Glossary


**Civil Code**: the Italian Civil Code.

**Board or Board of Directors**: the Board of Directors of the Issuer.

**Reference year**: the tax year to which the Report refers.

**Merger**: the merger by absorption into YOOX S.p.A. of Largenta Italia S.p.A., pursuant to Article 2504-bis of the Civil Code, which took effect on 5 October 2015.

**Group**: the group to which the company belongs.


**MTA**: the Mercato Telematico Azionario, the Italian screen-based trading system organised and managed by Borsa Italiana S.p.A.

**Stock Exchange Regulation**: the regulation of markets organised and managed by Borsa Italiana S.p.A. in effect at the date of this Report.

**Issuers’ Regulation**: the regulation issued by Consob with Resolution 11971 of 1999 concerning issuers (as subsequently amended).

**Consob Markets Regulation**: the Regulation issued by Consob with Resolution 20249 of 2017 concerning markets.

**Consob Related-Parties Regulation**: the regulation issued by Consob with Resolution 17221 of 12 March 2010 concerning related-party transactions (as subsequently amended).

**Report**: the report on corporate governance and ownership structure that companies must prepare pursuant to Article 123-bis of the TUF.

**TUF**: Legislative Decree 58 of 24 February 1998 (Consolidated Finance Act), as subsequently amended.

**YOOX NET-A-PORTER GROUP, YNAP, Issuer or Company**: YOOX NET-A-PORTER GROUP S.p.A., the issuer of the listed shares referred to in the present report.
## Management and control bodies

### BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>Role</th>
<th>Names</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHIEF EXECUTIVE OFFICER</td>
<td>FEDERICO MARCHETTI&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>CHAIRMAN</td>
<td>RAFFAELLO NAPOLEONE&lt;sup&gt;2,3&lt;/sup&gt;</td>
</tr>
<tr>
<td>DIRECTORS</td>
<td>STEFANO VALERIO</td>
</tr>
<tr>
<td></td>
<td>ROBERT KUNZE-CONCEWITZ&lt;sup&gt;2,5,6&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td>CATHERINE GÉRARDIN VAUTRIN&lt;sup&gt;2,3,5&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td>LAURA ZONI&lt;sup&gt;4&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td>ALESSANDRO FOTI&lt;sup&gt;2,4,5&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td>RICHARD LEPEU&lt;sup&gt;4&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td>CEDRIC BOSSERT&lt;sup&gt;7&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td>EVA CHEN</td>
</tr>
<tr>
<td></td>
<td>VITTORIO RADICE</td>
</tr>
</tbody>
</table>

### BOARD OF STATUTORY AUDITORS

<table>
<thead>
<tr>
<th>Role</th>
<th>Names</th>
</tr>
</thead>
<tbody>
<tr>
<td>STANDING AUDITORS</td>
<td>MARCO MARIA FUMAGALLI – Chairman</td>
</tr>
<tr>
<td></td>
<td>GIOVANNI NACCARATO</td>
</tr>
<tr>
<td></td>
<td>PATRIZIA ARIENTI</td>
</tr>
<tr>
<td>DEPUTY AUDITORS</td>
<td>ANDREA BONECHI</td>
</tr>
<tr>
<td></td>
<td>NICOLETTA MARIA COLOMBO</td>
</tr>
</tbody>
</table>

### INDEPENDENT AUDITOR

<table>
<thead>
<tr>
<th>Role</th>
<th>Names</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>KPMG S.p.A.</td>
</tr>
</tbody>
</table>

### SUPERVISORY BODY

<table>
<thead>
<tr>
<th>Role</th>
<th>Names</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ROSSELLA SCIOLTI – Chairwoman</td>
</tr>
<tr>
<td></td>
<td>MATTEO JAMES MORONI</td>
</tr>
<tr>
<td></td>
<td>ISABELLA PEDRONI</td>
</tr>
</tbody>
</table>

### DIRECTOR RESPONSIBLE FOR PREPARING THE FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>Role</th>
<th>Names</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ENRICO CAVATORTA</td>
</tr>
</tbody>
</table>

### HEAD OF INTERNAL AUDIT

<table>
<thead>
<tr>
<th>Role</th>
<th>Names</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MATTEO JAMES MORONI</td>
</tr>
</tbody>
</table>

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<sup>1</sup> Executive Director in charge of the internal control and risk management system.

<sup>2</sup> Member of the Control and Risk Committee.

<sup>3</sup> Member of the Compensation Committee.

<sup>4</sup> Member of the Directors’ Appointments Committee.

<sup>5</sup> Member of the Related-Party Transactions Committee

<sup>6</sup> Lead Independent Director.

<sup>7</sup> Appointed by the Shareholders’ Meeting of 21 April 2017 after the resignations of Board Member Gary Saage.
1. ISSUER PROFILE

The 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; the two companies had revolutionized the luxury fashion industry since their birth in 2000. YOOX NET-A-PORTER GROUP has a unique business model, with its in-season Multi-brand online stores NET-A-PORTER and MR PORTER, and end-of-season Multi-band online stores YOOX and THE OUTNET, as well as through a number of ONLINE FLAGSHIP STORES “Powered by the YNAP”. Since 2012 the Group has also been Kering’s partner in a joint venture dedicated to the management of the ONLINE FLAGSHIP STORES of the various luxury brands of the French group.

In 2016, YOOX NET-A-PORTER GROUP has joined forces with Symphony, an entity controlled by the family of Mohamed Alabbar to establish a revolutionary joint venture to give birth to the undisputed leader in luxury e-commerce in the Middle East.

YOOX NET-A-PORTER GROUP holds a unique position in the high-growth online luxury segment with more than 3 million active customers, more than 840 million visits worldwide and consolidated Net Revenues of EUR 2.1 billion in 2017. The Group has offices and operations in the United States, Europe, Middle East, Japan, China and Hong Kong and delivers to more than 180 countries worldwide.

YOOX NET-A-PORTER GROUP is listed on the Milan Stock Exchange as YNAP. The ordinary shares of the Issuer were admitted to trading on the MTA on 3 December 2009, and on 23 December 2013 entered the FTSE MIB index, the main index of Borsa Italiana consisting of shares of the 40 leading Italian companies in terms of capitalisation and liquidity.

The Issuer is organised according to the traditional management and control model set out in Articles 2380-bis et seq. of the Civil Code, with a General Meeting, Board of Directors and Board of Statutory Auditors.

On 22 January 2018 Compagnie Financière Richemont SA (“Richemont” or “CFR”) announced pursuant to art. 102, paragraph 1, of the TUF its intention to launch – through RLG Italia Holding S.p.A., a company indirectly fully owned by Richemont (the “Offeror”) – a voluntary tender on 100% of the ordinary shares of YNAP, that will be issued and outstanding, other than those owned by Richemont and the relating holding companies, subsidiaries or companies subject to common control (the “Offer”) on the terms and conditions set, or referred to, in the announcement published by Richemont (the “102 Announcement”).

On 12 February 2018 the Offeror launched the Offer pursuant to article 102, paragraph 3, TUF filing the offering document with Consob which, on 20 February, then notified the suspension of the review period until 7 March 2018. The rationale of the suspension was to allow Richemont to supplement the offer document with the main YNAP financial data as at 31 December 2017. As at the date of this Report, YNAP Board of Directors has not yet convened to express its assessment of the offer. Any assessment of the offer will be disclosed in the press release to be issued by the Company pursuant to article 103, paragraph 3, of TUF and of Article 39 of Consob Regulation n. 11971/1999.

For further information on the offer, please refer to the relevant press releases and documents available on the Company’s website at www.ynap.com (under the section Investor Relations / Public Tender Offer on YNAP shares) as well as on Richemont’s website at www.richemont.com (under the section Investors / YOOX NET-A-PORTER GROUP tender offer).

For more information on the Offer reference is made to the documents retrievable on the Issuer’s website www.ynap.com (Section Investor Relations / Public Tender Offer on YNAP shares).

For information on the shareholders’ agreements reference is made to paragraph 2, lett. g), of the Report.
2. INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ARTICLE 123-BIS OF THE TUF) AS AT 31/12/2017

A) SHARE CAPITAL STRUCTURE (ARTICLE 123-BIS, PARAGRAPH 1, LETTER A), OF THE TUF)

As at 31 December 2017, the subscribed and paid-up share capital was Euro 1,339,762.93 represented by 133,976,293 shares divided into no. 91,163,148 ordinary shares and 42,813,145 shares with no voting rights (B Shares), all without indication of nominal value.

As at the date of the present Report, the subscribed and paid-up share capital was EUR 1,347,794.33 represented by 134,779,433 shares, divided into no. 91,966,288 ordinary shares and 42,813,145 shares with no voting rights (B Shares), all without indication of nominal value.

Categories of shares that comprise the share capital as at the date of this Report:

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of Shares</th>
<th>% of Share Capital</th>
<th>Listed/Unlisted</th>
<th>Rights and Obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary Shares</td>
<td>91,966,288</td>
<td>68.23</td>
<td>MTA/FTSE MIB</td>
<td>A voting right is attached to every share. The rights and obligations of holders of ordinary shares are set out in Article 2346 et seq. of the Civil Code. See section 16 of this Report for more information.</td>
</tr>
<tr>
<td>B Shares</td>
<td>42,813,145</td>
<td>31.77</td>
<td>Unlisted</td>
<td>Shares without voting rights. The rights and obligations of holders of B Shares are set out in the applicable articles of association.</td>
</tr>
</tbody>
</table>

On 11 September 2017, following the exercise by Richemont Holdings (UK) Limited ("RH") of the statutory right provided for by art. 5, paragraph 5 of the Issuer’s articles of association to convert B shares into ordinary shares in order to re-establish its shareholding to 25% of the voting share capital, no. 92,993 YNAP S.p.A. ordinary shares have been issued and allotted. After the conversion, RH interest is equal to no. 22,786,452 ordinary shares and no. 42,813,145 B Shares.

Since 2000, the Issuer has implemented share-based incentive plans, with a view to giving the Group an incentive tool to promote loyalty among directors, managers and employees. The stock option plans represent, for parties with strategic roles that are key to the success of the Company and the Group, an ongoing incentive to maintain adequate management standards, improve Group performance by meeting set targets, increase Group competitiveness and create value for shareholders. For more information on incentive plans as at 31 December 2017, see the Information Documents prepared pursuant to Article 84-bis of the Issuers’ Regulation and held at the Company registered office, and also available according to legal terms on the Company website at www.ynap.com (section on Governance) and the remuneration report prepared pursuant to Article 123-ter of the TUF and Article 84-quater of the Issuers’ Regulation, available under the law on the Company website at www.ynap.com (section on Governance).

B) RESTRICTIONS ON THE TRANSFER OF SHARES (ARTICLE 123-BIS, PARAGRAPH 1, LETTER B), OF THE TUF)

Pursuant to Article 5, paragraph 4, of the articles of association, every holder of B Shares may freely dispose of those shares, with the exception of 1 (one) B Share that must remain in the ownership of the holder of the B Shares for a period of 5 (five) years from the effective date of the Merger. To this end, every holder of B Shares will be considered jointly with every other holder of B Shares qualifying as his/her related party under the IASs/IFRSs from time to time in force, so that, when several holders of B Shares are related parties as defined above, the said obligation shall be understood as fulfilled when one of the parties owns a B share. Without prejudice to the above limit, if B Shares are attributed to parties other than the related parties (as defined above), the B Shares shall be automatically converted into ordinary shares in a ratio of 1:1.

