the jurisdictions in which it is present, built on full transparency and cooperation. 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 (Art. 3 et seq. 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 "cooperative compliance" program launched in 2017 and coordinated by the Organization for Economic Cooperation and Development (OECD) for the management of potential tax risks (International Compliance Assurance Program - ICAP).

As part of the first ICAP project started in 2018 and successfully concluded in mid-2019, the Group's subsidiaries shared extensive information with the tax authorities of their respective countries, namely Italy, the United States, the United Kingdom, Canada and Australia.

At the end of 2019, two other companies of the Group, based in Germany and the Netherlands, joined the second ICAP project, which formally started in December 2019 and will presumably conclude by the end of 2020. Long-term cooperation with the tax authorities of the



countries in which the Group operates is also the basis of several existing unilateral and bilateral tax rulings, which are systematically renewed.

In addition to these activities designed to avoid tax disputes, the Group's subsidiaries always prefer to resolve any disputes involving tax assessments through amicable proceedings (Mutual Agreement Procedures or "MAP"), which can settle international double taxation disputes.

2.5.3 STARTUPBOOTCAMP FASHIONTECH

In June 2019, the Prada Group announced the start of a three-year partnership with Startupbootcamp, the leading European startup accelerator with international programs, regarding the launch of a global innovation center in Milan dedicated to the fashion sector.

The partnership started within the "FashionTech" initiative, where Prada participated as a Supporting Partner.

With this initiative, and following a global selection

process that collected more than a thousand startups, Startupbootcamp and its corporate partners have identified thirty of them with strong technological innovation and sustainable content in the fashion sector. Startupbootcamp will support the chosen startups with mentoring activities in order to accelerate their growth.

2.5.4 UNIVERSITIES AND RESEARCH ORGANIZATIONS

School Of Management Of Politecnico Di Milano

Within the scope of its close partnership with the Politecnico di Milano, rooted in the cultural activities shared during the "Shaping a Future" conference cycle (chapter 5, paragraph 1), in the 2019/2020 academic year the Prada Group became a main sponsor of the International Master's degree in Luxury Management (IMLux) together with the French Champagne Taittinger Group. This combination of Italy and France, the most important countries in the world for high-end products, is also reflected in the structure of the master's degree - taught in English - which allows its students to access a double degree.

During the first semester, the students attend the Master of Science program at the Neoma Business School in Reims, while in the second semester they follow the first Level Master's Degree courses at Politecnico di Milano. The whole context is highly international considering the origin of the students, universities and corporate partners.

The two companies sponsoring the master's degree will contribute to the educational program and, from the perspective of cooperation, will ask for the contribution of students to solve problems and challenges of real interest for the sponsors themselves. The Prada Group will also interact with the students and will bring its managers to the classrooms of Politecnico.

The two sponsoring companies of the master will intervene along the educational path and, with a view to cooperation, will use the contribution of the students to face problems and challenges of real interest for the sponsors themselves. The Prada Group will also interact with students through direct classroom testimonials from its managers.

School of Management of Yale University

In 2019, Prada continued to collaborate with the Yale School of Management. During the third edition of the "Shaping a Future" conference cycle (chapter 5, paragraph 1), and thanks to close collaboration between the parties before the event, the Yale Center for Customer Insights (YCCI) and the Prada Group presented the results of an intergenerational survey dedicated to understanding the impact of sustainability on consumer behavior.

More in detail, the research aimed to assess the sensitivity of consumers of premium products to some of the main dimensions of corporate social responsibility, such as the respect for human rights, the promotion of diversity and inclusion, and the fair treatment of stakeholders.

Gianni Bonadonna Foundation

The Gianni Bonadonna Foundation started operating in 2019 following the official presentation of an agreement with the Prada Group - the supporting partner - in October 2018.

With this commitment, the Group intends to provide

continuity to the scientific legacy of Gianni Bonadonna, the great oncologist who innovated every aspect of cancer research and treatment, enabling enormous progress and important clinical success to be achieved in the treatment of neoplasia.

During 2019, the Foundation created the "Istituto Diffuso" for innovative cancer treatment research and promoted the "Gianni Bonadonna fellowship".

The purpose of the "Istituto Diffuso" is to foster coordination dedicated to the planning and conducting of innovative clinical studies regarding cancer treatment, and thus academic research on new drugs or treatments.



Hackathon Yale University 2018

To this end, a number of agreements with various pharmaceutical companies were at an advanced stage of preparation at the end of 2019.

The fellowship program, which benefits from an agreement concluded with the Italian Cancer Research Association (AIRC), will award scholarships to oncologists after they have obtained their specialized qualifications or to young doctors who have started their final year of the postgraduate school of oncology. Agreements have also been stipulated with various international institutions where candidates will be able to carry out the program agreed with the host institutions.

2.5.5 TRADE ASSOCIATIONS

The Prada Group is a member of trade associations, including Assonime, Confindustria Toscana and Altgamma, so that its interests for the areas and communities where it operates may converge efficiently with those of other stakeholders. The constant exchange of knowledge, information and contacts guaranteed by these associations constitutes an important information and relational asset.

Most recently the Group joined the Altgamma Foundation as a Partner.

Altgamma brings together 110 high-end Italian cultural and creative companies, promoting Italian excellence, uniqueness and lifestyle throughout the world. Its mission is to contribute to the growth and competitiveness of the Italian cultural and creative industry. Altgamma's members are active in the fashion, design, jewelry, food, hospitality, automotive and wellness sectors.

2.6 TIES WITH THE COMMUNITY

The international success of the Prada Group is deeply rooted in Italy, starting from its supply chain. In 2019 the Group purchased materials from about 670 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

² For the purposes of this analysis, only raw materials suppliers with which purchases of more than Euro 30 thousand were conducted in 2019 have been considered.

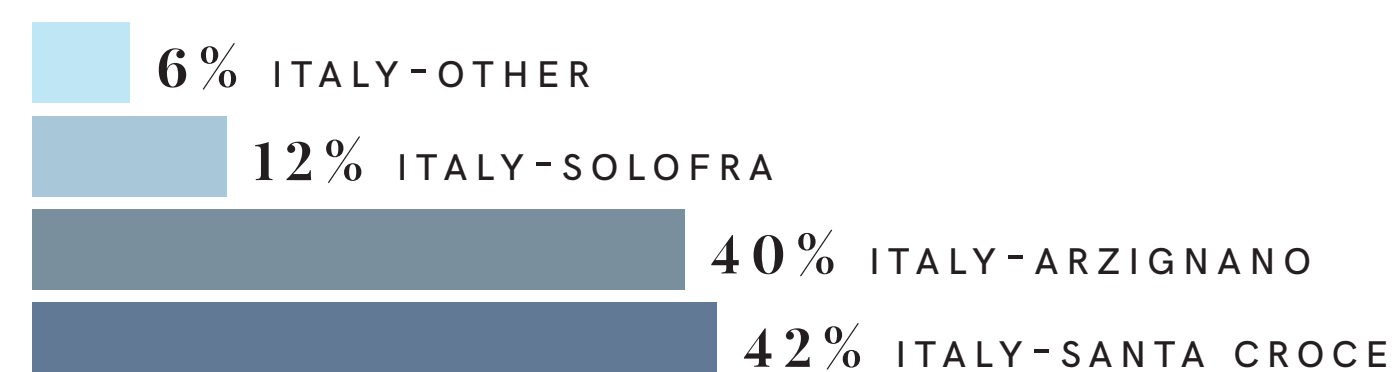
partners: slightly over 52% of them have been working with the Group for more than 10 years, and around 16% for a period of time between 5 to 10 years.

The focus on Italian origin is demonstrated by the procurement data regarding leather for footwear and accessories. In terms of quantity, in 2019, 78% of the leather came from Italian tanneries renowned for their quality and long tradition. Another 4% has been purchased from suppliers based in the rest of the European Union, while the remaining 18% came from outside the European Union.

Leather (quantity)



Leather Italy (quantity)



The clusters of Santa Croce (Tuscany) and Arzignano (Veneto) accounted, respectively, for 42% and 40% of all leather purchased by the Prada Group in Italy. These are specialized leather districts that set the standards for the high-quality productions around the world.

Also for outsourcing, the Prada Group stands out for its strong ties with the artisanal craft experience typical of the Italian tradition.

In 2019 the Group worked with approximately 370 manufacturing suppliers³ in addition to the aforementioned 670 suppliers of raw materials.

Around 85% of these manufacturing suppliers are located in Italy, around 8% in the rest of the European Union and the remaining 7% in non-EU countries. Around 42% of the manufacturing suppliers have been collaborating with the Group for more than 10 years and around 25% for 5 to 10 years.

³ For the purposes of this analysis, only manufacturing suppliers with which purchases of more than Euro 30 thousand were conducted in 2019 have been considered.



Tannerie Limoges

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 and about 51% of them have been working with the Prada Group for more than 10 years; from the beginning a strategic choice for Prada which has always considered a competitive leverage to root its supply chain in those territories where the manufacturing sector represents an excellence appreciated all over the world.

A supply chain localized in Italy also constitutes an asset from a social responsibility perspective. The working conditions of the employees are regulated by the collective labor agreements in force in Italy. 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.

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



3. ENVIRONMENT

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

The principles also appear in the intents of the Fashion Pact (Chapter 2, paragraph 2.2), whose main objectives are stopping global warming, restoring biodiversity and protecting the oceans.

The Prada Group did not receive any significant fines or non-monetary penalties concerning the environment during the year.

3.1 PRESERVATION OF THE TERRITORY



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

The Prada Group has more than 200,000 m² of production facilities and warehouse spaces, located almost entirely in Italy. Among these, six are new buildings - four of the most important were designed by Guido Canali - and many are cases of renovations of industrial buildings and degraded sites that had been abandoned for many years.

In 2015 a long-term investment plan was launched aimed at re-qualifying and reorganizing the Group's manufacturing facilities in order to preserve the

artisanal know-how, foster 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. The projects are described in the Social Responsibility Reports from 2015 on.

When the Prada Group is unable to restore existing buildings, it hires masters of architecture such as Guido Canali, known for his sustainable architecture, to ensure results that have a low impact on the territory and that create a new landscape that fits harmoniously with the surrounding area.

Facilities are designed and conceived as workplaces of people and for people, and to respect nature faithfully. Those in Montevarchi and Valvigna, Tuscany, and in Montegranaro, in the Marche region, were designed specifically with the environment in mind; the volumes have a contained visual impact also thanks to the vegetation and well inserted in the landscape. This feature makes them fully fledged "garden factories".

The factories, with their wide, bright spaces enclosed by hanging gardens, are intended to have a discreet external image, but also distinctive interiors experienced by the employees.

Among the projects designed by Guido Canali, the logistics hub in Levanella (Tuscany) is the focal point of a major restructuring project regarding outbound logistics. The hub was designed to be responsibly integrated into the territory thanks to border plantings, artificial dunes, roof gardens, glass walls, walkways, and outdoor relaxation areas.

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

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



3.2 ENVIRONMENTAL IMPACT MITIGATION

The main direct impact of the Prada Group's business originates from the use of energy for offices, factories, logistics centers and stores in the various parts of the world. Prada is committed to reducing its energy consumption so that it can limit the impact of its

business on climate change. More specifically, the Group carries out energy efficiency actions to cut its energy consumption and uses green energy to reduce the related emissions.

