

PRADA Group

CHRB 2019 assessment – Prada Group disclosures and comments to the initial draft assessment sent for review on April 10, 2019

CODE	INDICATOR NAME	FEEDBACK FROM PRADA GROUP
A.1.1	Commitment to respect human rights	<p>In the Group's Sustainability Policy many issues are addressed with reference to the commitment to respect human and workers' rights enshrined in Italian and international covenants and declarations, such as the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the Organization for Economic Co-operation and development guidelines for multinational enterprises.</p> <p>"Prada considers unacceptable any form of forced labor or child labor and any type of employment or professional discrimination. It recognizes the right to collective bargaining and to exercise freedom of association both internally and within its sphere of influence throughout the entire value chain."</p> <p>[Sustainability Policy, March 2019 - https://www.pradagroup.com/en/sustainability/download-area-csr.html].</p>
A.1.2	Commitment to respect the human rights of workers	<p>In the Group's Sustainability Policy many issues are addressed with reference to the commitment to respect human and workers' rights enshrined in Italian and international covenants and declarations, such as the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the Organization for Economic Co-operation and development guidelines for multinational enterprises.</p> <p>"Prada considers unacceptable any form of forced labor or child labor and any type of employment or professional discrimination. It recognizes the right to collective bargaining and to exercise freedom of association both internally and within its sphere of influence throughout the entire value chain."</p> <p>[Sustainability Policy, March 2019 - https://www.pradagroup.com/en/sustainability/download-area-csr.html].</p> <p>The respect of human and workers' rights enshrined in the Group' Sustainability Policy applies to both Prada employees and workers employed along the supply chain with no difference in relation to the protection of their rights in terms of working condition, workplace condition, collective bargaining, transparent relationship, remuneration and social and fiscal guarantees.</p>
A.1.4	Commitment to engage with stakeholders	<p>In the Group's Sustainability Policy there is a specific mention of the cooperation with stakeholders through observation and curiosity, cooperation which is considered at the heart of the Prada Group's creativity and modernity.</p> <p>"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."</p> <p>[Sustainability Policy, March 2019 - https://www.pradagroup.com/en/sustainability/download-area-csr.html]</p>

		<p>The same spirit of cooperation is at the base of the commercial relations, whose values are defined in the Code of Ethics of the Prada Group, whose sub-registration is essential to start any type of collaboration.</p> <p>[Code of Ethics - https://www.pradagroup.com/en/sustainability/download-area-csr.html]</p>
A.2.1	Commitment from the top	<p>“The publication of this sustainability policy is an important formal occasion for keeping the Group’s ethical values alive and functioning well and reaffirming the Directors’ commitment to the wider responsibility that contemporary businesses are called upon to assume. (...) Prada spa’s Board of Directors oversees the setting of the Group’s Sustainability Policy guidelines and their continuous updating, consistently with the evolving context in which the Group operates.”</p> <p>[Sustainability Policy, March 2019 - https://www.pradagroup.com/en/sustainability/download-area-csr.html]</p>
A.2.2	Board discussions	<p>"Prada spa’s Board of Directors oversees the setting of the Group’s Sustainability Policy guidelines and their continuous updating, consistently with the evolving context in which the Group operates."</p> <p>[Sustainability Policy, March 2019 - https://www.pradagroup.com/en/sustainability/download-area-csr.html].</p> <p>Moreover, both in Appendix 14 and 27 of the Main Board Listing Rules (Hong Kong Stock Exchange), it is made clear reference to the Board’s responsibility to comply with the code provisions: “The board has overall responsibility for an issuer’s ESG strategy and reporting”. It is also stated, “an issuer must disclose ESG information on an annual basis and regarding the same period covered in its annual report. An ESG report may be presented as information in the issuer’s annual report, in a separate report, or on the issuer’s website. Regardless of the format adopted, the ESG report should be published on the Exchange’s website and the issuer’s website”.</p> <p>The very same Board’s compliance to Code provisions is reported in the Group’s Annual report 2018 [Corporate Governance, pp. 116 - https://www.pradagroup.com/en/investors/investor-relations/results-presentations.html].</p>
B.1.3	Integration with enterprise risk management	<p>Both in 2017 and 2018, in the Group’s Social Responsibility report there are dedicated paragraphs that describe the company’s activity with a clear reference to compliance, risk management and control and the relative intersection with sustainability, including aspects relating to human rights.</p> <p>[2017 Social Responsibility report, pp. 14-17; 2018 Social responsibility report, pp. 19 - https://www.pradagroup.com/en/sustainability/download-area-csr.html].</p> <p>Moreover, activities of prevention and monitoring of non-compliance risks are managed by the Corporate Affairs Department as far as institutional risks are concerned and by the Industrial Compliance Committee as far as manufacturing and logistics risks are concerned.</p>