Except as provided in aforementioned art. 5, paragraph 4, of the articles of association, there are no statutory restrictions on the transfer of securities, limits on ownership or acceptance clauses governing the Issuer or other shareholders. More precisely, at the date of the present Report, the shareholders’ agreements described in the following paragraph g) are in force.
C) MAJOR SHAREHOLDINGS (ARTICLE 123-BIS, PARAGRAPH 1, LETTER C), OF THE TUF

As at the date of this Report, shareholders that directly or indirectly own shareholdings of more than 3% of the share capital, through pyramid structures or cross shareholdings, as detailed in communications made pursuant to Article 120 of the TUF, are reported in the table below:

<table>
<thead>
<tr>
<th>DECLARING PARTY</th>
<th>DIRECT SHAREHOLDER</th>
<th>% SHARE OF ORDINARY VOTING SHARE CAPITAL**</th>
<th>% SHARE OF THE TOTAL SHARE CAPITAL (ORDINARY VOTING + B SHARES)**</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMPAGNIE FINANCIÈRE RUPERT</td>
<td>RICHEMONT HOLDING (UK) LIMITED*</td>
<td>24.777</td>
<td>48.672</td>
</tr>
<tr>
<td>RENZO ROSSO</td>
<td>RED CIRCLE INVESTMENTS S.R.L.</td>
<td>3.522</td>
<td>2.403</td>
</tr>
<tr>
<td></td>
<td>RED CIRCLE S.R.L. UNIPERSONALE</td>
<td>1.744</td>
<td>1.190</td>
</tr>
<tr>
<td></td>
<td>RENZO ROSSO</td>
<td>0.373</td>
<td>0.255</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5.639</td>
<td>3.848</td>
</tr>
<tr>
<td>FEDERICO MARCHETTI</td>
<td>FEDERICO MARCHETTI</td>
<td>4.633</td>
<td>3.161</td>
</tr>
<tr>
<td></td>
<td>MAVIS S.R.L.</td>
<td>0.983</td>
<td>0.671</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5.616</td>
<td>3.832</td>
</tr>
<tr>
<td>MOHAMED ALI RASHED ALABBAR</td>
<td>ALABBAR ENTERPRISES S.À R.L.</td>
<td>3.883</td>
<td>2.650</td>
</tr>
<tr>
<td>SCHRODERS PLC</td>
<td>SCHRODERS PLC</td>
<td>3.815</td>
<td>2.603</td>
</tr>
<tr>
<td>T.ROWE PRICE ASSOCIATES, INC</td>
<td>T.ROWE PRICE ASSOCIATES, INC</td>
<td>3.810</td>
<td>2.600</td>
</tr>
<tr>
<td>CAPITAL RESEARCH AND MANAGEMENT COMPANY</td>
<td>CAPITAL RESEARCH AND MANAGEMENT COMPANY</td>
<td>3.057</td>
<td>2.086</td>
</tr>
</tbody>
</table>

(*) RH holds all the no. 42,813,145 B shares issued by YNAP.
(**) The percentages mentioned in the above table refer to the ordinary share capital including YNAP’s own shares (see paragraph i) of this Report).

D) SHARES GRANTING SPECIAL RIGHTS (ARTICLE 123-BIS, PARAGRAPH 1, LETTER D), OF THE TUF

Shares that grant special controlling rights or special powers have not been issued.

The articles of association do not contain provisions relating to majority voting rights pursuant to Article 127-5 of the TUF.

E) EMPLOYEE SHAREHOLDINGS: PROCEDURE FOR EXERCISING VOTING RIGHTS (ARTICLE 123-BIS, PARAGRAPH 1, LETTER E), OF THE TUF

There is no employee shareholding plan in place.

F) RESTRICTIONS ON VOTING RIGHTS (ARTICLE 123-BIS, PARAGRAPH 1, LETTER F), OF THE TUF

As defined in Article 5 of the company’s articles of association, B shares do not grant voting rights in the ordinary or extraordinary general meetings, on the understanding, however, that employees who fully own B shares benefit from any other administrative or corporate rights associated with ordinary shares and rights reserved for holders of special shares in accordance with the applicable and binding provisions.

In addition, Article 14 of the articles of association, with reference to the appointment of the Board of Directors, provides that two directors are appointed on the Board of Directors from the list presented by a board member who also holds B shares, as specified in paragraph 4.1 of this Report.
Concerning the existence of relevant shareholders’ provisions as defined in Article 122 of the TUF, the Issuer is familiar with the following agreements in force at the date of the present Report relating to the Issuer’s shares.

When the Merger Agreement (i.e., the agreement regulating the Merger, executed on 31 March 2015 between YNAP (formerly YOOX), on one side, and Compagnie Financière Richemont S.A. (“Richemont” or “CFR”) and Richemont Holdings (UK) Limited (“RH”), on the other side) was signed on 31 March 2015, the Company, on the one hand, and Richemont and RH, on the other, entered into an agreement containing significant shareholders’ agreements pursuant to Article 122 of the TUF, intended to govern principles relating to certain aspects of the corporate governance of the Company, the rules that apply to the equity investments held by RH in the Company and the relative transfer of (“Shareholders’ Agreement”). The Shareholders’ Agreement includes, inter alia, provisions relating to the reappointment and renewal of the Chief Executive Officer, intended to preserve the independence of Company management, the composition of the Directors’ Appointments Committee and the adoption of new share-based incentive plans, in accordance with the principles of the Shareholders’ Agreement itself. The Shareholders’ Agreement also provides for a commitment on the part of RH, for a period of three years from the effective date of the merger, not to transfer or otherwise dispose of shares of the Company (ordinary shares and B Shares), either directly or indirectly, representing: (i) 25% of the total share capital of YNAP, including at least one B Share; and (ii) 25% of the company’s shares issued for the capital increase under the mandate approved by the General Meeting of 21 July 2015, subscribed by RH.

These restrictions do not limit RH’s right to take part - under the terms and conditions stipulated in the articles of association - in a takeover bid or share swap offer to all the Issuer’s shareholders or to shareholders representing at least 60% of the company’s share capital. Lastly, under the Shareholders’ Agreement, neither Richemont, nor any of its affiliated companies, may, without the prior written consent of YNAP, for a period of three years from the effective date of the merger, purchase shares or other financial instruments of YNAP (including stock options or derivatives relating to the company’s shares), without prejudice to the right to subscribe to any newly issued shares of YNAP issued due to the exercise of the mandate by the Board of Directors or any other subsequent increase in the company’s capital.

On the same date, Richemont and Federico Marchetti (“FM”) signed an agreement (the “Lock-Up Agreement”), under which Mr Marchetti undertook, for the lesser of (x) a period of three years from the effective date of the Merger and (y) the time in which Mr Marchetti holds the position of Chief Executive Officer, not to dispose of any newly issued shares of the Company subscribed by him in any capital increase resolved upon in future by YNAP and in the execution of any new incentive plan.

On 20 January 2018 YNAP received from Richemont an offer containing an irrevocable undertaking by Richemont (“CFR Irrevocable Undertaking”) to announce - by 22 January 2018, 9.00 am, its decision to launch the Offer by publishing (and filing with Consob) the 102 Communication, subject to, among other things: (i) YNAP waiver of a standstill provision undertook by CFR (and his affiliates) pursuant to art. 5.1 of the shareholders’ agreement (the “Shareholders’ Agreement”) entered into on 31 March 2015 between YNAP, Richemont and Richemont Holdings (UK) Limited (“RH”), and the termination of the Shareholder’s Agreement itself; and (ii) the irrevocable undertaking by Federico Marchetti to adhere to the Offer (the “Adhesion Undertaking”).

As a consequence of CFR Irrevocable Undertaking – and subject to the release – and filing with Consob - of the 102 Announcement by 22 January 2018, 9.00 am, on 21 January 2018:

A. YNAP, CFR and RH executed an amendment agreement to the Shareholders’ Agreement (the “Amendment Agreement”) pursuant to which:

(i) YNAP agreed pursuant to and to the effects of art. 5.1 (standstill) of the Shareholders’ Agreement to the announcement and launching of the Offer, as well as to the purchase of YNAP shares in the context thereof, under the terms and conditions set out therein, upon fulfilment of every related formality. In this respect please note that on the same date YNAP’s Board of Directors, in the interest of all Company’s shareholders, resolved – always subject to the publication (and filing with Consob) of the 102 Communication on the above terms – the waiver of the Shareholders’ Agreement standstill provision, accordingly granting the Company’s consent to the purchase, by Richemont (and its affiliates) of YNAP shares and other securities in the context of the Offer, provided that every evaluation of YNAP’s Board of Directors concerning the Offer will be set out in the communication which will be disseminated by the Company pursuant to art. 103, paragraph 3, TUF and art. 39 of the Issuers Regulation; and
(ii) YNAP, CFR and RH agreed to terminate the Shareholders’ Agreement, by mutual consent – with consequent termination of any validity and effect thereof – with effect from, and subject to, the declaration of the occurrence, or of the waiver of, all the conditions set out by the Offer and according to the terms set out therein.

B. FM gave the Adhesion Undertaking, in the context of which Richemont and FM agreed to terminate the Lock-Up Agreement by mutual consent – with consequent termination of any validity and effect thereof – with effect from, and subject to the release - and filing with Consob - of the 102 Announcement.

Notwithstanding the above, Richemont and FM further agreed that, subject to the following conditions, the Lock-Up Agreement will remain valid, fully in force and binding on the parties as if its termination had never occurred: (i) Richemont does not release – and file with Consob – the 102 Announcement in accordance by 09.00 a.m. on 22 January 201; (ii) the Offer is withdrawn or lapses in accordance with its terms.

C. FM gave the Adhesion Undertaking to Richemont. In particular, FM irrevocably undertook to tender, or procure the tendering of, all the no. 5,164,667 YNAP ordinary shares owned, directly or indirectly by FM, (equal to 5.616% of the Company’s share capital as at this Report date) by the fifth business day of the Offer acceptance period. The Adhesion Undertaking further comprises any YNAP ordinary share acquired by FM (including for these purposes shares which FM may come to own as a result of the exercise of options under any YNAP’s share option schemes) prior to the Offer settlement or to the Offer is withdrawn or lapses.

According to the Adhesion Undertaking, FM further granted the Offeror with a call option over any shares acquired by FM (including for these purposes any shares which FM may come to own as a result of the exercise of options under any YNAP’s share option schemes) after the Offer settlement in consideration for the granting of a put option over the same shares granted to FM by the Offeror, both at the same price offered to the shareholders in the context of the Offer.

Any obligation assumed under the Irrevocable Undertaking is without prejudice to FM right (a) to revoke the tendering of the Shares under Article 44, paragraph 7, of the Issuers Regulation and (b) to withdraw from the obligation to tender the Shares under Article 123, paragraph 3, of TUF. In each of such cases, each and all the obligations assumed under the Adhesion Undertaking will terminate and be of no further force and effect and FM be released of all obligations under the aforementioned undertaking.

On 22 January 2018 Richemont published (and filed with Consob) the 102 Communication (by 9.00am) and to the effect: (i) the Amendment Agreement and the Adhesion Undertaking became effective; and (ii) the Lock-Up Agreement was terminated as per the above.

For more information on the Shareholders’ Agreement and the Amendment Agreement, as well as the Lock-up Agreement and the Adhesion Agreement reference is made to the essential information drafted and published pursuant to art.122 TUF and art. 130 of the Issuers Regulation and available on the Issuer’s website www.ynap.com (Section Governance).

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On 18 April 2016, the Company and Alabbar Enterprises S.à r.l. (“Alabbar Enterprises”) entered into a subscription agreement (the “Subscription Agreement”) for the purpose of governing Alabbar Enterprises commitment to invest in the Company share capital, by subscribing and paying-up for newly issued ordinary shares in the context of the Company’s capital increase, executed on 22 April 2016, and reserved in subscription for Alabbar Enterprises as well as to establish further lock-up provisions relevant under art. 122 of the TUF relating thereto. The Lock-up undertakings have been given for a period of 18 (eighteen) months and accordingly expired on 22 October 2017.

The termination notice of said lock-up undertakings is available on the Company website www.ynap.com (Section Governance).

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The Issuer is not aware of the existence of any other agreements between the shareholders.
H) CHANGE OF CONTROL CLAUSES (ARTICLE 123-BIS, PARAGRAPH 1, H), OF THE TUF) AND PROVISIONS IN THE ARTICLES OF ASSOCIATION ON THE SUBJECT OF TAKEOVER BIDS (ARTICLE 104, PARAGRAPH 1-TER, AND ARTICLE 104-BIS, PARAGRAPH 1, OF THE TUF)

In relation to significant agreements that take effect, are amended or are invalidated as a result of the change of control of the contracting company, a Joint Venture agreement has been signed between the Issuer and Kering SA (formerly PPR S.A.) a financial agreement between the company and the European Investment Bank which give the contracting parties the option to withdraw from the contract in certain cases where there is a change in the Issuer’s controlling interests. Attention is also drawn to the administration contract signed by the Issuer with the Chief Executive Officer, Federico Marchetti. For more information, see the remuneration report prepared pursuant to Article 123-ter of the TUF and Article 84-quater of the Issuers’ Regulation, available on the Company’s website at the address www.ynap.com (Governance Section).