In 2019, the Prada Group achieved LEED - Leadership in Energy and Environmental Design - Gold certification for 18 stores located in the Asia Pacific region, in China and one in Thailand. As of December 31, 2019 the Group had 36 LEED-certified stores and one LEED-certified factory in Scandicci (Tuscany, Italy), a total of 37 certifications and expects to obtain additional ones in 2020.

3.2.1 ENERGY EFFICIENCY

Heating and air conditioning systems

During 2019 investments continued to be made to improve the energy efficiency of the Prada Group's historic factories, such as the one in Levanella (Montevarchi), Tuscany. A new supervision system was installed that has led to less methane gas and electricity consumption; it will result in regular savings of more than 502.68 tons of CO₂. In addition, work done on the central heating system of the store in Via Condotti, Rome, enabled to reduce both the heating and the electricity consumption.

Alongside such initiatives, corrective actions continue to be carried out on all systems to optimize the power on/power off timing, and to raise staff awareness about proper and rational electricity use.

Energy Box project

In 2017 the Group launched the "Energy Box" project, which is a long-term plan for factories, offices and stores aimed at optimizing energy consumption. The project is based on the installation of multi-meters that allow for constant monitoring and for understanding consumption information through accurate comparisons between periods. The data obtained from these tools enables to reduce waste, identify discrepancies between actual consumption and billed consumption, improve maintenance and simplify budget forecasts. During the year more monitoring systems were installed, and by December 31, 2019, there were 481 installed multi-meters.

Relamping project

From December 31, 2018, thanks to an important project underway since 2014, all Group's directly operated stores used exclusively LED lamps in all the store lighting.

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

The Prada Group constantly updates this project in order to keep pace with technological advances.

3.2.2 GREEN ENERGY

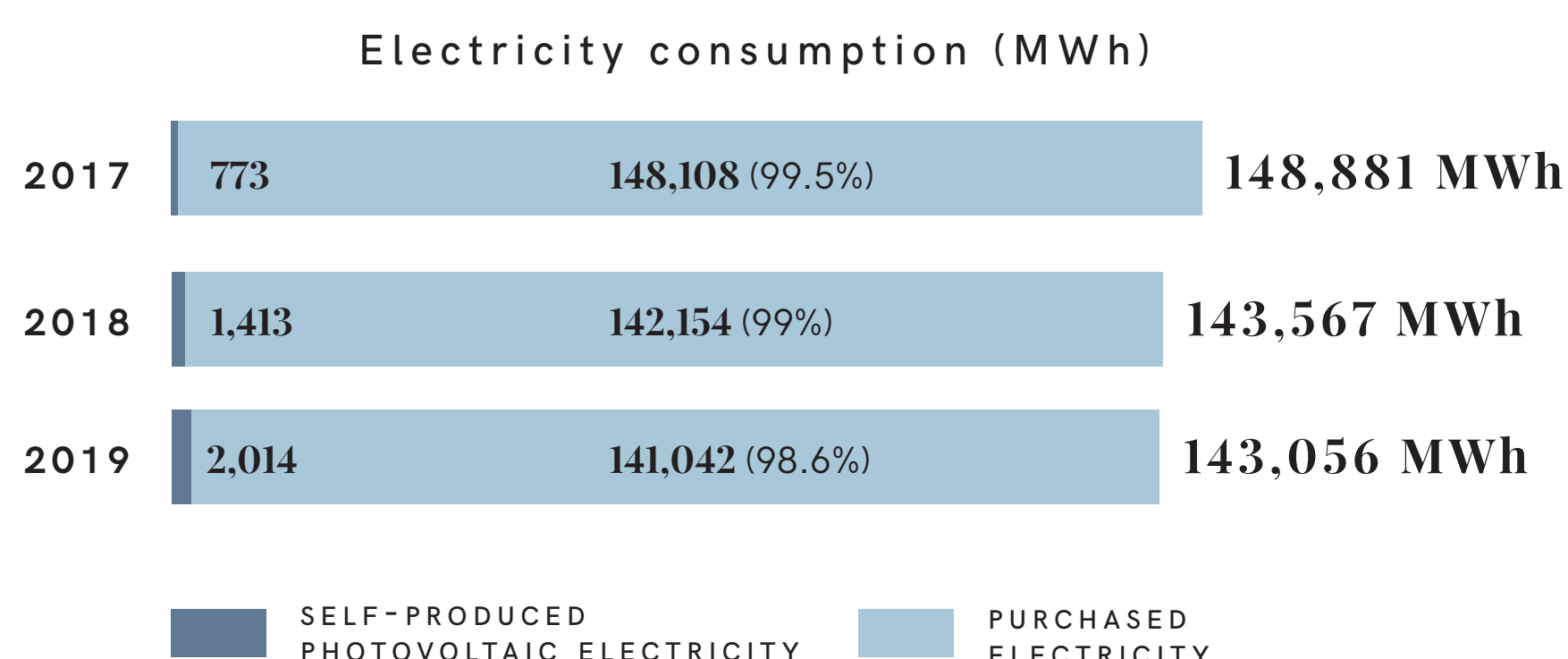
In 2019 the Prada Group ensured that 100% of the electricity for all its Italian offices was supplied by sustainable sources with Guarantees of Origin. Moreover, renewable energy supply agreements were signed for some foreign subsidiaries, where permitted by the markets. During the year, these sourcing policies eliminated the emission of 20,000 tons of CO₂.

At December 31, 2019 the Group had 10 photovoltaic systems, most of which were installed on factory rooftops. The systems, which produce 3,066,534 kWh, enabled to save 1,101 tons of CO₂ emissions and to cover 5.9% of the Italian factories' industrial demands. The Group consumed internally 2,014,207 kWh of the energy produced by the photovoltaic systems, thereby preventing the emission of 723 tons of CO₂ that would have occurred if electricity supplied by the Italian grid had been used.

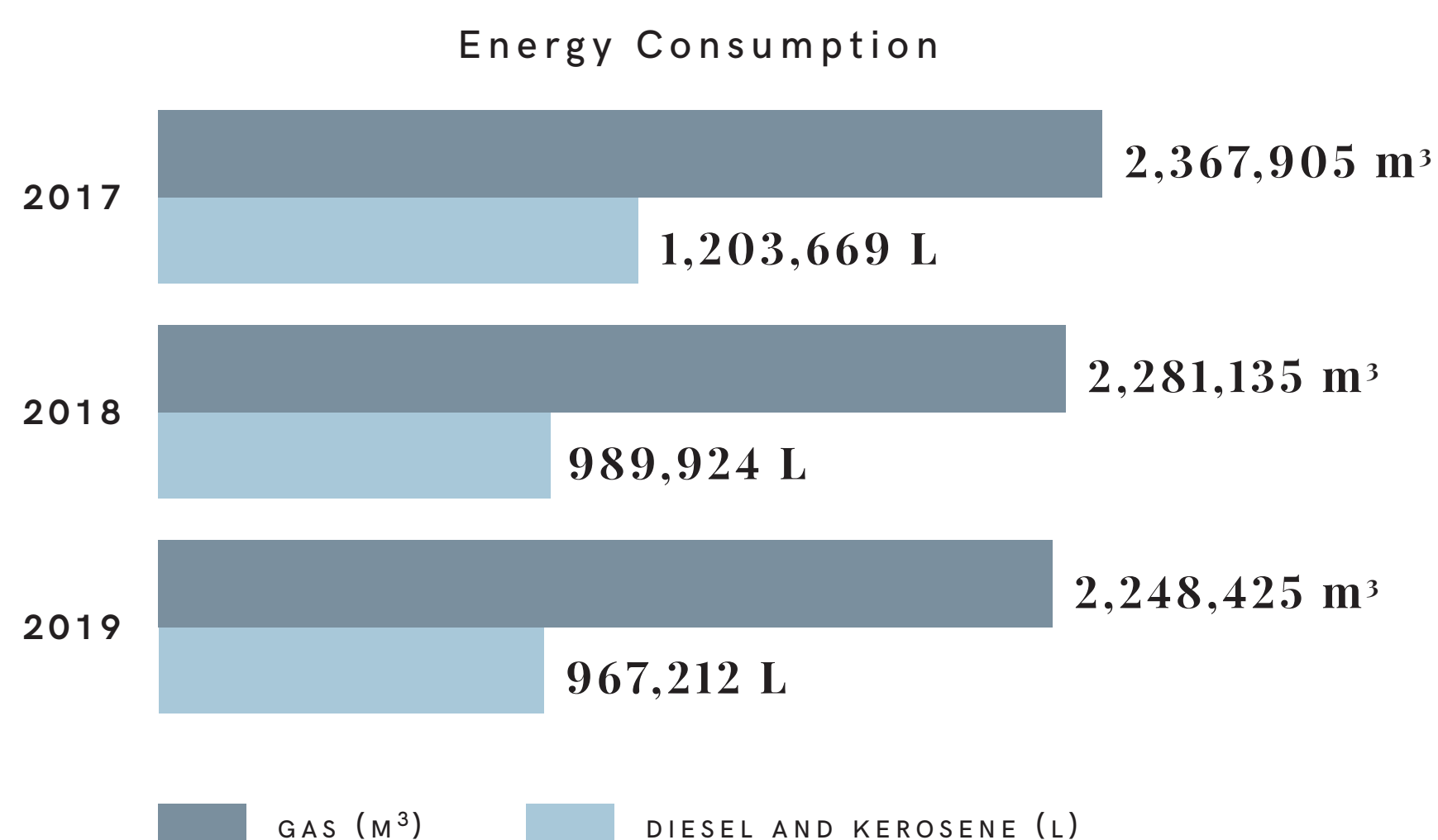


3.2.3 ENERGY CONSUMPTION AND CO₂ EMISSIONS

In 2019 the Prada Group reported electricity consumption of 143,000 MWh, down by 3.9% over the three-year period, and with a consumed share of self-produced electricity from photovoltaics equal to about 2,000 MWh.



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 compared to 2017 of the kerosene consumption (-19.7%) and gas consumption (-5%).