B.1.4.a	Communication/dissemination of policy commitment(s) within Company's own operations	<p>In the Group's Sustainability Policy, which is published on the Sustainability prominent section of the corporate website (www.pradagroup.com, which is available in four languages: Italian, English, Japanese and Chinese), are addressed many issues including respect for human and workers' rights enshrined in Italian and international covenants and declarations, such as the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the Organization for Economic Co-operation and development guidelines for multinational enterprises.</p> <p>(https://www.pradagroup.com/en/sustainability/download-area-csr.html)</p>
B.1.4.b	Communication/dissemination of policy commitment(s) to business relationships	<p>In addition to the above, Prada disseminates its commitment to sustainability and human rights also through an articulated communication strategy that contemplates the use of the Group's social media channels such as LinkedIn and Instagram that, leveraging on a wide follower base, are meant to target all Group' stakeholders, including business partners.</p> <p>Furthermore, the Prada Group Code of Ethics is distributed to all employees and parties who work towards developing, manufacturing, promoting, distributing and selling the organization's products of the brands in the portfolio. The Group promotes knowledge of the Code through various means such as online publications, direct communications and, by procedure, as part of the supply contract with most of the partners, as it is considered a prerequisite for the establishment of all contractual relationships.</p> <p>[Code of Ethics, adopted by resolution of the Board of Directors of Prada spa on 18.12.2007 - https://www.pradagroup.com/en/sustainability/download-area-csr.html]</p> <p>Moreover, the Group has established an internal team of inspectors to make sure that the ethical values enshrined in the Code of Ethics and in the Group' Sustainability Policy are met along the Group' manufacturing supply chain.</p>
B.1.5	Training on Human Rights	<p>In February 2019, the Prada Group established the "Diversity and Inclusion Advisory Council", with the primary objective to elevate voices of color within the Company and the fashion industry at-large, advising the Group as it invests in diverse talent development and expands opportunities for students in the fashion industry. Prada will also work with the Council to sponsor scholarships and training programs in the United States and in every Prada office worldwide.</p> <p>[Press Release, February 13, 2019 - https://www.pradagroup.com/en/news-media/press-releases-and-documents.html]</p>
B.1.6	Monitoring and corrective actions	<p>Both in 2017 and 2018 Modern Slavery statements, the Prada Group declares the will to suspend and/or interrupt any business relationships with partners violating its quality standard: "In case of a non-compliance that can be</p>

