

GIORGIO ARMANI

MODERN SLAVERY STATEMENT FOR FINANCIAL YEAR 2019

INTRODUCTION

This document, whose content refers to the fiscal year of 12 months ended December 31, 2019, was approved by the Board of Directors of Giorgio Armani SpA on June 2020 and illustrates the measures taken by the Armani Group (hereinafter also "the Group" or "Armani") to ensure, as required by the *UK Modern Slavery Act 2015 - Section 54* and *California Transparency in Supply Chains Act of 2010 (SB 657)*, the absence of any form of "modern slavery, forced labour and human trafficking" within its organization and along its supply chain.

GROUP PROFILE

Talking about Giorgio Armani means narrating a story that began more than 40 years ago. From its roots solidly planted in the Italian reality, the Armani Group has experienced steady growth across the globe, progressively expanding its offerings, from apparel and accessories to cosmetics and fragrances, as also eyewear, watches, jewellery, furniture and furnishing accessories. The Armani Group specifically operates in the luxury apparel and fashion industry with several brands: Giorgio Armani Privé, Giorgio Armani, Emporio Armani, EA7 and Armani Exchange.

Giorgio Armani SpA is present in all the most important markets worldwide and, as of December 31, 2019, the Group's products are sold through 598 its company-owned sales outlets. Also, at December 31, 2019, the Group's headcount amounted to 9,064 employees worldwide.

As at 31 December 2019, the Armani Group is comprised of 14 business entities located throughout the world, wholly owned and controlled by Giorgio Armani SpA, which as the parent company performs a variety of operational and staff functions on a global scale, through corporate head offices located in Milan at via Borgonuovo 11.



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ETHICAL PRINCIPLES

The Board of Directors considers respect for ethical principles to be the expressions of the Group reputation and the drivers for Armani's success.

During 2019, the Armani Group drew up the *Sustainability Plan* in which the Group declares its commitment to the United Nations Sustainable Development Goals by specifically raising the quality standards for suppliers of Armani by 2030. Moreover, with the objective of disseminating and promoting their sustainability policies across the supply chain, the Armani Group has adopted specific policies to safeguard the transparent and responsible conduct of its value chain and create lasting collaborations with suppliers. These are:

- The values of Armani as formalised in the *Code of Ethics* guide the company's mode of operation and conduct of business as reflected in the actions of all those working in their name and on their behalf. In fact, the Code of Ethics is distributed to the Group's directors, statutory auditors, employees, consultants, suppliers and business and commercial partners. The norms and rules contained in the Code, regardless of their legal value, are dictated by a specific social and moral commitment that Armani assumes. The Armani Group's values are:
 - Trust
 - Protecting and valuing diversity
 - Responsibility towards the community
 - Team spirit
 - Integrity and sharing
 - Policy relating to personnel
 - Transparency and completeness of information
 - Protection and respect for the environment

All suppliers and collaborators are expected to behave in compliance with rules of law, in an ethically correct manner and in line with internationally accepted standards and principles on the treatment of employees, with specific reference to following principles: the protection of fundamental rights, non-discrimination, the protection of children, the prohibition of forced labour, and the protection of trade union rights, occupational health and safety, working hours, remuneration. The breach of the provisions of this Code by collaborators, suppliers, consultants and commercial partners can result, in cases of greatest gravity, in the termination of the contractual relationship.

The Code of Ethics is available to all Group employees on the homepage of the corporate intranet. The Group attaches particular importance to protecting all forms of diversity, believing strongly that its presence is an added value and a critical success factor.

The Code of Ethics is available to all members of staff of Armani in an internal section of the company intranet and on the institutional website. Thanks to the series of measures undertaken, no episodes of discrimination were reported in 2019.

- the *Supplier Social Code of Conduct* is shared with Armani suppliers when each contract is concluded. It defines the rules of ethical and social conduct, in support of the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, that suppliers commit to adhere in order to guarantee that products are manufactured in compliance with the highest standards of quality and safety. The Social Code of Conduct specifically sets the goal of guaranteeing dignified and safe working conditions for all workers involved in the Group's value chain and defines Armani's requirements in the main areas of