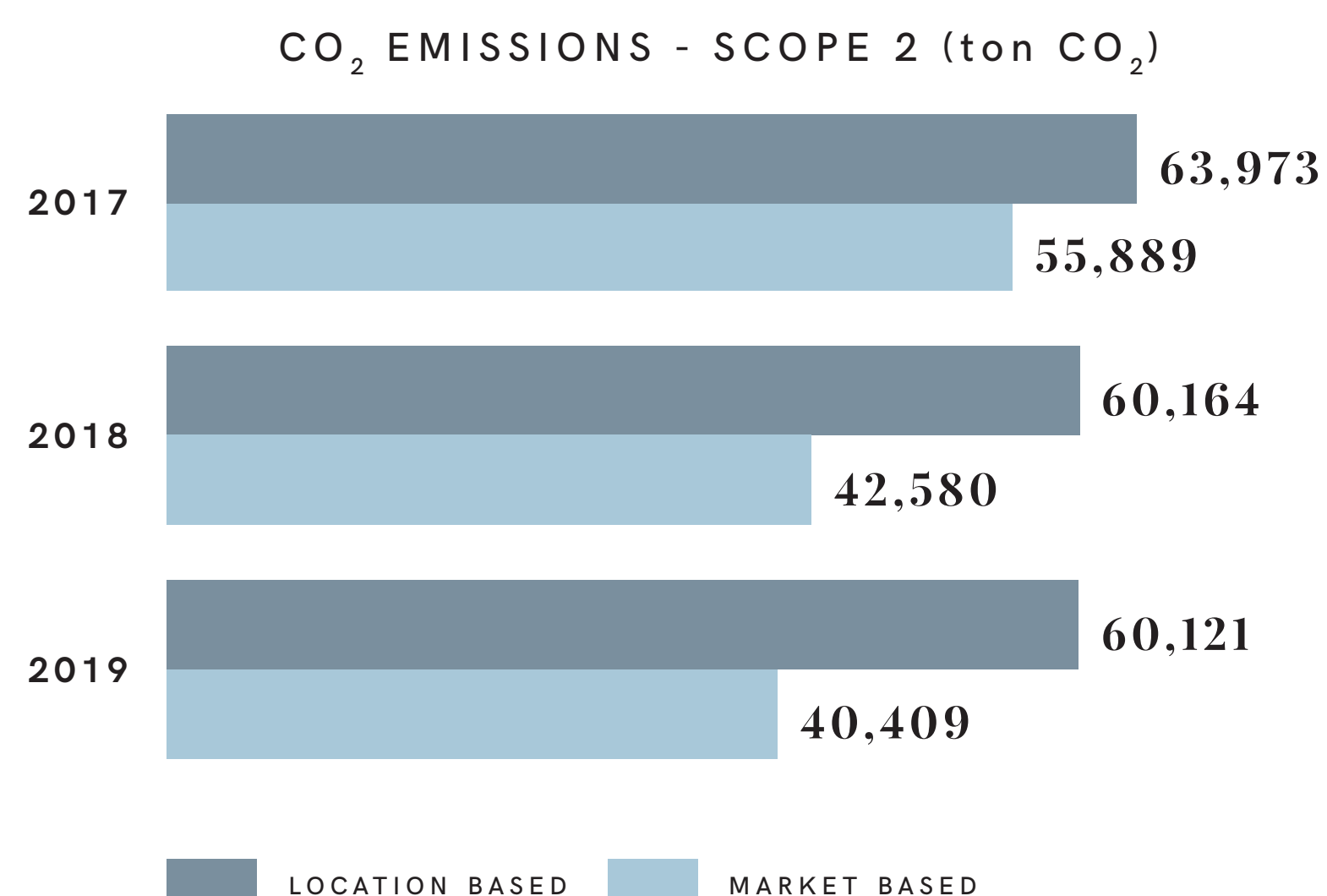


The CO₂ emissions corresponding to the consumption of gas and fuel (scope 1) amount to 5,000 tons of CO₂, down by 7.6% compared to 2017.

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 2019, indirect energy emissions, according to the "market-based" method, decreased compared to both 2017 (-27.7%) and to 2018 (-5.1%), while the amount of energy purchased from renewable sources increased for the foreign subsidiaries. The other indirect emissions (scope 3), relating to the fuel consumption of the company fleet, amounted to 1,960 tons of CO₂, down compared to 2017 (-17.6%).

CO ₂ EMISSIONS (ton CO ₂)	2017	2018	2019
Direct emissions (Scope 1)	5,456	5,035	5,040
Buildings	4,651	4,498	4,441
Means of transport (owned)	806	537	600
Energy - indirect emissions (Scope 2) - Location-based	63,973	60,164	60,121
Energy - indirect emissions (Scope 2) - Market-based	55,889	42,580	40,409
Other indirect emissions Means of transport (leasing) (Scope 3)	2,381	2,090	1,961

3.3 RESPONSIBLE SOURCING AND USE OF RESOURCES

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

The clothing, footwear and leather goods divisions directly select the suppliers of all raw materials, also used by their manufacturing suppliers, coordinating and monitoring in this way the entire production process up to the creation of the finished product. This approach, a distinctive element that has characterized the Prada Group's business strategy from the beginning, ensures full control of a crucial phase of the value chain.

Prada considers sustainable raw materials management to be synonymous with resource use optimization, according to an approach that seeks to put an end to waste and thus minimize the consumption of leather and fabrics.

Prada's high sensitivity to this issue led it to establish in 2019 an effective way to recover and eliminate production waste through the use of recyclable bags which are then compacted for proper recycling by specialized companies.

Recent investments made in industrial development have led to insourcing various production phases, with the purpose of maintaining quality at the highest levels of excellence while optimizing the use of raw materials.

3.3.1 RAW MATERIALS

The main raw materials used are leathers, fabrics and yarns. 100% of the leathers come with a certificate of origin, a data sheet guaranteeing quality and compliance with standards, and certification regarding the parameters stated on the Group's Restricted Substances List (RSL).

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).

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



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

The most significant information relating to raw materials purchased from 2017 to 2019 is listed below, including the related unit of measure.

RAW MATERIAL	units	2017* (12 months)	2018 (12 months)	2019 (12 months)
Leather	Feet	28,301,004	29,192,490	29,514,844
Fabrics	Meter	3,673,886	4,015,597	4,141,910
Yarns	Kilo	179,221	218,000	154,394
Shoes' soles	Pair	1,098,684	1,385,657	1,388,294

* The 2017 purchases have been updated and re-proportioned over the 12-month period which goes from January 1 to December 31, 2017.

Purchases for 2019 were substantially in line with previous period and with the planned product range at the stores. Overall, purchases of the aforementioned raw materials accounted for approximately 59% of the economic value of all purchases including accessories and semi-finished materials.



3.3.2 PRADA RE-NYLON

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

The product - a series of iconic Prada handbags launched in 2019 - is the result of a partnership between Prada and Acquafil, which produces nylon with plastic waste collected from oceans, such as fishing nets, and sent to landfills, such as textile fiber waste and old carpets. The nylon, which is regenerated through a process of depolymerization and re-polymerization, can be recycled indefinitely, with no loss of quality.

Underscoring the importance of the sustainability content of the initiative, in 2020 a percentage of proceeds from the sale of regenerated nylon products

will be donated to a project partnered with UNESCO to develop educational activities for students all over the world on crucial topics such as the pollution caused by plastic, the circular economy and the protection of the oceans.

To showcase the cutting-edge processes behind the Re-Nylon initiative, National Geographic, Prada's storytelling partner, has produced a short film series entitled "What We Carry". Each of the five short films explores a source of recycled materials composing the regenerated nylon, unveiling the factories technologies and production facilities of this innovative fabric, as well as the ideals that gave life to the initiative.

3.3.3 PRODUCT RESPONSIBILITY

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

To achieve these goals, the Group employs some 310 technicians (308 in 2018, 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 ecotoxicological requirements for clothing, leather goods, footwear and accessories" endorsed by the Camera Nazionale della Moda Italiana ("CNMI"). These limits are the most virtuous in international practice and aim to ensure higher chemical safety standards than those prescribed by the strictest national and international laws. Prada's suppliers of raw materials, packaging and manufacturing services, which represent Prada's production chain, have all received the Group's RSL and are progressively accepting and signing it: since 2016, when 72% of the purchase volumes were carried out according to this procedure, in 2019 the "proactive" level of the RSL reached 97% of the purchase volumes relating to Prada's external industrial suppliers, and 100% of the work performed in the Group's production sites.

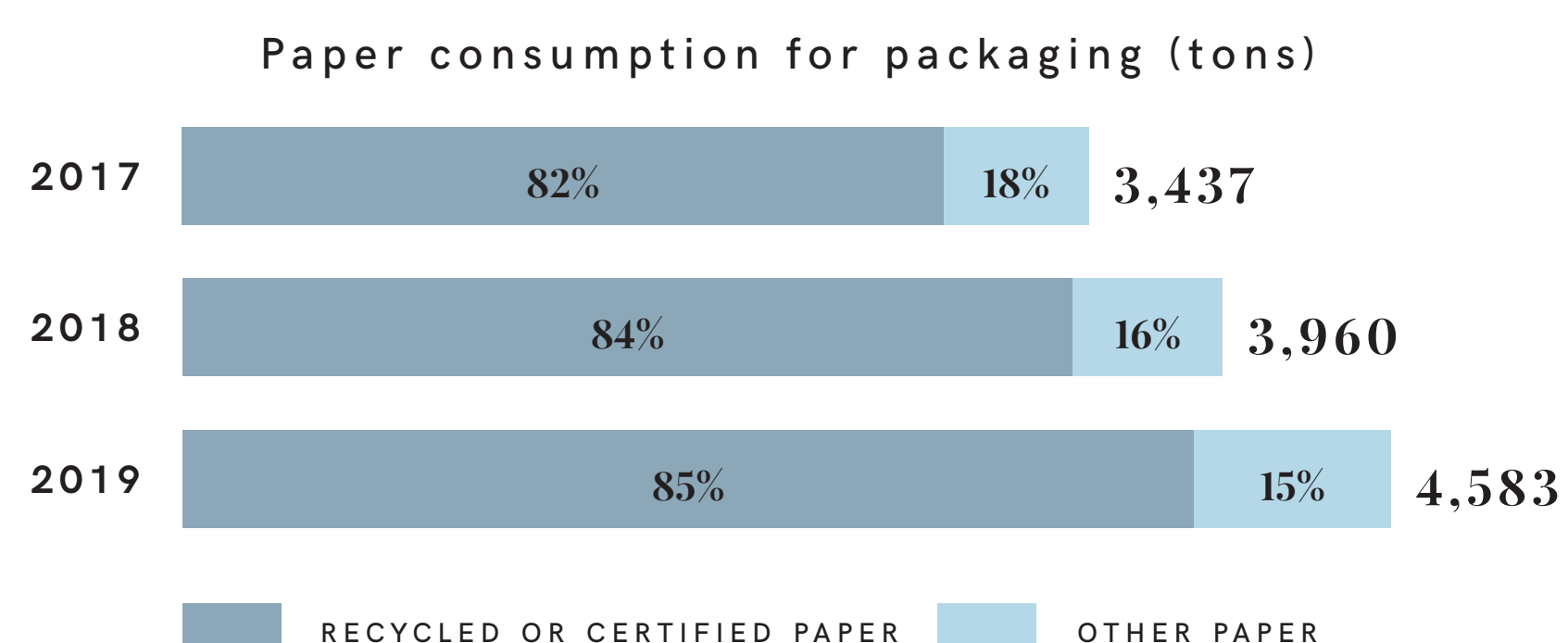
Extending the reach of the RSL is important for improving the sustainability of the Group's production cycle, as is Prada's ongoing commitment to CNMI programs on chemicals, for which in-depth studies have been initiated on the application of the guidelines to manufacturing processes, and on other matters.

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 2019 no cases of non-compliance with health and safety regulations were recorded (as none in 2018). There was only one case of non-compliance with information and/or labeling requirements in China that led to fines for a total amount of Euro 1,500.

3.3.4 PACKAGING: PAPER AND PLASTIC

In the twelve-month period ended at December 31, 2019 the Prada Group used 4,583 tons of paper for packaging worldwide, while in 2018 the consumption was 3,960 tons. The increase is temporary and is connected to the production trend. In 2019, 85% of the total packaging consumption was represented by paper certified by the Forest Stewardship Council (FSC) and recycled paper.



