

EMPOWERING PEOPLE

SUSTAINABILITY REPORT 2016

YOOX
NET-A-PORTER
GROUP



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OUR COMMITMENT TO CREATING A SUSTAINABLE FUTURE

Message from Federico Marchetti



In 2009 YOOX GROUP introduced sustainability into its core practices including the launch of **YOOXYGEN**, a pioneering platform for promoting environmentally friendly brands, and the **Eco-box™**, one of the first e-commerce packaging made entirely of recyclable materials. This year, we're delighted to pledge YOOX NET-A-PORTER GROUP'S steadfast commitment to sustainability.

Empowering People is YNAP's new sustainability vision based on three commitments:

- Education
- Empowering Women
- Responsibility

Education – YNAP's ability to build a workforce that values **education** through professional training for both our employees and the greater community is a remarkable achievement. As a member of the Digital Skills and Jobs Coalition, we're set to join the European Commission initiative to contribute **training for 1 million people by 2020**. Additional education initiatives span teaching students coding through **Imperial College London**, volunteering in classrooms in Italy and London as part of the global **Hour of Code** campaign to bring computer science to schools, and partnering with **SDA Bocconi School of Management** in Milan to **design** a master's in digital luxury fashion.

Empowering Women - We're convinced of the benefits of having gender balance and ending gender inequality in the workplace. We commit to provide equal pay for work of equal value. Our Group is proof empowering women leads to a successful company and in 2016 we achieved the following:

- **61% of 4,128 YNAP employees are women**
- **63% of YNAP's new hires were women**
- **Within our most senior groups of employees (Executive Team and Top Management, Senior and Middle Management) 100 are women compared to 104 men**
- **Of these 204 leaders, women hold a number of our most strategic and key executive roles and are paid approximately 14% more than average.**

Supporting our employees' growth extends beyond compensation. We are committed to growing an inclusive and supportive culture by rethinking the workplace with **flexible working programs** for parents and **mobile apps** tailored to improve communication and enable on-the-go knowledge sharing and collaboration. We are proud that our initiatives have led us to be recognised as an employer of choice globally.

- In 2016, YNAP was cited among the **Top Employers in Italy** for the third year
- YNAP was included in the '**Top Attractors in the UK**' ranking by **LinkedIn**.

Responsibility – Together with its people, YNAP is on a constant journey to manage environmental impacts responsibly. We are a member of the **United Nations Global Compact** and part of RE100, a shared international commitment by leading companies to 100% renewable power by 2020. We are **Fur Free** in our multi brand online stores and in 2016 we joined the International Fur Free Retailer Programme, supported by the Fur Free Alliance (FFA). In addition our first Statement as of financial year 2016, according to the UK Modern Slavery Act 2015, was published on our Group website.

We must work as a catalyst, sharing knowledge, innovating, leading by example, to translate our vision into a reality.

Federico Marchetti

CEO, YOOX NET-A-PORTER GROUP

EXECUTIVE SUMMARY

YOOX NET-A-PORTER GROUP'S Sustainability Vision is focused on Empowering People and it is built on three commitments: **Education, Empowering Women** and **Responsibility**.

OUR PEOPLE make us strong. Our worldwide Team is made up of **4,128 employees** from over **75 nationalities**. Employees have an **average age of 33**, with 40% aged under 30. In 2016 we received over 60,000 CVs and 192 successful referrals came from our employees. **96% of employees have permanent contracts**.

Providing quality EDUCATION is essential for supporting the digital transformation of our business and helping to build a diverse talent pool that will benefit our industry and wider communities. YOOX NET-A-PORTER GROUP is a member of the **European Commission's Digital Skills and Jobs Coalition**, set up to provide training for digital jobs for 1 million young people by 2020. Additionally, we are partnered with **Imperial College London** on an initiative to teach children the basics of coding, with an emphasis on girls, aged 8 to 14 from low socio-economic backgrounds. We are creating a talent incubator network, called Talent in the Net, which will offer both schoolroom and workplace experiences. We are partnered with **SDA Bocconi School of Management** in Milan, to develop a new master's course on digital strategy, marketing and e-commerce. We also run an **MBA Internship Programme**, enabling students from leading universities to join us as interns each summer. At YNAP we are committed to building an inclusive culture that supports the growth of employees and we are creating an **ecosystem** that promotes and supports innovation. We are rethinking the workplace and opening a new **Tech Hub** in London, boasting 70,000 square feet of space and housing up to 650 employees, amounting to a **20% increase in tech jobs** at YNAP. **Global Hackathons** give our tech teams opportunities to imagine smart new solutions for the business, and in 2016 51 teams produced 40 digital solutions for our business.

EMPOWERING WOMEN and closing the gender pay gap is not only the right thing to do, but it is a key business priority for YNAP. In 2016 we achieved the following results: **61% of YNAP's employees are women**; 63% of YNAP's new hires were women. Women hold 51% of

middle and senior management roles; women in executive, top management, senior and middle management roles are earning on average 14% more than their male counterparts (22% and 5% respectively). In 2017, with the appointment of our Chief People Officer and our most recent appointment of the President of Off-Season who are both women, we reached a **50% female presence in the Executive Team**. In 2016, YNAP was cited among **Top Employers in Italy**, and was also included in the first **"Top Attractors in the UK"** ranking released in June 2016 by LinkedIn. NET-A-PORTER was listed among the **"Top 300 Graduate Employers"** in the UK by The Guardian newspaper. To support and promote the outstanding women working in the IT industry, in 2017 YNAP sponsored the **Women in IT Awards 2017**. Since its launch in February 2014, PORTER magazine has championed **Incredible Women** and produced world-leading editorial content which celebrates incredible women from all walks of life.

RESPONSIBILITY for managing and reducing the social and environmental impacts of our business is crucial for the industry. YOOX GROUP introduced sustainability into its practices in 2009 when it launched **YOOXYGEN** a pioneering platform for environmentally friendly brands. YOOX will extend its commitment to promoting responsible practices in fashion through a new partnership with **Parsons School of Design** in New York. YNAP's commitment to sustainable packaging dates back to 2009 when YOOX GROUP introduced the **Ecobox™** which is made out of 100% recyclable materials, certified by RESY, FSC and SFI. In 2016 YNAP joined the international **Fur Free Retailer Program** supported by the Fur Free Alliance (FFA) and NET-A-PORTER has been a certified member of the **Responsible Jewellery Council** since 2014. We are a member of the **United Nations Global Compact** and part of RE100, a shared international commitment by leading companies to 100% renewable power by 2020. Our new In-Season hub in Milan is being built towards achieving the "excellent" level of the BREEAM certification. Our first statement in accordance with the UK Modern Slavery Act 2015, which covers 2016, has been published on our website. We work to make a difference in wider communities, and in 2016 we supported over 20 charities and social initiatives.

KEY FACTS

OUR PEOPLE

4,128
employees

33
years is the
average age

40%
of our staff are aged
30 or under

There are over
75
nationalities among
our employees

96%
of our employees
have **permanent**
contracts

EDUCATION

We are funding students to teach children the basics of coding in partnership with **Imperial College London**

The **London Tech Hub**, a new centre for innovation, will house a

20%
increase in tech jobs
at YNAP

40
business ideas
were generated at
our tech team's first
hackathon

We have partnered with **SDA Bocconi School of Management Milan**, to create a course in Digital Strategy, Marketing and e-commerce for the MAFED Master

EMPOWERING WOMEN

61%
of YNAP **employees**
are women

63%
of YNAP **new hires** in
2016 were women

51%
of **middle and senior**
managers are women

Women leaders
at YNAP are paid
on average

14%
more than male
counterparts

RESPONSIBILITY

YOOXYGEN
has formed
a partnership on
responsible fashion
with **Parsons School
of Design**

All our multi-brand
online stores adhere
to the **Fur Free
Retailer Program**

We are committed
to going
100%
renewable by 2020,
as part of the
RE100 program

Our new Milan
distribution centre
is targeting
**"excellent" level of
BREEAM** sustainable
building certification

PART ONE: YNAP'S SUSTAINABILITY VISION



WHO WE ARE

YOOX NET-A-PORTER GROUP is the world's leading online luxury fashion retailer. The Group is a Global company with Anglo-Italian roots, the result of a game-changing merger, which in October 2015 brought together YOOX GROUP and THE NET-A-PORTER GROUP, two companies that have revolutionized the luxury fashion industry since their birth in 2000.

Uniquely positioned in the high-growth online luxury sector, YOOX NET-A-PORTER GROUP has an unrivalled client base of more than 2.9 million high-spending customers, over 29 million monthly unique visitors worldwide and combined 2016 net revenues of €1.9 billion. YOOX NET-A-PORTER GROUP has offices and operations in the United States, Europe, Japan, China and Hong Kong and delivers to more than 180 countries around the world.

YOOX NET-A-PORTER GROUP is listed on the Milan Stock Exchange as YNAP.

YOOX NET-A-PORTER GROUP / www.ynap.com is a unique business with an unrivalled offering covering all luxury fashion customer segments, through its multi-brand in-season online stores NET-A-PORTER, MR PORTER; its multi-brand off-season online stores YOOX and THE OUTNET; and its numerous ONLINE FLAGSHIP STORES "Powered by YNAP".

NET-A-PORTER / www.net-a-porter.com, launched in 2000, has become the world's premier online luxury fashion destination for content and commerce. A true innovator, NET-A-PORTER is renowned for its unparalleled editorial content and is a leading destination for the world's most coveted designer brands.

MR PORTER / www.mrporter.com, launched in 2011, has established itself as the award-winning global retail destination for men's style, combining an unparalleled product offering from the world's best menswear brands, watchmakers and specialist grooming brands.

YOOX / www.yoox.com, established in 2000, is the world's leading online lifestyle store for fashion, design & art, offering an extensive assortment

of hard-to-find clothing and accessories for men and women from the world's most prestigious designers, as well as a unique selection of home design objects, exclusive collaborations with world-renown artists, environmentally friendly brands and kidswear.

THE OUTNET / www.theoutnet.com, launched in 2009, is the most fashionable fashion outlet, and has grown to be the go-to destination for the style-conscious shopper looking for the best designer products at great prices.

Editorial content is at the core of the modern e-commerce experience and the ultimate reference point for global consumers in the fashion space, whether online or offline – anytime, anywhere and on any platform. The Group's media and publishing division creates award-winning content for its titles including PORTER and the digital editions, which connect with consumers in a unique and authentic way.

YOOX NET-A-PORTER GROUP is the e-commerce partner of choice for leading fashion & luxury brands, designing and managing ONLINE FLAGSHIP STORES, offering their latest collection on the Internet. With over 17 years of experience in global luxury e-commerce, YOOX NET-A-PORTER GROUP offers brand partners a wide range of services, including creating and developing the creative concept, innovative interface design, state-of-the-art technology and R&D, high-precision global customer logistics, unrivalled customer care, international web marketing and e-commerce strategy development.

Through a joint venture established in 2012, YOOX NET-A-PORTER GROUP partners with Kering to manage the Online Flagship Stores of several of the French Group's luxury brands: Bottega Veneta, Saint Laurent, Alexander McQueen, Balenciaga, Stella McCartney, McQ and Brioni.

In 2016, YOOX NET-A-PORTER GROUP joined forces with Symphony, an entity controlled by Mohamed Alabbar's family, to establish a groundbreaking joint venture to create the Middle East's undisputed leader for online luxury retail.

STRATEGY



Mobile to renew vision of fashion luxury

Customer-centric approach focused on mobile usage



Creative content

Creative content that delights our customers



Impeccable service

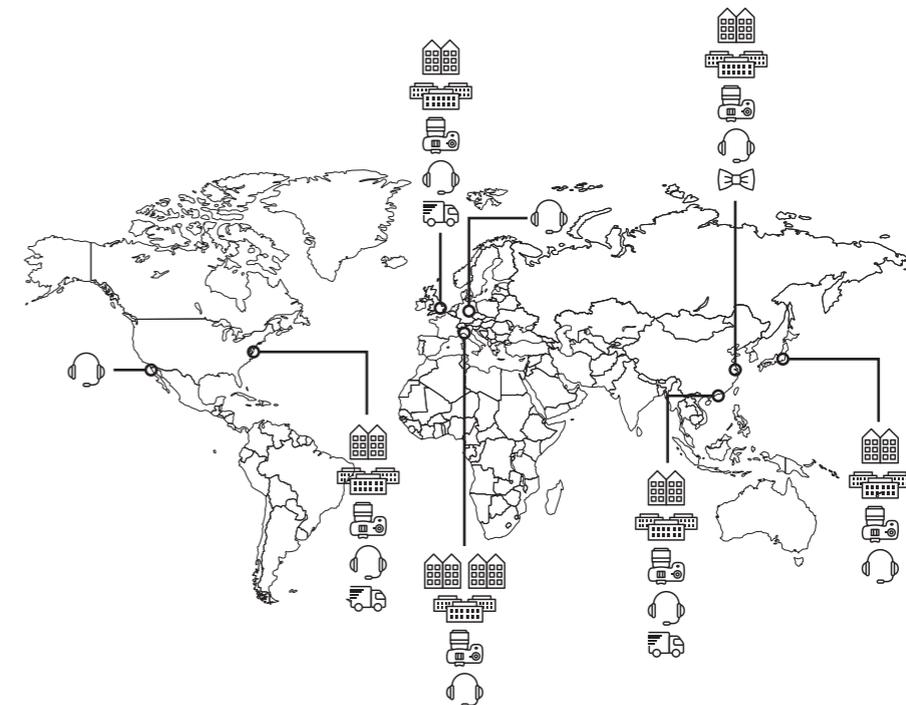
Impeccable service as part of the experience



Smart data

Personalized customer journey powered by smart data

OUR GLOBAL OPERATIONS



Over 180 countries served



1 order processed every 4 seconds



Local Offices

New York, London, Milan, Bologna, Hong Kong, Shanghai, Tokyo



Customer care covering all time zones



DCs

US, UK, Italy, China, Hong Kong, Japan



Digital production facilities

US, UK, Italy, China, Hong Kong, Japan



Same-Day Delivery

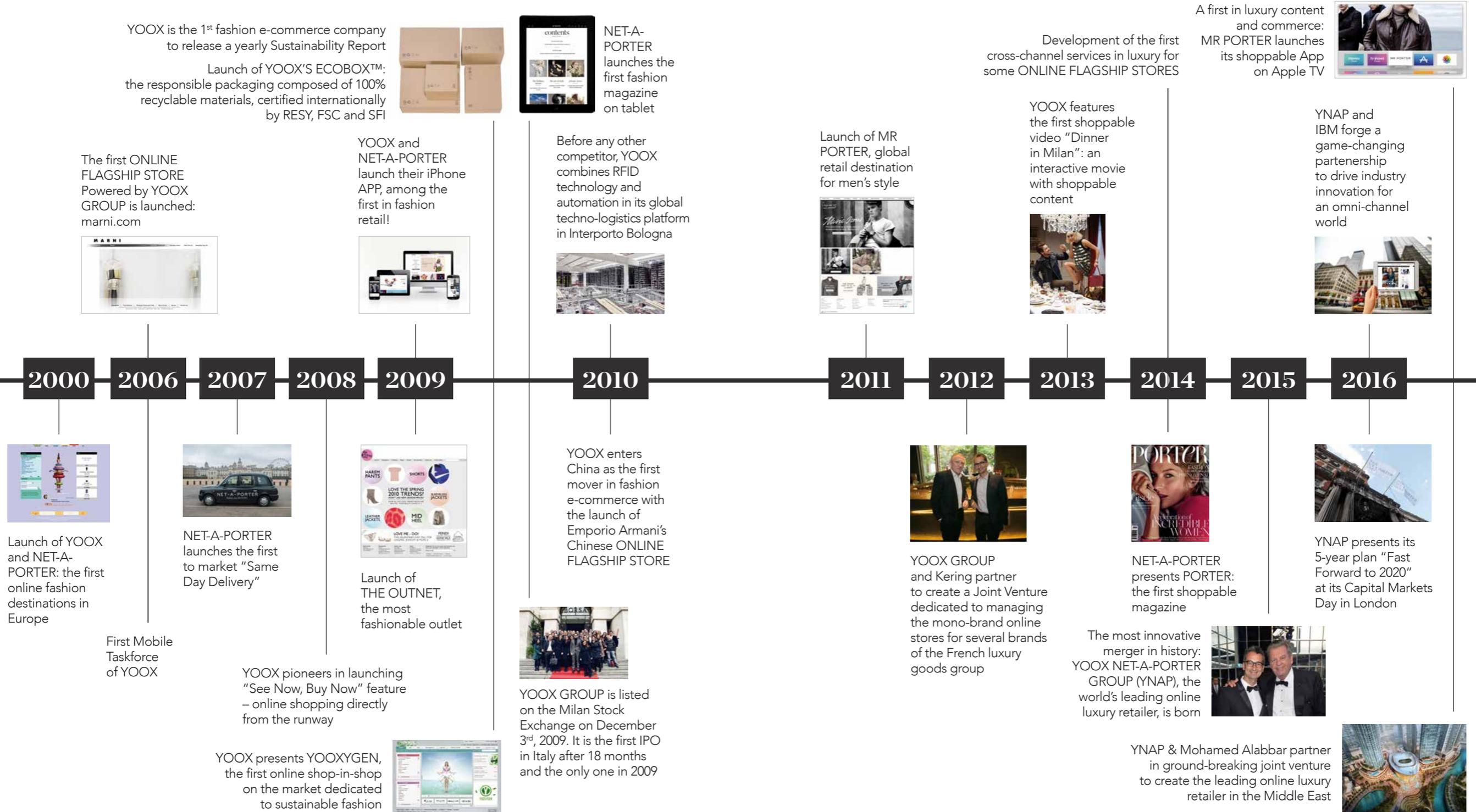
in London, Manhattan, Connecticut and Hong Kong



Butler service and authenticity Rfid seal

YNAP'S PIONEERING MILESTONES

YNAP has always worked hard to be one step ahead, reimagining and recreating the future. Innovation is in our DNA and we will continue to strive to be first in the future.





**OUR SUSTAINABILITY VISION
IS FOCUSED ON**

EMPOWERING PEOPLE

As the world's leading online luxury retailer we have a responsibility – and also an opportunity – to empower people to create a more sustainable future.

Our Sustainability Vision is built around three pillars:

Education

We promote quality education as a foundation for improving people's lives.

Empowering Women

We are building an inclusive, global workforce and empowering women.

Responsibility

We operate our business responsibly and we are focused on reducing impacts.

We must work as a catalyst, sharing knowledge, innovating, leading by example, to translate this vision into a reality.



OUR SUSTAINABILITY PILLARS

We are in a unique position, working with large numbers of leading brands and also touching millions of customers globally, to tackle the social and environmental challenges we face.

We asked the people we connect with every day – our customers, our brands, our suppliers, our employees and members of the wider community – what concerns them most, and what they expect from us.

Our Sustainability Vision is the first step in our journey and lays the foundations for our long-term Sustainability Strategy, in which we will define our targets for progress.

Education

We will invest in the development of employees, and provide tangible ways for them to get involved in realising YNAP's Sustainability Vision. We will promote a dynamic culture, creating workspaces and an ecosystem that inspire innovative thinking. We will continue to invest in digital education to assist in developing the skills necessary for a thriving digital economy, creating a large, diverse talent pool from which our industry, and wider communities, will prosper.

Empowering Women

We will support and promote equality for women. We believe that closing the gender pay gap is not only the right thing to do, but it is a key business priority. We will empower women, helping them to fulfil their potential, and we will recognise talent based on individual merit. There should be no barriers to realising ambitions. We will continue to contribute to the global dialogue on gender parity and celebrate inspirational women through our world-class editorial content, partnerships, and business initiatives.

Responsibility

We will lead developments in our industry, collaborating with brands and suppliers to improve practices. We are committed to providing information about supply chains, enabling customers to make informed choices about luxury fashion purchases. We will continue to re-invent our business with sustainability in mind and work hard to develop new ways to make our business smarter and more efficient. We will pursue more green partnerships and collaborations with NGOs and charitable organisations as well as supporting start-ups and entrepreneurship to grow the digital economy.

Our Sustainability Vision is also inspired by four of the United Nations' Sustainable Development Goals for 2030:



OUR APPROACH

Our approach to sustainability has been guided by two main factors: our long-term business strategy and the engagement of our people, our partners and our industry.

Strategically, we recognise that sustainability will help our business to thrive into the future. We are working to embed sustainability into our governance, business functions and the culture of our company, and also supporting our employees to engage with sustainability in their everyday lives.

We are also guided by our stakeholders' priorities and expectations. We are deeply interconnected with our customers and luxury brands, and promoting dialogue is at the centre of our Sustainability Vision.

Sustainability in our business

We have a strong sense of responsibility and recognise our important role in society. We also have the ability to influence the social and environmental impacts of our business and the wider industry.

The merger of YOOX GROUP with NET-A-PORTER GROUP to create YOOX NET-A-PORTER GROUP in October 2015 presented an opportunity to start a new sustainability journey. We are also building on a tradition of previous sustainability reports published by YOOX GROUP, the first in fashion and luxury e-commerce. Its pioneering **YOOXYGEN** initiative, launched in 2009 as a corporate sustainability programme and platform for eco-friendly fashion, has also been instilled in the new group.

YNAP began its sustainability journey last year by first assessing our position, listening to our stakeholders and starting to define a baseline for future action. This report – the first by YNAP – presents a picture of where we are today and also sets out our vision for a more sustainable future.

Over the coming months and years we will develop this vision into a long-term sustainability strategy that will set out our ambitions and targets in accordance with YNAP's Five Year Plan.

Disclosures on many aspects of our social and environmental performance will soon become mandatory.

