

Prada Group Tax Strategy

The PRADA Group believes that ethics in doing business is the base for the enterprise success and represents the best expression of its image, an element that is a primary and essential value for the Group.

Therefore, the long-term protection of the public image and value of the Group brands imposes, in general, a tax risk aversion and a management based on transparency and cooperation with Tax Authorities in view of preventing and minimizing possible tax controversies.

The Prada Group tax strategy, defined and implemented by Prada SpA., Italian Group Parent Company, admitted, starting from FY2017, to the Italian Cooperative Compliance Regime, aims at fostering the business development of Group companies, minimizing tax risks in general. It is fully compliant with tax laws applicable in the Countries where the Group operates and with international best practices (e.g.: *OECD Transfer Pricing Guidelines*) and it is guaranteed through:

- The establishment of in-house tax control structure (based in Milan HQ), dedicated to the analysis and management of tax matters related to all PRADA Group companies;
- The constant interaction of the above-mentioned structure with business functions;
- The regular involvement and support of leading tax consulting firms.

These principles are embedded in the Prada Tax Control Framework, the policy that defines the Group Tax Strategy as well as Roles and Responsibilities related to detection, measurement, management and control of tax risks across business processes.

Prada SpA Board of Directors approves the tax strategy proposed by the Chief Financial Officer (CFO) and the Chairman with the support of the HQ TAX Department.

The HQ TAX Department is responsible for identifying and assessing tax risks, supported by the Administration Function and liaising with the CFO.

Considering the Group's highly international and dynamic nature and the strong process integration of the business model, the tax implications connected with intra-group transactions and extraordinary operations (e.g.: reorganizations and acquisitions) are managed within the scope of a wider and more focused activity coordinated by Company's management and aiming at protecting the brand value, the Group image as well as creating value for its own stakeholders.

In this perspective, the tax management of both ordinary and extraordinary operations is implemented:

- In full compliance with tax laws and practices;
- Consistently with the nature of the PRADA Group business;
- With the goal of protecting value for PRADA 's shareholders.

The protection of the Group's public image and brand value in the long term imposes the adoption of a tax risk management based on transparency and cooperation with Tax Administration with the scope of preventing and minimizing any tax litigations.

With specific reference to intragroup operations and considering their relevance, transfer pricing matters are crucial for PRADA Group. Starting from FY 2008, the Group has adopted a strategy aimed at preventing tax risk, based, among others, on the following elements:

- Definition of advanced agreements (i.e.: Advanced Pricing Agreement or APA) between Group companies and competent tax authorities, both at unilateral and multi-lateral level;
- Settlement of disputes already arisen, favoring the opening of mutual agreement procedures between the tax authorities involved in order to limit double taxation and prevent the occurrence of future risks through the underwriting of APAs.

Prada Group approach towards dealings with the HMRC

Prada Group is committed in maintaining a transparent and open relationship with HMRC, disclosing every significant transactions and changes in the business and discussing any related tax issues as soon as possible.

Any potential errors in submissions made to HMRC are immediately corrected and the Group is always available in providing HMRC with clarifications and explanations at their request.