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

3.3.5 WASTE

Recently the Group conducted a review of the processes carried out and waste produced in each manufacturing phase at the factories, and subsequently set up a system to manage the internal cycle of waste transport, collection, temporary storage and disposal. The analysis enabled to optimize the production cycles, thereby reducing waste production and increasing the proportion of waste recycled. The new procedures implemented allowed the Prada Group to recycle more paper, plastic, glass and printer cartridges not just at the factories but also at its offices.

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



3.3.6 LUNA ROSSA, THE PRADA CUP AND ATTITUDE OCEAN

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

Luna Rossa team, sponsored by the Prada Group, was an America's Cup challenger in 2000, 2003, 2007 and 2013, winning the challenger selection regattas in 2000 and reaching the finals in 2007 and 2013.

Having benefited from these experiences, Prada has again secured the role of main sponsor of the Luna Rossa sailing team for the 36th America's Cup and, for the first time, also the "Title and Presenting Sponsor" of both Prada Cup and the America's Cup presented by Prada, gaining further prestigious exposure through the oldest sports trophy competition in the world. Within this new role as organizer of the preliminary regattas (the Prada Cup), Prada has also set an ambitious goal of building a lasting legacy in terms of sustainability.

Challenger of Record 36 srl, the company responsible for organizing the Prada Cup and partner of the Prada Group, has set a plan of action, namely "Attitude Ocean", with the final purpose of raising awareness regarding the

importance of the protection of the oceans and marine biodiversity, while reducing the impact of the America's Cup events on the environment.

In details, commencing with the America's Cup World series events, "Attitude Ocean" includes the following initiatives:

- no single-use plastics in favor of recyclable or compostable materials, waste reduction, creation of restaurants areas, with reusable supplies or 100% compostable solutions, which should prefer the use of local food supplies;
- definition of rigorous procedures for the optimization of energy demand, waste disposal and for the integration of sustainability also in the technical aspects related to competition (e.g. non-toxic detergent for washing the boats, re-purposing plans for materials used during the event, etc.).

The "Attitude Ocean" project also includes local and international partnerships to drive awareness among Generation Ocean.

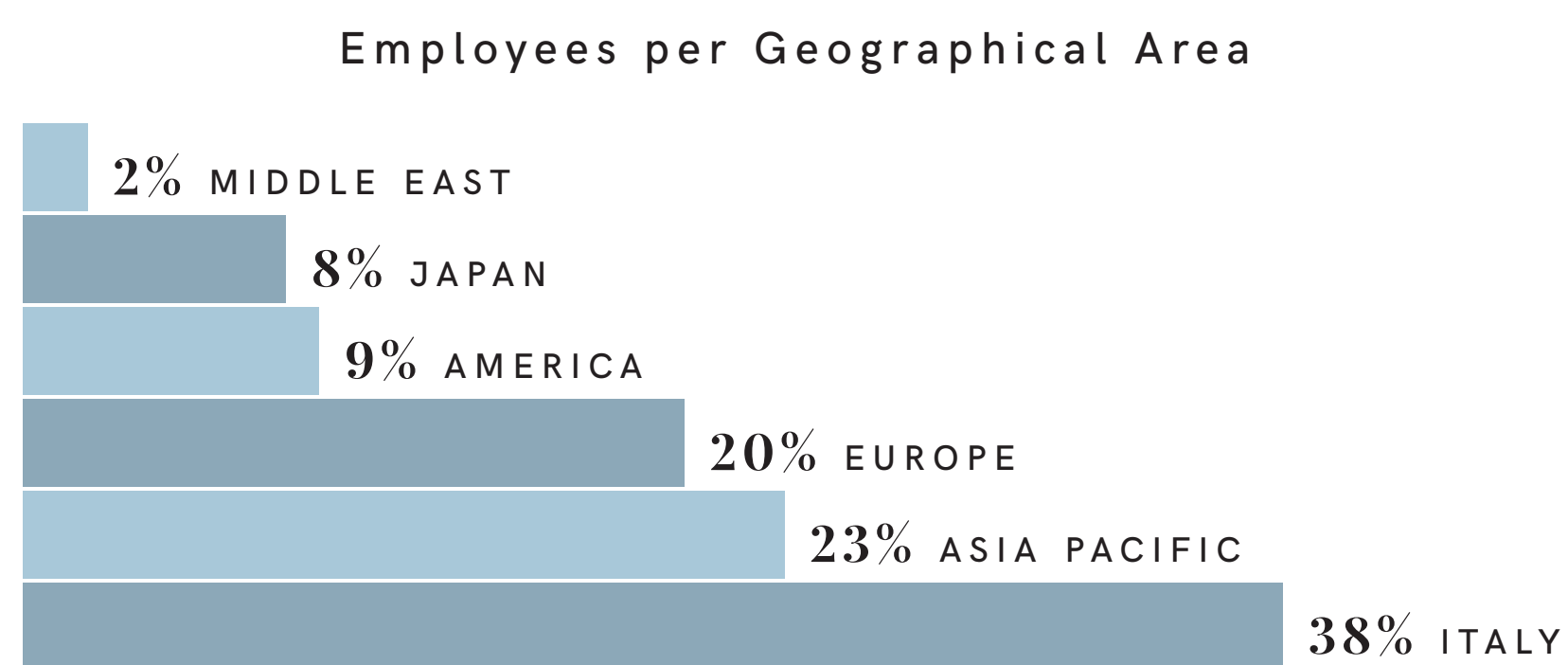
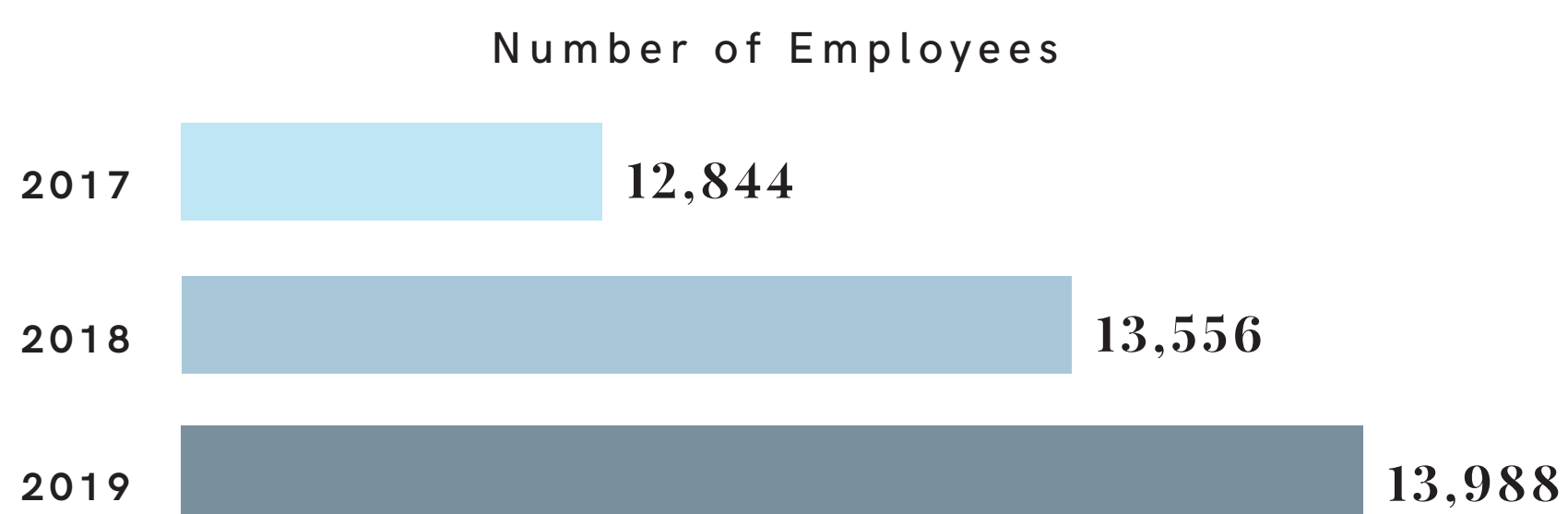


4. HUMAN CAPITAL

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. This approach also extends to people working along the Group's supply chain. Prada has always considered human capital to be key to its competitive edge and makes every effort to promote and reward professional skills, teamwork and the improvement of the efficiency. The employees' enthusiasm, craftsmanship and intellectual curiosity are the elements that underpin the innovation and quality of the Group's products.

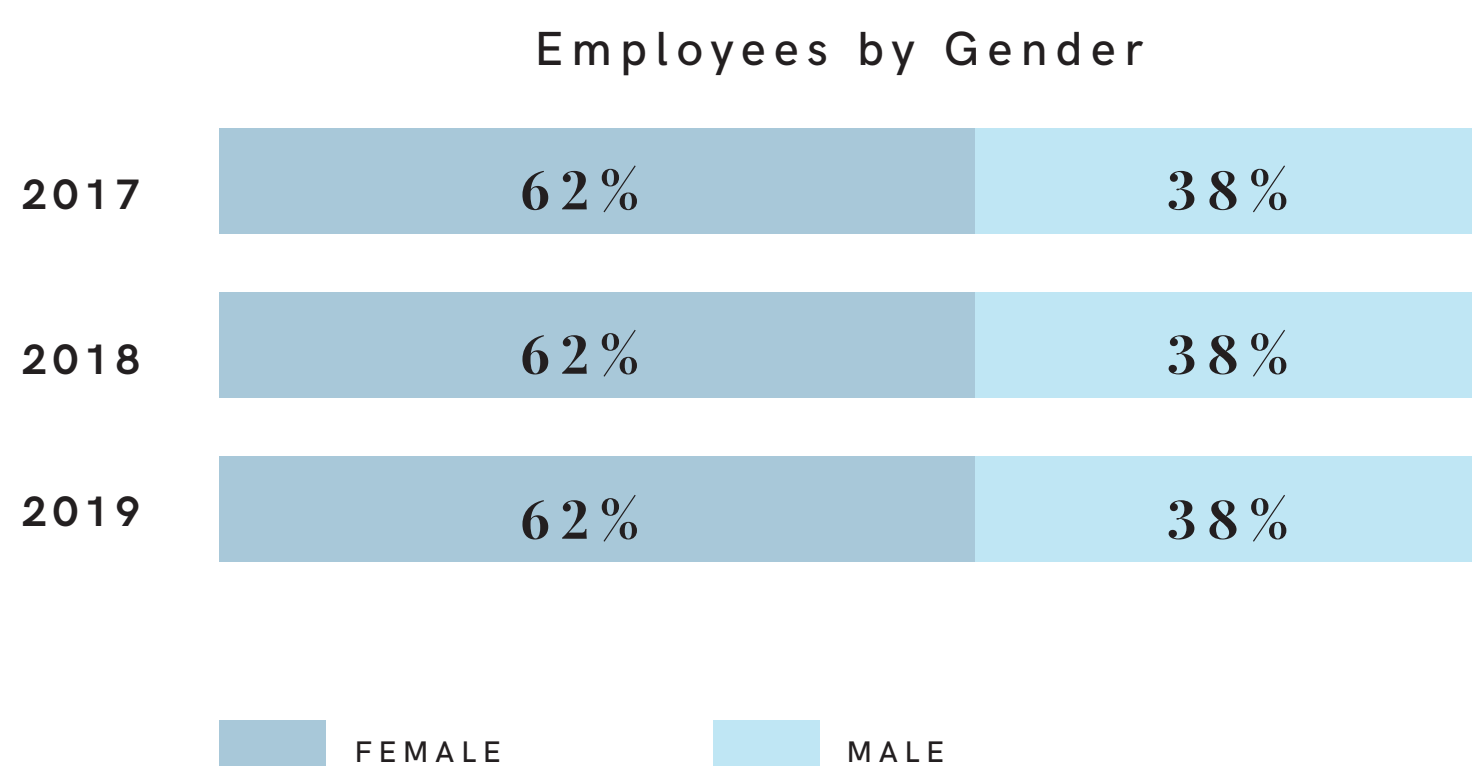
4.1 WORKFORCE

As of December 31, 2019, the Group has 13,988 employees, of whom 38% work in Italy. Compared to the previous year, a 3.2% growth was recorded mainly due to the strengthening of the retail in Asia Pacific, and to a lesser extent in North America, in addition to the acquisition of full control of the Prada stores in Milan, following the acquisition of the company Fratelli Prada spa, the Group's historic franchisee.