As of next year, companies such as ours will be required to disclose relevant non-financial and diversity information under a European Union Directive (2014/95/EU). The London Stock Exchange and Italian Stock Exchange have issued guidance on environmental, social and governance (ESG) reporting to encourage more consistency in disclosures from listed companies. In addition, as of financial year 2016 we are making annual statements in accordance with the UK Modern Slavery Act 2015. These developments provide an occasion for us to act.

In setting out a new sustainability course for YNAP, we are determined sustainability should reach all business functions and become integrated into our business model.

As a key step in this journey, we have introduced a Sustainability Policy at Group level that defines our commitment and lays out the ways environmental and social issues are owned and governed.

Responsibility for our sustainability approach lies with the Sustainability Department, which reports to the Chief Executive Officer and the Board of Directors. The Board acknowledges the sustainability report publication. The role of the Control and Risk Committee, which is made up of three non-executive, independent directors, is being expanded to include sustainability topics as part of its evaluation of corporate risks and the internal control system, in line with the recommendations of the Italian Stock Exchange's code of corporate governance.

To support the committee in this task, YNAP is creating a Compliance, Ethics & Risk Committee, which will ensure the sustainability strategy is aligned with the company's values and Code of Ethics, and guide decisions on sustainability matters.

To ensure topics are addressed across the business, we have created a Sustainability Leadership Committee bringing together representatives from all YNAP functions to set concrete and measurable targets, and define actions and initiatives. The Sustainability Department also co-ordinates with our senior executives.

Stakeholder engagement

To help us determine our sustainability pillars we listened to the people who know us best. We involved 24,000 customers, selected experts and partners, and dozens of our own people to get as full a picture as possible of what is expected of us.

Our company impacts many points in the luxury value chain. To avoid a narrow or top-down approach, we engaged with a broad range of stakeholders to hear different perspectives, priorities and expectations.

These included:

- Our most loyal customers, via a broad, global listening exercise involving 24,000 people
- A panel of 11 experts and key partners (mostly brands and educational partners), via in-depth interviews
- Almost 40 YNAP managers and employees, including all of our Sustainability Leadership Committee, in thematic workshops

To help us define the most relevant economic, social and environmental topics for our company, we presented our stakeholders with an initial list of 26 topics drawn from the following sources:

- Benchmark of fashion and luxury companies
- Benchmark of e-commerce peers
- Requirements of RobecoSAM, compiler of the Dow Jones Sustainability Index, for the retail sector
- YOOX GROUP's sustainability report for 2014
- The Global Reporting Initiative's guidelines for sustainability reporting

Prioritising these topics allows us to focus our efforts where it matters most and where we can make a real difference. We asked participants to rank topics by importance and the topics were refined into a final list of 22 topics (refer to page 24). These topics form the basis of the content of this report and we include an explanation of how we approached each topic and report on a set of indicators which covers them all.

We intend to continue this dialogue process in 2017 and involve an even broader range of stakeholders.

OUR STAKEHOLDERS

- Customers
- Employees
- Investors
- Suppliers and strategic partners
- Brand partners
- Followers and readers
- Community
- Academic institutions
- Government and public sector organisations
- Non-profit organisations, NGOs and charities
- Industry and trade associations
- The media



The internal perspective

Empowering People is at the centre of our Sustainability Vision and we engaged a cross-section of employees from around the company to find out what they thought about how we could improve.

Almost 40 managers, ranging from the customer insight, buying and technology teams to human resources, operations and editorial took part in eight thematic and cross-functional workshops in London, Bologna, Milan and New York.

We heard ideas about a range of topics including gender equality, employment and employee welfare; energy and environmental impacts; technology and innovation; ethics and business integrity; customer engagement; packaging and shipping; transparency; and responsible fashion. We focused on exploring the interconnection between our most important issues and how they touch different parts of our value chain. Another goal was to align the sustainability process with our Five Year Plan, which sets out our strategic business plan and was launched in July 2016.

We learned that engaging, motivating and empowering employees to work together in the most productive and transparent way is important for the business, especially following the merger to create the new Group. We debated how, for example, YNAP can embed a deeper culture of innovation and sustainability within the organisation, putting it into the daily activities of all employees.

We recognised that it is essential for the business to be clear about its position on sustainability issues and involve employees as they interface with customers, brands, suppliers and many other stakeholders. This means aligning sustainability to make it part of the way people work at YNAP, and being transparent about the company's sustainability approach and activities both inside the organisation and in the outside world.

The external perspective

According to our feedback sustainability is now very much a mainstream concern. Customers and the people we spoke to inside the luxury industry told us that we should take the lead.

What industry experts say

To better understand wider trends and views and our position with respect to the longer-term challenges and opportunities in our industry, we spoke to our peers in the fashion and digital worlds, brand partners, industry experts and academic experts in sustainability, as well as sustainable investors.

Many told us they are convinced there has been a tipping point recently in awareness of sustainability issues within the luxury industry. Businesses are expected to act responsibly. They are expected not simply to give back but to be proactive in making the world a better place.

Increasingly, the onus is on companies to offer quality products and services that have positive social and environmental impacts, and provide information to empower customers to make their own responsible purchasing decisions.

We were told that if retailers like ourselves and brands work together, the fashion industry can become more sustainable.

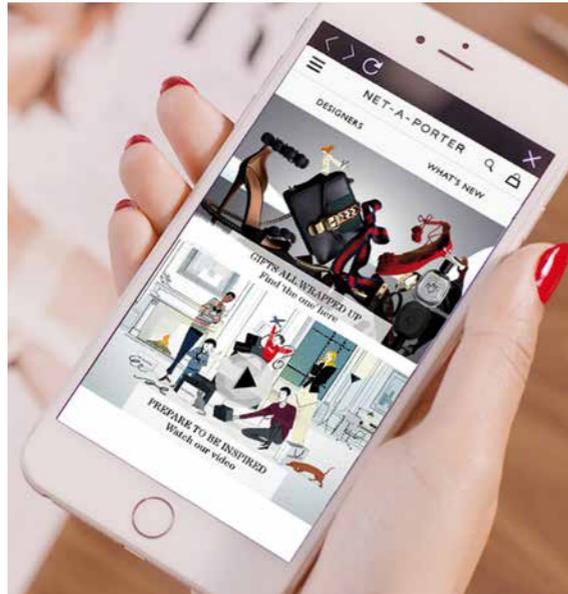
{ **“YNAP** COULD BE A PIONEER IN SUSTAINABILITY, AS IT HAS BEEN IN THE LAST YEARS IN TECHNOLOGY AND INNOVATION. YNAP CAN BE THE ACTOR WHO DRIVES THE FASHION SECTOR TOWARDS SUSTAINABILITY: BRANDS ARE OPEN TO DOING THEIR PART.”

*Stefania Lazzaroni, General Manager
Altagamma, Foundation gathering Italian high-end brands* }

{ **“BRANDS** ARE STARTING TO REALISE THAT SUSTAINABILITY IS NOT JUST 'NICE-TO-HAVE'. CUSTOMERS ARE BEGINNING TO DRIVE THIS NOW TOO AND BRANDS ARE INCREASINGLY UNDERSTANDING THAT IT CAN BE A POINT OF COMPETITIVE ADVANTAGE.”

Charlotte Keesing, Walpole, the alliance of Britain's finest luxury brands }

What our customers say



Our customers expect YNAP to be responsible when it comes to sustainability. They expect us to do our best to mitigate environmental impacts and treat all the people we interact with in a decent manner.

A high percentage of customers who took part told us they want to choose products that reflect how they live and echo their values.

Customer concerns are varied. Some are concerned about where products are made, the working conditions involved in production, how materials are sourced and how animals are treated; others are more concerned about the use of environmentally friendly packaging and green delivery options. When it comes to social causes, many of our customers look to us for partnerships and initiatives that support specific projects rather than ask for general charitable donations.

We learned that sustainability in luxury fashion is not about pleasing a niche group of “ethical” shoppers. There are widespread concerns about a range of social and environmental issues and many of our customers says they would like to make choices that reflect their values but they often lack the information to do so.

Customer Insights from our stakeholders:

The **most sought-after information** about brands and products are **country of manufacture** (74%), production and working conditions (56%), sourcing of materials (53%), the treatment of animals (50%) and environmental impacts (48%)

Many customers are **socially engaged** through regular donations (39%), supporting charities through their purchases of services or products (39%) or volunteering (24%)

72%

of customers said social or environmental considerations drive their purchasing decisions at least some of the time

63%

said they would choose environmentally friendly packaging

58%

said having more information about the ethics and sustainability of products would influence their luxury shopping choices



The response to our work towards creating a more sustainable business in the luxury fashion sector was enthusiastic and supportive.

Here is what some of our customers had to say about sustainability and our business:

“I AM GLAD THAT YOU ARE TAKING THE TIME TO BE AWARE OF POTENTIAL IMPROVEMENTS FOR SOCIAL AND COMMUNITY IMPACT – IF ALL BUSINESSES, LARGE OR SMALL, DID THEIR PART, IT WOULD DEFINITELY MAKE A DIFFERENCE. BRAVO AND GOOD LUCK WITH YOUR DIRECTION OF TRYING TO IMPROVE OUR PLANET”

“PROVIDING SUSTAINABLE OPTIONS IS A GREAT IDEA FOR THOSE WHO FIND IT VERY IMPORTANT. BUT YOUR BRAND IS KNOWN FOR THE LUXURY AND EXCELLENT SERVICE – DON’T CHANGE THAT”

“SUSTAINABILITY ACROSS FASHION MANUFACTURING IS SUCH A VAST SUBJECT – OFTEN WITH HIDDEN OR CONFUSING INFORMATION – THE FACT THAT YOU ARE EVEN CONSIDERING AND DISCUSSING THIS IS BRILLIANT!”

“AS A MAJOR PLAYER IN THE FASHION INDUSTRY, YOU ARE IN A VERY GOOD POSITION TO MAKE A CHANGE FOR MANY LIVING BEINGS (HUMANS AND ANIMALS). THIS IS SOMETHING IMPORTANT TO ME AS A CUSTOMER”

“TRANSPARENCY FOR CUSTOMERS IS SO IMPORTANT AND MANY HIGH-STREET BRANDS ARE DOING GREAT THINGS AND MAKING HUGE PROGRESS. I FEEL THE DESIGNER BRANDS ARE SOMEWHAT LAGGING BEHIND AND SO A COMPANY SUCH AS YOURSELVES COULD REALLY SPEARHEAD THE NEED FOR CHANGE IN THESE AREAS”

“INFORMATION ON WHAT AND HOW A PRODUCT IS MADE AND THE IMPACT IT HAS ON OUR PLANET WOULD NOT ONLY BE WELCOMED BUT SO APPRECIATED.”

The issues that matter

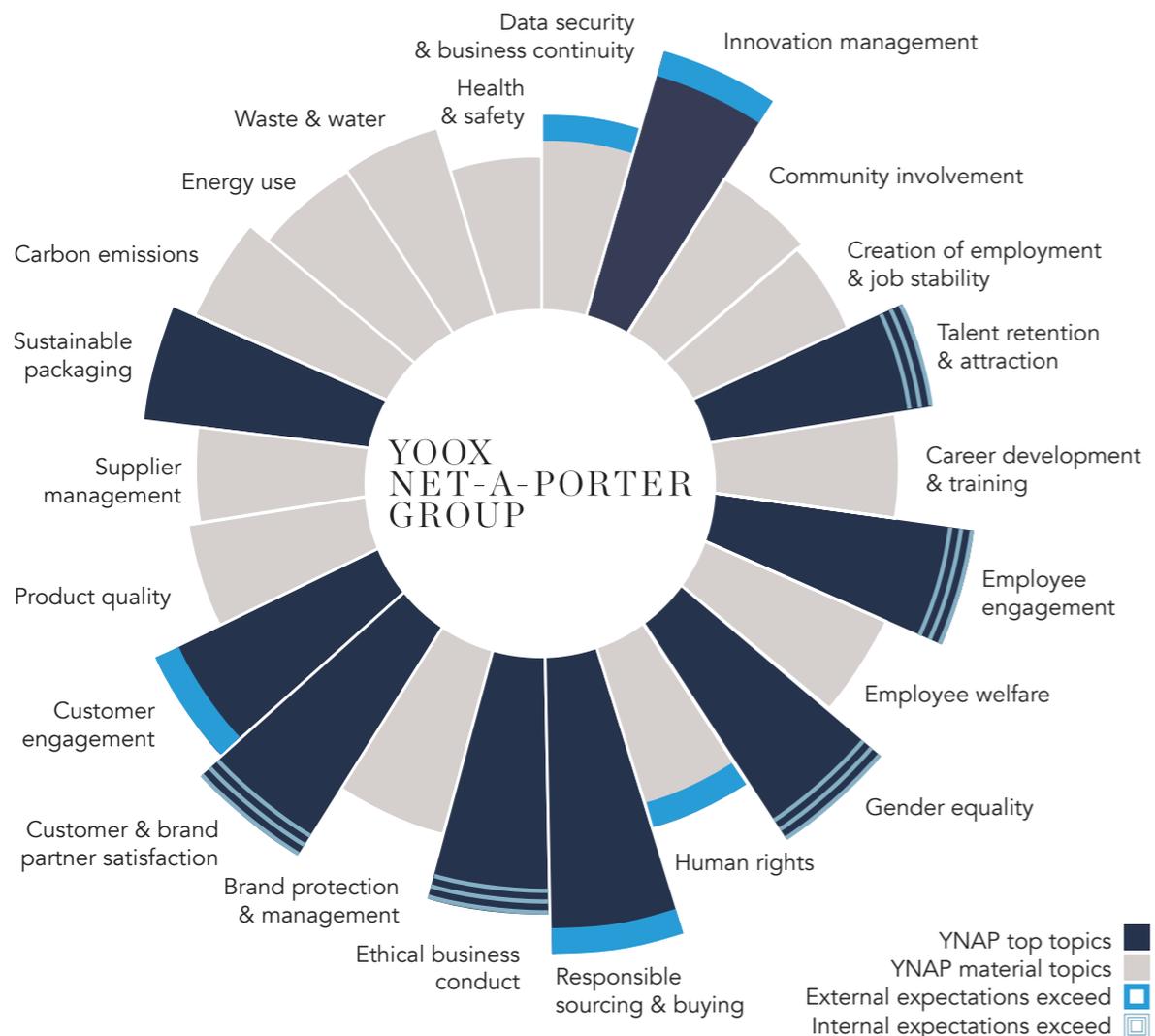
The stakeholder engagement process helped us to identify and prioritise the topics that matter most to our business and to our various stakeholders. These are our “material” topics.

We defined these “material” topics by ranking them based on preferences expressed by participants and by analysing the results of the customer survey. Members of YNAP’s Sustainability Leadership Committee and our external interviewees were asked to identify the most important and least important topics. Customers were asked questions evaluating the relative weight of issues that are relevant to them.

An internal ranking showed how important each issue is for the long-term success of the business while an external ranking captured how important issues are in stakeholder decisions and perceptions of YNAP.

Our “material” topics, which are based on an overall evaluation of their importance evenly balancing internal and external priorities, are presented below. The size of each segment in the chart reflects the overall weight of each topic.

We isolated a cluster of nine “top” topics that were in the top half of both internal and external rankings. We also identified topics where there is a notable difference between internal and external perspectives.



Our “top” sustainability topics: what they mean for us

Customer engagement

To enhance the customer experience, we need to fully understand our customers’ priorities and concerns, their lifestyles and their values, and how these inform their shopping choices. This means helping customers make informed choices by providing them with information about relevant social and environmental issues that are important to them.

Customer & brand partner satisfaction

Maintaining the highest levels of customer loyalty involves offering a luxury shopping experience that reflects each customer’s personal preferences and context. With brands, we can exchange knowledge and the power of our platform, supporting them as our industry adopts more sustainable practices.

Employee engagement

Our people are key to our future success and we aim to engage our employees in our new sustainability agenda, making it a natural part of their daily activities. Inside YNAP, this includes sharing knowledge and promoting important values.

Ethical business conduct

The behaviour of all employees and those doing business with our Group should meet ethical principles of conduct and be grounded in the principles of probity and transparency.

Gender equality

Respecting and promoting inclusion and ensuring everyone has equal possibilities to achieve and succeed at YNAP. More broadly, empowering women to lead in the luxury, retail and technology industries.

Innovation management

Innovation is at the heart of our success and continues to drive our business in understanding customers, acting quickly and capturing opportunities. Inside our organisation, we promote an innovative work culture and create work environments that encourage new thinking and experimentation.

Responsible sourcing & buying

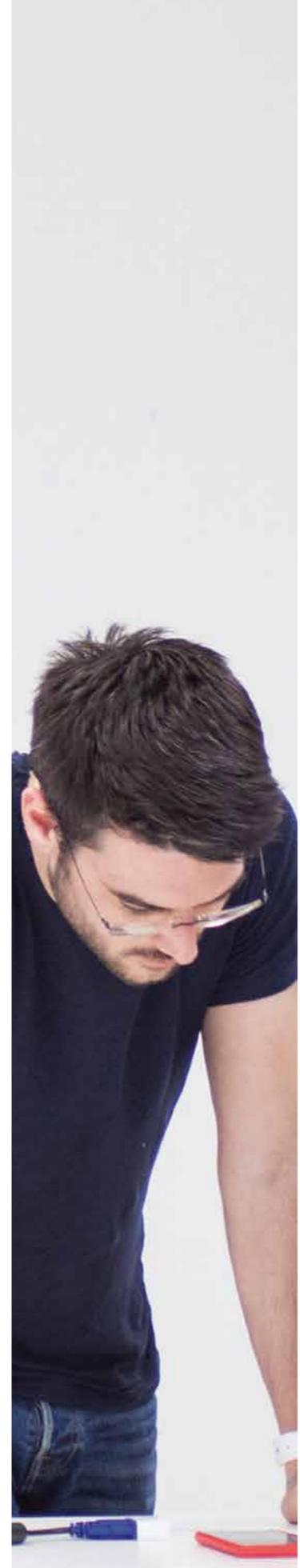
YNAP can work with suppliers, partners and the industry to better satisfy customer expectations about ethical and sustainable aspects of products, such as in the origin of materials, working conditions and practices, and animal right.

Sustainable packaging

Our packaging choices are one of the most tangible ways in which customers become aware about how sustainable a company we are. It shows in the materials we use and how we use them. Packaging also offers a chance for customers to make a choice about the environmental impact of their online shopping.

Talent retention & attraction

To make our business the best it can be, we must continue to attract and retain high calibre employees who will ensure YNAP’s future success.



GUIDE TO THIS REPORT

This report is presented in two parts to capture the two different dimensions of our commitment. Part One contains our Sustainability Vision, outlining our priority areas, and detailing the exciting initiatives we are currently supporting and will soon be embarking on. Part Two presents the facts and figures that demonstrate how we operated and detail our performance in 2016.

Part one: YNAP's Sustainability Vision

The first part of the report is organised around three chapters, reflecting the three pillars of our Sustainability Vision: these are Education, Empowering Women and Responsibility.

Each chapter outlines how we are addressing this priority: the business approaches and processes that underlie our actions as well as the concrete initiatives we are engaged in. Some are presented through the eyes of our people and the partners we work with, featuring quotes and brief interviews.

- The chapter on **Education** details our commitment to promoting learning, skills and empowerment. These are key for the long-term success of the economy, our industry and our business. In this chapter we explain our approach to topics such as talent attraction and retention, employee engagement and how we promote a culture of innovative thinking. We provide examples of community involvement connected to education and how we support the creation of employment and job stability.
- The chapter on **Empowering Women** describes what we are doing to make YNAP a positive work environment for women and to promote gender equality. The chapter presents key figures and outlines what life is like for women at our company. It also presents our initiatives to empower women in different walks of life with a particular focus on luxury, technology and retail and showcases stories from which we can all draw inspiration.
- The chapter on **Responsibility** explains how we work to reduce impacts and operate responsibly across our value chain as well as how we ensure customer and brand partner satisfaction as well as customer engagement. We detail our initiatives and commitments related to topics including responsible sourcing and buying, supplier management, community involvement, carbon emissions, energy use and sustainable packaging as well as how innovation management drives a smarter, more efficient organisation.

Part two: Disclosures on sustainability performance

The second part of the report is organised around the indicators of the Global Reporting Initiative's G4 guidelines, which we have followed for our sustainability reporting. This is where YNAP's disclosures can be accessed in a clear, direct format.

Following the methodological note, the general standard disclosures include information that all companies are expected to report on and is about who we are as a company, our business and employees.

The specific standard disclosures provide qualitative and quantitative information about our material topics and how we manage them. It is organised into three categories – economic, environmental and social.

Where appropriate, the second part of the report makes references to other chapters or to other corporate documents available on our website.



EDUCATION: EMPOWERING POTENTIAL

YNAP is a fast-growing company operating in a rapidly evolving industry and we recognise that it is crucial for our expansion and long-term success that we find and develop young talent to take us forward and develop the luxury online industry.

The creation of YOOX NET-A-PORTER GROUP in 2015 brought together two exceptional teams and we believe we now have the most talented people in the industry working with us.

We recognise the key role that our people play in our success and we defined developing talent as one of our priorities in our Five Year Plan. It is important that we continue to attract and retain the best talent in the industry and build an ecosystem of innovation.

As well as building up our own teams, we have made a significant contribution to developing talent in our industry and we will continue to invest in building the wider talent pool.

We believe education empowers potential and improves lives and we are committed to investing in the education of young people. We will continue to invest in digital education, developing the skills necessary for a thriving digital economy, creating a large, diverse talent pool from which our industry and wider communities will prosper.



