

YOOX NET-A-PORTER GROUP

Modern slavery statement for financial year 2017

This statement has been published in accordance with the Modern Slavery Act 2015, and sets out the steps that YOOX NET-A-PORTER GROUP has taken, and continues to take, to ensure that modern slavery and human trafficking is not taking place within our business and supply chain.

Introduction

Modern slavery includes slavery, servitude, human trafficking and forced labour. YOOX NET-A-PORTER GROUP (YNAP, the Group, or 'we') has a zero tolerance approach to any form of modern slavery. As a signatory to the United Nations Global Compact, we are fully committed to putting effective systems and controls in place to safeguard against any form of modern slavery taking place within our business and our supply chain.

More broadly, we are committed to acting responsibly in all business dealings, from our vision right through to our day-to-day actions. We are committed to acting transparently, and to periodically reporting social and environmental performances. The Group is also working on its Sustainability Strategy, with the objective to identify commitments on sustainability across its operations.

Our business and supply chain

We are the world's leading online luxury fashion retailer. The Group is a global company with Anglo-Italian roots, and is the result of a merger which in October 2015 brought together YOOX GROUP and THE NET-A-PORTER GROUP. Both companies have been working in the luxury fashion industry since 2000.

- **Over 180 Countries served**
- **10 Local Offices** (Milan, Bologna, London, New York, Los Angeles, Hong Kong, Shanghai, Tokyo, Dubai)
- **8 Distribution Centres** (UK, US, Italy, China, Hong Kong, Japan, UAE)
- **4,703 employees**

The Group covers three distinct business lines, to cater to their respective customer bases with unique and highly-differentiated value propositions. The Group has both in-season and off-season online stores. In-season refers to proprietary businesses where YNAP operates as an e-tailer for the season's luxury fashion collections - and includes its multi-brand in-season online stores NET-A-PORTER and MR PORTER. Off-season refers to proprietary businesses where YNAP operates as an e-tailer mainly for the previous-season designer fashion - and includes its multi-brand off-season online stores YOOX and THE OUTNET. The Group also has numerous ONLINE FLAGSHIP STORES "Powered by YNAP", which are based on relationships with leading fashion and luxury brands, for which YNAP is the exclusive partner.

We have offices and operations in the United States, Europe, Middle East, Japan, China and Hong Kong, and deliver to more than 180 countries around the world. We have 10 local offices and 8 distribution centres, which employ a total of 4,703 employees.

Procurement for the multi-brand online stores is achieved via an international portfolio of suppliers of thousands of brands with different levels of involvement. We have various direct suppliers around the globe, from which we buy our stock and materials for sale. As a large global organisation, we have many

YOOX NET-A-PORTER GROUP

other indirect supply chains, which relate to general business operations. These include - but are not limited to - transport, editorial, customer care, marketing, offices management and technology.

The Group continues to work with the objective to progressively align business structures, policies and practices. An example of this commitment is represented by the Code of Conduct for Suppliers, that has been updated during 2017, and that will be gradually rolled out to all suppliers during 2018. Whilst aligning of policies and practices is of high priority to the Group – it remains an ongoing process. As such, the scope of some of the instruments which we are currently using towards combatting modern slavery may at present cover *either* legacy Net-A-Porter Group, or YNAP S.p.A., as the following sections of this statement will make clear. We are, however, working to harmonise these practices across the Group as a whole going forwards.

Policies

As well as meeting high quality standards in supply chain management, we are committed to ensuring that: working conditions in our supply chains are safe; workers are treated with respect and dignity; manufacturing processes are ethically and environmentally responsible and; the conduct of our business is based on principles of integrity, honesty and fairness.

YNAP's Code of Ethics has been prepared to ensure that the ethical standards adopted by the Group are clearly defined and represent a fundamental part of the corporate culture. They also intend to act as the benchmark for behaviour by all those who work with the Group in the conduct of business and, in general, the performance of their activities. This includes specific reference to the exploitation of labour, and to discrimination based on gender or sexual orientation, race, class, nationality, language, religion, political and philosophical beliefs, political or union affiliation and association, health, disability and age. This Code of Ethics forms an integral part of the prevention and safeguard system currently being adopted by YNAP in accordance with Articles 6 and 7 of Italian Legislative Decree no. 231 of 8 June 2001, which deals with the prevention of criminal liability of legal entities in Italy.