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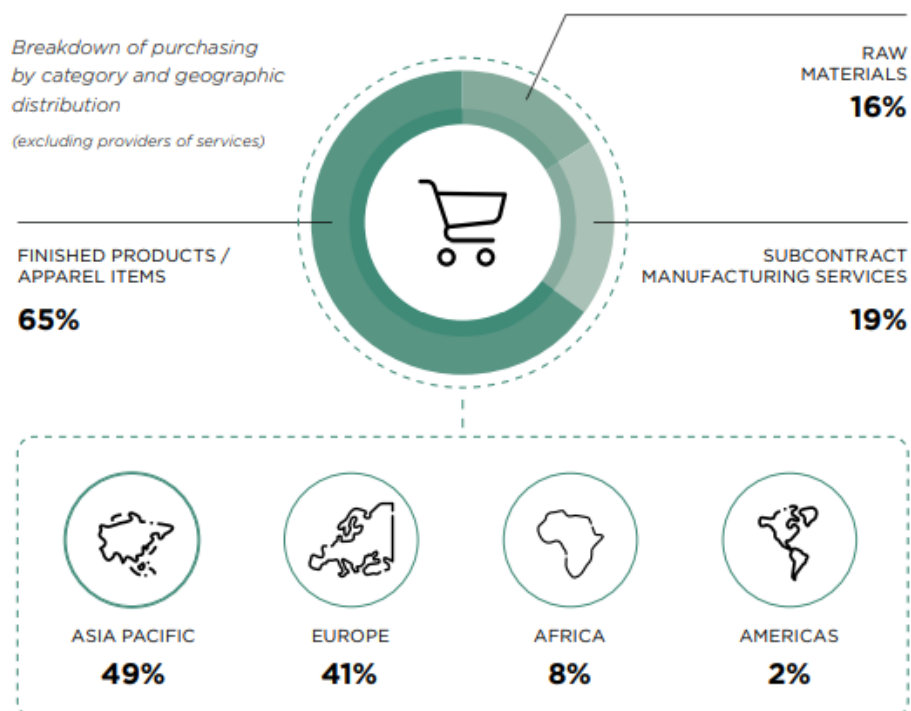
socially responsible sourcing. The Code consists of the following sections that establish binding provisions concerning:

- Child Labor
- Modern Slavery
- Discipline, Abuse and Harassment
- Discrimination
- Freedom of Association and Collective Bargaining
- Compensation
- Working Hours
- Hiring and Employment Practices
- Health and Safety – Work and Living Space
- Community Engagement
- Environmental Protection
- Subcontracting
- Management Systems
- Anti-Bribery and Business Ethics
- Monitoring and Compliance
- Corrective Action

SUPPLY CHAIN PROFILE

Armani's suppliers may be divided into four main categories (as at December 31, 2019):

- Suppliers of finished products and apparel items (65%), who, by autonomously procuring raw materials, produce the finished apparel item according to a technical design or sample of the product.
- Suppliers of subcontract manufacturing services (19%), to whom the Group entrusts the production of the finished product, supplying the necessary raw materials and technical information for the work planned.
- Suppliers of raw materials (16%).
- Providers of services, such as analysis laboratories, consulting and general services procurement companies.



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As at December 31, 2019, the production of Armani is entrusted to 7 production sites located in Europe (Italy) and Asia (Hong Kon), which collaborate and monitor the Group's suppliers (excluding providers of services), mainly situated in the Asia Pacific (49%) and Europe (41%).

As Armani is cognisant of the strategic importance of supplier relationship management, it has implemented a process for monitoring the supply chain, by means of social and environmental auditing programmes, as explained in the *Supply chain risk assessment & due diligence processes* Section.

SUPPLY CHAIN RISK ASSESSMENT & DUE DILIGENCE PROCESSES

Armani's attention to ethical and social aspects throughout its supply chain starts with the supplier selection phase, continues with the acceptance of the Code of Ethics and the Supplier Code of Conduct along the contract phase from the supplier side and concludes with the audit phase to the most relevant suppliers.

Indeed, at first, all suppliers are required by contract to respect and ensure that any subcontractors respect the Code of Ethics and the Supplier Social Code of Conduct of the Group. Any violation of the principles set out herein constitutes a breach of contract and entitles Armani to terminate the contract in place.