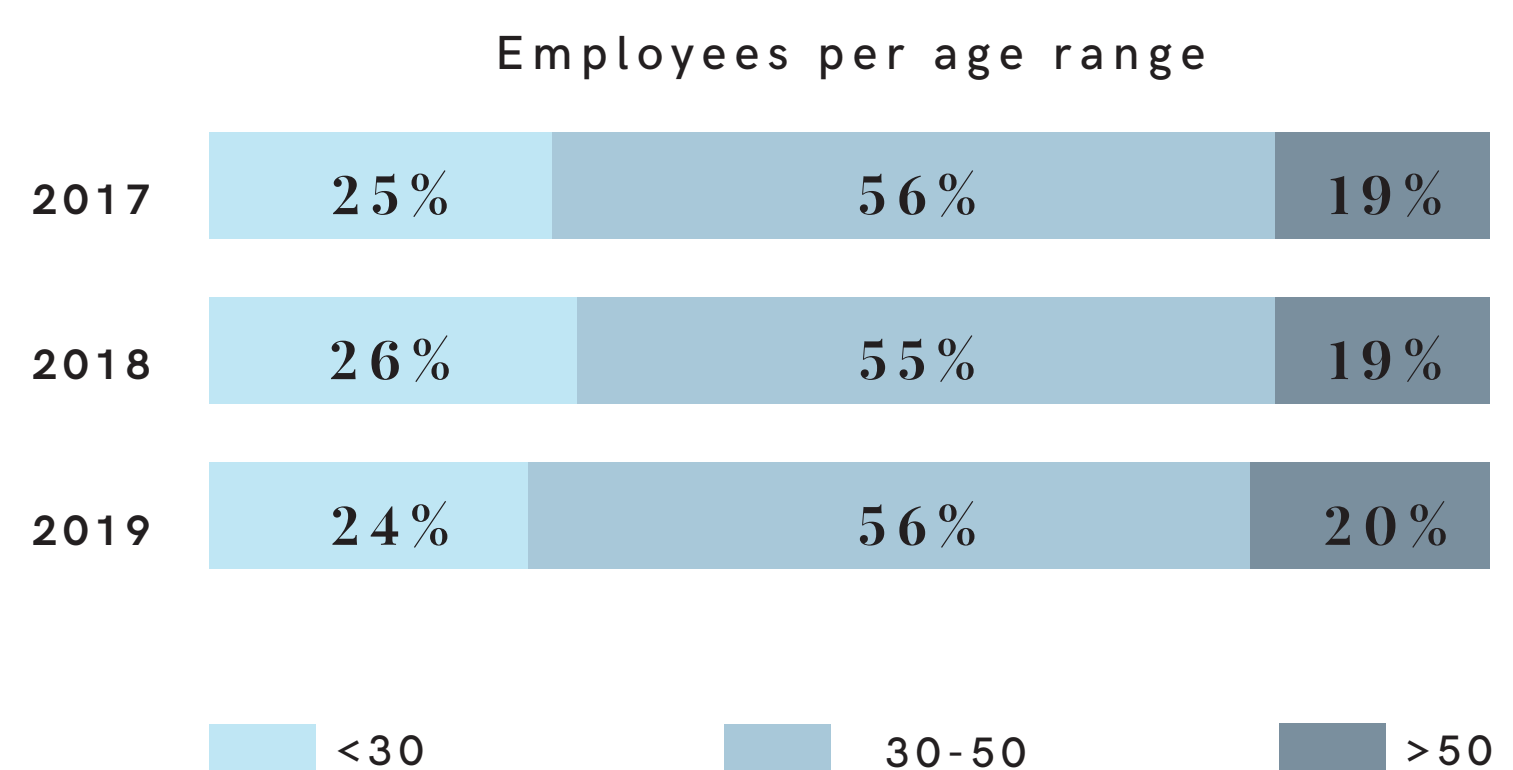


Outside Italy, the most sizable part of the workforce is in Asia-Pacific (23%) followed by the rest of Europe (20%).

In Italy, where 19 of the 22 production facilities are located, most employees (62%) 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.



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



A breakdown of the workforce by age shows that at December 31, 2019 24% of Prada employees were under 30 years old and 56% were aged 30 to 50. Further analysis shows that 31% 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, 50% of the workforce belonged to the 30 - 50 year old range and 37% 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
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%
2019	1.4%	5.5%	5.0%	1.8%	4.3%	2.5%	13.1%	23.8%	6.5%	7.4%	12.9%	3.5%	0.3%	5.4%	1.3%	0.2%	4.0%	1.3%

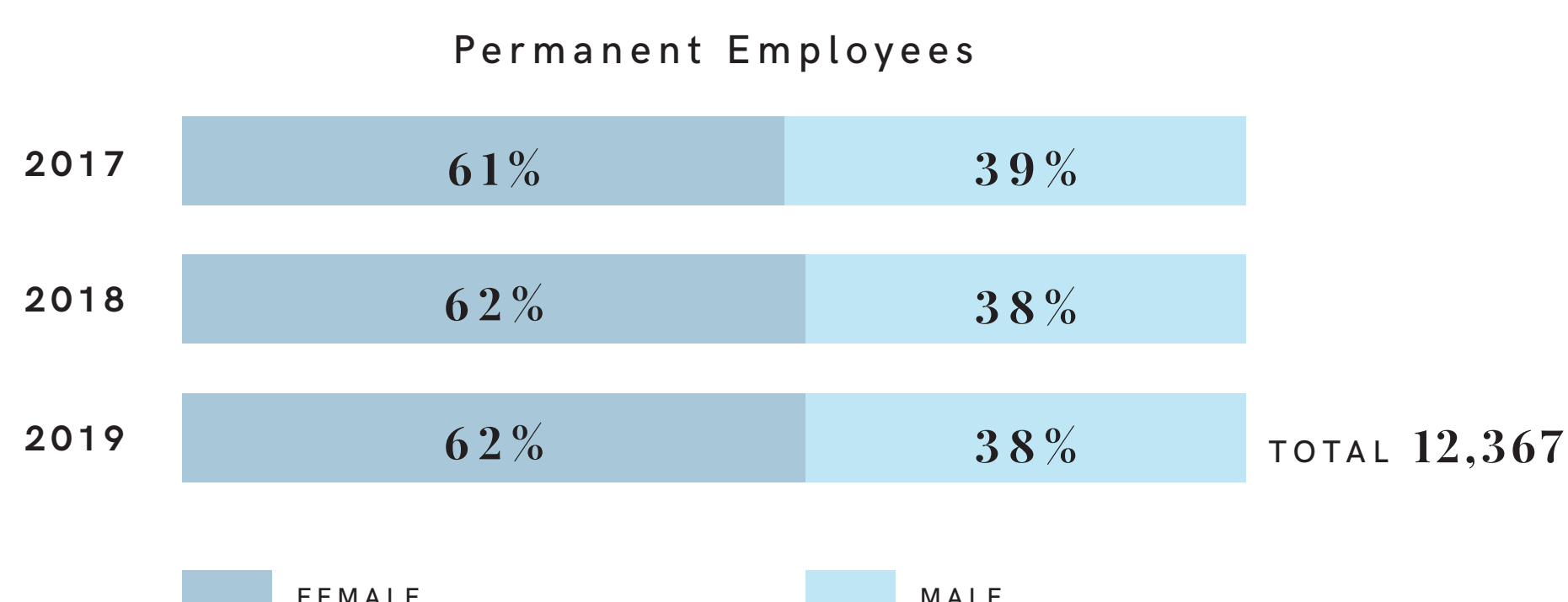
In the periods under comparison, the breakdown of employees by age and gender remained quite stable, even if in all categories, a shift in the corporate population towards the higher age group (> 50) was noted.

In the "Staff" and "Executive and Managers" categories, females accounted for 23.8% (vs. 12.9% of males) and 5.4% (vs. 4% 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 staff in the retail area and, mainly younger employees (under 35). 67% of the contracts are for females.

The employees working full time represent the 97% of the total workforce. In 2019 there were no differences in benefits between full-time and part-time contracts.



4.2 DIVERSITY AND EQUAL OPPORTUNITY

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

In fact, the Group ensures equal employment conditions by promoting diversity and equal opportunities, and in 2019 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 105 different nationalities (107 in 2018) work for the Group.

The strong female presence is demonstrated by the ratio between males and females for each job category: women not only represent the majority of Labor (58%) and Staff (65%), but they are also the largest component (56%) of Executives and Managers.