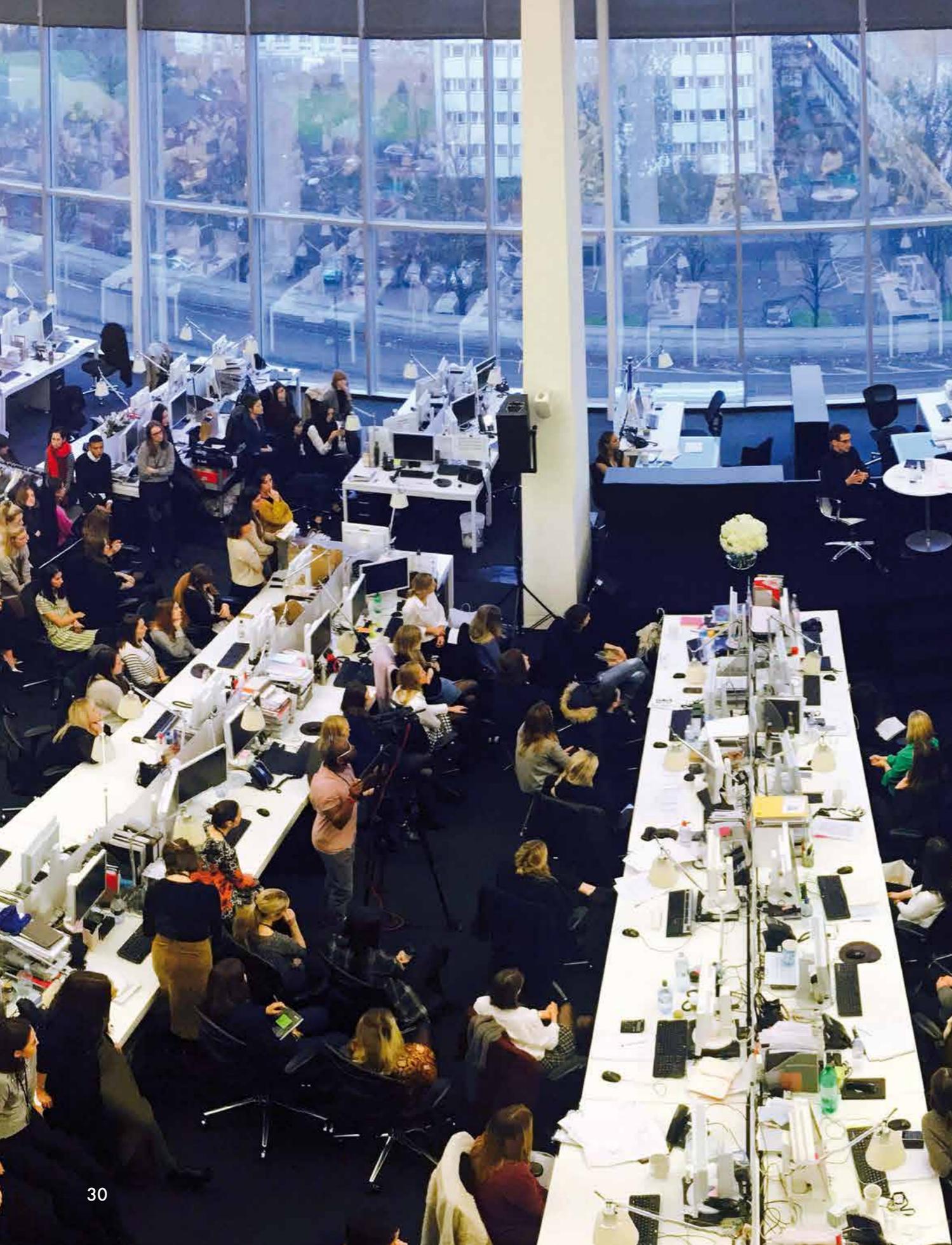
We promote education and work to empower potential in two areas:

EMPOWERING OUR PEOPLE

- ▾ The importance of nurturing talent
- ▾ How we find and attract new talent
- ▾ How we develop talent through constant learning, coaching and mobility
- ▾ Inspiring disruptive thinking with a new Tech Hub in London and internal Hackathons
- ▾ How we are building our company culture

DRIVING DIGITAL EDUCATION

- ▾ Coding for schools in our communities with Imperial College London
- ▾ Incubating student ideas and tech talent
- ▾ Partnering with SDA Bocconi in Milan for master's in digital technologies of luxury fashion
- ▾ MBA internships from top schools to lay the foundation for career success



EMPOWERING OUR PEOPLE

We want to attract the brightest and the best to join YNAP and the happiness and wellbeing of our team is of utmost importance to us. We are working to create a company culture that inspires people to grow and do their best work.

We have created a suite of learning and development activities and launched a coaching programme to encourage a culture of constant learning. We give our people the opportunity to experience different cultures and countries. We are working to promote a healthy work-life balance, and supporting the needs of moms and families.

We are also working to create opportunities for our people to contribute to making YNAP a more sustainable company and to lead sustainability developments in the industry.

The importance of talent for our company and industry

We're proud of the know-how and experience we have in-house. Our employees are what makes us strong and their knowledge and skills are pivotal to our continued success.

We are committed to finding and fostering fresh talent and the search for the best people is a priority for our company and our industry.

We are working to provide opportunities for our employees to grow and learn with us and reach their professional goals.

We recognise we must contribute to building a wide pool of digital abilities that are needed to transform our business.

OUR PEOPLE 2016

We are truly global, having operations in Europe, China, Hong Kong, Japan and the US

- **4,128 employees worldwide**
- **33 years is the average age**
- **40% of our staff are aged 30 or under**
- **Over 75 nationalities among our employees**
- **Over 60,000 CVs received across different channels**
- **96% of our employees are in permanent roles**
- **192 successful referrals from our employees in 2016**

See all our employee figures for 2016 from page 79.



How we find and attract new talent

Finding and attracting the very best people to join our company is of utmost importance to us.

We review tens of thousands of candidates a year and look to our own people to recommend potential hires.

We are building a diverse workforce and we undertake various activities to boost our employer branding, and our HR teams work closely with recruiters to advertise posts.

We attend career fairs in association with various universities and educational facilities, including the **University of Bologna**, the **University of Trento**, and the **Condé Nast Centre of Fashion & Design in Shanghai**. We participated in 11 career fairs in the US alone in 2016. During these fairs, we have the chance to discuss career opportunities with pre-screened candidates, gain access to CV databases, and also tell prospective candidates who we are and what we stand for. We plan to increase the number of career fairs we attend in 2017.

We participate in campus events and workshops to recruit young people and also enable them to learn more about our business and our industry. We make connections and participate in networking events where students can meet businesses, collaborating with, for example, the **London Business School in 2016**. We host workshops to share our professional experience and give students the chance to solve business challenges. This included a project with **Bocconi University** last year.

We host open days for university students around the world, including our offices in Italy and the UK, the US and China. These help us tell our story and present internal opportunities available. We visit universities to promote our MBA Summer Internship Programme, including Harvard and Columbia. We also teach university courses and seminars.

We promote opportunities on **our website, LinkedIn, Twitter and Facebook**, job boards, university events and our intranet, to encourage mobility within the organisation. **In 2016 we received more than 60,000 CVs via these channels.**

Our employees understand what it takes to be successful within our business and we encourage them to help us identify future talent. Our **"Bring a Talent" referral programme** encourages employees to tap into their professional networks and refer external candidates for open positions. **We get hundreds of referrals each year in this way and hired 192 people in 2016, about one in seven of our new hires.**



How we nurture and develop talent

Learning is a key part of life at YNAP. Just as important as finding new people is nurturing talent in-house, ensuring employees want to stay with us.

As part of our employee retention strategy, we are working to create a positive and inclusive work culture. A culture that is based on learning from each other and sharing information and approaches globally, and promotes openness to new insights and ways of working.

Our Learning & Development team focused on the following priorities in 2016: building management capability, supporting the talent and performance process through skills development, developing ad hoc learning activities for the business, delivering an induction programme and supporting key behaviour change projects.

We delivered over 25,000 hours of learning and development activities in 2016. This included: management courses, core skills training, technical skills training, induction programmes for new starters, e-learning modules via electronic portal, bespoke workshops across teams, English and Italian language courses, and support to those seeking professional qualifications.

For YNAP, employee retention has three key elements: knowing, growing and flowing talent across our organisation. Knowing our talent means understanding our employees' skills and potential. We measure this, for example, by conducting an internal analysis of employee talent and opportunities for promotion.

We are introducing peer coaching and a programme is currently being piloted in the UK, US and Italy. This gives our employees the opportunity to engage in mutually enriching experiences with their colleagues. By connecting individuals across different departments, they will be able to learn more about different parts of the business.

We encourage mobility

We encourage opportunities for employees to experience different cultures by taking up a different position within the organisation or taking on a short-term placement at one of our offices worldwide.

By promoting mobility within our organisation we share the breadth of experience of our global workforce. Following the recent merger, it also helped meld the two companies together. It integrates cultures and provides them with a deeper understanding of how our company works at a global scale. As part of our secondment programme, we help cover costs such as relocation, housing, luggage, tax advisory, visa fees, etc.



Meet Eesha who travelled from London to Milan with YNAP – Eesha Phakey, Recruitment Partner, YNAP

► How did the opportunity arise to live abroad with YNAP in Milan?

With the merger between YOOX and THE NET-A-PORTER GROUP a number of my Corporate Business areas were going to be headquartered in Italy, meaning that I had more stakeholders based there. I was given the opportunity of working on assignment in Milan for five months in 2016 which was an incredible opportunity and something that has been invaluable to my development within the business.

► What did you gain from your secondment experience?

Through out my assignment I have gained so much knowledge about the recruitment process in Italy as well as a better understanding of the relevant employment laws. I also built strong relationships with my stakeholders on the ground in Italy and got a much better understanding of Italian culture.

► What was it like to experience Milan?

Embedding yourself and learning a new culture in a country where you do not speak the language is tough however, working with an incredible team and having a great support network both in Italy and UK really helped me. Overall I feel extremely lucky to have been given this opportunity and I strongly believe it was of great benefit not only to me but the business as a whole.

Inspiring disruptive thinking

We foster a culture of innovative thinking, enabling an innovative ecosystem that will allow us to thrive and prosper into the future.

Innovation informs our approach across the organisation and we empower employees to experiment and reinvent the future.

Our culture is one that encourages people to be open minded, take risks and be bold within an ecosystem of innovation. We promote trial and error testing as it enables us to learn from our discoveries and mistakes. We give our employees the freedom to experiment and see failure as an opportunity for us to grow and develop.

We encourage fresh thinking by providing innovative work environments, typical of our new Tech Hub in London, and encouraging smarter and more flexible ways of working. We make sure our staff are equipped with the necessary technology, including customised mobiles, to optimise processes and enhance their office life.

Working at YNAP is about collectively solving business problems in innovative ways. Collaborative opportunities such as Hackathons for our employees to experiment with new ideas.

We are making mobile an essential part of a productive workday for our employees as it is a natural part of our customers' shopping experience.

We've partnered with IBM to customise these phones for our business, using IBM MobileFirst for iOS apps. The devices include services and apps that are tailored to enhance communications and collaboration, streamline processes and make life easier and more efficient for staff.

We believe this project will help us to become Mobile Employer of the Year in 2020.

New Tech Hub: White City, London

We are opening a new Tech Hub in London in April 2017 to inspire our enlarged tech teams to do their best work.

To ignite the creative spark in our employees, we recognise the right work environment is needed. A space that stimulates the senses, and provides opportunities for people to connect and collaborate with others.

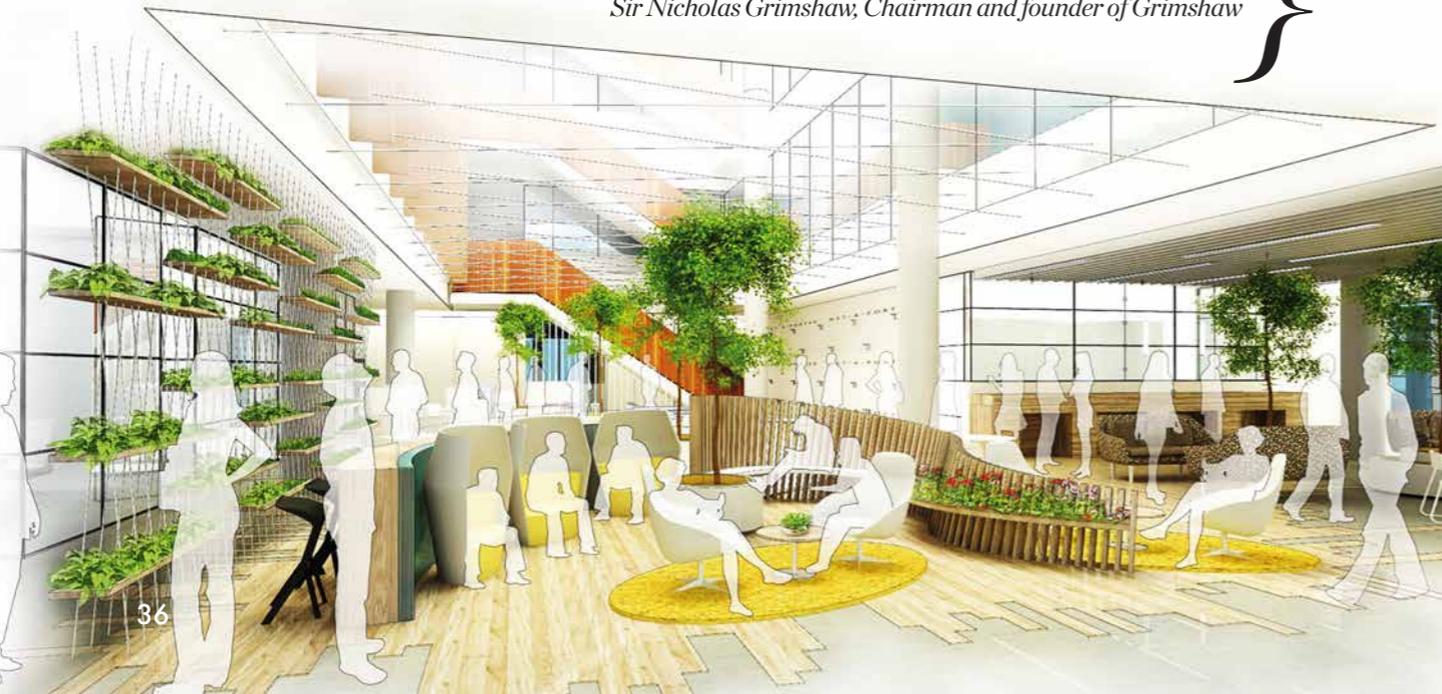
Our new Tech Hub will be a major centre for digital innovation in London. Based at the heart of an up-and-coming innovation zone, White City Place, it will bring together our London technology teams.

Boasting 70,000 square feet of space, our Tech Hub will accommodate up to 650 employees, a 20% increase in tech jobs at YNAP, alongside our Italian tech hub in Bologna.

Award-winning architects, Grimshaw, have put innovation at the heart of the building. One-quarter of the interior will be dedicated to adaptive space, where areas can be transformed for different purposes and to the needs of staff. Flexible features will be installed throughout the building, to foster imaginative and cultivate synergy among teams. The building will have LED and motion sensor lighting, building management system (BMS) controls to regulate energy use, solar shading systems, data centre cooling systems and indoor plants and greenery.

“**WE** ARE THRILLED TO BE WORKING ON THIS NEW DYNAMIC AND FLEXIBLE FIT-OUT FOR YOOX NET-A-PORTER GROUP. THEIR ATTITUDE TO ADAPTABILITY AND CHANGE EXACTLY MATCHES OUR OWN.”

Sir Nicholas Grimshaw, Chairman and founder of Grimshaw



Global Hackathons get our teams thinking

Our first global Hackathon in May 2016 was staged to give our tech teams a dynamic opportunity to imagine smart new solutions for the business.

Tech creatives, designers, programmers and developers collaborated in London and Bologna for the event.

We weren't just looking for solutions to existing problems. We wanted ideas about how to improve an existing solution. While developers are generally steered from managers within our business, this process enabled us to hear their ideas first hand.

We turned up the heat by adding time pressure. Our tech people had just over one day, or approximately 13 working hours, to come up with a winning idea. This focused the teams' energies on completing the task at hand.

The teams produced more than 40 digital solutions for our business as part of the Hackathon. The winning Hack went to an idea to build a personal social shopping platform where customers can interact with our personal shoppers. Second best was an idea for a mobile tool that adds product links and other features to enhance fashion show videos. The winning Hacks are being taken forward and built into our tech roadmap.

Following the success of the first Hackathon we organised a follow-up in January 2017 at our Bologna and London offices. We will collaborate with IBM to bring in augmented intelligence through their cognitive system, Watson. Going forward, we plan to host Hackathons across the business every year.

“**HACKATHONS** BRING US BACK TO OUR START-UP ROOTS. WE TRY NEW IDEAS, WE WORK FAST, WE COLLABORATE, WE WORK WITH PEOPLE WE DON'T NECESSARILY WORK WITH EVERY DAY TO TRY ON A NEW ROLE WHICH IS FANTASTIC.”

Christian Ferguson, Developer, YNAP

“**THE** THING I LIKE MOST ABOUT THE HACKATHON IS BEING ABLE TO WORK WITH PEOPLE THAT YOU DON'T NORMALLY WORK WITH. THERE ARE LOTS OF TEAMS THAT HAVE COME TOGETHER, WITH DIFFERENT MEMBERS OF THE YNAP COMMUNITY.”

Aoife McLarnon, Product Owner, YNAP



How we are building our company culture

Our Human Resources and Internal Communications are working towards creating a sense of a team culture as well as sharing company news and updates with our employees.

To engage employees around the corporate values launched in July 2016 YNAP created the Values Competition, asking employees to contribute ideas to how we could portray the company's values visually. The entries were judged by our CEO, Federico Marchetti, and award-winning film director, Luca Guadagnino. The competition was won by Will Victoria, Customer Care Lead from New Jersey, who got the chance to work with an external Art Director and creative team to bring the idea to life. The final artworks will be featured at YNAP locations around the world and used in our Group HR learning and development programmes. We listened to the feedback from our people and have updated the values to take on board their views.

This year YNAP will be introducing a structured process to enhance employee engagement. This includes improving knowledge of our business operations, how individuals contribute to the strategic objectives of our organisation and bringing the values to life.

In 2017 the company will also be introducing a new 'Social' programme which will be co-ordinated by a committee of volunteers from within the Group. Volunteers have been appointed from all levels of seniority and across all sections of the business. The committee will develop and run a social, cultural and communities programme.

We are also working towards involving our employees in our new sustainability agenda, and we aim to improve transparency across the organisation and embed sustainability into our daily routines.

We care about our employees and their wellbeing and happiness is paramount to us.

We have started to introduce health awareness campaigns on topics such as managing blood pressure and how to quit smoking and we've seen improvements as a result. We have healthy eating initiatives, and offer organic food options in vending machines at our offices. We provide a direct assistance line to a psychologist to help support employees on issues they may be facing.

In 2016 we piloted a Summer Working Hours scheme to give employees a chance to manage their workload more flexibly from late June to mid-August. Following a successful trial in the US, employees globally (excluding shift-based or customer-facing roles) were able to organise their schedule over a shorter week and leave the office at 1pm on Fridays.

We also organise wellbeing events including sports initiatives, and provide classes on yoga, meditation and dance, and help foster relationships by organising social activities including BBQs and drinks after work.



Kids Day

We organise fun and educational days inside YNAP, opening our doors to our employees' children giving them the opportunity to find out what their parents really do at work. Last year we hosted Kids Day in our offices in Italy, the UK, the US, China, Japan and Hong Kong.

Children aged three and older received an office tour, participated in activities and games and enjoyed treats. We held workshops to enable children to express their creativity by developing an imaginative project. Children had the chance to be a photographer or model for a day and take part in a photo shoot.

For children under three years old, we organised storytelling and colouring. The days were a huge success and we plan to continue to host Kids Day at our offices each year.

DRIVING DIGITAL EDUCATION

Providing quality education is necessary to support the digital transformation of our business and the broader economy.

We believe education improves lives and we are committed to promoting knowledge in the wider community as well as our industry. Digital is impacting the fashion and luxury world and a shift is needed in education and training. At this time of soaring demand for digital skills, we share the challenges of the knowledge economy, and the onus is on us to respond.

We have become a member of the **European Commission's Digital Skills and Jobs Coalition**, set up to provide training for digital jobs to 1 million young people by 2020. The United Nations' Sustainable Development Goals, the global agenda for sustainable development, also highlights the need to boost the number of people with the technical and vocational skills necessary for employment, decent jobs and entrepreneurship.

Our education programmes cover the whole lifecycle of learning: supporting the teaching of digital skills and bringing coding to the classroom at primary and secondary schools; incubating tech talent in secondary school students; in higher education, partnering with world-class universities such as SDA Bocconi School of Management in Milan to develop the abilities necessary for our industry. We also offer internships that provide students with career opportunities at YNAP.

We are extending our education initiatives by supporting the **Elisa Sednaoui Foundation (ESF)**. YNAP hosted a fundraising dinner in Milan in March 2017 for Funtasia in Italy, an ESF project that offers educational and cultural support for children in need. The programme is based on the development of self-esteem, team and solution-driven work for kids, youth and even adults. The ESF's first cultural and educational centre is already operational in Luxor, Egypt.

How we support education at different ages

We've developed an approach to education that covers the whole lifecycle of learning, from primary school to university and beyond.

Our education programmes aim to teach young people, of all ages, digital skills and share knowledge of luxury fashion e-commerce.

#1 At primary and secondary schools we support digital training.

#2 At universities, we support the creation of new courses to provide the skills and abilities that are necessary in our business.

#3 From education into work: young professionals can get work experience and learn more about our organisation through our graduate internships.

Coding for schools in our communities

Learning to code is fundamental to understanding computing and we are promoting opportunities to teach children coding from the earliest age.

Our tech specialists entered classrooms in Italy and London as part of the global campaign: Hour of Code, an international initiative organised by Code.org to bring computer science and programming to schools. Millions of children take part every year through events held in over 180 countries.