For more information on the change of control clauses in the framework of the stock option plan outstanding at 31 December 2017, see the Informative Documents prepared pursuant to Article. 84-bis of the Issuers’ Regulation, available at the Company’s registered office and on the Company’s website www.ynap.com (Governance section.)

The companies controlled by the Issuer have not signed significant binding agreements. They take effect, are amended or expire following a change in the control of the contracting company. The Extraordinary General Meeting of 5 May 2011 resolved to make use of the right under Article 104, paragraph 1-ter of the TUF, introducing an express exemption to the passivity rule into the articles of association, in paragraphs 5 and 6 of Article 6. Specifically, Article 6 of the articles of association stipulate that: (i) as an exemption to the provisions in Article 104, paragraph 1, of the TUF, if Company shares are subject to a takeover bid and/or share swap offer, authorisation from the shareholders is not required to complete the deeds or transactions which could hinder achievement of the objectives of the offer, during the period between the communication in Article 102, paragraph 1, of the TUF and the closure or expiry of the offer; and (ii) as an exemption to the provisions of Article 104, paragraph 1-bis, of the TUF, authorisation from the shareholders is also not needed for the implementation of any decision taken before the start of the period between the communication in Article 102, paragraph 1, of the TUF and the closure or expiry of the offer, which has not yet been fully or partly implemented, that does not come under the course of normal activities for the Company and whose implementation could hinder the achievement of the objectives of the offer.

Article 5 of the articles of association stipulates that, in the case of a takeover bid or share swap offer for at least 60% of the ordinary shares of the Company, all shareholders holding B Shares, notwithstanding the provisions in paragraphs 4 and 5 from the same Article 5, must be able to convert, in the ratio of 1:1, all or part of the B Shares held (and communicate the decision to convert), for the sole purpose of transferring to the offer the ordinary shares deriving from conversion; in such a case, however, the conversion will only be effective if the offer itself is successful, and only applies to shares brought to the offer that are actually transferred to the offeror. In such cases, the Board of Directors is obliged to do everything to ensure that (i) the ordinary shares deriving from the conversion request (A) are issued by the end of the trading day preceding the settlement date for the takeover bid or share swap offer and (B) where applicable, are admitted to trading in the same regulated market as the ordinary shares, under the procedures and within the deadlines set by the applicable regulations, and (ii) the company’s articles of association are updated according to the conversion. On 11 November 2015, the Board of Directors conferred separately upon the Chief Executive Officer, the Chairman and the Vice Chairman of the Board of Directors the power to implement the above activities for the conversion of B Shares into ordinary shares.

The articles of association do not involve the application of the neutralisation rules set out in Article 104-bis, paragraph 2 and 3, of the TUF.

I) DELEGATION OF POWER TO INCREASE THE SHARE CAPITAL AND AUTHORISATION TO PURCHASE TREASURY SHARES (ARTICLE 123-BIS, PARAGRAPH 1, LETTER M), OF THE TUF)

In the context of the Merger and in line with the Merger Plan, the Extraordinary Shareholders’ Meeting of 21 July 2015 resolved, inter alia, to grant the Board of Directors with a delegation, pursuant to article 2443 of the Italian Civil Code (the “Delegation”), to be exercised within three years from the effective date of the merger, to increase the share capital, on one or more occasions, for cash consideration and in one or more tranches, for a maximum amount of EUR 200,000,000.00 (inclusive of share premium, if any), by an aggregate maximum number of shares not exceeding 10% of the share capital of the post-merger, by offering the newly issued shares:

(i) to existing shareholders, granting the option right; or
under art. 13 MAR, a subsidiary; (b) to service the conversion of bond loans; and (c) to the subsequent forfeiture, with no share

The Delegation has been partially exercised (by way of resolution of the Board of Directors on 18 April 2018) for an aggregate
amount of EUR 100,000,000.00 with issuance of no. 3,751,428 ordinary shares subscribed for by Alabbar Enterprises.

With reference to the aims preceding the Ordinary Shareholders’ Meeting:

- authorised, pursuant to Article 2357 of the Civil Code, the purchase, in one or more tranches, for a period of 18 months
from the date of the adoption of the shareholder resolution, of ordinary shares in the Company up to a maximum that,
taking into account the ordinary YNAP shares held at any time by the Company and its subsidiaries, does not in total
exceed the limit of 10% of the ordinary share capital at a price that is not greater than the higher of the last independent
transaction and the highest current independent offer price on the market where the purchase is to take place, without
prejudice to the fact that the unit price cannot be lower than 5% or higher than 5% of the official registered price of YNAP
stock on the trading day prior to each individual purchase transaction;

- granted the Board of Directors, in the persons of the President of the Board and of the Chief Executive Officer, jointly
and severally, with a mandate to identify the number of shares to purchase in relation to each purchasing plan, in the
context of the above-mentioned aims indicated prior to the launch of the same plan and to proceed with the purchasing
of shares with the modalities set in the applicable provisions of the Issuers Regulation implementing art. 132 TUF, in
compliance with the conditions relating to trading as per art. 3 of Delegated Regulation (EU) 2016/1052 and as deemed
appropriate in the interests of the Company, granting every broadest power, with authority to sub delegate the Chief
Financial and Corporate Officer, for the execution of the purchasing transactions as part of the shareholder resolution
and all other formalities related to them, including the possible appointment of intermediaries pursuant to law and with
the right to appoint persons with special powers of attorney;

- authorised the Board of Directors, in the persons of the Chairman of the Board and of the Chief Executive Officer, jointly
and severally, pursuant to Article 2357-ter of the Civil Code, to make available, at any time, in full or in part, on one or
more occasions, treasury shares purchased on the basis of the shareholder resolution, or in any case already in the
Company portfolio, (i) by making them available for servicing the aims set out in items (a) and (b) above, on the terms,
with the modalities and under the conditions of the disposal deed as determined by the competent corporate bodies,
as applicable, in the context of the issuance transaction of the convertible bond loan and the stock options distribution
plans or other granting of shares (in this latter case, even without consideration if so established by said plan); (ii) for the
purpose of forfeiting treasury shares, with no capital variation, on the terms resolved by the competent corporate bodies;
or (iii) should there be residual shares in the portfolio not destined (or that could no longer be destined) to the
undertakings under (i) and (ii), by disposing thereof on the exchange or over the counter, even in the context of strategic
transactions, including the exchange of equity interests, or, also through the sale of actual and/or personal rights,
including, by way of example, securities lending, at the price or value that will prove fair and in line with the transaction,
in light of the characteristics and nature thereof and taking also into account the market performance, granting every
broadest power, with authority to sub delegate the Chief Financial and Corporate Officer for the execution of the sale
transactions under the Shareholders' Meeting resolution, as well as all other related formalities, including the possible appointment of intermediaries enabled pursuant to the law and with the right to appoint persons with special powers of attorney; disposal transactions of treasury shares held will in any case be executed in compliance with the legislative and regulatory regime in force on the trading of listed securities, including the practices admitted pursuant to art. 13 MAR, and may take place in one or more tranches, as deemed appropriate in the interests of the Company, with no time limits to said authorisation;

• stipulated, as defined by law, that the purchases of shares as authorised fall within the limits of the distributable income and the available reserves resulting from the last set of balance-sheet accounts (including annual accounts) approved at the time the operation is implemented and that following the purchase and offer of equity shares, the necessary accounting adjustments are made pursuant to the applicable legal provision and accounting standards.

The same Meeting further resolved to expressly acknowledge that, in application of the so called whitewash as per art. 44-bis, paragraph 2, of the Issuers Regulation, the authorisation resolution to purchase treasury shares, where approved with the majorities provided for in said article, will give rise to the exemption from the obligation to launch an any and all public tender offer for the shareholder Richemont Holdings (UK) Limited (and its direct parent company Compagnie Financière Richemont S.A. and the parent company thereof Compagnie Financière Rupert S.a.p.a.), if, due to the purchases of treasury shares executed by the Company in execution of the meeting resolution, the shareholder Richemont Holdings (UK) Limited (and, indirectly, Compagnie Financière Richemont S.A. and Compagnie Financière Rupert S.a.p.a.), were to exceed the threshold of 25% of the ordinary share capital. The aforementioned authorisation resolution to purchase treasury shares has been approved by the ordinary Shareholders’ Meeting of 21 April 2017 with the majorities required by art. 44-bis, paragraph 2, of the Issuers Regulation. At the present date, YNAP holds 17,339 treasury shares, equal to 0.019% of the current share capital (equal to EUR 919,662.88, divided into 91,966,288 ordinary shares), purchased on the basis or prior authorisations.

L) MANAGEMENT AND COORDINATION ACTIVITIES

The Issuer is not subject to management and coordination activities pursuant to Article 2497 et seq. of the Civil Code. No party controls YNAP pursuant to Article 93 of the TUF.

***

With reference to further information pursuant to Article 123-bis of the TUF, please note that:

• with regard to information on agreements between the Company and the directors which involve compensation in the case of resignation or unfair dismissal, or if the relationship ceases following a takeover bid (Article 123-bis, paragraph 1, letter i)), see the remuneration report prepared pursuant to Article 123-ter of the TUF and Article 84-quater of the Issuers’ Regulation available in accordance with the law in the Governance section of the Company website at www.ynap.com;

• for information regarding the appointment and replacement of directors (Article 123-bis, paragraph 1, letter l), part one) see section 4.1 below;

• for information on the main features of the risk and internal control management system (Article 123-bis, paragraph 2, letter b)), see sections 10 and 11 below;

• for information on the mechanisms of the General Meeting, its main powers, shareholders’ rights and how they may be exercised (Article 123-bis, paragraph 2, letter c)), see section 16 below;

• for information on the composition and functioning of the management and control bodies and their committees (Article 123-bis, paragraph 2, letter djand d-bis)), see paragraphs 4, 6, 7, 8, 10, 13 and 14 below.
3. COMPLIANCE

The Issuer has made the Code publicly available on the website of the Corporate Governance Committee on the page http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf.

With specific reference to the application of Criterion 3.C.1 point e) of the Code, please refer to paragraph 4.6 of this Report below.

Neither the Issuer nor its subsidiaries are subject to legal provisions outside of Italy affecting the corporate governance structure of the Issuer itself.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT OF DIRECTORS

The Company is managed by a Board of Directors comprising a minimum of 5 (five) and a maximum of 15 (fifteen) directors, fulfilling the gender balance requirement pursuant to Article 147-ter, paragraph 1-ter, of the TUF, as introduced by Law no. 120 of 12 July 2011. The directors’ term is a maximum of three years, expiring on the date of the General Meeting called to approve the financial statements of the last year of their term. Directors may be re-elected. Before making the appointments, the General Meeting determines the number of directors and the Board’s term of office.

All directors must comply with the requirements of eligibility, professionalism and integrity provided for by law and other applicable provisions. A minimum number of directors, no fewer than that established by the regulations in force, must fulfil the independence requirements prescribed by the provisions or regulations from time to time in force (the "Independent Directors"). Directors will lose their positions if they no longer fulfil the requirements. The failure by a director to fulfil the independence requirements prescribed by Article 148, paragraph 3, of the TUF will not result in the loss of his/her position if the requirements continue to be met by the minimum number of directors pursuant to the regulations in force. In any case, independent directors undertook to meet the independence requirements for the entire term of their office and to notify without delay the Board of Directors should they no longer meet the independence requirements.

Also see section 4.6 below for information on the independence requirements of members of the Board.

Directors are appointed by the General Meeting, in accordance with rules from time to time in force governing balanced gender representation, based on the lists presented - in compliance with the law and regulations from time to time in force and the articles of association - in which candidates meeting the requirements stipulated by the law and regulations from time to time in force must be listed in numerical order. The outgoing Board and shareholders that, when the list is presented, hold a stake at least equal to that determined by Consob pursuant to Article 147-ter, paragraph 1, of the TUF, and in compliance with the Issuers’ Regulation, may submit a list for the appointment of directors. In this regard, with Resolution 20273 of 24 January 2018, Consob set the shareholding required to present candidate lists for the election of the Issuer’s Board in the year ended 31 December 2017 at 1% of the share capital. Ownership of the minimum shareholding percentage is established on the basis of the shares registered to the shareholder on the day on which the lists are submitted to the Issuer; the relative certificates may also be produced after submission, as long as this takes place by the date set for publication of the lists.