In addition to the Code of Ethics, the Group produced its 'YNAP Way of Working (WoW)'. The document constitutes the Group Code of Conduct and incorporates high level principles which are further detailed in internal policies and procedures (e.g. Whistleblowing Policy, Information Security Policy). The 'WoW' includes also policies related to the key reporting areas (human rights, people management, environment, anticorruption, social topics) identified by the Italian Legislative Decree 254/2016, article 3.

The Group intends to promote a corporate culture, characterized by honest and transparent behaviour and a robust corporate governance system. Our Whistleblowing Policy deals with all types of concerns regarding suspected or alleged violations by YNAP's management, members of corporate bodies, and employees or third parties. It allows all aforementioned recipients an opportunity to anonymously report any suspected wrongdoings or dangers at work, which can provide evidence leading to appropriate remediation. This is detailed in the policies and procedures of the Group, with specific regard to the principles and requirements outlined in the Code of Ethics, Anti-Corruption Compliance Program, Organizational, Management and Control Model. Concerns are managed by the Whistleblowing Committee that communicates results to the heads of the corporate structures affected by the ascertained incidents / violations, ensuring protection, confidentiality and support both to the reporters and to the subjects reported. Corrective measures may be taken as a result of the investigative process.

YOOX NET-A-PORTER GROUP

The reporter always receives feedback about the investigation process and a closing notification. In 2017, a single report was received via the whistleblowing channel. The issues reported did not fall within the scope of modern slavery.

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 the Code of Conduct for Suppliers, which has been updated during 2017. The Code of Conduct for Suppliers is modelled on the Universal Declaration of Human Rights and the International Labour Organization (ILO) conventions, which established international human and labour rights and it is used by YNAP to communicate to its suppliers the key business standards.

YNAP S.p.A., through the Policy on Social Accountability and the Adoption of Standard "SA8000" promises to comply with the principles and requirements prescribed by international standard SA8000:2008 - the transition to the SA8000:2014 version is currently in progress. To render the commitment to comply with the requirements of SA8000 fully effective, YNAP S.p.A. has prepared and disseminated benchmark procedures, which include 'Procedure SA8000 - Remedy for child and minor labour' and 'Procedure SA8000 - Management of indications'.

The Group's Policy on Procurement of goods and services not intended for sale (also known as indirect or 'non-stock' procurement), applicable from January 2017, aims to regulate the activities connected to evaluating and verifying the ethical, legal and financial integrity of such suppliers. As part of the process of 'Certification and management of register of suppliers', suppliers are asked to provide specific declarations on acceptance of the Code of Ethics, of Model 231, and compliance with the principles and requirements of International Standard SA8000.

We feel that these policies are the basis for a robust approach to combatting modern slavery and human rights and so we are not currently pursuing the creation of a separate Human Rights Policy.

Due Diligence, contractual controls and supplier audit

Our standard terms and conditions include specific clauses and principles from the SA8000 standard, which are formally brought to the attention of and acknowledged by the suppliers in a signed declaration. Compliance with the principles is a requirement of doing business with YNAP S.p.A.. The Group works with its suppliers to support their compliance, and reserves the right to take action against those that do not demonstrate sufficient commitment to the Principles, or are in breach of them.

Suppliers of YNAP S.p.A. are required to undergo audits and verifications to examine compliance with the requirements of SA8000, and implement any improvement actions. In addition, Net-A-Porter Group's right to review and conduct audits and / or physical inspections of its suppliers' facilities and records is included in the Code of Conduct for Suppliers. Currently, the Group is planning its audit activities and is defining future targets on the degree of coverage of its suppliers that may be reached through audits and inspections.

All indirect suppliers registering with YNAP S.p.A. need to declare that they acknowledge and agree to the SA8000 policy and terms. This establishes the option for us to carry out SA8000 audits on any such entities. We are currently examining how we can schedule the frequency of this audit process in the future, based on the level of supplier risk.