Our digital teams taught code to approximately 250 pupils from primary and secondary schools. They led coding sessions for about 120 students from 4 to 13 years old in Italy, in collaboration with the Golinelli Foundation in Bologna and the TAG Innovation School in Milan.

In London, we were involved in the Imperial College Coding Camp Powered by YNAP. Organised by the Department of Computing at Imperial College London, the programme teaches children the basics of coding. It involves children, with an emphasis on girls, aged 8 to 14 from low socioeconomic backgrounds in the London Borough of Hammersmith and Fulham. Children are invited to attend free coding sessions at the university campus, facilitated by Computing undergraduate students.

**Imperial College
London**



{ “**CODING** IS AN EXCELLENT ENTRY POINT FOR STUDENTS INTO COMPUTER SCIENCE. IT HAS VARYING DEGREES OF DIFFICULTY AND CAN BE ADAPTED FOR A TRUE BEGINNER TO MORE ADVANCED PARTICIPANTS. WE HAVE ALSO FOUND THAT CODING IS VERY EFFECTIVE IN ENGAGING UNDERREPRESENTED GROUPS – SUCH AS FEMALES. COMPUTER SCIENCE WILL ONLY THRIVE THROUGH A DIVERSE COMMUNITY AND WE ARE DEDICATED TO ENSURING THAT HERE AT IMPERIAL COLLEGE LONDON.”

“**WE** HAVE A SIMILAR MIND-SET AND WE SHARE A LOT OF STRATEGIC PRIORITIES WITH YNAP WHEN IT COMES TO OFFERING THE CODING PROGRAMME. THEIR SUPPORT ALLOWS US TO EXPAND THE NUMBER OF OPPORTUNITIES AVAILABLE AND ENGAGE WITH MORE STUDENTS, ESPECIALLY FOCUSING ON THE WHITE CITY COMMUNITY. MOREOVER, YNAP BRINGS SOFT RESOURCES, HELPING US TO MARKET THE PROGRAMME AND CREATE A SOCIAL MEDIA CAMPAIGN FOR IT. IT’S ALSO VERY POWERFUL TO ENGAGE WITH THEIR STAFF AND UTILISE EMPLOYEES TO TALK ABOUT CODING AT YNAP.”

*Professor Daniel Rueckert,
Head of the Department of Computing,
Imperial College London*





Incubating student ideas and tech talent

Education is especially valuable when it connects to its real-life application in business. When our employees get involved it's an enriching experience for them too.

YNAP is creating a talent incubator network, Talent in the Net, that lets schools, businesses and students harness their digital skills and generate ideas through shared learning, mentoring and work experiences.

The programme was launched in Italy in 2016 in collaboration with the Golinelli Foundation and employer organisation Unindustria, focusing on two schools in Bologna, the Salvemini Institute and Belluzzi Institute. For 2017, we're looking to extend the format at other locations.

About 60 students will be supported by YNAP's team for three years, alternating schoolroom and workplace experiences. The programme will teach students about agile methodologies and help them develop apps and websites.



“GETTING INVOLVED IN THIS SCHOOL PROJECT WAS SO REWARDING BECAUSE I SAW AT FIRST HAND HOW REAL-LIFE BUSINESS SITUATIONS STIMULATE THE LEARNING EXPERIENCE AND ADD AN EXTRA DIMENSION TO EDUCATION. A PROJECT LIKE TALENT IN THE NET IS A WIN-WIN FOR ALL INVOLVED AND GAVE ME GREAT FAITH IN THE ABILITIES OF FUTURE GENERATIONS.”

Federica Romagnoli, Head of Change Programme at YNAP and Talent in the Net trainer



Digital technologies of the luxury industry

YNAP has partnered with SDA Bocconi School of Management in Milan, one of the world's leading business schools, to develop a new master's course on digital strategy, marketing and e-commerce.

From 2017, a new master's course on digital strategy, marketing and e-commerce course will be part of the university's Master in Fashion, Experience & Design Management (MAFED). We are helping to design the syllabus and create a field project for students, and our managers will teach and contribute as guest speakers.

The MAFED programme was launched by SDA Bocconi in 2002 with Fondazione Altagamma, the association of Italian luxury brands. The idea for the new course stemmed from YNAP's membership of Altagamma and participation in working groups related to digital aspects of the luxury industry.

SDA Bocconi
School of Management

“OUR STUDENTS ARE DIGITAL NATIVES AND COMPANIES EXPECT THEM NOT ONLY TO BE FAMILIAR WITH DIGITAL TECHNOLOGIES IN THEIR DAY-TO-DAY LIVES BUT ALSO TO BE ABLE TO DEPLOY DIGITAL SKILLS AND TECHNOLOGIES IN THEIR BUSINESSES. THE PARTNERSHIP WITH YNAP IS A GREAT WAY TO STRENGTHEN THE DIGITAL ASPECT OF OUR PROGRAMME.”

Emanuela Prandelli, Director of MAFED

From education into a new career

Students from top universities around the globe can gain solid work experience through our intern and graduate programmes.

We run an MBA Internship Programme, enabling students from leading universities to join us as interns each summer.

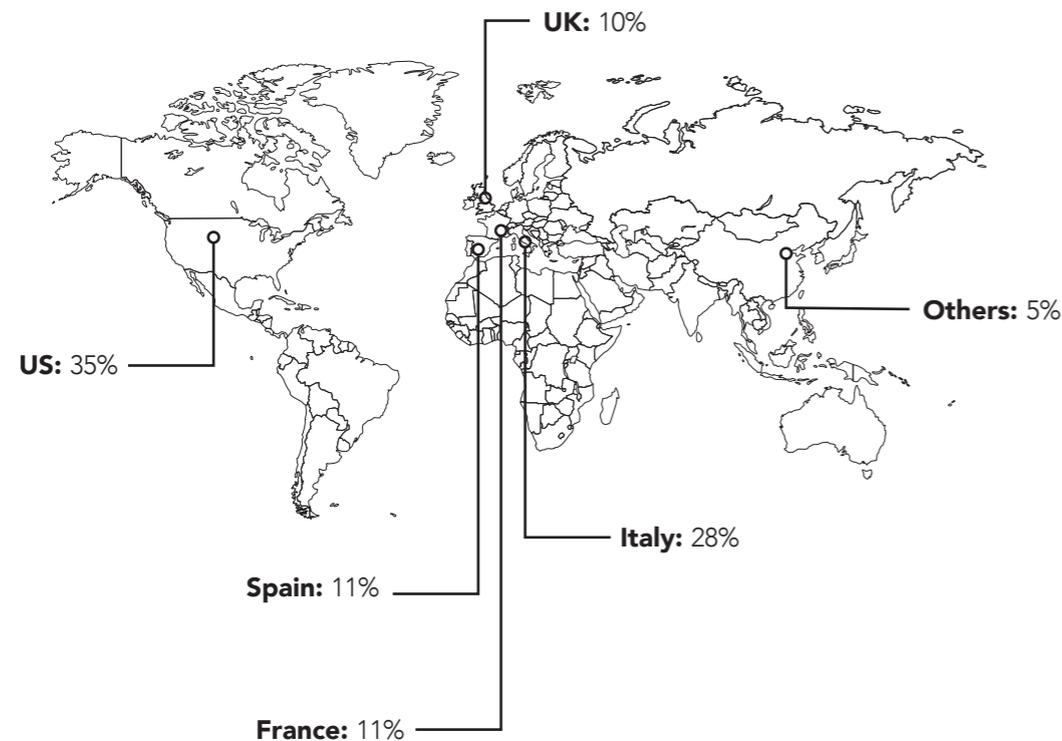
The programme in 2016 drew over 200 applications from around the world. Over 100 resumes were selected to produce a case study, of which 84 were submitted. The selection process led to us hosting promising students from Stanford, Harvard, SDA Bocconi, Chicago Booth, and London Business School.

We also have a Technology Graduate Programme, which includes a six-month internship followed by a 12-month work placement. Participants gain a comprehensive understanding of our business, and professional experience in web development, business analysis, software testing, cloud computing and delivery management. The programme is open to graduates with a technology, computer science or engineering bachelor's degree.

MOST BUSINESS CASE APPLICANTS CAME FROM:



Global reach of applicant pool



Laying the foundations for future career success – Meghana Gandhi joined YNAP's post-merger integration team after getting an internship opportunity with the company as an MBA student.

► Tell us about your MBA programme

I completed my MBA at London Business School (LBS), concentrating in marketing and luxury management. I knew that after the MBA, I wanted to work in the fashion industry, and LBS had launched a luxury management course in conjunction with Walpole.

► What was your internship like?

It was fast-paced, and I had to get up to speed very quickly. In fact, I spent my very first day in a workshop on brand relations. Having interacted with people from across the Group was a huge asset when I joined full-time.

► What did you learn?

While I had previously worked on a merger and had experience managing projects, YNAP was on a much larger scale. Every day, I was learning how best to manage complex decision-making, push projects forward and ensure stakeholder alignment.

► What aspect of the internship made you want to work at YNAP?

Most notably, my smart, high-energy, curious colleagues, as well as the ability to work across countries and cultures. My boss was great about giving me ownership as well as many opportunities to interact with senior people in the business.

► What do you like most about your current role?

The project I am managing touches many different parts of THE OUTNET, which means that I work with and learn from people in different places and in very different roles, ranging from internal communications to merchandising and digital production. This has really deepened my knowledge and understanding of how the business works.



EMPOWERING WOMEN: UNLOCKING AMBITIONS

YNAP supports and promotes equality for women. We are proud of our ability to build a global workforce that empowers women leaders. We believe that empowering women and closing the gender pay gap is not only the right thing to do, but it is a key business priority.

Our approach to executive compensation has led to gender pay equity in our workforce. We are proud to be at the forefront of developments and contribute to the global dialogue on gender parity led by the UN Women Global Equal Pay Coalition and the Equal Pay Pledge White House led initiative in the US under the Obama Administration.

We hope that other companies will follow our lead and adopt similar fair hiring, promotion and compensation practices.

We believe that women are key to forging a better world and we celebrate inspiring women through our world-leading editorial content, partnerships and business initiatives.

WOMEN EMPLOYEES AT YNAP

- **61%** of our people are women
- **63%** of YNAP's new hires are women
- **51%** of our senior and middle managers are women
- **APAC** is our region with the highest percentage of female employees on average
- Our most senior groups of employees – executive team, top management, senior and middle managers – are composed of between 100 women and 104 men
- Of these 204 leaders, women are paid approximately 14% more on average than their male counterparts



Our commitment to women spans the following areas:

WOMEN AT YNAP

- ▾ We promote and support equality in the workplace
- ▾ We support women in all levels of the tech industry
- ▾ We are recognised globally as a top employer and recruiter

INSPIRING WOMEN

- ▾ PORTER magazine celebrates Incredible Women
- ▾ We support women-led, sustainable brands
- ▾ We support charity work to empower women through fashion

SUPPORTING PARENTS

- ▾ We are supporting the needs of parents and providing flexible working programs
- ▾ We are developing initiatives to support mothers returning to work

WOMEN AT YNAP

We promote an inclusive and diverse culture at YNAP and equality for women is an issue that is important to us.

We are committed to supporting and promoting equality in the workplace and it will be a key focus in the coming year as we begin working to further develop our equality agenda.

Equality for women is part of our Diversity and Equal Opportunities Policy and Social Accountability System, which ensures equal treatment irrespective of gender, age, ethnicity, culture and all forms of disability. Current and future employees must be treated and evaluated solely on their job-related skills, qualifications, behaviour and performance. Discrimination is not tolerated.

We are actively monitoring our company-wide gender data and already in 2017 see positive developments within our Executive Team with the appointment of our Chief People Officer and our most recent appointment of the President of Off-Season who are both women. They join the In-Season President and Co-Chief Operating Officer who are both women. These recent high-level additions increase to four the number of women in leadership positions. That equates to a 50% female presence in the Executive Team.

With a current focus on board diversity and regulation pushing companies to meet minimum levels of female representation among directors, we believe these figures demonstrate the important role played by women in operational, leadership roles at YNAP. Women are actively contributing to building our culture, achieving our strategic goals and innovating the luxury e-commerce sector.

Women in tech

YNAP supports the global movement to increase the representation of women at all levels of the tech industry and we are committed to making improvements.

YNAP is committed to inspiring more young girls and women to pursue careers in technology and software engineering and we are creating equal opportunities.

We are proud to have sponsored the Women in IT Awards 2017, organised by business-technology magazine Information Age, to recognise the outstanding innovation achieved by women in the IT industry. We supported the "Entrepreneur of the Year" category, won by Brynne Herbert, founder and CEO of MOVE Guides, a company that helps human resources teams move their employees around the world.

Our involvement in the event also saw Claire Lamb, Head of Front End for In-Season, as a judge for the awards and Irina Tsyganok, a developer at our London office, who started on the Technology Graduate scheme in September 2014, was shortlisted in 2017 for the "Rising Star" category for her standout achievements and inspiring passion for technology.



“MAKING A CHANGE AND ATTRACTING MORE WOMEN INTO TECH IS NOT JUST ABOUT WOMEN. IT IS ABOUT CREATING A BALANCED COMMUNITY, WHERE THE ONLY CRITERION TO ENTRY IS HAVING A SKILL AND A GENUINE INTEREST IN THE SUBJECT”

*Irina Tsyganok, Full Stack Software Developer,
YOOX NET-A-PORTER GROUP*

In 2016 YNAP also participated in panel discussions about women in leadership in the tech sector in London organised by The Agile Roundabout and Circle.

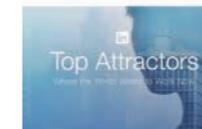
In 2017 we are setting up working groups in various departments to look into our practices such as collaborations with external groups, human resources policies, recruitment, training and events.

Recognition for YNAP as a top employer and recruiter

We are proud to have been recognised for our work as an employer internationally.



YNAP was cited in 2016 among Top Employers in Italy (an accolade given in early 2017 for a third year, in particular for the development and promotion of its employees). The award is based on research by the Top Employers Institute into aspects of human resources such as management policies, corporate culture, benefits and employee initiatives.



YOOX NET-A-PORTER GROUP was included in the first "Top Attractors in the UK" ranking released in June 2016 by LinkedIn, the world's largest professional network on the internet. The ranking of 25 top employers for attracting talents was based on the number and views of job applications, engagement and new hire staying power.



NET-A-PORTER was listed among the "Top 300 Graduate Employers" in the UK by The Guardian newspaper. The ranking was based on a survey conducted by Trendence, a research institute specialising in employer branding. Over 52,000 students from 120 UK universities voted, making it one of the most representative student polls.

INSPIRING WOMEN

We touch women's lives in many ways and we commit to supporting and celebrating women in different walks of life.

We aim to inspire women through award-winning content, promote women who are leading sustainable brands, and support charity work to empower women through fashion.

We have a powerful role to play. Through our work in luxury, retail and technology we come into contact with extraordinary women who can be an inspiration to us all. We work to tell their stories, connect them with other women and work to form partnerships with those who share mutual aspirations.

Celebrating incredible women

Since its launch in February 2014, PORTER magazine has produced world class editorial content with inspiring interviews with incredible women, authoritative fashion and a truly global perspective, as well as an innovative shopping experience.

Editor-in-Chief, Lucy Yeomans explains: "At PORTER, we have always aimed to be 100 per cent on the side of our woman. This informs the way we tackle every story, be it a feature or a fashion shoot, to the type of events and brand extensions we offer".

PORTER magazine's annual Incredible Women List selects and features women who are celebrated not just for their achievements, but for having a positive impact on others.

At the heart of the list, PORTER also honours its top 10 Voices of the Year – the women who stood up and spoke out for change, using their voice to empower women worldwide. The 2016 Incredible Women List, features four 'Voices', penned original open letters by gymnast Simone Biles, actress Amber Heard, tennis player Serena Williams and writer-comedian Sharon Horgan.

The 2016 List was announced in a special 24-page editorial supplement in the Winter Escape issue of PORTER, which is sold in 60 countries with a print run of 350,000 copies. The list was celebrated with a special dinner at the Victoria & Albert Museum in London, in association with Cartier, where PORTER partnered with Letters Live to stage a special performance of inspiring letters written by and to incredible women, both present day and historical. The event also saw a collaboration with non-profit organization Women for Women International, with an opportunity for guests to donate to the charity, which helps marginalized women in eight countries affected by war and conflict.



{ **“YOU**, LIKE ME, SEE YOURSELF NOT AS A VICTIM, BUT RATHER AS A MEMBER OF A GROWING CLASS OF WOMEN, DAUGHTERS OF A GENERATION OF EQUALITY. WE HAVE INHERITED FAR TOO MUCH TO BE RESIGNED TO ACCEPT INJUSTICE AND TOGETHER WE ARE MUCH TOO STRONG TO EXCUSE IT ANY LONGER.”

Amber Heard (actress)

“HAVE FAITH IN YOURSELF. YOU’LL FIND THAT ONCE YOU SET YOUR CONFIDENCE LEVELS HIGH, YOU REALLY CAN DO ANYTHING.”

Simone Biles (gymnast)

“IT IS MY HOPE THAT MY STORY, AND YOURS, WILL INSPIRE ALL YOUNG WOMEN OUT THERE TO PUSH FOR GREATNESS AND FOLLOW THEIR DREAMS WITH STEADFAST RESILIENCE. WE MUST CONTINUE TO DREAM BIG, AND IN DOING SO, WE EMPOWER THE NEXT GENERATION OF WOMEN TO BE JUST AS BOLD IN THEIR PURSUITS.”

Serena Williams (tennis player) }

PORTER has also recently launched its Incredible Women Talks.

In May 2016, THE OUTNET partnered with Ocean Drive Magazine to host a cocktail event celebrating its 2016 “Women of Influence” issue and its honoured guests at The Carillon Hotel in Miami Beach, Florida. The partnership gave THE OUTNET the opportunity to forge and strengthen relationships with professional women in Miami, reward local VIPs, and drive brand awareness.

Women as drivers of sustainable fashion

We have collaborated on capsule collections with women-led brands that put sustainability at the heart of their mission.

In 2016 we worked with two brands that are gaining reputations for the way they are putting society and the environment at the heart of their practices, promoting their distinctive capsule collections.

NET-A-PORTER launched an exclusive holiday capsule collection with Los Angeles-based **Reformation**, a brand well known for its focus on minimising its environmental footprint. This collection marked the first time the brand had collaborated with a global retailer, making its eco-friendly fashion widely available outside the US for the first time. To celebrate the occasion, NET-A-PORTER co-hosted a dinner with the chief executive officer of Reformation, Yael Aflalo, in London.

Founded by Aflalo in 2009, Reformation is known for effortless silhouettes that celebrate the feminine figure, as the collection evokes a theme of Studio 54 and the glamorous 70s. The 21-piece capsule consisted of 11 new designs and three signature pieces, from floor length gowns, chic mini dresses, cool jumpsuits and edgy two pieces to classic tops and blouses. All materials used in the collection were sustainable, such as eco velvet, eco rib, georgette and silk in rich jewel tones.

Reformation, home to the first 'sustainable sewing factory' in the US, infuses green measures into every aspect of the brand. From recycled and eco fabrics to a heat reflecting roof and clean energy in the factory, to recycled hangers in stores and eco-friendly packaging for at-home shipments,

In 2016, YOOXYGEN collaborated on an exclusive capsule collection with **Studio One Eighty Nine**. For the project, Studio One Eighty Nine created several one-of-a-kind pieces that blended traditional African textiles with contemporary silhouettes, made available on YOOXYGEN, the area of YOOX for responsible fashion brands (see the "Responsibility" chapter).

Studio One Eighty Nine, headquartered in Ghana, West Africa, and in the United States, is a social enterprise that provides a platform to help promote and curate African and African-inspired content and brands. It focuses on empowerment, creating jobs and supporting education and skills training. The two co-founders, actress Rosario Dawson and former Bottega Veneta communications executive Abrima Erwiah, work closely with Ghana-based artisans whose techniques have been passed down for generations.

Unlocking potential through fashion



To help women realise their professional potential, THE OUTNET collaborates with a UK charity, Smart Works, to empower women through fashion.

We support Smart Works in its efforts to help women find work by offering them clothes that are suitable for an interview and advice for a successful job interview.

Smart Works, which operates in two London centres as well as several other UK cities, aims to give women the confidence and self-belief - along with the practical tools - they require to succeed at interview and start a new chapter of their life.

In addition to offering interview clothes and style advice, we assist Smart Works in other ways. We raise funds internally for them, giving away part of our UK Christmas Raffle in 2016. At our offices, we hosted a breakfast event for their volunteers, giving them a tour of the office and gifting them a small article of clothing curated by one of our fashion editors.

“THE OUTNET TEAM HAS BEEN A DEDICATED SUPPORTER OF OUR WORK, CELEBRATING THE TRANSFORMATIVE POWER OF FASHION TO HELP WOMEN IN NEED, ALLOWING STAFF TIME TO VOLUNTEER AS STYLISTS, DONATING STOCK AND RUNNING FUNDRAISING EVENTS.”

Kate Stephens, CEO of UK charity, Smart Works



SUPPORTING PARENTS

YNAP supports the needs of mothers and parents. We are working to harmonise benefit plans globally and already provide a range of flexible working environments as we continue to build a culture where our employees can learn, grow and thrive.

In 2016, under our annual part-time work plans, 147 employees worked on part-time contracts, and 69% of these part-time workers were women. There were also in Italy 32 people with tele-working agreements, for which we give priority to employees on maternity leave or with particular family circumstances.

We are using technology and smart working tools such as mobile apps so that employees can work on-the-go and foster a more flexible working schedule.

To support parents, we have also organized activities for children during the summer months. This has included offering stipends and discounts on summer camps. These have included offering 50 summer camps in Milan and Bologna, available through the KidInTown portal in partnership with Jointly - Il Welfare Condiviso. YNAP contributed with discounts of 15-20% on bookings. Additionally, for any summer camps not included on the portal, YNAP offered to cover up to 50% of the cost up to €200 per child.