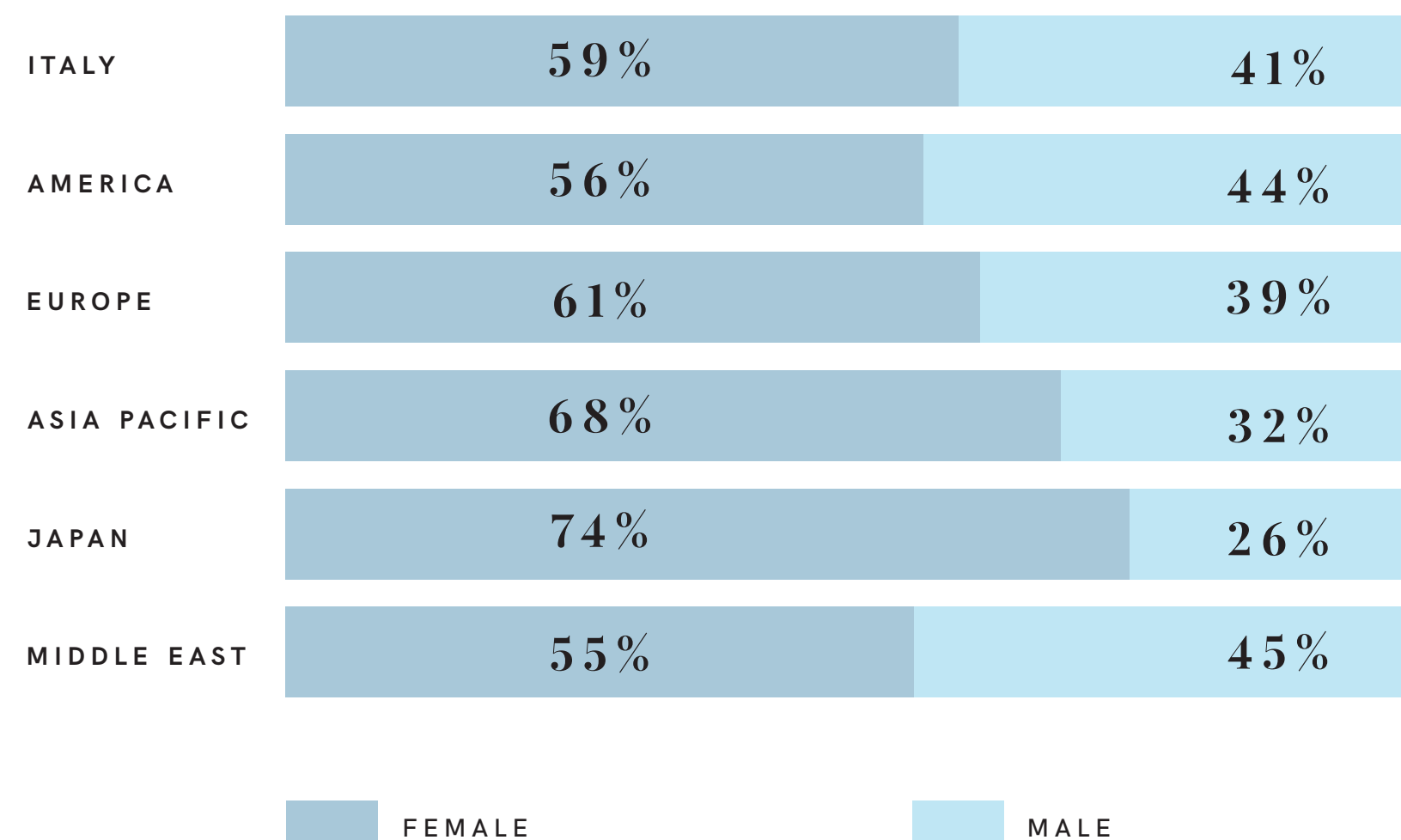
year	LABOR		STAFF		EXECUTIVES AND MANAGERS	
	Female	Male	Female	Male	Female	Male
2017	56%	44%	65%	35%	55%	45%
2018	57%	43%	65%	35%	56%	44%
2019	58%	42%	65%	35%	56%	44%

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

year	INDUSTRIAL		CORPORATE		RETAIL	
	Female	Male	Female	Male	Female	Male
2017	59%	41%	55%	45%	64%	36%
2018	59%	41%	57%	43%	64%	36%
2019	60%	40%	57%	43%	64%	36%

Even at a geographical level females represent more than half of workers in all areas, with peaks in Japan and the Asia Pacific, where females account for 74% and 68% 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
2017	97%	102%	91%	104%	98%	103%
2018	99%	102%	98%	104%	99%	104%
2019	99%	102%	98%	103%	97%	102%

4.3 DIVERSITY AND INCLUSION ADVISORY COUNCIL

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

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

The D&I Council, as a consultative body fully independent from any form of governance of the Group, has the task of sensitizing the management on the social aspects of sustainability, in particular with regard to diversity (gender, cultural identity, religion, personal orientation, etc.). The Council fulfils its role through the proposal of projects, corporate policies and initiatives considered socially effective to spread a culture of inclusion in the fashion sector.

The work of the D&I Council focuses on the above-mentioned issues especially for what concerns the North American society.

The D&I Council is composed of academics, activists, representatives of the world of art and culture from institutions worldwide renowned. The Council has two Co-Chairs, Theaster Gates and Ava DuVernay, and avails itself of the contribution of three other members, Joyce Brown, Mariarosa Cutillo and Sarah Lewis.

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

During the year, the D&I Council gathered three times approving a major training and development project on

the issues of diversity and inclusion of Afro-American culture in the United States and participating to the organization of "Shaping a Sustainable Future Society" conference (chapter 5, paragraph 1). During the three meetings, the Council also submitted various proposals for activities, currently under consideration by the company leaders, including partnerships, scholarships and other initiatives to bridge the gap of inclusion in the sector.

4.4 PRADA ACADEMY AND SKILLS DEVELOPMENT

Skills development is fundamental for the Prada Group, as is Prada's commitment to the intra-generational transmission of skills.

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.

The Prada Academy is the physical and digital place where knowledge, skills, techniques, practices and innovative ideas are shared and developed to foster talent and assure the Group's future growth.

The Prada Academy aims to develop human capital and convey professional expertise with projects, contents and training modalities diversified for three macro areas: manufacturing with the Industrial Academy, the Learning and Development area, and retail with the Stores Academy.

INDUSTRIAL ACADEMY

LEARNING AND DEVELOPMENT ACADEMY

STORES ACADEMY

Industrial academy

Since 2017, at its manufacturing facilities in Italy, the Prada Group has safeguarded and passed on the technical skills of the fashion professions by way of this school intended for youths aged 18 to 25 who are eager to learn the technics of the manufacturing world and to embark upon a career in the leather, footwear and luxury clothing sectors.

The peculiarity of the courses lies in the right mix of theory and practice. Studying the production processes and methods is the first step of intensive practical training: learning is done on the job, where participants start in on the creation of handbags, accessories, footwear and clothing. Under the guidance of internal instructors

and professionals who transmit their extensive know-how, each process is understood in detail so that the participants can learn how to work according to the highest quality standards.

In 2019, the project was further developed and the hours of training increased by 30%. The courses covered all the production divisions, particularly:

- knitwear, with in-depth study of the types of yarns, stitches, darning and embroidery;
- leather goods, with in-depth study of some processes typically used for handbags and small items;
- footwear, with the manufacture and assembly techniques used for footwear and sneakers.



In the Prada world, the Industrial Academy is a strong, growing reality that fully supports the Group's production strategy, whose final goal is the protection and conservation of the wealth of knowledge and expertise that characterize the industry, and their transmission to new generations of artisans.

By December 31, 2019, 141 youths had been trained through a process geared to prepare them for entering the professions of leather cutters, shoemakers and tailors, and more than 80% of them were hired by the Company.

Learning and development academy

The professional training dedicated to the Group's employees focuses on effective management of the complexities present in the various business environments.

Courses are formulated by first analyzing demands in order to build the content according to the specific personal and professional growth needs, in behavioral, specialized and managerial areas. In the past few years, courses have been developed on self-efficacy, leadership, team management, and the strengthening of technical, digital, linguistic, and other types of professional skills. The training is divided into classroom and e-learning courses.

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

In 2019, special "Theory to Practice" programs were created for some employees categories. The selected candidates have the opportunity to attend internationally renowned universities and post-graduate institutions, and then return to Prada and share the expertise gained while working in groups, according to the purposes and timing determined by the respective managers.

The Learning Management System (LMS) digital training platform, implemented on a global scale more than two years ago, enhanced the value creation for the human resources, to whom 17,000 hours of e-learning courses

were provided in 2019 compared with just 2,000 in 2018. This tool also facilitates the creation of real communities interested in specific subjects; it means being able to work transversely on a global level, participating virtually in groups present on a digital platform where they can exchange information, processes, objectives and deadlines. In 2019, a pilot project was experimented within the HR division, with the purpose of making it become a new interactive tool for all company divisions.

This digital platform provides free access ("free learning") to various managerial and business topics. The incentive to spontaneously analyze and search new content is a strategic asset in terms of personal motivation and improvement in individual performance.



Stores academy

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

In 2019, the catalog of e-learning courses regarding products was expanded with more information on the forms, materials and colors of the latest collections, thus improving the capacity to offer an increasingly exclusive customer experience in line with the brand identity.

In addition to the usual plans to reinforce managerial and selling skills, during the year new, important training and

development projects were launched. Two of the most significant ones regarded aligning the organizational goals of Prada Store Managers and recasting the customer experience, as a key business strategy. The latter project, conducted on a global scale, involved managers from many countries under the guidance of an external team, whose task was essential for enriching the experience and training the Group's professionals.

Training hours

In 2019, 171,789 hours of training⁴ were provided to 55,507 participants. Below is a summary of the average hours of training broken down by gender.

Training Worldwide	2017		2018		2019	
Average number of hours per employee	6.80		6.88		12.28	
Average number of hours per employee by gender	Female	Male	Female	Male	Female	Male
	7.34	5.95	7.46	5.94	12.98	11.13

4.5 TALENT ATTRACTION AND RETENTION

Recruiting the most talented and skilled employees for its organization is a fundamental element of the Prada Group's growth strategy. The channels used for attracting, finding and selecting candidates are diversified and closely related to the type of the role.

The internal selection process, which is characterized by transparent procedures that ensure equal opportunity, has been standardized globally over the years, thanks in part to a digital platform shared by HR managers for the analysis and filing of the applications received.

The Company regularly participates in events that connect businesses to the world of schools, universities and master's degrees. Careers days, during which the Prada Group delivers presentations and holds workshops, are just an example of the tools used to acquire talented staff.

Some of these initiatives have been communicated and promoted through the Group's LinkedIn page.

⁴ The hours of training exclude those on health & safety and those of the Industrial Academy.



In the last years, Prada and some schools have jointly organized student visits to its headquarters to make its workplace and working methods better known. Prada considers this open approach strategic to its image as an employer of excellence. A strong interest in the quality of its work organization has always emerged from the visits to the factories in Italy, which are located in unique architectural settings and landscapes.

Moreover, the Prada Group believes it is essential to create synergies with the technical schools of the region where it operates (Tuscany, Italy) to ensure the education and the skills refinement needed for the technical qualifications considered vital by the company for giving continuity to the artisanal know-how.

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



learning and the consolidation of employees' experiences and skills.

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

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

- a periodic salary review that takes into consideration the overall market competitiveness with respect to company positions and internal remuneration fairness;
- an annual incentive plan linking remuneration to the Company's earnings and to individual performance;
- long-term incentive plans, for key managers, linked to the three-year profit growth, aligning individual targets to those of the shareholders;
- specific incentive plans for the sales team and for technical personnel specialized in the creation of seasonal collections;
- specific benefit plans for each country, which supplement in whole or in part the mandatory

entitlements (healthcare, insurance, etc.), and benefits including social services and assistance to families (public transportation, cars, school subsidies, subsistence allowances, etc.).

The Group promotes freedom of association and recognizes the right to collective bargaining. In fact, the Prada Group engages with trade unions to improve the working conditions of its employees and to foster the medium/long-term well-being of its employees and thus its surrounding communities. Over the years the Group has stipulated many supplementary agreements especially in Italy, the United Kingdom and France, whereby it offers better benefits than those established in the local collective bargaining agreements. For instance, 80% of the employees in Italy and 100% in France can benefit from the supplementary agreements. Employees in the UK's manufacturing division also benefit from supplementary agreements.

The most significant benefits provided by these supplementary or company agreements for 2019 were the following:

- performance bonus: variable bonus linked to production, sales and profit targets;
- vacation bonus: fixed amount equivalent to one month's pay as defined in the collective bargaining agreement;
- easy access to severance pay advances;
- flexible working hours enabling employees to achieve a more productive work-life balance;
- supplementary Healthcare Fund: supplementary health insurance with an option to include immediate family at a special rate;
- special leaves of absence for illnesses of employee's children (up to 12 years of age) in France;
- regulations, employment protection and better conditions in terms of Sunday premium pay in the stores in France;
- improvement in sick leave for the employees of the Church's plant in Northampton, Great Britain.