The lists presented by the shareholders are filed at the registered office, in accordance with the procedures set out by the regulations, including existing pro tempore regulations, at least 25 (twenty-five) days before the General Meeting called to appoint the directors. The list presented by the Board of Directors, if presented, is filed at the registered office in accordance with the procedures set out by the regulations, including existing pro tempore regulations, at least 30 (thirty) days before the General Meeting called to appoint the directors. The Company must also make the lists available to the public at least 21 (twenty-one) days before the General Meeting, according to the procedures set out by the laws in force.

Lists containing three or more candidates must be made up of candidates from both genders, so that the less-represented gender constitutes at least one-third of the candidates (rounded up).
Furthermore, the lists contain, also in annexes:

(i) CVs detailing the candidates’ personal and professional profiles;

(ii) the statements in which the candidates accept their candidacy and certify that there are no reasons of ineligibility or incompatibility and that they meet the requirements prescribed by the laws in force for the office of company director. These statements may also include a declaration as to whether they meet the requirements to qualify as independent directors, and, if necessary, further requirements set out in the codes of conduct drawn up by companies managing regulated markets or by trade associations;

(iii) for lists presented by shareholders, the identities of the presenting shareholders and their total equity investment;

(iv) any further or other declaration, information and/or document provided for by law and applicable regulations.

It is prohibited for any shareholder or shareholders that are part of a shareholders’ agreement pursuant to Article 122 of the TUF, and the related parties of these shareholders, to present or take part in the presentation, either personally or through a fiduciary company, of more than a single list, or to vote for different lists, and each candidate may appear on only one list, under penalty of ineligibility. Adhesions and votes cast in breach of this regulation will not be attributed to any list.

After the vote, the members of the Board of Directors will be elected according to the following criteria:

A) (i) from the list that obtained the highest number of votes (the “Majority List”), all the directors are drawn, in order of presentation, except for candidates drawn from any of the lists described in points (ii) and (iii) below;

(ii) from any list presented by a shareholder also holding shares without voting rights (i.e. holding B Shares) (hereinafter the “Limited-Vote Shareholder”, and the “List presented by the Limited-Vote Shareholder”), two directors are drawn, in order of presentation. If lists are presented by several Limited-Vote Shareholders that are not related parties, the directors will be drawn from the list that obtained the highest number of votes among these lists;

(iii) from the list - other than the Majority List and other than the List presented by the Limited-Vote Shareholder - that obtained the highest number of votes and is not related, including indirectly, to the shareholders presenting or voting for the Majority List or the List presented by the Limited-Vote Shareholder, pursuant to the applicable provisions (the “Minority List”), one director is drawn, i.e. the person who appears beside the number one on the list;

(iv) if there is no List presented by the Limited-Vote Shareholder or no Minority List, the directors or director that would have been drawn from these lists are drawn from the Majority List.

B) In addition to and in clarification of the points under letter A) above, it is determined that:

(i) any List presented by a Limited-Vote Shareholder will produce two directors, also if it is the list that obtains the highest number of votes; therefore, in this event, the Majority List will be regarded, for the purposes of calculating which directors to elect, as the list obtaining the second-highest number of votes;

(ii) a list that, despite obtaining the highest number of votes and despite not being presented by a Limited-Vote Shareholder, has all three of the following characteristics - (x) it was presented by shareholders and therefore not by the Board of Directors pursuant to the articles of association, (y) it was voted for by a Limited-Vote Shareholder, and (z) it obtained a higher number of votes than the other lists only by virtue of the deciding vote cast by a Limited-Vote Shareholder - will also be regarded in the same way as the List presented by a Limited-Vote Shareholder, and will therefore produce only two directors, pursuant to A) (ii) above;

(iii) if the Majority List is the list presented by the Board of Directors, and no list is presented or voted for by any Limited-Vote Shareholder, all the directors to be elected will be drawn from the Majority List, except for the director drawn from any Minority List;

(iv) if only one list is presented, and unless this list was presented by a Limited-Vote Shareholder, the General Meeting votes on it, and if it obtains a relative majority of the votes, without taking abstentions into account, the candidates listed are elected as directors in order of presentation;
(v) if (x), there are lists other than Lists presented by Limited-Vote Shareholders that obtained equal numbers of votes (the “Tied Lists”) and (y) there are no lists that obtained a higher number of votes than the Tied Lists, the Majority List and the Minority List will be identified as follows:

(a) if the list presented by the Board of Directors is one of the Tied Lists, it will be regarded as the Majority List. If there is only one other Tied List, this will be regarded as the Minority List; if there is more than one, the Minority List will be identified by applying the criterion described in point (b) to determine the Majority List;

(b) if the list presented by the Board of Directors is not one of the Tied Lists, the Tied Lists will be ordered according to the size of the equity investment held by the shareholder that presented the list (or the shareholders that presented the combined list) when the list was presented, or, alternatively, according to the number of shareholders jointly presenting the list: the first list in the order will be regarded as the Majority List and the second as the Minority List;

(vi) if there are Tied Lists and a Majority List, the Minority List will be identified by applying, mutatis mutandis, the rules set out in point (v) above to determine the Majority List.

If the election of the candidates in the manner described above does not ensure the appointment of a number of independent directors equal to the minimum stipulated in law in relation to the total number of directors, the necessary replacements will be made in the Majority List, or in the equivalent list, according to the order of presentation of the candidates and starting with the last elected candidate. Similarly, if the composition of the body does not comply with the regulations relating to gender equality, taking into account the order on the list, the last persons elected on the Majority List (or equivalent list) of the more-represented gender forfeit their places in the necessary numbers to ensure compliance with requirements, and are replaced by the first candidates not elected on the same list of the less-represented gender. If there are no candidates of the less-represented gender on the Majority List (or equivalent list) in sufficient numbers to proceed with the replacement, the General Meeting completes the body by majority voting, ensuring that the requirements are satisfied.

Lists that do not obtain a percentage of votes equal to at least half that required to present a list shall not be taken into consideration.

If there are no lists, or if the number of directors elected based on the lists presented is, for any reason, less than the number of directors to be elected, the members of the Board of Directors are appointed by the General Meeting by legal majority, without observing the above process, whilst ensuring that (i) the total minimum number of independent directors complies with the regulations in force and that (ii) the rules governing balanced gender representation are complied with.

Lastly, under Article 14 of the articles of association, if for any reason one or more directors cease to hold their posts, they will be replaced pursuant to Article 2386 of the Civil Code, whilst ensuring that (i) the total minimum number of independent directors complies with the regulations in force and that (ii) the rules governing balanced gender representation are complied with.

The Chairman is appointed by the Ordinary General Meeting through simple majority voting, or is appointed by the Board of Directors in accordance with the articles of association.

If the majority of directors appointed by the General Meeting resign or leave the Board for any reason, the entire Board will be considered replaced from the date on which the new Board takes office. In this case, the directors who have remained in office must urgently convene the General Meeting to appoint the new Board of Directors.

**SUCCESSION PLANS**

On 2 August 2017 the Board adopted a succession plan of executive directors (the “Plan”), in line with Application Criterion 5.C.2 of the Code, entrusting the Directors’ Appointment Committee with the mandate to monitor and review the Plan for the purpose of assuring a timely and effective replacement of Executive Directors, as well as to annually report to the Board on said activities. The Directors’ Appointment Committee is supported by the Human Resources division.

The Directors’ Appointment Committee has been entrusted with the preparation of the Plan and, in cooperation with the Human Resources division, the General Counsel and some managers, identified the suitable procedures aimed, on the one side, at avoiding the exiting of Executive Directors prior to the natural expiry of their mandate, and on the other, at assuring,
should this happen, an effective and timely replacement of Executive Directors, for the purpose of guaranteeing the continuity and stability of the management.

The Plan is divided in two sections setting out, respectively (i) a description of the procedures to be followed in case any Executive Director early terminates his or her office, and in case of Plan review and update; and (ii) a list of contingency substitutes, to be updated with at least annual frequency.

4.2 COMPOSITION

The Issuer’s Board in office at the date of this Report comprises 11 (eleven) members:

- the following 7 (seven) Directors were appointed by the General Meeting of 30 April 2015, based on the two lists presented (6 (six) members were taken from List 1, presented by the outgoing Board of Directors, and the remainder were taken from List 2, presented by a group of institutional investors) pursuant to the articles of association in force at the said date:
  - Raffaello Napoleone (Chairman)
  - Federico Marchetti (executive director)
  - Stefano Valerio (Vice Chairman – executive director)
  - Robert Kunze-Concewitz (Lead Independent director)
  - Catherine Gérardin Vautrin
  - Laura Zoni
  - Alessandro Foti
- 2 (two) Directors Richard Lepeu and Gary Saage were appointed by the Ordinary General Meeting of 21 July 2015 with effect from effective date of the Merger, and
- 2 (two) additional independent members, namely Eva Chen and Vittorio Radice, were appointed by the Ordinary General Meeting of 16 December 2015.

On 24 February 2017 Board Member Gary Saage resigned from the office as Company Director, effective as of the date of the Shareholders’ Meeting of 21 April 2017. The same Meeting, upon proposal of the Board of Directors, appointed Cedric Bossert as new Company director.

The percentage of the share capital required to present lists for the appointment of the Board of Directors on 30 April 2015 was 1%.

The Board will remain in office until the date of the General Meeting called to approve the financial statements for the year ended 31 December 2017.
Composition of the Board of Directors at the date of the present Report

<table>
<thead>
<tr>
<th>NAME</th>
<th>POSITION</th>
<th>YEAR OF BIRTH</th>
<th>IN OFFICE SINCE</th>
<th>IN OFFICE UNTIL</th>
<th>M/m</th>
<th>EXEC</th>
<th>NON EXEC.</th>
<th>INDEP. CODE</th>
<th>INDEP. TUF</th>
<th>ATTENDANCE %</th>
<th>OTHER POSITIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>FEDERICO MARCHETTI</td>
<td>CHIEF EXECUTIVE OFFICER</td>
<td>1969</td>
<td>30/04/2015</td>
<td>FIRST APPOINTED: 04/02/2000</td>
<td>M</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>RAFFAELLO NAPOLEONE</td>
<td>CHAIRMAN</td>
<td>1954</td>
<td>30/04/2015</td>
<td>FIRST APPOINTED: 02/07/2004</td>
<td>M</td>
<td>X</td>
<td>X(*)</td>
<td>X</td>
<td></td>
<td>83.3</td>
<td>0</td>
</tr>
<tr>
<td>STEFANO VALERIO</td>
<td>VICE CHAIRMAN</td>
<td>1970</td>
<td>30/04/2015</td>
<td>FIRST APPOINTED: 10/05/2006</td>
<td>M</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>100</td>
<td>1</td>
</tr>
<tr>
<td>CATHERINE GÉRARDIN VAUTRIN</td>
<td>DIRECTOR</td>
<td>1959</td>
<td>30/04/2015</td>
<td>FIRST APPOINTED: 21/04/2010</td>
<td>M</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>83.3</td>
<td>2</td>
</tr>
<tr>
<td>LAURA ZONI</td>
<td>DIRECTOR</td>
<td>1965</td>
<td>30/04/2015</td>
<td>FIRST APPOINTED: 30/04/2015</td>
<td>M</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>ROBERT KUNZE-CONCEWITZ</td>
<td>DIRECTOR</td>
<td>1967</td>
<td>30/04/2015</td>
<td>FIRST APPOINTED: 30/04/2015</td>
<td>M</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>83.3</td>
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</tr>
<tr>
<td>ALESSANDRO FOTI</td>
<td>DIRECTOR</td>
<td>1963</td>
<td>30/04/2015</td>
<td>FIRST APPOINTED: 30/04/2015</td>
<td>M</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>100</td>
<td>2</td>
</tr>
<tr>
<td>RICHARD LEPEU</td>
<td>DIRECTOR</td>
<td>1952</td>
<td>21/07/2015</td>
<td>(***) FIRST APPOINTED: 21/07/2015</td>
<td>-</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>EVA CHEN</td>
<td>DIRECTOR</td>
<td>1979</td>
<td>16/12/2015</td>
<td>FIRST APPOINTED: 16/12/2015</td>
<td>-</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>VITTORIO RADICE</td>
<td>DIRECTOR</td>
<td>1957</td>
<td>16/12/2015</td>
<td>FIRST APPOINTED: 16/12/2015</td>
<td>-</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
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</tr>
<tr>
<td>CEDRIC BOSSERT</td>
<td>DIRECTOR</td>
<td>1959</td>
<td>21/04/2017</td>
<td>FIRST APPOINTED: 21/04/2017</td>
<td>-</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>33.3(***</td>
<td>1</td>
</tr>
</tbody>
</table>