We are currently developing initiatives to support mothers returning to work and in 2017 we will be providing individual coaching programmes for mothers before, during, and after maternity leave periods. These aim to help women adjust to returning to work after motherhood. We also provide allocated parking for women that are pregnant in some offices, where possible.

YNAP runs its own Kids Day (see the "Education" chapter) for the children of employees and we are working to provide support with child care from 2017.



Meet Elisa, who jumped at the opportunity of a new role in London – Elisa Radaelli, Buying Manager, THE OUTNET

► **Why did you take up a long-term assignment in London and how did YNAP help?**

In July, I completed my first five years at YOOX and I had almost finished my Executive MBA. I felt I wanted to explore and improve, and realised I was ready for a new challenge. YNAP helped with the tough parts, like finding a house and a school for my son Greg. On 1 September, when I arrived at our offices in Westfield he was starting a new school in London.

► **How did your family influence your decision?**

My son has been at the centre of my choices for 13 years and moving to London was a huge opportunity for him. He was so enthusiastic I knew it was the right choice.

► **What do you think of London?**

You have to keep up with the pace and respect the city's rules. I think it's good that it asks a lot of you because it gives you so much in return.

► **What does your family enjoy the most? What do you think of the culture?**

Hyde Park is definitely the "benefit" we enjoy the most, going jogging, walking, boating, it's such a wonderful natural setting. Then we've been exploring the British Museum, the Tate... People are very kind and helpful and it's good to take time to get to know them over a cup of tea!

RESPONSIBILITY: MINIMISING IMPACTS

We commit to leading sustainability developments in our industry and collaborating with brands and suppliers to improve practices.

Making responsible decisions with a focus on customer priorities is our way of living our values and helps us to manage and reduce the social and environmental impacts of our business.

Through the power of 'Artificial Intelligence' – technology that can 'think' like a human – we are making our processes more efficient and understanding customers like never before.

We commit to providing more information about supply chains, enabling customers to make informed choices about luxury fashion purchases.

We also commit to measuring and reporting the impacts of our business and working towards minimising impacts across our activities.



We are focusing our work in four main areas:

CUSTOMER PRIORITIES

- ▾ Providing more information about supply chains and fighting digital counterfeiting
- ▾ YOOX partnering with Parsons School of Design
- ▾ The Ecobox™ sets our standard in sustainable packaging
- ▾ We have joined the Fur Free Retailer Program
- ▾ We are members of the Responsible Jewellery Council
- ▾ We connect with customers both in digital, through the use of smart data, and also in person
- ▾ We're taking luxury e-commerce to the next level with cognitive computing

THE SUPPLY CHAIN

- ▾ We uphold strict standards in both supplier management and in purchasing goods for re-sale

OUR ENVIRONMENTAL IMPACT

- ▾ Our new In-Season hub in Milan is targeting the "excellent" level of the BREEAM certification system
- ▾ We have renewed our commitment to 100% renewable power by 2020
- ▾ Our focus on technology allows us to invest in green IT

MAKING A DIFFERENCE IN OUR COMMUNITIES

- ▾ We work to make a difference in wider communities, and in 2016 supported over 20 charities and social initiatives

CUSTOMER PRIORITIES

Customer expectations about sustainable luxury fashion are integral to the ways in which we manage our business, from the products we sell to the packaging in which purchases are delivered.

We are working to empower customers to make informed choices based on their values, and also collaborating with brands and partners to promote greater awareness about sustainability in luxury.

We are committed to providing more information about supply chains – including those of brands and partners who are willing to do so – and leading by example in all the areas we can directly influence.

It is important that our customers have confidence in the authenticity of the products they purchase from us. As leaders in luxury fashion e-commerce, this is a critical issue for our company and for our brand partners, and **we are continually working to protect the integrity of brands in the digital environment.** This constitutes the foundation of our trust relation with customers and luxury brand partners.

We recognise that counterfeiting is a serious problem but also an issue where we have the technological capabilities to take preventative action. We are also proactive in maintaining the allure of luxury products even in a non-physical, digital retail context. This benefits our brand partners and the wider luxury goods sector. To support brand partners, “fake prevention” measures include managing domain names and online research of intellectual property infringements (e.g. domain cybersquatting, improper use of trademarks, improper use of legal texts and images). **We are also developing new software for online research of violations which will contribute to timely legal action being taken.**

Customers also expect their data to be secure with us. Our responsibility in this regard extends to our brand partners and our corporate data. We also need to provide a safe working environment for our employees in terms of cyber security.

We have a dedicated team who guarantee our security systems are constantly monitored and up to date, in line with current regulations and standards on data protection and the latest changes in technology. We share information security policies with employees to ensure proper conduct throughout the organisation.

YOOX partners with Parsons School of Design

We are working together with The New School's Parsons School of Design in New York to promote responsible fashion.

YOOX launched YOOXYGEN in 2009 as a pioneering initiative for our sector, combining a corporate sustainability programme with a platform for environmentally friendly brands.

YOOXYGEN has become YOOX's destination for responsible fashion enthusiasts, offering socially and environmentally conscious clothes, footwear, accessories and jewellery. YOOX customers can select from a wide variety of responsible brands and designers including Prabal Gurung, Vivienne Westwood Anglomania, Edun, Maiyet and Rorario Dawson and Abrima Erwiah's label, Studio 189. All items are delivered in our sustainable packaging, which has been trademarked as Ecobox™. Throughout the years, YOOXYGEN has also supported the Green Cross International initiative to provide clean drinking water and promote hygiene and sanitary education for children and disadvantaged communities.

In April 2017, YOOX will extend its commitment to promoting responsible practices in fashion through a partnership with Parsons School of Design in New York. The long-term goal of this initiative is to develop YOOXYGEN through education and collaborations.

YOOX and Parsons will work together in two areas. First, they will introduce the YOOXYGEN Award, which will give senior students at Parsons School of Design the opportunity to win a six-month internship at the company's headquarters in Milan, with a view to designing and producing a Spring/Summer womenswear sustainable collection. Second, YOOX and Parsons will collaborate in defining self-guiding principles for the selection of future YOOXYGEN brands.

The ultimate goal of this initiative is to provide YOOX's customers with more information about products and brands. We aim to raise awareness and empower customers to make informed choices.



“SHAPING DESIGN EDUCATION TO INTEGRATE BROADER THINKING ON SUSTAINABILITY AND TRANSPARENCY IS VITAL FOR DESIGN STUDENTS, AND WILL SUPPORT ADDRESSING THE NECESSARY CHANGES IN THE INDUSTRY. THE PARTNERSHIP BETWEEN YOOX AND PARSONS AIMS TO HIGHLIGHT SMART APPROACHES TO DESIGNING GARMENTS, AND HELP ENGAGE CUSTOMERS IN THE PROCESS.”

*Burak Cakmak,
Dean of Fashion at Parsons School of Design*



We are delivering sustainable packaging

63% of our top customers said it's important to them that our packaging is environmentally friendly.

Packaging delivers a powerful message about the kind of company we are, and many of our customers want packaging that is sustainable.

Packaging is a vital element of our customer experience. As a company we fulfilled 8.4 million customer orders in 2016, which gives a sense of the scale of impact that our packaging choices have.

We are working hard to ensure that our packaging reflects the luxury products we sell as well as meeting our commitment to environmental sustainability. We are working to identify quality improvement and exploring packaging innovation.

Our commitment to sustainable packaging dates back to the decision by YOOX to introduce the **Ecobox™** in 2009. The Ecobox™, still used today by YOOX, alongside other packaging options, features a sustainable choice of materials, and comes in different sizes and formats that enable an optimisation of space.

The Ecobox™ is made out of 100% recyclable materials, certified by RESY, FSC and SFI. It is made using cellulose gathered under environmentally, socially and economically sustainable conditions. We encourage customers to re-use their Ecobox™ for returns too.

An important element in the sustainability of all our packaging is the purchasing of paper and cardboard. The paper we use does not contribute to the destruction of primary forests. It comes from forests that are managed responsibly, both in social and environmental terms. Our purchasing policy states that paper and cardboard will be chosen as products comprised of virgin fibres certified according to the standards of the Forest Stewardship Council (FSC), the leading independent forest certification system.

In 2016 we tested new boxes for orders from THE OUTNET. The new self-seal boxes have a reduced size and depth, meaning less tissue paper. The smaller size also saves on freight, leading to lower carbon emissions. The savings are encouraging: -41% tissue paper use, -19% cardboard use and -15% shipping volumes, compared to boxes previously used.

Customer reactions to our new self-seal boxes:

"I LOVE THAT YOUR NEW PACKAGING HAS A PULL TAB TO MAKE IT EVEN EASIER TO UNBOX MY NEW GOODIES."

"SMALLER BOX SIZE

IS FANTASTIC – MUCH EASIER TO MANAGE, AND BETTER ENVIRONMENTALLY TOO."

"PREFER YOUR NEW LIGHTER STYLE OF PACKAGING WITH

LESS PAPER."



We have joined the Fur Free Retailer Program



We are proud to confirm that our multi-brand stores are fur free.

We have joined the international Fur Free Retailer Program supported by the Fur Free Alliance (FFA), an international coalition of leading animal and environmental protection organizations worldwide. The program recognizes and supports retailers who have committed, in writing, to a no-fur policy.

The standard ensures that our multi-brand online stores promote commercial policies in line with animal rights, by excluding items and accessories made from animal fur.

Our decision to go fur free follows a long-standing relationship with the Humane Society of the United States (HSUS) and the Italian Anti-vivisection League (LAV). We have been through a rigorous education process with the two organisations and we will continue to work with them to keep ourselves, and our partners, updated about fur and ethical sourcing.

“THE HSUS APPLAUDS THE YOOX NET-A-PORTER GROUP FOR DEMONSTRATING ETHICAL LEADERSHIP IN THE LUXURY FASHION INDUSTRY. THIS MOVE SHOULD ENCOURAGE DESIGNERS AND OTHER RETAILERS TO OPT FOR STYLISH AND FUNCTIONAL ALTERNATIVES TO FUR AND SHED THE CRUELTY ASSOCIATED WITH COMMERCIAL TRAPPING AND FUR FARMING.”

PJ Smith, Senior Manager of Fashion Policy for The HSUS

“YNAP, WITH THE RENUNCIATION TO THE TRADE IN FUR PRODUCTS, REACHED AN IMPORTANT STEP THAT REPRESENTS A MILESTONE WHICH THE FASHION WORLD SHOULD REFER TO. IT’S A TANGIBLE SIGNAL THAT THE CLOTHING INDUSTRY CAN BE MORE SUSTAINABLE AND ETHICAL, WITHOUT NECESSARILY RESORTING TO THE USE OF ANIMAL PRODUCTS.”

Simone Pavesi, Manager of Animal Free Fashion Area for LAV (Lega Anti Vivisezione)

Collaboration for responsible jewellery



NET-A-PORTER is certified by the Responsible Jewellery Council (RJC), a not-for-profit, standards setting and certification organisation, and we are extending coverage to our whole Group by the end of the year.

The mining of precious metals such as gold and platinum can have severe social and environmental impacts.

Through our involvement with the RJC we can assure customers that the products we sell are aligned with international best practice. Working with recognized organisations provides us with frameworks for improving the way we operate.

The RJC’s Code of Practice, updated in 2013 after an 18-month multi-stakeholder review process, addresses human rights, labour rights, environmental impact, mining practices, product disclosure and many more important topics in the jewellery supply chain.

We adhere to the organisation’s Code of Practice and ensure our processes conform to its principles. Furthermore, we provide information to the RJC about our practices, based on the principles of the Code. This self-assessment is independently verified. NET-A-PORTER has been a certified member of the RJC since 2014. We will work to renew the certification in 2017 and extend coverage to the YNAP Group.

In addition, NET-A-PORTER’s Supplier Code of Conduct, which is modelled on the Universal Declaration of Human Rights and the International Labour Organization (ILO) conventions, requires that all suppliers of gold provide assurance that the metal has been mined in a manner that respects human and labour rights.



Listening and responding to customers

Our customers are driving innovation in our company.

We aim to transform customer input into innovations for our business, whether it's re-designing one of our apps based on customer feedback or aligning our editorial content to better coincide with our reader interests and preferences.

Our Voice of the Customer (VOC) programme enables us to enhance our services through customer-focused innovation. The programme, led by our Customer Insight team, measures satisfaction across the main touchpoints of the customer experience (on-site, post-purchase and returns and exchanges). It runs across NET-A-PORTER, MR PORTER and THE OUTNET and will be extended across our platform in 2017.

Engaging with our customers

We connect with customers both in digital, through the use of smart data, and also in person, through a team of personal shoppers and networking and engagement events.

NET-A-PORTER and MR PORTER get closer to customers through teams of personal shoppers who often head out to meet customers in person. They offer a range of services to our top In-Season customers such as previews of the up-coming season, showing new items before they are available online, tailored style advice and help getting special or hard-to-find items, fitting, or post-purchase services.

Special customer events are also popular and can include networking initiatives to attract a broader group of shoppers. These include invitation-only "Style Suites" at so-called pop-up temporary stores and designer dinners. Other events include Shop Wear Care in London in November 2016 in aid of the Great Ormond Street Hospital children's charity. We also hosted events with designers including Mary Katrantzou, Missoni and Nicholas Kirkwood in 2016.

As part of our FRONT ROW loyalty programme for THE OUTNET, which now has over 22,500 participants, we hosted 36 events in 2016 for participants. These were held in 10 locations from Dubai, the US, Singapore, Hong Kong, the UK and Australia.

“TO HELP THE BUSINESS LEARN ABOUT OUR CUSTOMERS, THEIR EXPECTATIONS, EXPERIENCES, AND BRING THEM TO LIFE; ENSURING THAT THE CUSTOMER IS KEPT AT THE HEART OF THE BUSINESS IN THE IDEAS WE INSPIRE, THE DECISIONS WE MAKE, AND THE BEST-IN-CLASS EXPERIENCES WE CREATE.”

Mission statement of our Customer Insight team

CONNECTING TO CUSTOMERS THROUGH SOCIAL MEDIA

- **9 social media channels**
- **About 1.5 million followers on our Twitter accounts**
- **About 3.5 million likes on our Facebook pages**
- **About 4.4 million followers on our Instagram accounts**



VOC initiatives allow us to interact with customers in a number of ways of which the following were typical in 2016:

- **Customer profiling research (for NET-A-PORTER and MR PORTER):** A large-scale qualitative and quantitative research project to gather detailed insights about target customers, their fashion and shopping needs, preferences, pain points and relationship with the brand
- **MR PORTER own label research:** Concept testing-based research project to inform future marketing product strategies best aligned with customer needs and preferences for launch of own label
- **US Acquisition Landscape Research for THE OUTNET:** A large-scale qualitative and quantitative market research project focused on understanding how to optimise the journey and experience of first-time shoppers on the site
- **Product selection research for YOOX:** Survey of customer preferences, conducted in collaboration with the merchandise and buying team, with regards to brands and fashion styles, associated with separate data mining activities, to inform product selection

We create innovative solutions based on our customer feedback. Here are some examples of what we did in 2016:

- **Editorial and content:** Feedback influenced the strategy and re-design for digital editions with new content strategy, diversifying model casting and focusing on more localised content. Feedback and research has also influenced our approach to social media content as well as the marketing and brand strategy for PORTER Magazine
- **Models on THE OUTNET:** In response to hearing that customers wanted to see more representative models, creative shoots with more diverse models were introduced to speak to a wider audience
- **Re-design of MR PORTER app:** Customer feedback influenced the app's re-design and the inclusion of new features

We want our customers to help guide our sustainability commitment too. Last year we engaged 24,000 of our top customers globally. Find out what they had to say on page 22.

We are investing in cognitive commerce

We're taking luxury e-commerce to the next level with cognitive computing.

YNAP pioneered luxury e-commerce and to maintain our leadership position we must continue innovating. To thrive, we must continue reinventing our business and develop new approaches that have benefits for our industry and for society and the environment too.

We stimulate innovation from within our business, using intelligent technology to predict what our customers will buy, when and where. This has powerful implications: it makes our processes and the work of our employees more efficient and it optimises distribution, built around a smart, interconnected and global logistics network. In the end that translates into more personalised shopping experiences and stock allocation that is organised around customer preferences and trends.

Cognitive computing is at the centre of these new possibilities and, in partnership with IBM, we are pioneering how it can be applied to luxury e-commerce. Cognitive commerce, as we call it, interacts 'naturally' with customers to understand their actions and deliver experiences tailored to their needs. With Watson, IBM's question answering computer system, we can reach new levels in efficiency, customer understanding and personalisation.

As digital transformation opens up new ways for us to interact, we will offer a seamless shopping experience across multiple channels; this is our 'omni-channel' strategy. We are reaching out to customers to get their input and transforming their ideas into innovations for our company.

We're making our inventory management and distribution smarter than ever through our omni-stock programme.

Optimising our distribution capabilities with this technology gets products to our customers faster and improves our operational efficiency. At the same time, we are moving towards a single system built around two central distribution hubs in Italy that will send stock for all our brands to regional distribution centres in key cities around the globe.

An added advantage of omni-stock is that we will be able to integrate with third-party distribution centres and even with stores of our brand partners, increasing the global efficiency of our distribution.

The benefits will be improved lead time for the customer and more efficient stock management, with positive outcomes for the environment. Our future carbon footprint will testify to this trend.



THE SUPPLY CHAIN

Today, there is broad awareness of the importance of a sustainable supply chain in the luxury industry. We recognise our responsibility as the luxury sector's leading e-commerce platform.

We recognise that our customers, and society more broadly, expect retailers to take responsibility for impacts along the supply chain of the goods they sell. When we asked our customers about their shopping choices, 58% said having more information about products would influence their purchasing choices.

First, we buy products and services for our own use such as transport, editorial, technology, and here our policy on "indirect" procurement ensures we evaluate and verify the ethical, legal and financial integrity of suppliers, even as regards labour practices, occupational health and safety and the environment. We launched a procurement portal in 2016 enabling us to improve our indirect purchasing strategy and processes.

Second, we purchase millions of goods each year for re-sale on our platform through our In-Season and Off-Season online stores, doing business with thousands of brands with different levels of involvement. We recognise that our role here is to work with the industry so that we are able to give customers assurances about the sourcing of these products. Within this category, our specialised buying teams manage purchasing.

Additionally, our numerous ONLINE FLAGSHIP STORES "Powered by YNAP" are based on long-term relationships with leading fashion and luxury brands, for which YNAP is the exclusive partner. Here, our aim is to continue to engage brand partners in sharing our values and working together to find ways to improve practices to ensure the sustainability of the luxury value chain.

Our goal is to improve standards with regards to our supply chain in all of these areas. We work to ensure workers are treated with respect and dignity, working conditions are safe, manufacturing processes are ethically responsible, and the conduct of our business reflects our principles of integrity, honesty and fairness.

The prevention of forced and child labour, harsh treatment and harassment as well as principles of Freedom of Association and Non-Discrimination are key elements of our Supplier Code of Conduct and the principles of the Social Accountability SA8000 standard established by Social Accountability International.

In 2016, we used the SEDEX (Supplier Ethical Data Exchange) platform for key suppliers and private labels, as an additional instrument to perform risk assessments on our supply chain. We are a member of SEDEX.



OUR ENVIRONMENTAL IMPACT

We recognise that it is our duty to reduce the environmental impacts of our business and our carbon footprint across our value chain. We are making improvements by adopting a Group-wide approach to environmental and energy management.

Following the creation of the YOOX NET-A-PORTER GROUP, we are working to standardise practices and energy management across the organisation. Our environmental management system has been certified according to ISO 14001 standard in Italy and Japan and we are working towards the progressive extension of the certification to the whole Group. We are also looking to increase our recycling efforts, which in 2016 saw 86% of our waste recycled.

To increase transparency and accountability, we disclose our Group performance data through the Carbon Disclosure Project (CDP), a not-for-profit organisation that collects and analyses data about environmental impacts.

Read more about the environmental management of our operations on page 88.



YNAP's new buildings are sustainable

Our new In-Season hub in Milan will be a benchmark for the Group's environmental commitment and showcases the ways in which we are seeking to reduce our impacts.

Our new warehouse in Milan, will serve as the global distribution centre for In-Season operations. The new facility, which will start operating in 2017, will be a key piece of the omni-stock logistics network.

The warehouse will use a data-driven inventory management system to replenish local distribution centres around the globe. Through a full deployment of radio-frequency identification (RFID) tagging we will be able to track every item in each stage of the distribution channel.

We are working towards achieving certification under the Building Research Establishment Environmental Assessment Method (BREEAM) with an "excellent" rating level (the second highest out of five).

An integrated building management system (BMS) will monitor electricity use, lighting, temperature control and humidity. For the storage and retrieval of goods, automated shuttle systems have energy recovery features. To prevent fires here and at our logistics facility in Bologna, electrical equipment will be used to modify the nitrogen-to-oxygen ratio in the air, preventing the combustion process.

Our commitment to 100% renewable power

To create a low-carbon society, we all need to reduce our reliance on fossil fuels. We're working on this as part of our commitment to using 100% renewable energy sources by 2020.

YNAP is part of RE100, an international initiative that connects many of the world's most influential companies in a shared commitment to 100% renewable power.

YOOX GROUP was the first Italian company and fashion e-commerce business to join RE100. The initiative was created by The Climate Group and CDP in 2014. It involves companies around the globe from Europe, the US, India and China.

Our goal is to source all our power from renewable sources by 2020. In 2016, this stood at 35%. Our work to standardise our approach to energy management following the integration of the two companies involves reviewing contracts with energy suppliers with a view to meeting the RE100 objective. This has been confirmed as part of the Group's sustainability approach.



Greening our IT

Our focus on technology allows us to invest in green IT to lower the environmental impacts of our operations.

We are working to make technology reduce our environmental impacts in two ways.