		<p>remedied, the supplier may be temporarily suspended until the corrective actions are implemented, while for cases that are more serious, the contract may be terminated immediately.”</p> <p>[Modern Slavery Statement, April 2019 - https://www.pradagroup.com/en/sustainability/download-area-csr.html]</p>
B.1.7	Engaging business relationships	<p>The Prada Group has adopted the “Group’s qualified vendor list” procedure to define the responsibilities and operational behaviors required to evaluate ethical, technical and economical reliability. “Specifically for ethical issues, the accreditation and maintenance of a supplier’s qualification are based on the collection of documents, attestations and self-certifications that ensure compliance with the law on remuneration, social security, taxation, health and safety, the environment, privacy and the governance model.”</p> <p>[2017 Social Responsibility report, pp.11, 22 and 2018 Social responsibility report, pp. 38, 39 - https://www.pradagroup.com/en/sustainability/download-area-csr.html]</p> <p>Moreover, the Group has established an internal team of inspectors to make sure that the ethical values enshrined in the Code of Ethics and in the Group’ Sustainability Policy are met along the Group’ manufacturing supply chain. The objective of these inspectors is to check the proper application and the respect by the Group’s manufacturing suppliers of the principles and guidelines set forth in the Code of Ethics of the Prada Group, as well as the compliance of fiscal, tax, safety and environmental laws applicable to them.</p>
B.2.1	Identifying: Processes and triggers for identifying human rights risks and impacts	<p>“The Group complies with the applicable international and national laws and regulations for working hours, minimum guaranteed breaks and rest periods. Thanks to the respect, dialogue and cooperation in place with Italian trade unions, there were no labor strikes during the year, just as none had occurred in 2016 or 2017”. [2018 Social responsibility report, pp. 30, 31 - https://www.pradagroup.com/en/sustainability/download-area-csr.html]</p> <p>In addition to the internal control system and in compliance with the provisions of Italian Legislative Decree n. 231 of 8 June 2001, Prada spa, the operating holding company of the Prada Group, has established a Supervisory Body whose primary attribution is to ensure the functioning, effectiveness and implementation of the organizational, management and control model.</p> <p>Under this control model, specific procedures have been implemented to identify crimes, including law breaches in terms of human and workers’ rights. To this end, twice a year and within the larger Group Framework Procedure “Information flow towards the Supervisory Body”, the Internal Audit Department collects a self-assessment questionnaire from the Group’s top management to acknowledge any crime included in the aforementioned D. Lgs. n. 231 in Italy.</p>

		<p>Moreover, the Group has also deemed appropriate to introduce a specific information flow also for the foreign companies to which said law is not directly applicable. In this connection, the Group Internal Audit function provides the interested companies with a similar questionnaire to be filled in annually.</p> <p>The Board of Directors has approved the Procedure in April 2017.</p>
C.1	Grievance channel(s)/mechanism(s) to receive complaints or concerns from workers	<p>In addition to comments to B.2.1, Italian employees have the possibility to anonymously communicate to the Supervisory Body through an e-mail address available on the Company's intranet.</p> <p>In 2018, there were no communications of behavior that could constitute a violation of the Organizational Model, for instance in contrast with the principles set out in the Code of Ethics or with applicable laws and regulations [2018 Social Responsibility Report, pp.19 - https://www.pradagroup.com/en/sustainability/download-area-csr.html]</p>
D.2.1.a	Living wage (in own production or manufacturing operations)	<p>In all countries where the Group's employees are present, Prada is not only compliant with all laws and regulations in terms of workers' rights, but well above law requirements due to:</p> <ul style="list-style-type: none"> - a clear commitment of the Board of Directors towards the respect of the value of the human beings; - several HR policies aimed at strengthening the relationships with all employees in terms of training, fixed remuneration, bonus and incentives, retention and several non-monetary benefits (2017 Social Responsibility Report, pp. 42-44); - a strong commitment to the high quality and safety of the working environment, especially in the premises dedicated to manufacturing activities (2017 Social Responsibility Report, pp. 47-48 and pp. 63-64). <p>In all countries where the Group directly operates, the level of wages recognized to employees is sensibly higher than the law requirements and close to the highest levels in the luxury industry.</p> <p>For instance, in Italy the Group's employees (representing 37% of the total workforce at Dec. 31, 2018) are regulated by the collective labor agreements in force.</p> <p>"Under Italian labor law, the National Collective Labor Contracts (CCNL) supplements the law and is stipulated at a national level, for commodity sectors (Trade, Metalworking and Mechanical Engineering, Footwear and Leather Goods, etc.) between trade unions and associations representing companies.</p> <p>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."</p>