(*) On this point please see subsequent paragraph 4.6. of the Report.
(**) Appointment effective as of the effective date of the Merger.
(***) Please note that the attendance percentage of director C. Bossert at the Board meetings held in the course of the year is referred to the no. 3 board meetings held from 21 April 2017 to 31 December 2017.
Directors ceased from office during the fiscal year

<table>
<thead>
<tr>
<th>NAME</th>
<th>POSITION</th>
<th>YEAR OF BIRTH</th>
<th>IN OFFICE SINCE</th>
<th>IN OFFICE UNTIL</th>
<th>M/m LIST</th>
<th>EXEC.</th>
<th>NON EXEC.</th>
<th>INDEP CODE</th>
<th>INDEP TUF</th>
<th>ATTENDANCE %</th>
<th>OTHER POSITIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>GARY SAAGE</td>
<td>DIRECTOR</td>
<td>1960</td>
<td>21/07/2015(*)</td>
<td>FIRST APPOINTED: 21/07/2015</td>
<td>APPROVAL OF THE 31/12/2016 FINANCIAL STATEMENTS (**)</td>
<td>-</td>
<td>X</td>
<td></td>
<td></td>
<td>100(***))</td>
<td>1</td>
</tr>
</tbody>
</table>

(*) Appointment effective as of the effective date of the Merger.

(**) On 24 February 2017 Board Member Gary Saage resigned from the office as Company Director, effective as of the date of the Shareholders’ Meeting of 21 April 2017.

(***) Please note that the attendance percentage of director G. Saage at the Board meetings held in the course of the year is referred to the no. 3 board meetings held from 1 January 2017 to 21 April 2017.

KEY
Position: indicates whether the director is Chairman, Vice-Chairman, Chief Executive Officer, etc.
List: M/m, according to whether the director was elected from the majority (M) or minority (m) list.
Exec.: if the director can be classified as executive.
Non exec.: if the director can be classified as non-executive.
Indep. Code: if the director can be classified as independent according to the criteria set out in the Code of Conduct.
Indep. TUF: if the director meets the requirements of independence established by Article 148, paragraph 3, of the TUF (Article 144-decies of the Issuers’ Regulation).
% BoD: shows the attendance, in percentage terms, of the director at Board meetings (the number of meetings that the director attended compared to the number of meetings held during the year, or since the director took up office, is taken into account in the calculation).
Other positions: indicates the total number of positions held in other companies listed on regulated markets (including abroad), in financial, banking and insurance companies or those of significant size.
N/A: not applicable.

The tables below show attendance figures for the committee meetings held during the year.

Composition of the committees at the date of the present Report

<table>
<thead>
<tr>
<th>NAME</th>
<th>POSITION</th>
<th>E.C.</th>
<th>E.C. %</th>
<th>A.C.</th>
<th>A.C. %</th>
<th>R.C.</th>
<th>R.C. %</th>
<th>C.R.C.</th>
<th>C.R.C. %</th>
<th>R.P.T.C.</th>
<th>R.P.T.C. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALESSANDRO FOTI</td>
<td>DIRECTOR</td>
<td>-</td>
<td>-</td>
<td>C</td>
<td>100</td>
<td>C</td>
<td>100</td>
<td>M</td>
<td>100</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>LAURA ZONI</td>
<td>DIRECTOR</td>
<td>-</td>
<td>-</td>
<td>M</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RICHARD LEPEU</td>
<td>DIRECTOR</td>
<td>-</td>
<td>-</td>
<td>M</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROBERT KUNZE-CONCEWITZ</td>
<td>DIRECTOR</td>
<td>-</td>
<td>-</td>
<td>C</td>
<td>100</td>
<td>M</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CATHERINE GÉRARDIN VAUTRIN</td>
<td>DIRECTOR</td>
<td>-</td>
<td>-</td>
<td>M</td>
<td>100</td>
<td>M</td>
<td>83.3</td>
<td>C</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RAFFAELLO NAPOLEONE</td>
<td>CHAIRMAN</td>
<td>-</td>
<td>-</td>
<td>M</td>
<td>100</td>
<td>M</td>
<td>83.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

KEY
E.C.: Executive Committee; C/M inserted to indicate Chairman/Member of Executive Committee.
E.C. %: shows the attendance, in percentage terms, of the director at Executive Committee meetings (the number of meetings that the director attended compared to the number of Executive Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).
A.C.: Appointments Committee; C/M inserted to indicate Chairman/Member of Appointments Committee.
A.C. %: shows the attendance, in percentage terms, of the director at Appointments Committee meetings (the number of meetings that the director attended compared to the number of Directors’ Appointments Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).
R.C.: C/M inserted to indicate Chairman/Member of Compensation Committee.
R.C. %: shows the attendance, in percentage terms, of the director at Compensation Committee meetings (the number of meetings that the director attended compared to the number of Compensation Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).
C.R.C.: C/M inserted to indicate Chairman/Member of Control and Risks Committee.
C.R.C. %: shows the attendance, in percentage terms, of the director at Control and Risks Committee meetings (the number of meetings that the director attended compared to the number of Control and Risks Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).
N/A: not applicable.
R.P.T.C.: Related-Party Transactions Committee; C/M inserted to indicate Chairman/Member of the Related-Party Transactions Committee.
R.P.T.C. %: shows the attendance, in percentage terms, of the director at Related-Party Transactions Committee meetings (the number of meetings that the director attended compared to the number of Related-Party Transaction Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).

The Company’s Board of Directors met 6 (six) times during the year, while the Compensation Committee, the Control and Risks Committee, the Directors’ Appointment Committee and the Related-Party Transactions Committee met 1 (one), 6 (six), 1 (one) and 1 (one) times respectively.
Diversity Policy

As concerns corporate policies on diversity applied in relation to the composition of the Board of Directors in office in relation to aspects such as age, gender composition and training and professional experience (art. 123-bis, lett. d-bis), TUF), please note that: (i) the Board is characterised by its members age diversity, taking into account that Board Member’s age ranges from 39 and 66; (ii) the Company’s Board of Directors includes no. 3 Directors belonging to the less represented gender, in accordance with the legislation in the matter of gender balance; (iii) the training and professional experience of Directors currently in office assures a balanced combination of profiles and experiences within the administrative body suitable to assure the due performance of the functions entrusted thereto.

Furthermore, please note that the majority of the members of the Board of Directors are of foreign origin and possess a significant international experience, as well as a diverse competences and professional experiences.

For more information on the professional competence and experience of single members reference is made to their résumés which can be found in the Issuers’ website www.ynap.com Section Governance/ Internal control and risk management system.

In this respect please note that, after the self appraisal process (for more details on which please see paragraph 4.3 below), the Board assessed positively the composition and functioning of the Board of Directors and its Committees.

Please finally note that, the Board of Directors currently in office will include in the explanatory reports drafted pursuant to art. 125-ter TUF, relating to the appointment of the Board of Directors and Board of Statutory Auditors by the Shareholders’ meeting called to approve the financial statements as at 31 December 2017, some indications for shareholders – even pursuant to criterion 1.C.1. lett. h) of the Corporate Governance Code – on the diversity policy in the composition of the Company’s corporate bodies.

Maximum number of positions held in other companies

The Board did not deem it necessary to define general criteria regarding the maximum number of management and control positions in other companies that may be considered compatible with the effective performance of the role of director at the Issuer, it being understood that it is the duty of each director to assess the compatibility of director and statutory auditor positions in other companies listed on regulated markets (including abroad), in financial, banking and insurance companies or companies of a significant size, with the diligent execution of the duties assigned thereto as director of the Issuer.

During the meeting held on 28 February 2018, following an assessment of positions held by its directors in other companies, the Board concluded that the number and quality of positions held did not interfere and were therefore compatible with the effective execution of their roles as directors at the Issuer.
For information on the positions held during the year by the directors of the Issuer in other companies listed on regulated markets (including abroad), in financial, banking and insurance companies or companies of significant size, see the table below.

<table>
<thead>
<tr>
<th>NAME AND SURNAME</th>
<th>COMPANY</th>
<th>MANAGEMENT AND CONTROL POSITIONS HELD</th>
</tr>
</thead>
<tbody>
<tr>
<td>FEDERICO MARCHETTI</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>RAFFAELLO NAPOLEONE</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>STEFANO VALERIO</td>
<td>ALPI S.P.A.</td>
<td>DIRECTOR</td>
</tr>
<tr>
<td>EVA CHEN</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>ALESSANDRO FOTI</td>
<td>INFRASTRUTTURE WIRELESS ITALIANE S.P.A.</td>
<td>DIRECTOR</td>
</tr>
<tr>
<td></td>
<td>BURGO GROUP S.P.A.</td>
<td>DIRECTOR</td>
</tr>
<tr>
<td>CATHERINE GÉRARDIN VAUTRIN</td>
<td>DAVIDE CAMPARI-MILANO S.P.A.</td>
<td>DIRECTOR</td>
</tr>
<tr>
<td></td>
<td>AUTOGRILL S.P.A.</td>
<td>DIRECTOR</td>
</tr>
<tr>
<td>ROBERT KUNZE-CONCEWITZ</td>
<td>DAVIDE CAMPARI-MILANO S.P.A.</td>
<td>DIRECTOR</td>
</tr>
<tr>
<td></td>
<td>LUIGI LAVAZZA S.P.A.</td>
<td>DIRECTOR</td>
</tr>
<tr>
<td>RICHARD LEPEU</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>VITTORIO RADICE</td>
<td>RINASCENTE S.P.A.</td>
<td>VICE-PRESIDENT</td>
</tr>
<tr>
<td></td>
<td>MCARTUR GLENN EUROPE LTD</td>
<td>DIRECTOR</td>
</tr>
<tr>
<td>CEDRIC BOSSERT</td>
<td>COMPAGNIE FINANCIÈRE RICHEMONT SA</td>
<td>DIRECTOR</td>
</tr>
<tr>
<td>LAURA ZONI</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>GARY SAAGE</td>
<td>COMPAGNIE FINANCIÈRE RICHEMONT SA</td>
<td>DIRECTOR</td>
</tr>
</tbody>
</table>

**Induction Programme**

In the course of the year, the Chairman of the Board of Directors promoted initiatives to provide the Directors adequate knowledge of the business sector in which the Company operates, the business dynamics and their evolution, as well as the regulatory and self-regulatory framework.

In particular, on 2 August 2017, an in-depth analysis was submitted to Board Members relating to the competitive scenario in which the Issuer operates and on said occasion the Board was provided with an update on the recent case law developments having a direct impact on the e-commerce universe.

On the occasion of meetings of the Board of Directors held during 2017 aimed at illustrating certain Operations and Technology investments, the Board focused on specific aspects related to logistics and the operational dynamics of the Group.

As regards training activities relating to the legislative and regulatory framework, Consob update of the Issuers Regulation, with resolution no. 19925 of 22 March 2017, as well as the issuance of Legislative Decree no. 254/2016 implementing Directive 2014/95/EU of the European Parliament which introduced the obligation, starting from 2017, to publish a “Non-financial Information Statement”, represented an opportunity to provide the Board of Directors and the Statutory Auditor with a constant update on the main legislative and regulatory novelties concerning the Company.