First, we are enabling smarter, more flexible ways to work, focusing on internal collaboration and mobility which boosts the need for employees to work together across locations. In light of this, we are upgrading our video conferencing systems worldwide, working in partnership with Cisco Systems to revamp 130 meeting rooms.

Second, we are adopting best technologies for data centres and server farms, for use in-house and when working with suppliers. We have reduced the size and energy use of our servers by using blade technology from Hewlett Packard Enterprises, whose Design for Environment programme focuses on energy efficiency and offers advantages in terms of materials and service models that reduce impacts and increase longevity.

In Italy, we use a BT data centre in Milan that assures business continuity for our front-end systems – even in extreme cases such as earthquakes – and also boasts a cooling system that draws on the water table to reduce energy use by 50%.

We also use a green data centre owned by Acantho (part of Gruppo Hera) in Imola, Italy, which reduces energy consumption and emissions compared with traditional centres thanks to free cooling (drawing directly on outside air) and a natural-gas powered trigeneration system to supply both electricity and cooling.

MAKING A DIFFERENCE IN OUR COMMUNITIES

We support wider communities and empower them to take positive action.

As a Group, we are working to create long-term partnerships with charities and NGOs as part of our sustainability priorities. Our brands also work with charitable organisations, embracing causes that are important to our customers.

We also listen to our own employees about the causes they believe in and enable them to take action by donating or getting involved directly.

Women are a big focus for our community action. You can read more about what we've done in the "Empowering Women" chapter. In 2016 overall we supported more than 20 charity and social initiatives around a range of themes.

Health awareness

MR PORTER sold blue shirts as part of its Father and Son Day initiative, which encourages men to talk openly about themselves, their body and serious illnesses, and donated the proceeds to The Royal Marsden cancer research and treatment centre in the UK. We were also active in supporting the White Ribbon Alliance, Maggie's Cancer Caring Centre and The Society of Memorial Sloan Kettering in New York.

Promoting craftsmanship and talent

During 2016 Milan Design Week, YNAP partnered with Fondazione Cologni dei Mestieri and Living Corriere della Sera in presenting "Doppia Firma", an experimental project bringing together design innovation with the traditions of great Italian artists. Other collaborations saw Vogue Italia and YOOX confirm their support for the sixth edition of The Next Talents, during Milan's Fall/Winter Fashion Week; the creation of an exclusive capsule collection for YOOX by Studio 189, the ethical fashion brand co-founded by actress and philanthropist Rosario Dawson and fashion expert Abrima Erwia; and NET-A-PORTER's fundraising support for Design Trust, which helps creative projects that develop expertise, build research initiatives and content related to Hong Kong and the Greater Pearl River Delta Region.



Social inclusion

Young people from the San Patrignano rehabilitation community in Italy created a collection of bags in the minimalistic style of the luxury fashion label, Marni, which were available for sale on YOOX, with the proceeds going directly to the community. We were also involved in supporting the Wrap Up London Charity Coat Drive, the Salvation Army Present Appeal and the Circolo San Pietro.

Emergency relief and environmental causes

In collaboration with YOOX, 20 fashion designers including Simone Rocha and Marco De Vincenzo, teamed up with Mattel to create a new line of Barbie dolls with proceeds going to the rebuilding of a historical building destroyed by the earthquake in Arquata del Tronto, Italy, in August 2016. YOOXYGEN also continued its long-term support of Green Cross International.



**PART
TWO:
DISCLOSURES ON
SUSTAINABILITY
PERFORMANCE**

METHODOLOGICAL NOTE

With the publication of the 2016 Sustainability Report (hereinafter also the “report”), YOOX NET-A-PORTER GROUP (hereinafter also the “Group”, “YNAP Group” or “YNAP”) is providing its first disclosures on its commitments, activities and performance in economic, social and environmental spheres. The YNAP Sustainability Report, which will be published annually, meets **“In Accordance – Core” application level of Global Reporting Initiative’s G4 (GRI G4) Sustainability Reporting Guidelines**, which currently represent the leading international standard for sustainability reporting. The sections ‘General Standard Disclosures’, ‘Specific Standard Disclosures’ and ‘How we approach our material topics’ constitute also the **GRI Content Index**.

This 2016 Sustainability Report was subject to an assurance activity by independent auditors KPMG S.p.A. (whose report is included at the end of the document).

The data and information in the report refer to the year ending 31 December 2016 and, apart from exceptions indicated in the individual sections, the reporting scope is the same as for the Annual Report 2016. Data exceptions were indicated in the individual sections are due to data unavailability as a result of change management processes in the data collection. YNAP is committed to progressively report omitted data from next reporting year. All economic and financial data included in this Sustainability Report originate from the Annual Report 2016.

The content of the Report was determined through a materiality analysis based on the results of internal and external engagement activities with relevant YNAP stakeholders (see the “Stakeholder engagement” section). The results of the materiality process are reported in the “The issues that matter” section.

The Group is committed to further dialogue and stakeholder involvement on sustainability topics. In addition, the Group is committed to enhancing the reporting of material topics in future reporting years.

Since this is the first reporting year for YNAP Group, the 2016 data comparisons with the two previous years are not included. The figures were calculated using the best methods available, which are indicated alongside individual GRI indicators where applicable; in some cases, specified by a note, data were estimated.

GENERAL STANDARD DISCLOSURES

Strategy and analysis

G4-1

Statement from the most senior decision-maker of the organisation

➔ See: "Our commitment to creating a sustainable future: message from Federico Marchetti"

Organisational profile

G4-3, G4-4, G4-5, G4-6, G4-7, G4-8

Name of organisation, brands and services, location, countries of operation, legal form and markets served

➔ See: "Who we are" and "Our global operations" and "Report on Corporate Governance and Ownership Structure" in the Annual Report 2016

G4-9

Scale of the organisation

Total number of employees

YNAP has a total of 4,128 employees, of whom 61% are women. There was an increase of 6% in the number of employees from 2015.

➔ More information on 'HR composition' under G4-10

Total number of operations

The Group operates through 8 local offices, 7 distribution centres (of which 3 are automatized) and 8 digital production centres.

Net revenues

Full-year net revenues in 2016 were Euro 1,871 million, up 17.7% on an organic basis (+12.4% reported).

➔ More information on financial performance can be found in the Annual Report 2016.

Total capitalisation

Market capitalisation as at 31 December 2016 was Euro 3.6 billion.

Quantity of products or services provided

In 2016, the average number of monthly unique visitors to YOOX NET-A-PORTER GROUP's online stores increased to 28.8 million compared with 26.7 million in 2015. The number of orders grew to 8.4 million, up 18.2% on the previous year, with an Average Order Value (AOV) excluding VAT of Euro 334, compared with Euro 352 in 2015, mainly reflecting unfavourable exchange rate movements. Active customers increased to 2.9 million at 31 December 2016 compared with 2.5 million at 31 December 2015.

➔ See: "Who we are"

Trend of the total number of employees



G4-10 Number of employees

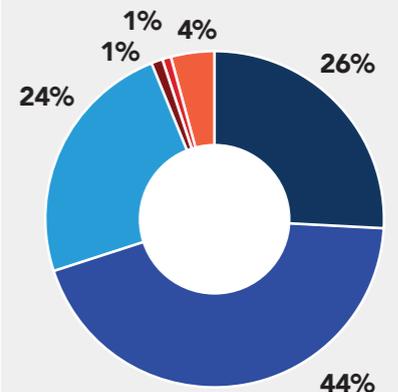
A total of 96% of employees have permanent contracts, underscoring YNAP's wish to ensure and strengthen job stability and to invest in human capital with a long-term perspective. The percentage of employees engaged under permanent contract in Italy was 93%.

Junior positions are commonly filled by people who join the company through internships: in 2016, 179 internships were undertaken (58 were ongoing at year-end). YNAP chooses promising graduates from leading universities internationally to join the YNAP Graduate Programme. This 18-month programme of work and learning provides professional skills in the realm of fashion e-commerce alongside an overview of the whole organisation. In 2016, the company hired 16 people through its Graduate Programme, joining the technology team in London and Bologna.

To allow for a balance between work and private life, YNAP provides annual part-time work plans to employees who ask for them. In 2016, 147 employees worked on part-time contracts, 69% of them women. As a global organization we accommodate flexible working requests. Working remotely is a practice across YNAP Group. Employees at our Italian locations can ask for supplementary agreements to modify their contracts into teleworking agreements: 32 people took up this option in 2016. In these cases, priority is given to employees on maternity leave or with particular family circumstances.

Our staff is drawn from a broad range of geographical backgrounds, with over 75 nationalities represented in our 8 local offices. Most are based in the UK (44%), Italy (26%) and the US (24%).

Employees and internships by geographical area



Note:

Employees based in France and Spain are excluded

EMPLOYEES BY EMPLOYMENT CONTRACT AND GENDER (No.)

	MALE	FEMALE	TOTAL
Permanent contract	1,576	2,401	3,977
Fixed term or temporary contract	40	111	151
Total	1,616	2,512	4,128

PERMANENT EMPLOYEES BY EMPLOYMENT TYPE AND GENDER (No.)

	MALE	FEMALE	TOTAL
Full-time employees	1,531	2,298	3,829
Part-time employees	45	103	148
Total	1,576	2,401	3,977

EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER (No.)	MALE	FEMALE	TOTAL
UK	634	1,174	1,808
Italy	508	558	1,066
US	394	622	1,016
Hong Kong	60	115	175
China	11	19	30
Japan	8	20	28
France	-	3	3
Spain	1	1	2
Total	1,616	2,512	4,128

Notes:

For this first reporting period, it was not possible to report data on 'total workforce by employees and supervised workers and by gender' and on 'significant variations in employment numbers'. The information on 'supervised workers' and 'significant variations in employment numbers' is currently unavailable. YNAP is identifying improvements in its data collection process to allow the reporting of this data in the future.

Considering the nature of YNAP's business, there are natural variations in staff levels in the course of the year, in particular at our distribution centres during the Christmas period as the number of orders rises.

G4-11 Employees covered by collective bargaining agreements

In Italy, the collective bargaining contract for the company's sector covers all employees except for managers, who are covered by the collective contract for managers. This indicator is not applicable for other regions of the Group, where collective bargaining agreements are not in place.

G4-12 Organisation's supply chain

The Group is committed to ensuring that work conditions in its supply chain are safe, workers are treated with respect and dignity, manufacturing processes are ethically and environmentally responsible and the conduct of its business is based on principles of integrity, honesty and fairness. The prevention of child and forced labour, harsh treatment and harassment as well as principles of Freedom of Association and Non-Discrimination are key elements of the Supplier Code of Conduct, which is modelled on the Universal Declaration of Human Rights and the International Labour Organization (ILO).

The 'YNAP Modern Slavery Statement' provides further information on policies and contractual terms currently used with suppliers. The document also explains the approach to audit and risk assessment activities, and sets out future commitments.

➔ The 'YNAP Modern slavery statement' can be found online at www.ynap.com

YOOX is served by an international portfolio of 2,284 direct suppliers, including 65 suppliers for its private labels. There are 2,586 direct suppliers working for NET-A-PORTER, MR PORTER and THE OUTNET. Through its supply chain choices, YNAP contributes to the economic growth of its local areas. For YOOX, 82% of suppliers are Italian and 14% from other European countries. For NET-A-PORTER, MR PORTER and THE OUTNET, 30% of suppliers are in the UK, 36% in the US and 17% are from Italy and France. Change

management processes on supplier management systems and applications were put in place in 2016. This will allow to report in 2017 the "percentage of the procurement budget used for significant locations of operation spent on suppliers local to that operation".

As a large global organisation, YNAP has many other indirect suppliers, which relate to general business operations. These include – but are not limited to – transport, editorial, customer care, marketing, office management and technology. YNAP implemented an Indirect Procurement Portal in 2016. The Portal has been rolled out across the Group in January 2017 and represents the main point of contact between YNAP and its indirect suppliers. The portal increases innovation and transparency in negotiations while simplifying the purchasing process and relationships with suppliers. Indirect suppliers are enrolled onto the Portal on an ongoing basis. More than 1,000 have already been enrolled and assessment on environmental, human rights, labor practices and impact on society is in progress. YNAP will provide additional information on assessments' results in 2017.

All indirect suppliers undertake an accreditation process to collect relevant corporate, commercial, labour, occupational health and safety, environmental and legal information in accordance with the strategic nature, materiality and risk inherent in each supply/counterparty. The accreditation process requires suppliers to acknowledge the principles of the YNAP Code of Ethics, the Organisational Model pursuant to the Italian Legislative Decree 231 of 2001 (hereinafter also referred to as "Model 231") and the International Social Accountability Standard SA8000. YNAP furthermore reserves the right to undertake third-party audits on an increasing number of strategic suppliers or on those for which critical aspects were identified during the accreditation process.

In the period 2015-2016, YNAP carried out audits that focused on its private label suppliers, with a total of 35 audits out of a total of 65 such suppliers. Based on audits' results no risks have been identified for incidents of child labor and young workers exposed to hazardous work and for incidents of forced or compulsory labor. In 2017, a further 15 audits and 5 follow-ups have been planned based on the audits carried out in 2015-2016. During 2015 YNAP introduced a monitoring plan for private label suppliers with regards specifically to chemical safety, in line with the rules and regulations in force in its key markets (e.g. REACH, CPSC, Gb Standard, etc.). During the audit process, suppliers are given the opportunity to discuss the process with highly qualified auditors who provide a professional opinion that, if necessary, aims to set in place an improvement plan, which YNAP undertakes to monitor over time.

G4-13 Significant changes to the organisation's size, structure, ownership or supply chain

YNAP Corporation

YOOX Corporation merged with Net-a-Porter Group LLC with effect on the 1 October 2016. The merged company changed its name to YNAP Corporation and registered its headquarter in Delaware, USA. YNAP Corporation is currently owned by The Net-A-Porter Group Limited (70.8%) and by YOOX NET-A-PORTER GROUP S.p.A. (29.2%).

Joint Venture with Alabbar

In November 2016, YOOX NET-A-PORTER GROUP and Symphony, an entity controlled by Alabbar, partnered in a joint venture to create the Middle East's leader for online luxury retail.

The joint venture, 60% controlled by YOOX NET-A-PORTER GROUP, will operate in the Gulf Cooperation Council countries ("GCC") and manage all the Group's existing multi-brand online stores in the region as well as, in agreement with the Brands, select existing and future Online Flagship Stores with significant business potential in the Middle East.

The joint venture will establish on-the-ground operations to provide the Middle Eastern luxury customer with a fully localised offer, which will allow YOOX NET-A-PORTER GROUP to accelerate its growth in the region.

This joint venture strengthened an existing relationship that was forged when Mohamed Alabbar became a strategic shareholder in YOOX NET-A-PORTER GROUP through the subscription of a €100 million capital increase in April 2016.

G4-14 Precautionary approach

In Italy and Japan, YNAP operates under an Occupational Health & Safety Integrated Management System compliant with British Standard OHSAS 18001:2007 and the UNI EN ISO 14001:2004 standard. For our Italian sites, audits were carried out in 2016 with a view to maintaining certification as well as internal audits for legislative compliance and on the environmental management system.

The goal for 2017 for our Italian sites is to obtain ISO 50001 certification of the Energy Management System.

For US and UK sites, the specialised audit firm DNV GL has carried out audits on compliance with environmental, health and safety regulations and a gap analysis against the OHSAS 18001:2007 and 14001:2004 standards.

The Model 231 aims to prevent specific types of crime that could be committed by employees and/or collaborators in the interest of or to the advantage of the company.

➔ More information on 'precautionary approach' under G4-56

G4-15 Economic, environmental and social charters, principles or other initiatives

YNAP Group adheres to the ten principles of the **Global Compact**, the United Nations programme promoting sustainable corporate growth. The 2016 Sustainability Report represents the Group's Communication on Progress (COP).

YNAP confirms its commitment to guide its strategic vision, corporate culture and daily operations in respect of human and labour rights, protection of the environment and the fight against corruption.

The ten principles of the Global Compact are universally shared and derive from the Universal Declaration of Human Rights, the ILO Declaration, the Rio Declaration and the United Nations Convention against Corruption.

YNAP is a member of **RE100**, an international programme for increasing corporate demand for renewable energy. It encourages member companies to achieve 100% energy use from renewable sources by 2020. In 2016, 35% of YNAP energy consumption came from low-carbon sources.

Through the certification of NET-A-PORTER, YNAP adheres to the **Responsible Jewellery Council (RJC)**, an international initiative for responsible sourcing in the jewellery sector. The objective for 2017 is to extend the certification to the YNAP Group.

In 2016 YNAP renewed its membership of Parks – Liberi e Uguali, a non-profit organisation helping partner companies to develop corporate strategies and good practices that respect diversity, with a particular focus on LGBT inclusion.

G4-16 Memberships of associations and national or international advocacy organisations

In 2016 YNAP became a member of **Walpole**, an alliance of 170 British luxury brands. Membership provides YNAP with networking opportunities, knowledge sharing within our industry and potential for business collaborations. YNAP will also work closely with Walpole to nurture new talent and drive growth in the UK luxury marketplace. In the spirit of our Anglo-Italian roots, this British alliance complements our partnership with **Altgamma Foundation** in Italy, which supports companies excelling in the sectors that best represent Italian quality in products and services. YNAP is the first "digital" company to join the association.

The **Sustainable Development Goals** were announced in September 2015 by the United Nations as part of "Transforming our world: the 2030 Agenda for Sustainable Development" to guarantee human rights for all, gender equality and the empowerment of all women and girls. They are integrated and indivisible, and balance the three dimensions of sustainable development: the economic, social and environmental. YNAP seeks to contribute to achieving the SDGs, recognizing their importance to its business and aligning its projects and initiatives.

Material aspects and boundaries

G4-17 Entities included in the organisation's consolidated financial statements or equivalent documents

➔ See: "Methodological note"

G4-18 Process for defining report content and aspect boundaries

➔ See: "Our approach", "Methodological note" and "How we approach our material topics"

G4-19 Material aspects identified in the process for defining report content

➔ See: "The issues that matter"

G4-20, G4-21 Boundaries within and outside the organisation

➔ See: "How we approach our material topics"

G4-22, G4-23 Restatements of information and significant changes in scope and boundaries

There are no restatements or significant changes in the scope and topic boundaries because this is the first reporting year for YNAP Group.

Stakeholder engagement

G4-24, G4-25, G4-26, G4-27 Stakeholder groups identified and engaged; approach to engagement and key topics and concerns raised

➔ See: "Stakeholder engagement" and "Methodological note"

Report profile

G4-28, G4-29, G4-30 Reporting period, date of previous report and reporting cycle

➔ See: "Methodological note"

G4-31 Contact point for questions regarding the report

Sustainability team of YNAP Group at sustainability@ynap.com

G4-32, G4-33 "In accordance" option and external assurance

➔ See: "Methodological note" and "Independent assurance report"

Governance

G4-34 Governance structure of the organisation

YNAP S.p.A. adopted the principles and criteria recommended by the July 2015 version of the Italian Stock Exchange's Corporate Governance Code. YNAP Group has adopted a traditional management and control model (pursuant to Articles 2380-bis et seq. of the Italian Civil Code) based around the Shareholders' Meeting, Board of Directors, Board of Statutory Auditors and External Auditors.

The current **Board of Directors** has 11 members: seven directors are independent (64% of directors) and three are female (27%), fulfilling the requirements of independence and gender balance set by existing provisions and regulations. The current board will remain in office until the shareholders' meeting called to approve financial results for the year ending 31 December 2017.

The board has nominated four internal committees, all made up of members of the Board of Directors:

- **Appointment Committee:** comprised of three non-executive directors, the committee is responsible for ensuring a transparent nomination process that respects the balance of the board.
- **Compensation Committee:** comprised of three non-executive, independent directors, this advisory body has the main duty of submitting proposals to the Board of Directors regarding the compensation of the CEO and of directors holding specific positions as well as the criteria guiding the compensation of managers with strategic responsibilities.
- **Control and Risk Committee:** comprised of three non-executive, independent directors, the committee is responsible for defining the guidelines for the internal control and risk management system and periodically assessing the system's suitability, efficiency and functionality. The committee's scope is being expanded in 2017 to include sustainability topics and the way they relate to YNAP's internal control and risk management system.
- **Committee on Related Party Transactions:** comprised of three independent directors, the committee has all the duties described in the Procedure on Related Party Transactions.

Lead Independent Director

The Board of Directors on 30 April 2015 nominated a Lead Independent Director to represent and co-ordinate the point of view of non-executive and especially independent directors. The Lead Independent Director must have sufficient expertise in accounting and finance, acts as chairman of the Compensation Committee and sits on the Committee on Related Party Transactions.

➔ See: www.ynap.com (Home > Governance), the Annual Report 2016, the Report on Corporate Governance and Ownership Structure 2016 and "Sustainability in our business" section of "Our approach"

Ethics and integrity

G4-56 Values, principles, standards and norms of behaviour

YNAP's values and the Code of Ethics together represent the guiding principles and guidelines for the behaviour that the Group, from the Board of Directors down, expects to maintain with regards to its stakeholders. At YNAP there is widespread awareness that ethical business conduct is the basis for the Group's success both in economic terms and for its credibility.

The corporate values – Young at Heart, Nimble, Authentic People – reflect a common Group culture and the way we wish to work together as a global team in the future. The values will be communicated through the Group in 2017 based on the creative concept that came out of the 'Imagining YNAP' competition in Summer 2016 (➔ See: "How we are building our company culture").

YNAP's Group values also underpin the Internal Control System and are applied in all aspects of its regulatory and compliance model.

YNAP intends to further elaborate its Code of Ethics in two documents to better involve all stakeholders in its application: an **Employee Code of Conduct** and a **Supplier Code of Conduct**. The latter will be applicable to all multi-brand online store suppliers and modelled on conventions of the Universal Declaration of Human Rights and the International Labour Organization (ILO), which established international human and labour rights. This will complement requirements made upon indirect suppliers (➔ See: G4-12 Organisation's supply chain).