As part of the supplementary agreements in Italy, in 2018 a corporate welfare plan was launched with the aim of allowing employees access to an extensive package of services such as reimbursements for healthcare, education and welfare expenses, leisure activities (travel, vacations, cultural and sports events), vouchers for fuel, food, payments to supplementary pension funds, and much more. The welfare plan can be activated under the employees request in view of the performance bonus; the company adds an additional 25% to the amounts converted. During 2019, over 65% of the employees covered by the plan chose to convert their performance bonus into welfare shares, directing them mainly to reimbursements of medical and education expenses and travel, a response considered extremely positive.

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

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.

4.6 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	2017	2018	2019
INJURY RATE (number of accidents/hours worked) x 1,000,000	11.34	10.47	10.28
LOST DAY RATE (days lost for accidents/workable hours) x 1,000	0.29	0.22	0.17

Data related to 2017 only refers 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.
Finally, data related to 2019 is related to all industrial sites owned by the Prada Group (in Italy, France, United Kingdom and Romania).

In Italy, where 19 industrial sites owned by the Group are located, there were 87 incidents, 55% of which involved females and 42% of which occurred during commuting. This result is reflected by the injury rate at Italy level that was equal to 10.25, while for women it was equal to 13.75. Generally, in Italy, injuries inside the organization were mainly related to tripping and slipping, therefore of minor gravity (the gravity rate was equal to 0.18). In Italy, during the year, three cases of occupational disease occurred, involving only female employees, representing an overall occupational disease rate equal to 0.35.

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 2019 training was provided to 2,656 people in Italy (around 1,813 people in 2018).

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

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

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

non-existent, while it considers the same risk to be very low along its industrial supply chain. The geographic location of the suppliers selected by the Group, as well as their profound knowledge in terms of duration and quality of the established partnerships, reduces the risk of conditions or pre-conditions such as to constitute circumstances of modern slavery, forced labor and human trafficking.

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

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

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

4.7 GROUP'S QUALIFIED VENDOR LIST PROCEDURE

The Prada Group has adopted the "Group's qualified vendor list" procedure to define the responsibilities and operational criteria 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 full coverage of all industrial, engineering and logistics suppliers⁵ at December 31, 2019. Furthermore, during the year, internal controls were regularly carried out, both on first and second level, to ensure the periodic updating of the information and documentation required by the procedure, and aimed at mitigating risks 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.

However, during 2019 controls over the observance of the Group's "Qualified Vendor List" (QVL) procedure were intensified with more in-depth checks on the compliance of documentation produced, made available by the supply chain and entered in the QVL.

⁵ For the purposes of this analysis, only suppliers with which purchases of more than Euro 50 thousand were conducted in 2019 have been considered.

Such controls were entrusted to an internal function set up specifically for such purpose with personnel from the most competent business areas for the various types of controls, such as the administration, human resources, safety and industrial departments.

The role of this professional team, working in close collaboration with the Industrial Divisions, is to provide technical and specialized support to verify the labor, tax, health and safety and environmental regulatory compliance of the supply chain through visits to suppliers, planned in a systematic and organized manner.

In 2019 the team started to conduct its monitoring visits to all suppliers of the Leather Goods Division, with the aim of finalizing them by January 2020. A similar activity is planned for all suppliers of the Clothing and Footwear Divisions.





5. CULTURAL INITIATIVES

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

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

5.1 SHAPING A SUSTAINABLE FUTURE SOCIETY



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

On November 8, 2019, the third edition of this conference cycle was held at the Prada Group’s New York headquarters and addressed the issue of social sustainability. It brought together universities, institutions, large international organizations, and representatives of the world of art, architecture, international journalism and sports on subjects such as freedom, equality and social justice.

Social inclusion, respect for identities, disability, diversity and care for others in general, all of which are aspects of social sustainability, found great resonance among the speakers at the conference, who outlined different and stimulating points of view on a very complex and stratified topic.

For the 2019 edition, as well as for the previous two ones, Prada benefited from the scientific contribution of the Schools of Management of Yale and Politecnico di Milano.

At the New York conference, the Yale Center for Customer Insights of Yale University presented research, conducted in collaboration with Prada during the previous months, which investigated U.S.-based consumers’ opinions, thoughts and evaluations on how sustainability affects their purchasing decisions. Politecnico di Milano joined instead researcher Kate Crawford in the complex debate of the often-ignored ethical implications regarding the development of Artificial Intelligence (AI), emphasizing that decision-making processes, of both citizens and corporations, are increasingly permeated by the digital evolution without adequate regulation or supervision at international level.

Both of the two previous conferences took place in Milan: the first one, held in March 2017, focused on possible links between creativity and sustainability, while the second event, held in November 2018, explored the connections between sustainability and digital innovation



Exhibition view of "Whether Line"
Lizzie Fitch and Ryan Trecartin

5.2 FONDAZIONE PRADA

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

Fondazione Prada was created as a platform to conceive and develop art exhibitions along with architecture, cinema and philosophy projects. Since 2010 it has presented twenty-four exhibitions in Milan dedicated to important international artists, or to art issues.

Since 2011, Fondazione has also been operating from its venetian venue, Ca' Corner della Regina, an eighteenth-century building that has hosted eight art exhibitions and an experimental platform dedicated to cinema. In 2019, a large retrospective devoted to Jannis Kounellis

and curated by Germano Celant was presented in this space. A selection of more than sixty works from 1959 to 2015 on loan from important museums and private collections in Italy and abroad explored the artistic and exhibition history of Kounellis.

The program of Fondazione Prada's headquarters in Milan, unveiled in 2015 and designed by the architectural firm OMA, included in 2019 two exhibitions, a new permanent project, an extensive film program, a music project and a dance event.

American artists Lizzie Fitch and Ryan Trecartin have created the multimedia installation "Whether Line" and a series of new movies on the theme of borders, territory and the back-to-the-land utopia. A comprehensive



Exhibition view of "Il sarcofago di Spitzmaus e altri tesori"
Wes Anderson and Juman Malouf

retrospective of Ryan Trecartin's filmic production entitled "The Movies" completed the exhibition project. Film director Wes Anderson and illustrator and writer Juman Malouf conceived the exhibition "Il sarcofago di Spitzmaus e altri tesori", a collaboration between Fondazione Prada and the Kunsthistorisches Museum in Vienna. The project, which included 538 works of art and rare objects, was a reflection on the motivations behind the act of collecting and the ways in which a collection is preserved, presented and experienced.

Film director Jean-Luc Godard conceived a new permanent project for the first floor of the Sud gallery. "Le Studio d'Orphée" (Orpheus' studio) is an atelier, a recording and editing studio, a living and working place. The director decided to transfer the technical material, used in his latest films' shooting from 2010, as well as furniture, books, paintings and other personal items from his studio-house in Rolle in Switzerland.

The title expressly mentions the myth of Orpheus and Eurydice, establishing a parallel between Godard and the Greek poet-musician. Within "Le Studio d'Orphée" the feature film *Le Livre d'image* (The Image Book), 2018 and nine short movies by the director are screened on

a television monitor usually employed by Godard as a working tool.

In 2019 Fondazione Prada's "Cinema" has continued its activity every weekend with a program that includes a wide variety of formats, visual languages and a series of special events and public meetings. For "Soggettiva" section, three film selections were presented by directors Nicolas Winding Refn and Pedro Almodóvar and artist John Baldessari, who shared the films that contributed to their cultural and intellectual education. "Indagine" section offered international films in the original language including both first releases and works from the past redistributed in previously unreleased versions. "Origine" section presented "Screen-Core" program, curated by Luigi Alberto Cippini and dedicated to contemporary independent cinema.

The second edition of the musical project "I WANT TO LIKE YOU BUT I FIND IT DIFFICULT", curated by Craig Richards, was presented in the external spaces of Fondazione Prada in Milan. The three events of this program explored a plurality of musical genres and languages hosting international artists such as Andrea



Exhibition view of "Le Studio d'Orphée"
Jean-Luc Godard



Presentation Event of "Soggettiva Nicolas Winding Refn"
at Fondazione Prada's Cinema.



Exhibition view of "Training Humans"
Kate Crawford and Trevor Paglen

Belfi, Biosphere, Colleen, Floating Points, Helena Hauff, Maarja Nuut & Ruum, object blue, Pole, Ben UFO and Craig Richards. Belgian choreographer Elie Tass created the dance project "Emergency Entrance". Conceived for the spaces of the "Deposito" (a big industrial space), occupied by the temporary set of Prada Woman Spring/Summer 2020 fashion show, the choreography involved 15 dancers from Civica Scuola di Teatro Paolo Grassi in Milan.

In addition to the cultural activities, the educational program of Accademia dei bambini continued with new cycles of workshops conceived and curated by experts from different disciplines.

The program of "Osservatorio", the additional exhibition space of Fondazione in Milan inaugurated in December 2016 in Galleria Vittorio Emanuele II, and dedicated

to photography, continued with two new exhibitions. "Surrogati. Un amore ideale", a show curated by Melissa Harris presented a selection of photographic works by Jamie Diamond and Elena Dorfman exploring the notions of family, romantic and erotic love. "Training Humans", conceived by scholar Kate Crawford and artist Trevor Paglen, was the first major photographic exhibition dedicated to training images: repertoires of photographs used by scientists to teach artificial intelligence systems how to "see" and classify the world.



Prada Mode Hong Kong

5.3 PRADA MODE AND "CONVERSATIONS" PROJECTS

Two initiatives can be mentioned in the cultural program undertaken by the Prada Group during 2019: the "Prada Mode" and "Conversations" projects.

Launched for the first time in Miami in 2018 during Art Basel Miami Beach, the Prada Mode touring project aims to enrich and broaden the horizons of major cultural events with a global reach. The project is conceived as a Club that offers its members access to a clubhouse hosting meetings and cultural debates every day on contemporary issues.

For its second edition, Prada Mode moved to Hong Kong in March 2019 for the Art Basel Hong Kong. Scheduled events included a special setup of the "Prada Invites" project — partnered with three outstanding architects, Cini Boeri, Elizabeth Diller and Kazuyo Sejima, to create a limited collection of new articles in nylon - and Dolls' House, a photographic installation by American artist Jamie Diamond, curated by Germano Celant and Melissa Harris.

The third edition of Prada Mode arrived in November 2019 in London. Events included the new chapter of The Black Image Corporation presented by artist Theaster Gates, a project that explores the visual and cultural representation of the Black identity. This edition of Prada Mode also launched "Collective Intimacy", a live program of performances and debates about the concepts of community and unity to develop a vision of the cosmopolitan world. This exclusive program included interdisciplinary contributions by artists, musicians, cultural producers, collectives and members of the public, which alter the notions of unity and individuality with the intention of creating a temporary global community.

During 2019 some cultural conversations also took place at the Prada Epicenter on Broadway, in New York, and at the Rong Zhai residence in Shanghai.

In New York, photographer Cristina Mittermeier illustrated her "conversation photography" with Tina Brown, an award-winning journalist and founder of the "Women in the World" association.