Finally, with reference to the analysis of the principles of risk management, the timely updates provided in the course of the Board meetings by the Chairman of the Risk and Control Committee, made it possible to share with the Directors and with the Statutory Auditors the findings of the activity carried out by the Control and Risks Committees and the interventions planned by the same.
4.3 ROLE OF THE BOARD OF DIRECTORS

Pursuant to Article 15 of the articles of association, the Board of Directors – where the Shareholders' Meeting has not already made provision therein – elects the Chairman from among its members; it may also elect one or more Vice Chairmen, who will remain in their respective posts for the duration of their director’s term, which expires on the date of the Shareholders’ Meeting called to approve the financial statements of the last year of their term. The Vice Chairman or Vice Chairmen, where appointed, have powers of proxy in respect of the Chairman in the cases provided for by the articles of association.

Article 19 of the articles of association stipulates that the Board of Directors may delegate its own powers and functions. It may also appoint a Chief Executive Officer to which it may delegate, within the same limitations, the above powers and functions. Lastly, it may also assign specific duties to other directors. In addition, the Board of Directors may also establish one or more committees with a consulting, advisory or controlling role, in accordance with the applicable legislative and regulatory provisions. The Board of Directors has the power to appoint one or more chief executive officers.

Pursuant to Article 2381, paragraph 5, of the Civil Code, delegated bodies must report to the Board of Directors and the Board of Statutory Auditors at least once every quarter, in board meetings, on the activities carried out, the general business performance and its outlook, as well as on operations of major importance in terms of their size and characteristics carried out by the Company and its subsidiaries.

The directors report to the Board of Statutory Auditors on the activities carried out and on significant operations in terms of the financial position implemented by the Company and its subsidiaries; specifically, they relate to operations in which directors have an interest, on their own account or on behalf of others, or that are influenced by the party responsible for management and control. These activities are usually reported at board meetings and in any case at least every quarter; when particular circumstances make it appropriate to do so, they also may be reported in writing to the Chairman of the Board of Statutory Auditors.

Under Article 16 of the articles of association, Board meetings are called by the Chairman, or by the Chief Executive Officer (with notice of at least five days, and, in urgent cases, at least 24 hours) whenever it is considered necessary, or if it is requested in writing by at least a third of the directors or by the Board of Statutory Auditors, or, also individually, by each member of this Board in accordance with the applicable laws in force. The Board is convened at the registered office or elsewhere, in Italy, France, Switzerland or the United Kingdom.

Meetings are valid even if not convened as above as long as all directors and members of the Board of Statutory Auditors in office attend.

Meetings of the Board of Directors are chaired by the Chairman, or, if he/she is absent or unavailable (including physically absent from the place of the meeting), by the CEO. If both the Chairman and the CEO are absent or unavailable, the meeting is chaired by the only Vice Chairman, or the most senior Vice Chairman in terms of age, or the most senior director present in terms of age. If the Secretary is absent or unavailable, the Board of Directors designates a replacement.

Board meetings may also be held via teleconferencing or videoconferencing systems, provided that each of the participants can be identified by all the others and that each participant is able to contribute to the discussion of the agenda items in real time, as well as receive, send or view documents, and provided that the examination and voting occur at the same time in every location.

Pursuant to Article 17 of the articles of association, for the resolutions of the Board of Directors to be valid, a majority of members in office must be present; resolutions are passed with a majority of votes, without taking abstentions into account. Voting takes place by open vote.

Pursuant to Article 19 of the articles of association, the Board of Directors is vested with all powers to manage the Company, and to this end may pass resolutions or carry out measures that it deems necessary or useful to fulfil the corporate purpose, with the exception of matters reserved for the General Meeting pursuant to the laws in force and the articles of association.

Pursuant to Article 19 of the articles of association, the Board of Directors is also responsible, in accordance with Article 2436 of the Civil Code, for making decisions concerning:

- simplified mergers or demergers pursuant to Articles 2505, 2505-bis and 2506-ter, final paragraph, of the Civil Code;
the establishment or closure of secondary offices;
the relocation of the registered office within Italy;
which directors serve as legal representatives;
capital decreases following withdrawal;
amendments to the articles of association to comply with regulatory provisions,
it being understood that these resolutions may also be taken by the Extraordinary General Meeting.

On 12 May 2016, the Board vested the Chief Executive Officer with the broadest powers for the ordinary administration of the Company - including, but not limited to, signature powers and powers of legal representation on behalf of the Company with respect to third parties and in legal matters - with the exception of decisions on the following matters, which are the specific remit of the Board of Directors and can therefore not be delegated:

- approval of the business plan and subsequent amendments or additions (and/or replacements with business plans subsequently approved by the Board);
- annual investment budget and amendments or additions thereto of more than 30% of the amount indicated in the last approved business plan and/or the last approved budget;
- debt totalling more than EUR 10,000,000.00 (ten million/00) a year where not provided for in the business plan and/or the last approved budget;
- approval of the quarterly procurement and “cash” budget and amendments or additions thereto of more than 30%;
- directors’ remuneration pursuant to Art. 2389, paragraph 2, of the Civil Code;
- granting of guarantees of any kind and nature higher than EUR 2,000,000.00 (two million/00);
- purchase or sale of interests in other company structures or the purchase, sale or leasing of companies, company branches or purchase or disposal of real estate;
- hiring, dismissal or changes to the employment conditions of directors with gross annual compensation of more than EUR 1,000,000.00 (one million/00);
- conditions and timing of stock option plans or buy options and relative benefits;
- adoption by the Company of (or change to) any stock option plan or any share-based incentive plan or scheme in favour of employees or the granting of options or shares based thereon;
- creation of any mortgage, pledge, charge or real guarantee on all or a substantial portion of the Company’s real estate or registered movables;
- sale of all or a substantial part of shares representing the share capital of any Company subsidiary; and
- signing by the Company of any binding agreement that is included (or could be included) in any of the matters covered above.

During the year, 6 (six) Board meetings were held on the following dates: 7 February, 23 February, 1 March, 3 May, 2 August and 8 November 2017.
The minutes of the meetings were recorded.
On average, the Board meetings lasted about half an hour.

At least 8 (eight) Board meetings are expected to take place in 2018. As well as those already held on 10 January, 15 January, 21 January, 28 February and 6 March 2018 (the latter relating to the approval of the draft separate financial statements and consolidated financial statements for the year ended 31 December 2017), the calendar of the main company events for 2018 (already announced to the market and Borsa Italiana S.p.A. in accordance with regulatory provisions) includes 3 (three) further meetings on the following dates:

- 9 May 2018: interim trading statement 31 March 2018;
- 1 August 2018: approval of the half-year financial statements at 30 June 2018;

Pursuant to Article 16, paragraph 3, of the articles of association, the Chairman of the Board coordinates the work of the Board and ensures that adequate information on agenda items is provided to all directors. Specifically, this information must always be sufficient to allow directors to express themselves knowledgeably on the issues submitted for their review; they must be provided suitably in advance with the documentation and information relating to the draft documents to be approved, with the sole exception of cases of particular and confirmed urgency.

Since May 2015, pre-Board disclosure has been ensured also through a virtual platform on which the documentation is made available to members of the Board, the Board of Statutory Auditors and the committees through a reserved access system, thus enabling information and documentation to be received simultaneously by all the members of the corporate bodies in full protection of the confidentiality of the shared information. The documentation is provided to the directors at least 3 days before the date scheduled meeting date. This deadline has always been complied with. Pre-board documents remain available for consultation to all members of the Board of Directors also after the conclusion of Board meetings.

Board meetings may also be attended by managers of the Issuer and of the Group to provide more in-depth information on agenda items. In the reference year, certain Group’s managers have been invited to join the board of Directors meetings held on 1 March, 3 May and 2 August 2017 with the aim to provide the Board of Directors with an in-depth analysis as regards specific items on the agenda.

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Pursuant to Criterion 1.C.1 lett. c), at its meeting of 28 February 2018 the Board assessed the adequacy of the organisational, management and general accounting structure of the Issuer and the strategically important subsidiaries prepared by the CEO, with a specific focus on the internal control and risk management system. In conducting this assessment, the Board not only checked the existence and implementation of an internal control and risk management system at the Issuer and its subsidiaries, but also carried out its periodic detailed examination of the system’s structure, its suitability, and its effective and actual functioning.

To this end, the Board of Directors periodically receives and examines reports prepared by the Internal Audit Manager, already examined beforehand by the Control and Risks Committee and the Chief Executive Officer, in order to check (i) if the structure of the internal control and risk management system in place within the Company is truly effective in pursuing objectives and (ii) if any weakness revealed requires the system to be improved.

Furthermore, at the meeting to approve the financial statements, the Board of Directors annually:

- examines a report on significant company risks submitted by the Chief Executive Officer and evaluates how these have been identified, assessed and managed. It pays particular attention to changes that have occurred during the last reference year to the nature and extent of risks and to assessing the Issuer’s and subsidiaries’ response to these changes;
- assesses the effectiveness of the internal control and risk management system in combating these risks, paying particular attention to any inefficiencies that have been noted;
- considers the measures that have been put in place or must be undertaken promptly to correct this inadequacy;
prepares further policies, processes and rules of conduct that allow the Issuer and its subsidiaries to react in an appropriate manner to new risk situations or to those not effectively managed.

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During the year, the Board assessed the general business performance, taking into account in particular the information received from the Chief Executive Officer, and comparing the results achieved with those planned.

The Board reserves the right to approve transactions of the Company and its subsidiaries when these transactions have significant strategic, economic, capital or financial importance for the Company itself, as established in the internal procedures adopted by the Issuer.

As provided by the Criterion 1.C.1. letter f) of the Code, the Issuer has adopted an internal procedure to settle reporting and procedural aspects related to operations that have specific economic, corporate and financial significance.

Pursuant to Criterion 1.C.1. letter g) of the Code, the Board carried out the annual assessment on the basis of a questionnaire for the self-assessment - as regards the size, composition and functioning of the Board and the Committees, interaction with the Management, Corporate Governance and Risk Governance - with the possibility to express comments and proposals; such questionnaire has been filled up by all Directors and shared by the Board at the meeting of 28 February 2018. As concerns the outcome thereof please note that the Board of Directors considered the management body adequately suitable to carry out the functions entrusted thereto by the regulations in force, as well as its composition and functioning, also taking into account the presence, over a total of 11 (eleven) members, of 9 (nine) non-executive directors, including 7 (seven) independent non-executive directors, whose presence also ensures the ideal composition of the Committees within the Board. Furthermore the Board of Directors deemed the composition of the administrative body to reflect adequate diversity profiles in relation to aspects such as age, gender composition, geographic origin, international expertise as well as training and professional experience (please also see in this respect paragraph 4.2 above).

Please finally note that, the Board of Directors currently in office will include in the explanatory reports drafted pursuant to art. 125-ter TUF, relating to the appointment of the Board of Directors and Board of Statutory Auditors by the Shareholders’ meeting called to approve the financial statements as at 31 December 2017, some indications for shareholders – even pursuant to criterion 1.C.1. lett. h) of the Corporate Governance Code – on the diversity policy in the composition of the Company’s corporate bodies.

The General Meeting has not authorised exceptions to the prohibition on competition provided for by Article 2390 of the Civil Code.

4.4 DELEGATED BODIES

Chief Executive Officers

The Board of Directors may appoint a Chief Executive Officer to whom it may delegate its powers and functions, within the limits of the law and the articles of association.

As of the date of this Report, Federico Marchetti holds the position of Chief Executive Officer.

On 12 May 2016, the Board of Directors confirmed the vesting of the current Chief Executive Officer, Federico Marchetti, with the broadest powers for the ordinary administration of the Company, including, but not limited to, powers of signature and legal representation on behalf of the Company with respect to third parties and in legal matters, with the exception of decisions on matters that are the specific remit of the Board of Directors, set out in section 4.3 above.

The Chief Executive Officer is the main manager of the Issuer’s operations. Note that the interlocking directorate practice set out in Criterion 2.C.5 of the Code does not apply.
Chairman and Vice Chairman of the Board of Directors

In accordance with the articles of association, the Chairman of the Board of Directors is vested with powers to chair the General Meeting, convene Board meetings and coordinate the work of the Board, as well as to serve as the Company’s legal representative with respect to third parties and in legal matters.

Through a resolution of 30 April 2015, the Board of Directors appointed Director Raffaello Napoleone as Chairman of the Board of Directors.