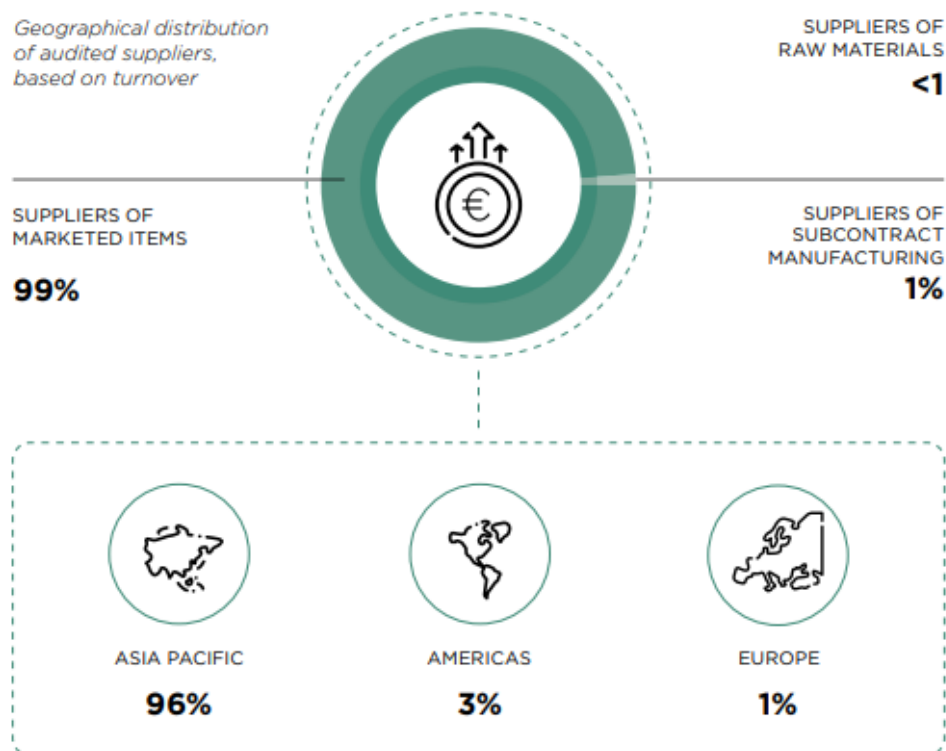
Then, the Armani Group conducts ethical audits along its supply chain to verify compliance with applicable laws and the principles set out in the abovementioned Codes. In line with previous years, also in 2019, the semi-announced audits were conducted by a qualified and experienced independent body to ensure maximum impartiality. The audits are aimed at identifying any potential critical aspects and consequently, at guiding the suppliers towards any eventual corrective actions necessary to be able to continue maintaining the qualification of supplier to the Group. On the basis of any non-compliance reported, the suppliers are subsequently ranked on a rating scale from A to E, so as to enable the CSR unit to effectively monitor their progress on the path to complete compliance with the standards. Social compliance audit specifically benchmarks suppliers against socially responsible principles and fundamental human and workers' rights, particularly against discrimination and human rights, forced labour, child labour, freedom of association, working hours, compensation, and health and safety. The suppliers whose overall rating is initially below B, are guided towards achieving improvement in the global assessment through a corrective action plan, with achievement timelines established according to the importance of the respective issues being addressed. However, where suppliers receive an overall rating that is not in line with the Group's expectations, a meeting with them is immediately convened and they are requested to take corrective action within very brief timeframes and, where there appears to be no possibility of adherence to the standards, an exit plan is defined. This process of supplier evaluation and engagement has served not only to ensure compliance with the requirements defined by the Group, but above all fosters the sharing of good practices amongst suppliers, thus increasing and enhancing the level of awareness within the sector.

Given the large number of the Group's suppliers, a priority list is defined annually for the audits to be carried out. The priorities are defined on the basis of the risks that could be generated by suppliers who:

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- enjoy autonomy of action in procurement and supply management, such as suppliers of marketed items;
- have production facilities in countries considered to be at risk of employing improper practices towards workers and the environment, as per the SA8000 Standard, such as in the Asia region.

In addition, each year, the Group tries to cover the largest number of production sites managed by each supplier while avoiding repeating the controls at the facilities already audited. This explains the variability of the number of audits over the years. Indeed, during the three-year period 2017-2019, the Group carried out 147 social and environmental audits in 2017, 220 in 2018 and 155 in 2019. During 2019, the audits covered 37% of the Armani Group's suppliers, in terms of 2019 turnover, and 99% of the audited suppliers, based on turnover, were suppliers of marketed items, mainly located in the Asia Pacific (96%).



Moreover, a supply chain greatly localized in Europe constitutes an asset also from a social responsibility standpoint, as it allows easier control by the Italian parent company. Specifically, in Italy, employee working conditions are regulated by the National Collective Labour Agreements (CCNL) in place, which are set down at national level between the trade unions and the associations representing the firms. The CCNL governs, in terms of pay and statutory requirements, the privileges, assurances and responsibilities of all employees belonging to a particular industry, such as guaranteed minimum wages, working hours, holidays, seniority care, overtime treatment, holidays and night work (with overtime treatment), the duration of the trial period and notice period, sick leave, maternity leave, accident leave and the disciplinary code.

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COMPLEMENTARY TOOLS AND ACTIONS

- **Raising awareness.** In the past, the Group carried out the training on the Code of Ethics to some employees. The Code is published on the company website and, to make it specifically available to all employees, it is shared on the company intranet.
- **Working Together.** As the Group is committed to promoting a constructive dialogue on human rights and modern slavery with key stakeholders, it collaborates with *The Fair Wage Network* (a non-profit organization focused on sharing, aligning and promoting wage-related research, methodologies and best practices of corporations and their supply chains worldwide) and *The National Chamber for Italian Fashion* (the non-profit association which disciplines, coordinates and promotes the development of Italian Fashion) on a survey about wage practices among luxury fashion suppliers in Italy.

COMMITMENTS FOR THE FUTURE

The Armani Group intends to confirm its commitment to social sustainability and responsibility, condemning all forms of modern slavery. The Group will continue the auditing and monitoring of its suppliers, proactively finding new tools to encourage respect for human rights and sharing its ethical values throughout the supply chain.