YOOX NET-A-PORTER GROUP

With reference to audit activities relating to the Off-Season own-label, during 2017, under the coordination of the Own-Label Department, third-party audits were carried out, with reference to the SA8000 Standard, on 14 Italian suppliers to the principal Off-Season own-label. The audits did not reveal any risks related to the violation of the requirements of the SA8000 Social Responsibility. In addition, during 2017 a total of 8 follow-up activities were carried out on suppliers already audited in 2016 to verify the implementation of the suggested improvement actions.

During 2017, with the support of the Group Risk Manager, the Group started mapping the Off-Season own-label supply chain through an ad hoc self-assessment questionnaire sent to suppliers (105 questionnaires sent with a response rate of 55%). Results were analyzed by the Own-Label Department with the objective to classify suppliers on the basis of their potential degree of risk and relevance from a strategic point of view and to plan future audits. Follow-up activities are being carried out based on the results of the self-assessment questionnaires, and with a specific focus on suppliers who did not respond to the questionnaire.

Assessing risk within our supply chain

Selected categories of suppliers to Net-A-Porter, i.e. packaging, editorial and private labels have been asked to register on SEDEX, the Supplier Ethical Data Exchange organisation that aims to driving improvements in ethical and responsible business practices in global supply chains, and complete the self-risk assessment. The registration process on SEDEX has also been started during 2017 for own label suppliers of MR PORTER. The output will be used to perform an internal risk assessment exercise aimed at identifying those vendors that will be subject to audit verifications. Currently this does not cover YNAP S.p.A. suppliers. YNAP S.p.A. suppliers, however, are subject to SA8000 obligations as previously mentioned. Consequently, we believe that YNAP as a whole is equipped with practices aiming to highlight and combat modern slavery.

Net-A-Porter Group has considered industry specific materiality regarding human rights, which can be more significant with regard to in-season product supply chains. The Group is currently working on the renewal of its certification to the Responsible Jewellery Council (RJC), taking into consideration the recent merger and the organisational changes which have occurred. This would then mean the management system for the Group will be certified to RJC standards during 2018.

Net-A-Porter Group has identified a further high risk sourcing area of 'dirty gold'. We address this via our Supplier Code of Conduct. This requires that all suppliers of gold provide assurance that it has been mined in a manner which respects human and labour rights.

The Group, with the coordination of the Group Risk Manager and the support of an external partner, is currently working to develop an algorithm-based procedure to determine the risk level of our suppliers, based on a number of factors including their role and location, sector and possession of social, environmental and health and safety certifications. The Group is also defining a specific methodology in order to integrate social and environmental analysis in the risk assessment methodology. Our external partner will then provide risk monitoring for the highest risk suppliers – and we will work to develop our own practices for monitoring the medium and lower risk suppliers.

YOOX NET-A-PORTER GROUP

Training

We understand the importance on providing regular training on human rights and modern slavery. Within YNAP S.p.A., all employees receive training in the SA8000 standard. During 2017 a total number of 221 new employees in Italy received training on the Standard SA8000. We provide informal, ongoing, demand-based support to suppliers following initial SA8000 training in response to any questions or issues raised. We are currently defining training requirements to cover additional training sessions for other teams which we consider to work in high risk areas. We are also developing a training scheme which will communicate the whistleblowing policy to all employees of YNAP. Furthermore, training on the RJC standards will be provided during 2018 to buying and logistics personnel.

Key performance indicators

In order to evaluate the effectiveness of the measures adopted, the Group worked in 2017 to monitor the main performance indicators, with particular reference to staff training, the number of audits conducted on suppliers and whistleblowing reports. More information on these aspects have been provided in the previous sections. YNAP will continue work to further expand the information provided in terms of training activities and monitoring of the supply chain through the development of the projects described in the previous paragraphs.

Looking ahead

YOOX NET-A-PORTER GROUP continues to develop its approach to human rights. We are confident that the actions we will take to assess the risk levels of our suppliers will help us to monitor them appropriately to reduce the likelihood of the occurrence of modern slavery. Additionally, we are committed to continued harmonization of the scope of our policies and practices, and the extension of training for employees and our suppliers. Beyond this commitment, the Group will continue to discuss the extension of SA8000 at Group level, and the formalisation of our SA8000 audit process.

Approval for this statement

This statement was approved by the Board of Directors of YOOX NET-A-PORTER GROUP S.p.A. and The Net-a-Porter Group Ltd.

Gianluca Gaias
Security, Risk & Compliance Director
March 2018