Pursuant to Article 15 of the articles of association, the Board of Directors can elect one or more Vice Chairmen who hold this position for the duration of their mandates as directors which expire on the date of the General Meeting called to approve the financial statements for the last year of their office as a director.

With resolution dated 30 April 2015, the Board of Directors appointed Director Stefano Valerio as Vice Chairman of the Board of Directors. On 29 June 2016, the Board of Directors entrusted the Vice Chairman with the responsibility to supervise and coordinate the legal activities of the Company and of the Group held thereby within the Company.

Executive Committee

The Board of the Issuer has not formed an Executive Committee from among its members.

Reporting to the Board

Pursuant to Article 19 of the articles of association, delegated bodies must report promptly to the Board of Directors at least once every quarter, during Board meetings attended by at least one representative of the Board of Statutory Auditors, on the activities carried out, the general business performance and its outlook, as well as on operations of major importance in terms of their size and characteristics carried out by the Company and its subsidiaries.

4.5 OTHER EXECUTIVE DIRECTORS

As of 29 June 2016, the Vice Chairman Stefano Valerio has been entrusted with management functions within YNAP Group for the supervision and coordination of the legal activities of the Company and of the Group. Stefano Valerio is therefore now qualified as executive director.

4.6 INDEPENDENT DIRECTORS

Pursuant to article 14-ter, paragraphs 4 and 148 of the TUF and to Article 3 of the Code, the Board of Directors currently comprises 7 (seven) independent directors who are Raffaello Napoleone, who acts as chairmen of the Board of Directors, Eva Chen, Alessandro Foti, Cathérine Gérardin Vautrin, Robert Kunze-Concewitz, Laura Zoni and Vittorio Radice, who:

(i) do not control the Issuer, directly or indirectly, even through subsidiaries, fiduciary companies or third parties, nor are able to exercise a significant influence on it;

(ii) do not belong, directly or indirectly, to any shareholders’ agreement, through which one or more parties may exercise control or significant influence over the Issuer;

(iii) are not, and have not been in the last three years, important representatives of the Issuer, one of its subsidiaries with strategic importance, a company under joint control with it, a company or an organisation that, also jointly with others through a shareholders’ agreement, controls the Issuer or is able to exercise significant influence thereon;

(iv) do not have, and did not have in the previous year, directly or indirectly (for example through subsidiaries or companies for which they are important representatives, in the sense indicated in point (iii) above, or as a partner in a professional or consultancy company), a significant commercial, financial or professional relationship: (a) with the Issuer, with one of its subsidiaries, or with any important representatives, in the sense indicated in point (iii) above, of the same; (b) with a party that, also jointly with the others through a shareholders’ agreement, controls the Issuer, or – if it is a company or
organisation – with important representatives, in the sense indicated in point (iii) above, of the same or does not have or has not had, in the previous three years, a work relationship with the above;

(v) without prejudice to point (iv) above, do not have independent or subordinate work relationships, or other financial or professional relationships that would compromise their independence: (a) with the Issuer, with its subsidiaries or parent companies or with its joint ventures; (b) with the directors of the Issuer; (c) with their spouses or close relatives up to the fourth degree of directors of the Company as set out in point (a) above;

(vi) do not receive, and have not received in the last three years, from the Issuer, a subsidiary or parent, significant additional remuneration on top of the “fixed” fee received as non-executive director, including participation in company performance-linked incentive plans, including share-based schemes;

(vii) have not been directors of the Issuer for more than nine years in the last 12 years, except for the independent director Raffaello Napoleone;

(viii) do not hold the position of executive director in another company in which an executive director of the Issuer holds the post of director;

(ix) are not shareholders or directors of a company or organisation belonging to the network of the company responsible for auditing the Issuers’ accounts;

(x) have no family ties to a person in one of the situations set out above and in any case are not spouses or close relatives up to the fourth degree of the directors of the Issuer, nor directors, spouses or close relatives with the fourth grade of its subsidiaries, its parent companies and its joint ventures with the Issuers.

The Board assesses whether the requirements above are met and will continue to be met, based on the information that interested parties are responsible for providing, or the information in any case available to the Board.

The meeting of the independence requirements set out in Article 3 of the Code and Article 147-ter, paragraph 4, of the TUF by each independent directors has been verified by the Board in the first useful occasion after their appointment, with relating disclosure to the market, and lastly on 28 February 2018.

With specific reference to Raffaello Napoleone, the Board of Directors – on 30 April 2015 and then again on 9 November 2016 and 28 February 2018 determined to disregard criterion 3.C.1 item e) of the Code including, among the non-binding hypothesis leading to qualify a director as non-independent, the circumstance that the same was a director for nine years in the last twelve years. The Company, even considering that the criteria set out in the Code shall be considered nor exhaustive or binding, privileged a substance profile in the assessment of the composition of the management body and of its members in line with the provisions of the Code, valorising - in the Company’s interest – the high professional profile of director Napoleone who has proven precious over time for the Issuer and more than adequate to bring his contribution to the activity of the management body as independent figure. Further, the Company’s Board of Directors – with the consent of the Board of Statutory Auditors – decided to disregard said criterion, for the following reasons: (i) the nine years would have expired during the three-year period, but were not yet expired as at the appointment date, (ii) the nine years of office have been suspended between 2009 and 2010, when Director Napoleone first resigned and was then reappointed by co-optation.

At this meeting, the independent directors were obliged to maintain their independence during the duration of the mandate and, in any event, to promptly inform the Board of Directors regarding any situations that could compromise their independence. Also note that, pursuant to Article 12, paragraph 2 of the articles of association “independent directors pursuant to Article 147-ter, indicated as such at the time of their appointment, must immediately notify the Board of Directors of any change to the requirements of independence; a director forfeits their office if within the Board the minimum number of directors in possession of the requirements of independence required by the laws in force cease to exist”.

Please note that Independent Chairman Raffaello Napoleone currently owns 14,555 YNAP ordinary shares and that Independent directors Robert Kunze-Concewitz and Vittorio Radice respectively own 7,000 and 10,000 YNAP ordinary shares.

At the Board meeting of 28 February 2018, with reference to independent directors Raffaello Napoleone, Catherine Gérardin Vautrin, Laura Zoni, Eva Chen, Alessandro Foti, Robert Kunze-Concewitz and Vittorio Radice, the Board of Statutory Auditors,
pursuant to Criterion 3.C.5 of the Code, stated that the verification criteria and procedures adopted by the Board of Directors to assess independence requirements at their respect appointment were applied correctly.

Independent directors met 9 (nine) times during the year at the meetings of the Control and Risks Committee, Compensation Committee, Directors’ Appointment Committee and Related-Party Committee. Matters discussed were mainly those addressed by the quoted Committees, as well as subjects connected to the Company’s management organisation. In this respect please note that as at the date of the present Report all committees within the Board of Directors are comprised of independent Directors, the majority of whom is independent.

In accordance with Criterion 3.C.6 of the Code, on 6 December 2017 the Independent Directors met in a dedicated and separate meeting and with the absence of the other Directors. The meeting took place having being summoned by the Lead Independent Director.

4.7 LEAD INDEPENDENT DIRECTOR

Although the current composition of the Board of Directors does not reflect the facts taken into account by criterion 2.C.3 of the Code, the Board nevertheless thought it appropriate to appoint a Lead Independent Director on 30 April 2015, namely director Robert Kunze-Concewitz. Mr Kunze-Concewitz serves as a point of reference and coordination for the non-executive directors, and particularly the independent directors, partly to help maintain continuity in the corporate governance structure maintained by the Issuer since the listing as well as in view of the present of a large number of independent directors.

The Lead Independent Director is an independent director with appropriate financial and accounting expertise. He is Chairman of the Compensation Committee and a member of the Related-Party Transactions Committee.

5. HANDLING OF COMPANY INFORMATION

The Board of Directors meeting held on 3 September 2009 resolved to adopt a “Procedure for publishing privileged information”, subsequently amended on 16 December 2015 in order to include certain amendments to the legal and regulatory framework, which in the meanwhile entered into force, and to take into account the new dimension of the Group resulting from the Merger.

On 3 July 2016, in compliance with the provisions of Article 17 of MAR and of its relevant implementing rules of the European Commission, the Company adopted a new “Procedure for publishing privileged information” - approved by the Board of Directors of YOOX NET-A-PORTER GROUP at the subsequent meeting of 4 August 2016, which governs the provisions and the procedures relating to internal management and external communication of privileged information as defined by art. 7 of the MAR (the “Privileged Information”) and confidential information (as defined in the Procedure) concerning the Issuer and its subsidiaries.

In particular, public disclosure of Inside Information shall occur through a press release prepared by the Investor Relations Function, with the support of the Corporate Affairs Function; prior to its external disclosure, the text of the press release shall be submitted for final approval to the Chief Executive Officer or the Chairman of the Board of Directors (or the Vice Chairman if the Chief Executive Officer and the Chairman of the Board of Directors are absent or unable to attend) and, if deemed appropriate or necessary, to the Board of Directors, subject to the prior attestation by the Corporate Accounting Documents Officer (the “Designated Officer”) when the text contains accounting information, pursuant to and for the effects of article 154-bis of Legislative Decree no. 58/1998.

The Procedure is aimed at assuring compliance with the provisions of law and regulations in force on the matter and guarantee utmost confidentiality and non-disclosure of Privileged Information, also for the purpose of guaranteeing enhanced transparency to the market and adequate preventive measures against market abuse and, in particular, against Insider Dealing.

Directors, Statutory Auditors, General Directors (where appointed), Managers, Employees of the Company and/or Group companies, as well as “external” persons entered in the Register of Persons having access to Privileged Information (the “Insider List”) who for whatever reason have an analogous access to Privileged Information (and/or Confidential Information) concerning the Issuer and the relating Group (together, the “Addressees”) are bound to comply with the Procedure, with different levels of liability and fulfilments.
The procedure is available on the Company website at www.ynap.com (under Governance/Documents, Principles and Procedures/Procedures).

PROCEDURE FOR THE MANAGEMENT OF THE REGISTER OF INDIVIDUALS WITH ACCESS TO PRIVILEGED INFORMATION

The Board of Directors of the Issuer resolved to adopt a “Procedure for the management of the Group register of persons with access to privileged information”, subsequently amended on 16 December 2015 in order to include certain amendments to the legal and regulatory framework, which in the meanwhile entered into force, and to take into account the new dimension of the Group resulting from the Merger.

On 3 July 2016, in compliance with the provisions of Article 18 MAR and of its relevant implementing rules of the European Commission, which provide for the obligation for issuers and for individuals acting in their name or on their behalf, to draw up, manage and update the register of insiders, the Company adopted a new “Procedure for the management of the register of persons with access to privileged information” (the “Register Procedure”) – approved by the Board of Directors of YOOX NET-A-PORTER GROUP on the subsequent meeting of 4 August 2016. The Register Procedure is available on the Company website at www.ynap.com (under Governance/Documents, Principles and Procedures/Procedures).

INTERNAL DEALING PROCEDURE

On 3 September 2009 the Issuer’s Board of Directors resolved to adopt the “Procedure for fulfilling obligations in the matter of Internal Dealing, subsequently amended on 16 December 2015 in order to include certain amendments to the legal and regulatory framework, which in the meanwhile entered into force, and to take into account the new dimension of the Group resulting from the Merger.

In implementation of the regime set out in art. 19 MAR and of its relevant implementing rules of the European Commission and in compliance with the applicable provisions of the TUF and the Issuers Regulation, the Company adopted a new “Procedure for fulfilling obligations in the matter of Internal Dealing (the “Internal Dealing Procedure”) governing disclosure obligations concerning transactions on financial instruments entered into by Relevant Persons, identified by the same Internal Dealing Procedure, for the purpose of guaranteeing enhanced transparency to the market and adequate preventive measures against market abuse and, specifically, against internal dealing.

The Internal Dealing Procedure, in force since 3 July 2016, was subsequently updated with resolution of the Board of Directors of 2 August 2017 to transpose the regulatory changes intervened in the meantime.

The Internal Dealing Procedure is available on the Company website at www.ynap.com (under Governance/Documents, Principles and Procedures/Procedures).

The details of the transactions carried out during the course of the year, which require notification pursuant to the Internal Dealing Procedure, are available on the Company website at www.ynap.com (under Governance/Documents, Principles and Procedures/Internal Dealing).