		<p>(2018 Social Responsibility Report, pp.38)</p> <p>“Thanks to the respect, dialogue and cooperation in place with Italian trade unions, there were no labor strikes during the year, just as none had occurred in 2016 or 2017 [2018 Social responsibility report, pp. 30, 31]”.</p> <p>In addition to the above, the Group entered into specific welfare agreements with Italian unions to strengthen further its relationships with all its Italian employees recognizing welfare benefits in the form of reimbursements for healthcare, education and welfare expenses, leisure activities, vouchers for fuel, food, payments to supplementary pension funds, and much more.</p> <p>(2018 Social Responsibility Report, pp.31)</p>
D.2.4.a	Child labour: Age verification and corrective actions (in own production or manufacturing operations)	<p>See comments above in D.2.1.a</p> <p>The Group never used child labour in all its history and if its providers had occasionally used workers under the age of 18, the Group has always claimed that they were over the age of 15, with a clear authorization according to specific law requirements.</p> <p>"Prada considers unacceptable any form of forced labor or child labor and any type of employment or professional discrimination." [Sustainability Policy, March 2019]</p>
D.2.4.b	Child labour: Age verification and corrective actions (in the supply chain)	<p>“Prada considers unacceptable any form of forced labor or child labor and any type of employment or professional discrimination.” [Sustainability Policy, March 2019]</p> <p>In 2018, approximately 82% of the Group's industrial suppliers (i.e. raw materials and manufacturing suppliers) are located in Italy, so the working conditions of their employees are regulated by the collective labor agreements in force in Italy (see comments D.2.1.a on CCNL).</p> <p>Furthermore, all suppliers must subscribe the Group’s Code of Ethics in which the full respect of the human beings and their dignity, meaning any form of fundamental human rights abuse like child labour, is clearly stated. The Group has established an internal team of inspectors to make sure that the ethical values enshrined in the Code of Ethics and in the Group’ Sustainability Policy are met along the Group’ manufacturing supply chain.</p> <p>Moreover, the Prada Group has adopted the “Group’s qualified vendor list” to evaluate ethical, technical and economical reliability (see comments B.1.7).</p>

D.2.5.a	Forced labour: Debt bondage and other unacceptable financial costs (in own production or manufacturing operations)	<p>See comments D.2.1.a</p> <p>The Group never used forced labor in all its history.</p>
D.2.5.c	Forced labour: Restrictions on workers (in own production or manufacturing operations)	<p>See comments above in D.2.1.a</p> <p>Inside the organization, there is no risk of Forced labour (Restrictions on workers). “The Group complies with the applicable international and national laws and regulations for working hours, minimum guaranteed breaks and rest periods. Thanks to the respect, dialogue and cooperation in place with Italian trade unions, there were no labor strikes during the year, just as none had occurred in 2016 or 2017.” [2018 Social responsibility report, pp. 30 and 31]</p> <p>The Group’s HR Department has its own procedures to select and hire employees in compliance with the values stated in the Group’s Code of Ethics and directly manages and supervises all labour contracts.</p>
D.2.6.a	Freedom of association and collective bargaining (in own production or manufacturing operations)	<p>In the Group’s sustainability policy, we clearly commit to not interfering with unions rights. “The Group promotes freedom of association and recognize the right to collective bargaining. In fact, the Prada Group collaborates with trade unions to improve the working conditions of its employees and to foster the medium/long-term well-being of its employees and thus its surrounding communities.” [2018 Social responsibility report, pp. 30 and 31]</p>
D.2.9.a	Working hours (in own production or manufacturing operations)	<p>See comments D.2.1.a.</p> <p>The Prada Group adopts working hours in accordance with laws and regulations of the countries in which it operates. In the case of extraordinary need, within the limits set by the law, the time flexibility is in any case agreed with the employee and, when applicable (like in France or in the UK), with their representatives.</p> <p>For example in Italy Prada spa entered into a supplemental agreement with Unions to offer its workers the possibility to work for a limited number of Saturday in exchange for the payment of a valuable package of monetary benefits (up to 30% higher compared to ordinary hourly remuneration plus a fixed remuneration for every Saturday worked). Another agreement, with similar valuable benefits for the employees, was entered into with Unions in France to offer the possibility to work on Sunday.</p>