YNAP adopted its **Model 231** in 2009 to prevent offences defined in Italian Legislative Decree 231/2001 and subsequent amendments. Legislative Decree 231/2001 provides for a direct liability of legal entities, companies and associations for certain crimes committed by their representatives. The Board of Directors resolved to update the Model in light of amendments to regulations, case law and internal organisational changes on 16 December 2010, 31 July 2013.

The **Code of Ethics** is an integral part of the Model 231 by outlining the ethical principles and conduct that should be followed by employees and anyone else who works with or for the company. Compliance with the Code of Ethics and with Model 231 is monitored by the Group's Internal Audit department, which carries out checks on relevant company areas and processes. As required as part of the Model 231 legislation, a Supervisory Body ensures the effective and consistent implementation of the Model. This Body has three members, two external members and one internal member (Head of Internal Audit).

YNAP is committed to aligning its strategic vision, corporate culture, daily operations and supply chains with respect to human rights across its value chain. The Group has established the following policies:

- **Policy on Social Accountability:** the policy and the adoption of the Social Accountability Standard SA8000 comply with principles and requirements on labour rights and workplace conditions. Compliance is achieved through two specific procedures: **'Remedy for child and minor labour'** and **'Management of concerns'**.
- **Whistleblowing Policy:** this deals with all types of concerns regarding suspected or alleged violations by YNAP Group management, members of corporate bodies, employees or third parties with specific regard to the principles and requirements outlined in the Code of Ethics, Anti-Corruption Compliance Programme, Model 231 and the SA8000 management system.

Mandatory training materials are made available to all Italian employees on Model 231 and Social Accountability Standard SA8000. YNAP is updating the training modules to take into consideration the current updates on Model 231 and the SA8000:2014 standard.

These responsibilities and commitments are reinforced by the Group's membership of the Global Compact (➔ More information on Global Compact under G4-15) and will report total number of training hours and percentage of employees trained in 2017.

During the reporting period, there have been no grievances filed with the company with regards to human rights or its impact on society. As regards labour practices, 31 grievances were filed in the UK, where a formal grievance policy is in place. All of these either resulted in no action being taken or were not upheld or were partially upheld (2 grievances were open at the end of 2016). The number of grievances filed in the US in 2016 was 5. All of these either resulted in no action taken or were partially upheld. There was no grievance case in APAC in 2016. In Italy 9 concerns were raised through the "speak up" line in place as part of the application of Social Accountability Standard SA8000. The Social Performance Team, composed of employee representatives of all sites certified under the standard, met three times in 2016. YNAP replied openly to all the concerns raised via the company intranet.

Furthermore, in line with recent revisions to the Italian Stock Exchange Corporate Governance Code and international best practice, the Group has defined the prerequisites and methodology for the implementation of an **integrated compliance model**. This was done to create a dynamic and integrated approach to risk management at a Group level, one that enables YNAP to identify emerging risks in a timely manner and guarantee the right set of information is used to support decision-making.

➔ See: Report on Corporate Governance and Ownership Structure 2016

SPECIFIC STANDARD DISCLOSURES

Economic

ECONOMIC PERFORMANCE

G4-EC1

Direct economic value generated and distributed

The values below give an indication of the Group's ability to create wealth and distribute it to its various stakeholders. In accordance with GRI guidelines, the statement below distinguishes between three types of economic value: generated, distributed and retained.

ECONOMIC VALUE GENERATED AND DISTRIBUTED (EURO THOUSANDS)	
Economic value generated by the Group	1,941,924
Revenue	1,870,706
Other income	70,954
Financial income	1,299
Value adjustments to financial assets	371
Write-down of receivables	-
Exchange rate differences	(1,406)
Economic value distributed by the Group	(1,815,711)
Operating costs	(1,544,944)
Employee compensation	(251,820)
Payments to lenders	(3,733)
Payments to investors	-
Payments to government authorities (1)	(15,068)
Gifts to third parties	(146)
Economic value retained by the Group	126,213
Depreciation and amortizations	(91,170)
Provisions	(1,113)
Reserves (2)	33,930

(1) Payments to government authorities includes differed taxes

(2) For 2016 the amount was estimated based on the proposed allocation of profit

MARKET PRESENCE

G4-EC6

Proportion of senior management hired from the local community

YNAP has a significant proportion of its senior management drawn from its main geographical locations. The business model ensures the Group remains close to its customer base through careful understanding of customer needs and by localising its services. At Group level, 83% of senior management, including executives, were drawn from local communities (countries where we operate with corporate offices or distribution centres). The figure is 94% for Italian operations, 78% for the UK, 75% for the US, 100% in Japan and 20% in Hong Kong.

PROCUREMENT PRACTICES

G4-EC9

Proportion of spending on local suppliers at significant locations of operation

→ See: G4-12 Organisation's supply chain

Environment

MATERIALS

G4-EN1

Materials used

YNAP purchases paper and cardboard according to environmental sustainability criteria as part of its procurement approach. The main use of paper is for publication of 'Porter Magazine' and 'MR PORTER Post'. The main use of cardboard is for packaging products for shipping to customers. Change management processes on systems and applications were put in place in 2016 and will allow the reporting of additional materials used by YNAP (mainly plastic and polyester) in 2017.

→ See: "We are delivering sustainable packaging"

CONSUMPTION OF CARDBOARD (TONS)

Cardboard for deliveries	4,060
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Notes:

Cardboard consumption by Mi Shang Trading Co. Ltd, YOOX Japan KK, YOOX Asia Ltd is excluded from the reporting scope.

Data relating to cardboard for deliveries was estimated based on the number of boxes used for deliveries (including, where applicable, stickers, shopping bags and delivery notes) of all multi-brand online stores (in-season and off-season), for Online Flagship Stores as well as for deliveries to peripheral warehouse. Inner boxes were included only when directly sourced by YNAP.

CONSUMPTION OF PAPER (TONS)

A4 paper	21
A3 paper	2
Paper consumption for 'Porter Magazine' and 'MR PORTER Post'	2,116
Total	2,139

Notes:

Paper consumption by YNAP Corporation, Mi Shang Trading Co. Ltd, YOOX Japan KK, YOOX Asia Ltd, The NET-A-PORTER Group China Limited, The NET-A-PORTER Group Asia Pacific Limited is excluded from the reporting scope.

Paper consumption for offices is either FSC or ECOLABEL/PEFC.

All paper for 'Porter Magazine' and 'MR PORTER Post' is either PEFC or FSC certified. In the case of Cyclus Offset 100% recycled (2% of total paper consumptions for magazines) from post-consumer waste.

ENERGY

G4-EN3

Energy consumption within the organisation

YNAP is committed to reducing its energy use and maximising energy efficiency and savings.

Heating/cooling and lighting of its plants and buildings represent its main energy consumption. YNAP defines its management approach of these aspects as part of its Environmental Management System, adopted by the Group since 2013 and certified according to the ISO 14001:2004 standard in Italy and Japan. The Group is working towards extending the certification also to UK and US facilities.

Furthermore, the Group is installing a Building Management System to monitor the energy consumption, lighting network and the control of both temperature and humidity of buildings.

As required by Italian law, YNAP undertook an energy diagnosis in 2015 to analyse its consumption and identify possible improvements to its energy performance. The Group is currently working on a number of energy saving initiatives with a view to achieving environmental as well as financial benefits. The initiatives range from raising awareness about good practices internally to investment in environmentally friendly technical solutions.

In 2016, YNAP finished installing LED lighting systems, sensors and dimmers at our offices in Zola Predosa (Bologna) and Milan and upgraded the server room at Zola Predosa. The server farm at the Interporto warehouse 15.1 (Bologna) was fitted with a so-called free-cooling system (using outside air and ground water for cooling). Further actions are planned for 2017, including a Building Management System (BMS) to optimise air conditioning systems. At Italian locations, YNAP is also in discussions with landowners and energy suppliers to increase the amount of energy use from renewable sources.

In the US, energy audits have been carried out for Distribution Center 2 (DC2). LED lighting has been installed at the warehouse's car parks and will be extended to offices and other spaces at DC2 in 2017. Similar actions are planned for 2017 at DC3 in Hong Kong.

New locations – such as the Tech Hub in London and new Milan warehouse – are also planned with efficient use of energy in mind.

→ See: "New Tech Hub: White City, London" and "YNAP's new buildings are sustainable"

ENERGY CONSUMPTION – NATURAL GAS (CUBIC METRES)

Natural gas (consumption for heat)	338,702
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Note:

Natural gas use refers to those locations where it is used for heating: YNAP S.p.A. (Milan; Zola Predosa; Interporto); NET-A-PORTER Group Ltd (DC1); YNAP Corporation (DC2, Clifton).

ENERGY CONSUMPTION – ELECTRICITY (KWH)

Total electricity purchased	20,982,856
of which:	
from renewable sources	7,329,542
from non-renewable sources	13,653,314

Note:

Energy consumption for NET-A-PORTER Group Ltd.'s Network House location is for the period July-December 2016.

WATER

G4-EN8 Total water withdrawal by source

YNAP ensures the responsible daily management of water consumption across its facilities, even though it accounts for a small part of its environmental impact.

Group's water comes from municipal water mains and the majority use is for hygiene and sanitation purposes.

CONSUMPTION OF WATER (CUBIC METRES)

Water for ordinary consumption	26,408
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Note:

Water consumption of Mi Shang Trading Co. Ltd, YOOX Japan KK, YOOX Asia Ltd, The NET-A-PORTER Group China Limited, YNAP Corporation for Manhattan Office, The NET-A-PORTER Group Asia Pacific Limited for HK Office and the NET-A-PORTER Group Ltd for DC1 and Network House is excluded from the reporting scope 2016.

EMISSIONS

G4-EN15, G4-EN16, G4-EN17 Direct and indirect greenhouse gas (GHG) emissions

YNAP is committed to measuring its carbon footprint to understand the impact of its business and find ways to reduce both direct and indirect impacts. To this end, the Group puts measures in place to improve energy efficiency. For instance, as a member of RE100, the Group is 100% committed to renewable energy by 2020.

These are key focus areas for YNAP and a number of projects are underway to reduce emissions from commuting and shipping, for example:

- The Mobility Management programme aims to optimise travel to and from work and improve employees' quality of life. YNAP's Commute Plan looks at ways to promote carpooling and car sharing and improve corporate travel (hybrid company shuttle service or leasing fleet, Bluemotion technology for cleaner engines).
- YNAP is active in zoning and routing system optimization, projects that aim to efficiently manage deliveries, optimizing routes and, consequently, reducing trips and fuel consumption.
- YNAP encourages remote working, as it reduces travel for its employees. It provides technological facilities to employees working remotely, enabling them to participate in video conferences, web meetings, etc.
- YNAP participates in DHL's GOGREEN programme, measuring and reducing its carbon footprint and offsetting emissions through investments in climate protection projects. The collaboration focuses on only a portion of the shipping DHL does for the Group, in particular the items that are sent intra-group between distribution centres in Bologna and Hong Kong. The Group is evaluating whether to extend the initiative. DHL runs the programme on its international air freight service and calculates emissions based on the exact weight of packages and the distance covered. Through the DHL GOGREEN program it was possible to achieve a reduction of 3,040 tons of CO₂ equivalent in 2016.

Direct GHG emissions (Scope 1)

Scope 1 includes all direct emissions of greenhouse gases. In the case of YNAP, these are CO₂ emissions generated by the consumption of natural gas for heating and from its own vehicle fleet.

Emissions from vehicles refer to the company's electric hybrid fleet of cars that are assigned to senior management and a limited number of pool cars that can be used by all employees at our Italian locations. Total emissions from business travel were 179 tons of CO₂ in 2016.

Emissions in 2016 from the Premier Delivery service in London, Manhattan, Connecticut and Hong Kong – carried out with a fleet of 59 vans owned by YNAP – were 688 tons of CO₂ in 2016.

Note:

Source for calculation method: 'Greenhouse gas reporting – Conversion factors 2016' – Department for Business, Energy & Industrial Strategy (UK) – 2.65464 kg CO₂/litres (diesel); 2.18614 kg CO₂/litres (petrol).

The following table presents emissions from use of natural gas.

TOTAL DIRECT EMISSIONS (TONS OF CO₂)

Natural gas (consumption for heat)	686
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Note:

The data is based on direct energy consumption reported in the 'Energy consumption – natural gas' table. CO₂ emissions were calculated using the coefficient of 2.02 kg CO₂ per cubic metre of natural gas. (Source: 'Greenhouse gas reporting – Conversion factors 2016' – Department for Business, Energy & Industrial Strategy (UK)).

Energy indirect GHG emissions (Scope 2)

Scope 2 covers CO₂ emissions generated by the purchase of electricity.

In accordance with the new version of "GHG Protocol Scope 2 Guidance – An amendment to the GHG Protocol Corporate Standard", YNAP has calculated Scope 2 emissions using the dual reporting approach based on the following methodologies:

- **Location-based method:** emissions are calculated based on average emission factors for national electricity networks that the Group uses.
- **Market-based method:** emissions are calculated based on emission factors defined in contracts with electricity suppliers. For YNAP's first report, in the absence of specific contractual information under the 'Quality criteria' of the GHG Protocol, YNAP has used emission factors of the 'residual mix' for emissions linked to non-renewable electricity supplies at its UK and Italian facilities. As for renewable supplies at these facilities, the application of GO Certificates has offset these emissions (more than 2,600 tons of CO₂). For all other locations, national average figures have been used. YNAP is committed to improving its methodology for 'market-based' calculation by working with its energy suppliers to identify specific emission factors.

LOCATION-BASED METHOD

TOTAL INDIRECT EMISSIONS (TONS OF CO ₂)	
Electricity purchased	9,778

Notes:

The figure has been estimated based on data in the 'Energy consumption – electricity' table.

Emissions have been calculated with the following coefficients: Italy (0.39899 kg CO₂/kWh); UK (0.40957 kg CO₂/kWh); US (0.49845 kg CO₂/kWh); Japan (0.52941 kg CO₂/kWh); Hong Kong and China (0.76969 kg CO₂/kWh).

Sources: for Italy, US, Japan, Hong Kong and China: 'Greenhouse gas reporting – Conversion factors 2015' – Department of Energy & Climate Change (UK); for the UK: 'Greenhouse gas reporting – Conversion factors 2016' – Department for Business, Energy & Industrial Strategy (UK).

MARKET-BASED METHOD

TOTAL INDIRECT EMISSIONS (TONS OF CO ₂)	
Electricity purchased	7,135

Notes:

The figure has been estimated based on data in the 'Energy consumption – electricity' table.

CO₂ emissions from electricity purchases have been calculated based only on energy consumption from non-renewable sources.

Emissions have been calculated with the following coefficients: US (0.49845 kg CO₂/kWh); Japan (0.52941 kg CO₂/kWh); Hong Kong and China (0.76969 kg CO₂/kWh). Source: 'Greenhouse gas reporting – Conversion factors 2015' – Department of Energy & Climate Change (UK).

Emission factors for the residual mix were used for Italy (0.43459 kg CO₂/kWh) and the UK (0.48284 kg CO₂/kWh). Source: 'European Residual Mixes 2015 – Association of Issuing Bodies. Version 1.0, May 2016'.

Energy indirect GHG emissions (Scope 3)

Scope 3 includes emissions that, despite being connected with the Group's core business, are not directly controlled by YNAP.

Emissions from electricity consumption by strategic partners

YNAP, in partnership with strategic suppliers at its Interporto warehouse (Bologna), is starting to report on GHG emissions deriving from their energy consumption for activities carried out on behalf of YNAP.

TOTAL INDIRECT EMISSIONS DERIVING FROM CONSUMPTION OF STRATEGIC PROVIDERS (TONS OF CO ₂)	
Electricity purchased	923

Note:

Emissions have been calculated based on electricity consumption in those parts of the Interporto warehouse that are managed by YNAP's strategic suppliers. The following coefficient has been used: Italy (0.39899 kg CO₂/kWh). Source: 'Greenhouse gas reporting - Conversion factors 2015' - Department of Energy & Climate Change (UK)

Emissions from deliveries

YNAP is monitoring and reporting on its 2016 environmental impacts linked to shipments to the final customer, a factor that represents its main source of indirect emissions. Emissions generated by YNAP's main suppliers for this service (UPS and DHL) were 55,084 tons of CO₂ equivalent, coming from more than 9 million shipments to final customers and YNAP's regional distribution centres.

Environmental impact of employee travel

Environmental impacts arising from employee travel at YNAP are mostly linked to emissions from air travel. The impact of rail travel is limited. This is due to the Group's international presence and the need for travel arising from the merger process. The Group is working to develop a corporate culture that encourages video-conferencing and that will progressively increase tele-working.

There is an additional impact from use of personal vehicles for business purposes. In future, the Group intends to extend its reporting activities to cover these emissions too. Through the Jojob carpooling initiative, the company has saved about 2 tons of CO₂ emissions from 605 journeys totalling over 16,000 km.

TOTAL INDIRECT EMISSIONS FROM BUSINESS TRAVEL (TONS OF CO ₂ E)	
Air travel	2,547
Rail travel	31

Note:

Indirect emissions from business travel were calculated based on kilometres travelled by air and train, as provided by travel agencies working for YNAP. For calculating CO₂ equivalent emissions from air travel, conversion factors were used to cover the different categories ('domestic', 'short haul' e 'long haul'); for rail travel, 'international rail' conversion factors were used to calculate emissions. Source: 'Greenhouse gas reporting – Conversion factors 2016' – Department for Business, Energy & Industrial Strategy (UK).

G4-EN19 Reduction of GHG emissions

→ See: G4-EN15, G4-EN16, G4-EN17 Direct and indirect GHG emissions

EFFLUENTS AND WASTE

G4-EN23 Total weight of waste by type and disposal method

Waste at YNAP mostly relates to packaging and office materials. The Group raises awareness among employees by equipping offices with bins and containers for correct waste disposal. Furthermore, it promotes the recycling and re-use of electronic and IT equipment. For example, PCs, mobile phones and other items are donated to schools and non-profit organisations.

Of the 2,589 tons of waste generated in 2016, 64% came from paper and cardboard packaging as can be expected from the nature of YNAP's business. Waste disposal method has been determined based on information provided by the waste disposal contractors. A total of 86% of waste was recycled; the rest went in part to waste-to-energy plants (6%) and in part to landfill (8%).

TYPE OF WASTE (TONS)	
Non-hazardous waste	2,586
<i>Paper and cardboard packaging</i>	1,650
<i>Plastic</i>	72
<i>Wooden packaging / wood</i>	200
<i>Other</i>	664
Hazardous waste	3
Total	2,589

Notes:

Waste consumption of Mi Shang Trading Co. Ltd, YOOX Japan KK, YOOX Asia Ltd, The NET-A-PORTER Group China Limited, YNAP Corporation for Clifton Distribution Center, The NET-A-PORTER Group Asia Pacific Limited for HK Office and NET-A-PORTER Group Ltd for Westfield (only confidential paper is reported) is excluded from the 2016 reporting scope. Data relating to the Italian offices do not include the quantities of waste managed through local municipal companies.

Hazardous waste is mainly toner and electronic devices. The category 'other' includes the disposal of mixed recyclables packaging and metal and general waste.

SUPPLIER ENVIRONMENTAL ASSESSMENT

G4-EN33 Environmental impacts in the supply chain and actions taken

→ See: G4-12 Organisation's supply chain

Social – Labour practices and decent work

EMPLOYMENT

G4-LA1 New employee hires and employee turnover

The reporting period 2016 coincided with the initial phase of integration following the merger of YOOX GROUP and the NET-A-PORTER GROUP in late 2015. Employee numbers in the period were particularly influenced by this process, which represented an extraordinary event in the context of rapid business growth. Furthermore, YNAP's employee base is subject to greater variations because of the high representation of younger, more mobile employees (**40% of employees at end-2016 were aged 30 or under**).

In this context, 1,136 employees joined the company in 2016 with 1,045 leaving, resulting in a turnover rate of 25.3%. During the year, 63% of new hires were women and 64% were aged 30 or under.

EMPLOYEES HIRED AND WHO LEFT THE GROUP (No.)	MALE	FEMALE	TOTAL
Employees hired	416	720	1,136
Employees who left the Group	397	648	1,045

EMPLOYEES HIRED AND WHO LEFT THE GROUP BY AGE (No.)	<30	30-40	41-50	>50
Employees hired	722	319	60	35
Employees who left the Group	552	398	70	25

EMPLOYEES HIRED AND WHO LEFT THE GROUP BY REGION (No.)	ITALY	UK	US	CHINA	JAPAN	HONG KONG	TOTAL
Employees hired	254	495	310	13	6	58	1,136
Employees who left the Group	107	533	330	12	1	62	1,045

G4-LA2 Benefits provided to full-time employees

YNAP carefully considers the importance of employee welfare, conscious that providing social, health and wellness benefits is the best way to retain employees and build a highly committed workforce. During 2016 a welfare and wellbeing survey was conducted on a representative panel of employees at Italian locations. The survey was the first initiative of this kind for the company and will be expanded to include employees in other locations. The results have been used to define future actions to align the Group's welfare offering to actual employee needs. The following examples are representative of the Group's

approach to welfare and its main initiatives:

- YNAP recognises and awards its employees for their work and helps internal teams foster relationships with one another through team-building initiatives and social activities.
- YNAP supports mothers with flexi-hours programmes and tele-commuting.
- The Group provides classes on yoga, meditation and dance; organises fun and educational activities for the children of staff; runs health awareness campaigns and provides a direct assistance line to a psychologist to help support employees on work-related issues (stress, etc.).

YNAP cares about its employees and values the contribution that each one brings to the organisation.