At a second event in New York, Susan Goldberg, editor-in-chief of National Geographic Magazine, and Robin Roberts, journalist and anchorwoman of ABC's "Good Morning America" program, took up the subject of women and led the debate during the presentation of the National Geographic book, "WOMEN", which explores, through images of famous women, what it means to be a woman in the contemporary world.

In Shanghai the focus of the conversation shifted to the environment with a debate entitled "Imagining a Circular World", moderated by journalist, environmentalist and opinion leader Shaway Yeh. The theme was chosen to raise awareness about sustainability among companies and designers.





6. NOTES ON THE METHODOLOGY

6.1 THE MATERIAL ASPECTS IDENTIFICATION

THE PRADA GROUP'S STAKEHOLDERS

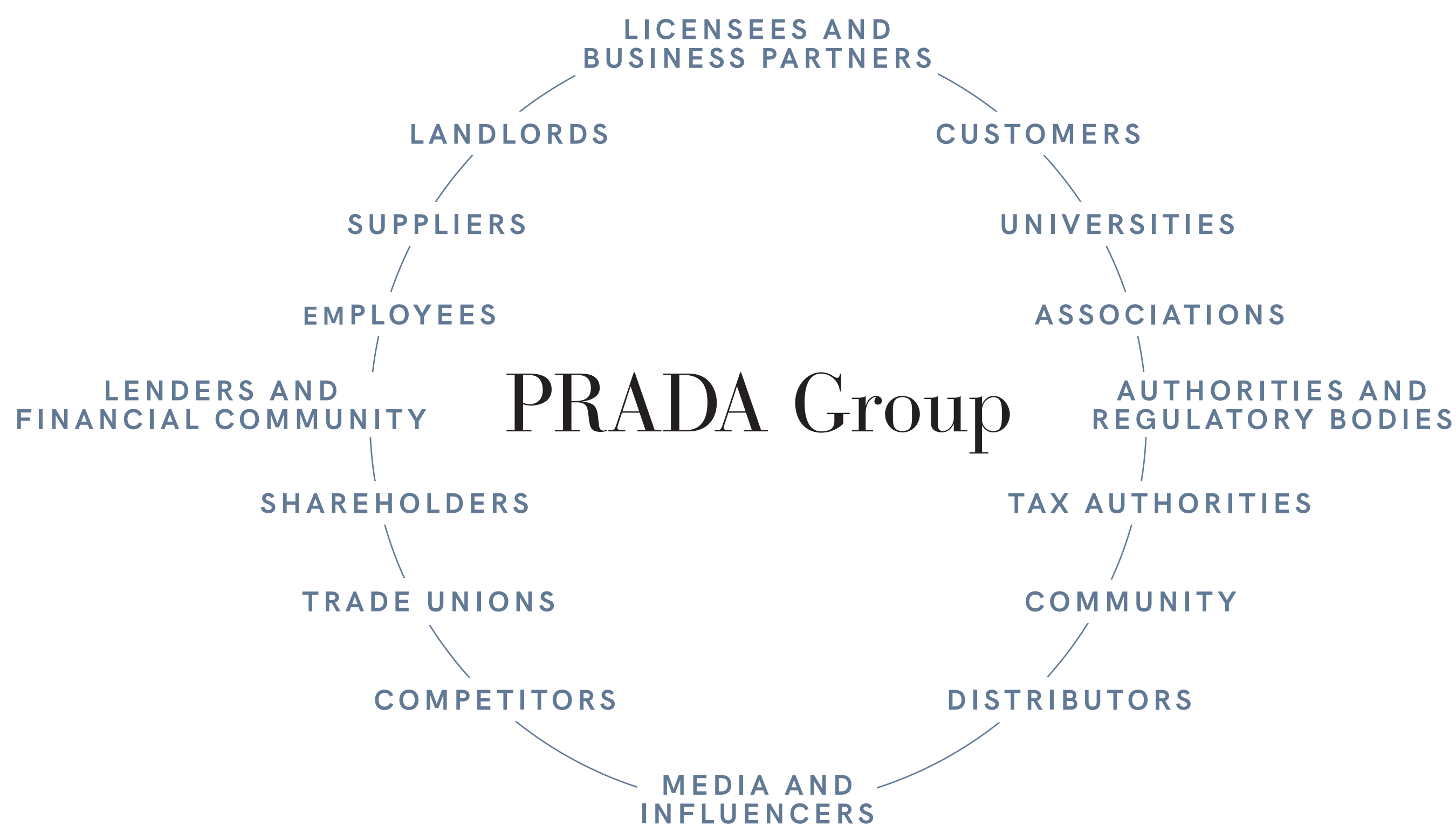
In conducting its business the Prada Group interacts with many stakeholders, all of which can directly or indirectly influence or be influenced by the achievement of business objectives.

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:



MATERIALITY ANALYSIS

For 2019, the Prada Group has drawn up its Social Responsibility Report according to the GRI (Global Reporting Initiative) Sustainability Reporting Standards (hereafter "GRI Standards") and in line with the "ESG Reporting Guide" of the Hong Kong Stock Exchange.

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

In this regard, during 2019, the Prada Group updated its materiality analysis by carrying out two main phases:

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

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

- mapping the key stakeholders and analyzing their concerns;
- performing a benchmark analysis against Italian and international fashion and luxury firms, producing a list of the most common sustainability issues in the industry;
- performing a media analysis relating to the Group, which enabled to present the perception of public opinion;
- analyzing the main sustainability documents relating to the Textile and Clothing sector (such as the GRI, RobecoSam, SASB) to identify industry trends;
- analyzing the main sustainability trends at a global level, identified by major international organizations such as the Dow Jones Sustainability Indexes, the World Economic Forum and the Global Reporting Initiative.

Once the sustainability issues were defined, they were ranked in order to define their materiality and include the most significant ones in this report.

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

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

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

The following results emerged:

- again, the most significant aspect proved to be product creativity and excellence, which demonstrates the fundamental importance — for the Group and its stakeholders alike — of the high standards of quality and style that accompany Prada merchandise along the entire value chain;
- equally relevant for the Group and its stakeholders are the issues related to 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 and workers’ 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.

Compared to the results of the 2018 materiality analysis, issues related to climate change and sustainable packaging assume greater importance for the company, testifying the Group's increasing commitment to environmental issues. 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 Index⁶.

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

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

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

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



6.2 THE REPORTING PROCESS

SCOPE

This document is the Prada Group's seventh - second according to the GRI principles published in 2016 - Social Responsibility Report and contains a description of the main initiatives undertaken in fiscal year 2019, i.e. from January 1, 2019, to December 31, 2019, and the performance trends for the three-year period 2017-2019 where available; particularly significant initiatives and events of fiscal year 2020 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 2019 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 2019 Annual Report, or Prada spa and its subsidiaries, with the exception of some data expressly indicated in the text. The Report includes non-financial data referring to Fratelli Prada spa, acquired on October 30, 2019.

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

CALCULATION METHODOLOGY

The Prada Group involved all corporate functions to determine the contents of the 2019 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 2019;
 - emissions scope 2 - Location Based: emission factor per country taken from Terna's international comparisons on Enerdata data - 2017 data;
 - emissions scope 2 - Market Based: Country Emission Factor from the European Residual Mixes of AIB (Association of Issuing Bodies) updated to 2017 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 2017 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 2019.

Finally, carbon dioxide is the only greenhouse gas considered.

The 2017 and 2018 data may differ slightly from the data published in the 2017/2018 Social Responsibility Reports due to the aggregation of data that became available after such Reports were published and due to the update of the emission conversion factors. For the same reason, the 2019 data reflects the best possible estimate using the data available when the 2019 Social Responsibility Report was published.



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

INDICATOR	References to HKEEx ESG reporting guide	DESCRIPTION	REFERENCES	OMISSIONS
GENERAL DISCLOSURES				
102-1		Name of the organization	Pag. 66	
102-2		Activities, brands, products, and services	Pag. 4-12	
102-3		Location of headquarters	Pag. 66	
102-4		Location of operations	Pag. 4; 9	
102-5		Ownership and legal form	Pag. 66	
102-6		Markets Served	Pag. 4; 9	
102-7		Scale of the organization	Pag. 4; 8-9; 13-15	
102-8	KPI B1.1	Information on employees and other workers	Pag. 43-44	
102-9	KPI B5.1	Supply chain	Pag. 8-9; 31-32	
102-10		Significant changes to the organization and its supply chain	Pag. 13-15; 66	
102-11		Precautionary Principle or approach	Pag. 22-24; 66-67	
102-12		External initiatives	Pag. 19-22; 24-31	
102-13		Membership of associations	The Group's main partnerships are with: Camera Nazionale della Moda Italiana, Altagamma, Assonime, and Confindustria Toscana.	
102-14		Statement from senior decision- maker	Pag. 3	
102-16		Values, principles, standards and norms of behavior	Pag. 19-21; 52-53	
102-18		Governance structure	Pag. 17-19	
102-40		List of stakeholder groups	Pag. 63	
102-41		Collective bargaining agreements	Pag. 50-51	
102-42		Identifying and selecting stakeholders	Pag. 62-63	
102-43		Approach to stakeholder engagement	Pag. 62-63	
102-44		Key topics and concerns raised	Pag. 63-65	
102-45		Entities included in the consolidated financial statements	Pag. 66	
102-46		Defining report content and topic Boundaries	Pag. 63-65	
102-47		List of material topics	Pag. 64-65	
102-48		Restatements of information	Pag. 66	
102-49		Changes in reporting	Pag. 66	
102-50		Reporting period	Pag. 66	
102-51		Date of the most recent report	Pag. 66	
102-52		Reporting cycle	Pag. 66	
102-53		Contact point for questions regarding the report	Pag. 72	
102-54		Claims of reporting in accordance with the GRI Standards	Pag. 64	
102-55		GRI content index	Pag. 68-72	
102-56		External assurance	This document is not submitted to external assurance.	

MATERIAL TOPICS

INDICATOR	References to HKEs 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. 63-65	
103-2	G.D 8	The management approach and its components	Pag. 13-15	
103-3	G.D 8	Evaluation of the management approach	Pag. 13-15	
201-1	KPI B8.2	Direct economic value generated and distributed	Pag. 15	
GRI 204: Procurement Practices - 2016				
103-1		Explanation of the material topic and its Boundary	Pag. 63-65	
103-2		The management approach and its components	Pag. 31-32	
103-3		Evaluation of the management approach	Pag. 31-32	
204-1	KPI B5.1	Proportion of spending on local suppliers	Pag. 31-32	
GRI 205: Anti-corruption - 2016				
103-1	G.D B7	Explanation of the material topic and its Boundary	Pag. 63-65	
103-2	G.D B7	The management approach and its components	Pag. 19; 22-24	
103-3	G.D B7	Evaluation of the management approach	Pag. 19; 22-24	
205-3	KPI B7.1	Confirmed incidents of corruption and actions taken	Pag. 23	
ENVIRONMENTAL PERFORMANCE INDICATORS				
GRI 301: Materials - 2016				
103-1	G.D A2	Explanation of the material topic and its Boundary	Pag. 63-65	
103-2	G.D A2	The management approach and its components	Pag. 38-40	
103-3	G.D A2	Evaluation of the management approach	Pag. 38-40	
301-1	KPI A2.5	Materials used by weight or volume	Pag. 38	
GRI 302: Energy - 2016				
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