YNAP believes in rewarding its employees for their efforts and dedication to work. According to this vision, YNAP plans a welfare programme which provides exclusive incentives and benefits for all employees for improving quality of life and well-being. The main benefits are:

- Life insurance
- Medical and hospitalisation benefits
- Disability and invalidity coverage through the inclusion in the Group's life and personal accident insurance policy
- Parental, maternity & family care leave
- Paid sick leave
- Staff discount on the Group's multi-brand online stores
- Initiatives encouraging a healthy and sustainable lifestyle (gym courses, healthy meals, etc.).

OCCUPATIONAL HEALTH AND SAFETY

G4-LA6 Injuries, occupational diseases, lost days and absenteeism

Management of occupational health and safety is a priority for YNAP, which invests to preventative action, training and raising awareness of good practices internally.

In order to comply with occupational health and safety legislation, particularly with regards to Legislative Decree 81/08, the Group has adopted for Italy and Japan an Occupational Health and Safety Management System compliant to BS OHSAS 18001:2007 and certified by qualified third parties. In addition, YNAP has adopted for Italy and Japan an Environmental Management System compliant to the UNI EN ISO 14001:2004, integrated with the Occupational Health and Safety Management System, certified by qualified third parties. The Group is working towards extending this certifications to UK and US facilities as well.

In 2016, there were 51 injuries recorded resulting in a total of 703 absentee days. Our US locations recorded a total number of 38 injuries. These were not serious injuries and each resulted in a limited number of absentee days. For this reason, there was no need to implement corrective measures to the H&S Management System. No fatal accidents were recorded.

Injuries occurring while commuting need only be recorded by relevant Italian regulations. At Italian locations, 16 such injuries were recorded, leading to 204 absentee days. There was one case of occupational illness (UK).

YNAP commits to reporting the frequency and seriousness of injuries, absentee rates and occupational illness rates from 2017. Change management processes on human resources systems and applications were put in place in 2016 and will allow hours worked and hours scheduled to be worked to be registered in the same way at Group level.

INJURIES (No.)	MALE	FEMALE	TOTAL
Italy (excluding injuries while commuting)	2	-	2
UK	3	7	10
US	22	16	38
Hong Kong	-	1	1
China	-	-	-
Japan	-	-	-
Total	27	24	51

ABSENTEE DAYS DUE TO INJURIES (DAYS)	MALE	FEMALE	TOTAL
Italy	36	-	36
UK	46	382	428
US	120	118	238
Hong Kong	-	1	1
Total	202	501	703

TRAINING AND EDUCATION

G4-LA9 Average hours of training

Employee learning and development are key to helping staff grow professionally. Through the global development offer, employees can access a wide variety of learning instruments.

A total of 25,265 hours of training were provided through the Learning & Development team in 2016. Company departments also can organise specific training activities to meet their varying learning and development needs. In order to support employees in the Operations team in 2016, about 29,000 hours of training were delivered (relative to DC2 and DC3). This training on inbound and outbound processes and quality control served to ensure high service levels.

➔ More information on learning & development can be found in the 'Education' chapter

Note:

Total training hours include 4,300 hours of induction training for employees hired at UK and US locations that were estimated based on average training hours. YNAP is aligning its training data collection at Group level, which will allow for reporting on average hours of training by gender and by employee category from the next reporting year.

G4-LA11 Employees receiving regular performance and career development reviews

YNAP's continued success depends on employees' ability to maintain and drive the highest standards of performance in their roles, in line with business aims and objectives.

Effective two-way communication with employees is key to create a high-performance culture focused on the identification of clear individual goals and a continuous performance management process. For this reason, employees and managers are encouraged to meet regularly throughout the year to ensure continual feedback, guidance, direction and recognition. To support the career development of employees and in response to feedback from across the Group, the annual performance review process MYPR (My Performance Review) has been simplified. This will make sure that all employees are evaluated in the same way across all global locations. In addition, the Performance Management Policy has been designed to be used in conjunction with the MYPR to provide support to all employees, from motivating and engaging high performers to addressing performance gaps.

YNAP, which is reviewing and aligning its performance evaluation systems at Group level, will report quantitative information for this indicator from the next reporting year.

DIVERSITY AND EQUAL OPPORTUNITY

G4-LA12

Governance bodies and employee numbers according to gender and other indicators of diversity

EMPLOYEES BY CATEGORY AND GENDER (No.)	MALE	FEMALE	TOTAL
Executive Team (1) and Top Management	14	5	19
Senior and Middle Management	90	95	185
Office workers	1,512	2,412	3,924
Total	1,616	2,512	4,128

EMPLOYEES BY CATEGORY AND AGE (No.)	<30	30-40	41-50	>50	TOTAL
Executive Team (1) and Top Management	-	4	11	4	19
Senior and Middle Management	3	113	54	15	185
Office workers	1,656	1,714	340	214	3,924
Total	1,659	1,831	405	233	4,128

(1) Executive Team – YNAP is actively monitoring its company-wide gender data. In 2017 there were positive developments within the Executives Team with the appointment of the Chief People Officer, Deborah Lee, and the President Off-Season, Alessandra Rossi. With these two recent appointments YNAP increased to four the number of women in leadership positions, taking to 50% the proportion of women who are direct reports to the CEO.

→ For information about the composition of governance bodies in terms of diversity, see the Report on Corporate Governance and Ownership Structure 2016

EQUAL REMUNERATION FOR WOMEN AND MEN

G4-LA13

Ratio of basic salary and remuneration of women to men

In terms of basic salary, women in executive, top management, senior and middle management roles are earning on average 14% more than their male counterparts (22% and 5% respectively). In the rest of the organisation, women are still at a disadvantage (by 9% on average), a situation that is common in most developed economies (see Eurostat Gender Pay Gap statistics and SDG Index compiled by Sustainable Development Solutions Network and the Bertelsmann Stiftung). YNAP commits to continue reporting these numbers publicly every year and will work transparently to understand and close pay gaps where they exist throughout the company.

RATIO OF BASIC SALARY OF WOMEN TO MEN BY EMPLOYEE CATEGORY

Executive Team and Top Management	122%
Senior and Middle Management	105%
Office workers	91%

Note:

For this first reporting year the ratio has been calculated considering the basic salary only. YNAP is evaluating the future disclosure of this ratio based also on remuneration figures and by significant location of operation considering data confidentiality.

→ See: “Empowering Women”

SUPPLIER ASSESSMENT FOR LABOUR PRACTICES

LA15

Actual and potential negative impacts for labour practices in the supply chain

→ See: G4-12 Organisation’s supply chain

LABOUR PRACTICES GRIEVANCE MECHANISMS

G4-LA16

Grievances about labour practices

→ See: G4-56 Values, principles, standards and norms of behaviour

Social – Human Rights

INVESTMENT

G4-HR2

Total hours of employee training on human rights

→ See: G4-56 Values, principles, standards and norms of behaviour

NON-DISCRIMINATION

G4-HR3 Incidents of discrimination

No incidents of discrimination were recorded in 2016.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

G4-HR4 Operations and suppliers at risk

Based on YNAP's activities and its geographical presence, no activities or suppliers currently assessed have been identified in which freedom of association or the right to collective bargaining could be exposed to significant risks.

→ See: G4-12 Organisation's supply chain

CHILD LABOUR

G4-HR5 Operations and suppliers at risk

→ See: G4-12 Organisation's supply chain

FORCED OR COMPULSORY LABOUR

G4-HR6 Operations and suppliers at risk

→ See: G4-12 Organisation's supply chain

SUPPLIER HUMAN RIGHTS ASSESSMENT

G4-HR11 Significant negative human rights impacts in the supply chain

→ See: G4-12 Organisation's supply chain

HUMAN RIGHTS GRIEVANCE MECHANISMS

G4-HR12 Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms

→ See: G4-56 Values, principles, standards and norms of behaviour

Social – Society

ANTI-CORRUPTION

G4-SO5 Confirmed incidents of corruption and actions taken

No incidents of corruption were recorded in 2016.

ANTI-COMPETITIVE BEHAVIOUR

G4-SO7 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

No legal action related to anti-competitive behaviour, anti-trust or monopoly practices was recorded in 2016.

COMPLIANCE

G4-SO8 Fines and sanctions for non-compliance with laws and regulations

In 2016 the Group received no significant fines or non-monetary sanctions for non-compliance with laws and regulations.

SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY

G4-SO10 Significant negative impacts on society in the supply chain

→ See: G4-12 Organisation's supply chain

GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY

G4-SO11 Number of grievances about impacts on society

→ See: G4-56 Values, principles, standards and norms of behaviour

Social – Product responsibility

CUSTOMER HEALTH AND SAFETY

G4-PR1 Product and service categories for which health and safety impacts are assessed for improvement

YNAP manages processes to ensure that product quality is held in high consideration with an emphasis on compliance with quality and safety standards. It adopts quality control guidelines and operating procedures to ensure methods and criteria meet high product quality standards. Within these procedures, quality critical issues are identified to enable frequent updating and improvement of these significant aspects.

In particular, there is a process in place that YNAP's buyers are required to follow when placing purchases of new products. For any products that are subject to technical or safety standards (e.g. electrical goods, sunglasses, cosmetics etc.), the Group has an established procedure, complete with internal training guidelines, and does not make any products available on site until it is assured of their compliance in these areas. Checklist are followed before placing an order to ensure that a full technical file of documents is in place for each applicable product.

Clothing, bags, shoes and accessories are labelled in accordance to Group shipping instructions which are based on applicable international legislation.

The procurement process is distinguished by intense product selection and quality control which takes account of specific economic, quantitative, ethical and sustainability criteria. YNAP carries out continuous and strict quality checks on all products before their digitalisation and selling, meeting high quality and security standards. This process is subject to continual improvements and it involves qualified suppliers, designers, manufacturers and dealers.

G4-PR2 Incidents of non-compliance with product health and safety regulations and voluntary codes

No incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services were recorded in 2016.

PRODUCT AND SERVICE LABELING

G4-PR5 Results of surveys measuring customer satisfaction

YNAP is committed to reporting results of its customer satisfaction measurements in future reporting periods.

→ See: "Listening and responding to customers"

MARKETING COMMUNICATIONS

G4-PR6 Sale of banned or disputed products

→ See: "We have joined the Fur Free Retailer Program" and "Collaboration for responsible jewellery"

CUSTOMER PRIVACY

G4-PR8 Substantiated complaints regarding breaches of customer privacy and losses of customer data

No significant complaints regarding breaches of customer privacy or losses of customer data were recorded in 2016.

COMPLIANCE

G4-PR9 Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

In 2016 there have not been incidents of non-compliance with regulations and voluntary codes concerning the provision and use of products.

HOW WE APPROACH OUR MATERIAL TOPICS

YNAP is aware of the extent of its economic, environmental and social impacts and recognises which stakeholders are affected by its business, both internally ('inside') and externally ('outside'). For this reason, the **"boundary"** has been reported for each material topic.

Topics identified as material **'inside'** the organization apply to all entities of the organisation and no specific limitations have been identified; employees perspective has also been incorporated when the inside boundary has been defined. For topics identified as material **'outside'** the organisation, the stakeholders for which each topic is material have been reported and a 'worldwide' geographical location has been identified. Since this is the first report for the Group, the disclosed impacts in the Sustainability Report relate mostly to internal boundaries.

To guarantee that the 'Principle of Materiality' is consistently applied, all topics identified as material through the materiality process have been **linked to GRI-G4 topics**. Some topics that were identified as material through the materiality process (**'YNAP Material Topic'**) were not directly attributable to G4 topics because they are specific to YNAP's business.

The following table summarises for each material topic the internal and external boundaries and links to GRI-G4. The 'Disclosure on management approach' column indicates where in the report information can be found about how YNAP responds to its impacts for all material topics.

MATERIAL TOPICS	BOUNDARY			LINK TO GRI-G4 TOPICS	DISCLOSURE ON MANAGEMENT APPROACH
	INSIDE	OUTSIDE	STAKE-HOLDERS		
Customer engagement	•	•	Customers	Stakeholder engagement	See: "Listening and responding to customers" in the "Responsibility" chapter
Customer & brand partner satisfaction	•	•	Customers Brand partners	Product Responsibility – Product and Service Labelling	See: "Listening and responding to customers" and "Customer priorities" in the "Responsibility" chapter
Gender equality	•	•	Community Government and public sector organisations	Labour Practices and Decent Work - Diversity and Equal Opportunity	See: "Empowering Women" chapter See: G4-15
Employee engagement	•			Stakeholder engagement	See: "How we are building our company culture" and "Driving digital education" in the "Education" chapter
Ethical business conduct	•	•	Brand partners Customers Suppliers and strategic partners Government and public sector organisations	Ethics and integrity Society – Anti-corruption Society – Anti-competitive Behaviour Society – Compliance Labour Practices and Decent Work – Labour Practices Grievance Mechanisms Human Rights – Human Rights Grievance Mechanisms Society – Grievance Mechanisms for Impacts on Society	See: G4-56

MATERIAL TOPICS	BOUNDARY			LINK TO GRI-G4 TOPICS	DISCLOSURE ON MANAGEMENT APPROACH
	INSIDE	OUTSIDE	STAKE-HOLDERS		
Innovation management	•	•	Customers Brand partners Suppliers and strategic partners	YNAP Material Topic	See: "Education" and "Responsibility" chapters
Responsible sourcing & buying	•	•	Brand partners Suppliers and strategic partners	Environmental – Supplier Environmental Assessment Labour Practices and Decent Work – Supplier Assessment for Labour Practices Human Rights – Supplier Human Rights Assessment Society – Supplier Assessment for Impacts on Society Product Responsibility – Marketing Communication	See: "The supply chain" in the "Responsibility" chapter See: G4-12
Sustainable packaging	•	•	Customers	Environmental – Materials	See: "We are delivering sustainable packaging" in the "Responsibility" chapter See: G4-EN1
Talent retention & attraction	•	•	Community Academic institutions	Labour Practices and Decent Work – Employment Labour Practices and Decent Work – Equal Remuneration for Women and Men	See: "Empowering our people" in the "Education" chapter See: G4-LA13
Waste & water	•	•	Community	Environmental – Water Environmental – Effluents and Waste	See: G4-EN8 and G4-EN23

MATERIAL TOPICS	BOUNDARY			LINK TO GRI-G4 TOPICS	DISCLOSURE ON MANAGEMENT APPROACH
	INSIDE	OUTSIDE	STAKE-HOLDERS		
Brand protection & management	•	•	Brand partners	YNAP Material Topic	See: "Customer priorities" in the "Responsibility" chapter
Carbon emissions	•	•	Customers Brand partners Suppliers and strategic partners	Environmental – Emissions	See: G4-EN15, G4-EN16 and G4-EN17
Career development & training	•			Labour Practices and Decent Work – Training and Education	See: "How we nurture and develop talent" in the "Education" chapter See: G4-LA9 and G4-LA11
Community involvement	•	•	Community Non-profit organizations, NGOs and charities	Economic – Economic Performance	See: "Driving digital education" in the "Education" chapter and "Making a difference in our communities" in the "Responsibility" chapter
Creation of employment & job stability	•	•	Community	Labour Practices and Decent Work – Employment Economic – Market Presence	See: "How we nurture and develop talent" in the "Education" chapter
Data security & business continuity	•	•	Brand partners Customers	Product Responsibility – Customer Privacy	See: "Customer priorities" in the "Responsibility" chapter See: Report on Corporate Governance and Ownership Structure 2016
Supplier management	•	•	Suppliers and strategic partners	Economic – Procurement Practices	See: G4-12
Energy use	•	•	Suppliers and strategic partners	Environmental – Energy	See: "Our environmental impact" in the "Responsibility" chapter See: G4-EN3

MATERIAL TOPICS	BOUNDARY			LINK TO GRI-G4 TOPICS	DISCLOSURE ON MANAGEMENT APPROACH
	INSIDE	OUTSIDE	STAKE-HOLDERS		
Product quality	•	•	Customers	Product Responsibility – Customer Health and Safety Product Responsibility – Compliance	See: G4-PR1
Health & safety	•			Labour Practices and Decent Work – Occupational Health and Safety	See: G4-LA6
Human rights	•	•	Suppliers and strategic partners	Human Rights – Investments Human Rights – Non-discrimination Human Rights – Freedom of Association and Collective Bargaining Human Rights – Forced or Compulsory Labour Human Rights – Child Labour Human Rights – Human Rights Grievance Mechanisms Human Rights – Supplier Human Rights Assessment	See: G4-12 and G4-56
Employee welfare	•			Labour Practices and Decent Work – Employment	See: G4-LA2 See "How we are building our company culture" in the "Education" chapter

GRI – UN GLOBAL COMPACT PRINCIPLES LINKING TABLE

GLOBAL COMPACT PRINCIPLES		GRI DISCLOSURES
Human rights	Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights	G4-HR2, G4-HR12
	Principle 2 Business should make sure they are not complicit in human rights abuses	G4-HR11
Labour	Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	G4-11, G4-HR4
	Principle 4 Businesses should uphold the elimination of all forms of forced and compulsory labour	G4-HR6
	Principle 5 Businesses should uphold the effective abolition of child labour	G4-HR5
	Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation	G4-10, G4-EC6, G4-LA1, G4-LA9, G4-LA11, G4-LA12, G4-LA13, G4-HR3
Environment	Principle 7 Businesses should support a precautionary approach to environmental challenges	G4-EN1, G4-EN3, G4-EN8, G4-EN15, G4-EN16, G4-EN17
	Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility	G4-EN1, G4-EN3, G4-EN8, G4-EN15, G4-EN16, G4-EN17, G4-EN19, G4-EN23, G4-EN33
	Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies	G4-EN19
Anti-corruption	Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery	G4-56, G4-SO5

INDEPENDENT ASSURANCE REPORT



KPMG S.p.A.
Revisione e organizzazione contabile
Via Innocenzo Malvasia, 6
40131 BOLOGNA BO
Telefono +39 051 4392511
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

Independent auditors' report on the sustainability report

To the board of directors of
YOOX NET-A-PORTER GROUP S.p.A.

We have carried out a limited assurance engagement of the sustainability report for the year ended 31 December 2016 of the YOOX NET-A-PORTER Group (the "Group").

Directors' responsibility for the sustainability report

The parent's directors are responsible for the preparation of the sustainability report in accordance with the *G4 Sustainability Reporting Guidelines*, issued in 2013 by GRI – Global Reporting Initiative, that are detailed in the "Methodological note" section of the sustainability report, as well as for that part of internal controls that they consider necessary for the preparation of a sustainability report that is free from material misstatement, due to fraud or unintentional conduct or events. They are also responsible for defining the Group's objectives regarding its sustainability performance, the reporting of the achieved results and the identification of the stakeholders and the significant matters to report.

Auditors' independence and quality control

We have complied with independence requirements as well as the other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, based on the fundamental requirements of integrity, objectivity, competence and due care, confidentiality and professional behaviour.

We apply the *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, we maintain a quality control system which includes documented policies and procedures on the compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent auditors' responsibility

Our responsibility is to express an opinion based on our procedures. We carried out our work in accordance with the criteria established by *International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than*

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Società per azioni
Capitale sociale
Euro 9.525.650,00 i.v.
Registro Imprese Milano e
Codice fiscale N. 00109620159
R.E.A. Milano N. 512687
Luogo Milano
Partita IVA 00709620159
VAT number IT00709620159
Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA



Audits or Reviews of Historical Financial Information (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) applicable to limited assurance engagements. This standard requires that we plan and perform procedures to obtain limited assurance about whether the report is free from material misstatement.

These procedures were carried out on the basis of our professional judgement and include inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, documental analyses, recalculations, findings and other evidence gathering procedures, as appropriate.

These procedures were related to the compliance with the principle for defining report content and quality, as articulated in the *G4 Sustainability Reporting Guidelines*. In particular, we carried out the following procedures:

- comparing the information and data presented in the "Direct economic value generated and distributed" section of the sustainability report to the corresponding financial information and data included in the Group's consolidated financial statements as at and for the year ended 31 December 2016, on which we issued our report dated 2 March 2017 pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010;
- holding interviews aimed at analysing the governance system and the process for managing the sustainable development issues relating to the Group's strategy and activities;
- analysing the reporting of significant matters process, specifically how these matters are identified and prioritised for the each stakeholder category and how the process outcome is validated internally;
- analysing how the processes underlying the generation, recording and management of quantitative data included in the sustainability report operate. In particular, we have performed the following:
 - interviews and discussions with management personnel of YOOX NET-A-PORTER GROUP S.p.A. and personnel of NET-A-PORTER GROUP LTD., to gather information on the IT, accounting and reporting systems used in preparing the sustainability report, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the sustainability report;
 - sample-based analysis of documentation supporting the preparation of the sustainability report to confirm the existence and adequacy of processes and that the internal controls correctly manage data and information in relation to the objectives described in the sustainability report;
- analysing the compliance and overall consistency of the qualitative information included in the sustainability report with the guidelines referred to herein in the "Directors' responsibility for the sustainability report" paragraph;
- analysing the stakeholder involvement process, in terms of methods used, by reading the minutes of the meetings or any other information available about the salient features identified;



- obtaining the representation letter signed by the legal representative of YOOX NET-A-PORTER GROUP S.p.A. on the compliance of the sustainability report with the guidelines indicated in the "Directors' responsibility for the sustainability report" paragraph and on the reliability and completeness of the information and data contained therein.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000, and, therefore, it does not offer assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

Conclusions

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2016 sustainability report of the YOOX NET-A-PORTER Group has not been prepared, in all material respects, in accordance with the G4 Sustainability Reporting Guidelines, issued in 2013 by GRI – Global Reporting Initiative, that are detailed in the "Methodological note" section of the sustainability report.

Bologna, 10 April 2017

KPMG S.p.A.


Gianluca Geminiani
Director of Audit

CONTACTS

We welcome your views about our efforts to be a more sustainable company

You can contact us at:

sustainability@ynap.com

For press inquiries:

press@ynap.com

Online

Discover more about YOOX NET-A-PORTER GROUP's Sustainability online at

www.ynap.com/sustainability

For further information: www.ynap.com

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