6. BOARD COMMITTEES

The Board has formed the Directors’ Appointments Committee, the Compensation Committee and the Control and Risks Committee from among its members.

The Board of Directors at the meeting of 9 November 2016, pursuant to Criterion 4.C.1., lett. c) of the Code, resolved to entrust to the Control and Risks Committee the supervision functions of sustainability issues related to the relevant business and to its interactions with all the stakeholders.

Saved for the above, no committee performing the functions of two or more committees provided in the Code were formed.

We set out below the composition of the board internal committees at the date of the present Report.

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Composition of Board committees at the date of the present Report

<table>
<thead>
<tr>
<th>COMMITTEE</th>
<th>NAME</th>
<th>POSITION</th>
<th>INDEP. CODE</th>
<th>INDEP. TUF</th>
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<tr>
<td>DIRECTORS’ APPOINTMENTS COMMITTEE</td>
<td>ALESSANDRO FOTI</td>
<td>COMMITTEE CHAIRMAN</td>
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<td>X</td>
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<tr>
<td></td>
<td>RICHARD LEPEU</td>
<td>COMMITTEE MEMBER</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>LAURA ZONI</td>
<td>COMMITTEE MEMBER</td>
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<td>X</td>
</tr>
<tr>
<td>COMPENSATION COMMITTEE</td>
<td>ROBERT KUNZE-CONCEWITZ</td>
<td>COMMITTEE CHAIRMAN</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>CATHERINE GÉRARDIN VAUTRIN</td>
<td>COMMITTEE MEMBER</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>RAFFAELLO NAPOLEONE</td>
<td>COMMITTEE MEMBER</td>
<td>X (*)</td>
<td>X</td>
</tr>
<tr>
<td>CONTROL AND RISKS COMMITTEE</td>
<td>ALESSANDRO FOTI</td>
<td>COMMITTEE CHAIRMAN</td>
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<td>COMMITTEE MEMBER</td>
<td>X (*)</td>
<td>X</td>
</tr>
</tbody>
</table>

(*) On this point see the previous paragraph 4.6 of the Report.

7. DIRECTORS’ APPOINTMENTS COMMITTEE

The Directors’ Appointments Committee was originally set up on 7 October 2009, implementing a Board resolution dated 3 September 2009, subject to the start of trading in the ordinary shares on the MTA.

At the date of the present Report, the Directors Appointment Committee comprises 3 (three) non-executive directors, as indicated below, on the understanding that the Directors Appointment Committee was established by the decision of the Board dated 30 April 2015 and that Richard Lepeu was appointed on 11 November 2015 as provided by the Shareholders’ Agreement (see the previous paragraph 2, letter g) of the Report):

- Alessandro Foti – Independent Director – Chairman;
- Richard Lepeu – Non-Executive Director;
- Laura Zoni – Independent Director.

Accordingly, being the members of the Directors’ Appointments Committee all non-executive directors, the majority of whom is independent, the composition of the Committee currently in line with the indications of principle 5.P.1 of the Code.

The functioning and tasks of the Directors’ Appointments Committee are also governed by a regulation approved by the Board of Directors which, in accordance with the provisions of the Code, expressly provides for the works of the committee to be coordinated by a Chairman, who informs thereon at the first useful Board of Directors, and for minutes of meetings to be recorded.

FUNCTIONS ATTRIBUTED TO THE DIRECTORS’ APPOINTMENTS COMMITTEE

The Directors’ Appointments Committee recommends that directors are appointed following procedures that ensure transparency and a balanced composition of the Board of Directors, guaranteeing, in particular, the presence of a sufficient number of independent directors.

The Directors’ Appointments Committee is entrusted with the following functions:

- expressing opinions to the Board of Directors as regards the size and composition thereof and expressing recommendations as regards the professional figures the presence of whom within the Board is deemed appropriate;
expressing opinions as regards the maximum number of offices as director or statutory auditor in other companies listed on regulated markets (including foreign markets) in financial companies, banks, insurance companies or companies of a considerably large size, which may be considered compatible with an effective performance of a director’s duties, also taking into account the attendance by the directors to the committees set up within the Board;

expressing opinions to support the Board of Directors in assessing specific and critical circumstances where a general and preventive derogation from the rule prohibiting competition under article 2390 of the Italian Civil Code;

to submit the Board of Directors candidates for directors offices in case of co-optation, should the replacement of independent directors be necessary;

proposing candidates to the Board of Directors for the role of director in case a list of the same Board is submitted.

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The Board of Directors in its meeting of 2 August 2017, resolved to entrust the Directors’ Appointment Committee with the mandate to monitor and review the Executive Directors Succession Plan approved by the Company on the same date, for the purpose of assuring a timely and effective replacement of Executive Directors, as well as to annually reporting to the Board on said activities. The Directors Appointment Committee is supported by the Human Resources division.

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In the course of the Year, the Directors’ Appointment Committee met on 2 August 2017 for the purpose of submitting a proposal to the Board of Directors in the context of the investigations initiated, by the same Board, for the preparation of the Executive Directors Succession Plan. In the course of 2018 the Directors’ Appointment Committee met on 6 March 2018, for the purpose of (i) expressing its opinion on the size and composition of the new Board, as well as on the professional figures whose presence within the Board is deemed advisable; and (ii) proposing to the Board of Directors candidates for the office as director for the submission of the slate by the Board of Directors in view of the Meeting called to approved the financial statements as at 31 December 2017

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In performing its functions, the Directors’ Appointments Committee has access to the information and Company departments necessary to fulfill its duties, and may also use external consultants, within the terms established by the Board.

No specific financial resources were allocated to the Directors’ Appointments Committee since, in performing its duties, it makes use of the resources and company structures of the Issuer.

8. COMPENSATION COMMITTEE

The Compensation Committee was originally set up on 7 October 2009, implementing a Board resolution of 3 September 2009 and subject to the Start of Trading of ordinary shares on the MTA.

At the date of the present Report, the Compensation Committee comprises 3 (three) non-executive directors, all of whom are independent, as mentioned below, on the understanding that the Compensation Committee was set up pursuant to the decision taken by the Board on 30 April 2015 and that its composition has subsequently changed on 29 June 2016 due to the joining of independent director Raffaello Napoleone in replacement of Director Stefano Valerio:

- Robert Kunze-Concewitz – Independent Director – acting as Chairman;
- Catherine Gérardin Vautrin – Independent Director;
- Raffaello Napoleone – Independent Director.
Accordingly, being all the members of the Compensation Committee independent, the composition of such Committee is in line with the indications of Principle 6.P.3. of the Code.

All members of the Compensation Committee have experience in finance or on the subject of remuneration policies deemed to be adequate by the Board at the time of their appointment.

The functioning and tasks of the Compensation Committee are also governed by a regulation approved by the Board of Directors which, in accordance with the provisions of the Code, expressly provides for the works of the committee to be coordinated by a Chairman and for minutes of meetings to be recorded. The Chairman of the Committee did actually inform the Board of Directors on the Compensation Committee meeting during the Board’s meeting held on 1 March 2017.

No director takes part in Compensation Committee meetings in which Board proposals are put forward relating to their own remuneration.

FUNCTIONS ATTRIBUTED TO THE COMPENSATION COMMITTEE

The Compensation Committee has a consulting and advisory role, with its main duty being to submit proposals to the Board of Directors regarding the remuneration policy, including stock option or share granting plans, the remuneration of the Chief Executive Officer and directors holding specific positions, and, following the recommendations of the Chief Executive Officer, to determine criteria for the remuneration of managers with strategic responsibilities.

The creation of this committee ensures the wide disclosure of information and transparency regarding remuneration due to the Chief Executive Officer, as well as the procedures through which this is determined. It is however understood that, in accordance with Article 2389, paragraph 3, of the Civil Code, the Compensation Committee only holds a consulting role, while the power to determine directors’ remuneration with specific duties remains vested in the Board of Directors, having heard the opinion of the Board of Statutory Auditors.

The Compensation Committee is responsible for the duties set out in Article 6 of the Code, and specifically:

- it proposes the adoption of the remuneration policy for directors and managers with strategic responsibilities;
- it periodically evaluates the adequacy, overall consistency and practical application of the remuneration policy for directors and managers with strategic responsibilities, making use, for the latter, of the information supplied by the Chief Executive Officer; it formulates proposals on the subject and submits them to the Board of Directors;
- it submits proposals or gives advice to the Board of Directors on the remuneration of executive directors or other directors who hold specific offices, as well as the setting of performance targets related to the variable component of this remuneration; it monitors the application of the decisions taken by the Board, verifying, in particular, that the performance targets have been met.

The Compensation Committee is also assigned duties in relation to the management of any incentive plans approved by the relevant Company management bodies.

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During the reference year, the Compensation Committee met 1 (one) time on 1 March 2017.

The minutes of the meeting of the Compensation Committee were duly recorded and the meeting lasted for 50 minutes. At the invitation of the Chairman, members external to the committee, such as the Company’s Chief Financial and Corporate Officer, the Group Head of Human Resources and the Corporate Affairs Manager, also attend Compensation Committee meeting. The Chairman of the Committee informs thereon at the first useful Board of Directors.

The Chairman of the Statutory Auditors participated in the work of the Compensation Committee.

During the year, the Compensation Committee mainly gave its opinion on the following matters: (a) proposal concerning the definition of the targets on which to base the short time variable components for the Chief Executive Officer and Strategic Managers; (b) changes to the Company’s remuneration policy (originally adopted on 7 March 2012 and subsequently amended...
on 5 March 2013, 25 March 2015, 30 July 2015, 9 March 2016 and 1 March 2017; (c) determinations concerning the reference targets pursuant to the Stock Option Plan 2015 – 2025.

For 2018, no meetings of the Compensation Committee have been planned yet in addition to the one already held on 28 February 2018.

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In performing its functions, the Compensation Committee has access to the information and Company departments necessary to fulfil its duties, and may also use external consultants, within the terms established by the Board.

No specific financial resources were allocated to the Compensation Committee since, in performing its duties, it makes use of the resources and company structures of the Issuer.

For further information on the functioning and activities of the Compensation Committee reference is made to the Remuneration Report lodged with the company’s registered office and available on the Company’s website at www.ynap.com (Governance Section).

9. DIRECTORS’ REMUNERATION

Directors’ remuneration is set by the General Meeting. Pursuant to Article 20, paragraph 3, of the articles of association, the General Meeting may determine a total amount for the remuneration of all directors, including those holding particular functions; this amount is then divided by the Board of Directors, having heard the opinion of the Board of Statutory Auditors, for granting to directors with particular functions, pursuant to Article 2389, paragraph 3, of the Civil Code.

On 30 April 2015, the Ordinary General Meeting set the overall annual compensation to be paid to the Board of Directors for the term of office at EUR 680 thousand, in addition to the reimbursement of expenses incurred by its members in performing the office, reservation made in any case of compensation for directors vested with special offices pursuant to Article 2389, paragraph 3, of the Civil Code, which is to be understood as not included in the above amount, and any special compensation for special offices. The total remuneration to the Board of Directors will remain unchanged until the General Meeting resolves otherwise. On 30 April 2015, the Board divided the total annual remuneration between its members.

For information on the Remuneration Policy adopted by the Issuer and compensation received by members of the Board of Directors during the year, please see the remuneration report prepared pursuant to Article 123-ter of the TUF and Article 84-quater of the Issuers’ Regulation available within the legal deadlines in the Governance section of the Company website at www.ynap.com (Governance section).

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Incentive schemes are planned for executive officers and directors with strategic responsibilities. For more information on stock option plans in force on 31 December 2017, please refer to the information documents drafted as per Article 84-bis of the Issuer’s regulations filed at the company’s head office and available on the company’s website at www.ynap.com (Governance section) and the report on compensation as per Article 84-quater of the Issuer’s regulations available as stipulated by lax on the company’s website at www.ynap.com (Governance section).

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INCENTIVE SCHEMES FOR THE INTERNAL AUDIT MANAGER AND THE DIRECTOR RESPONSIBLE FOR PREPARING THE FINANCIAL STATEMENTS

The incentive schemes for the Internal Audit Manager and the Director responsible for preparing the financial statements are consistent with the tasks assigned to them.
10. CONTROL AND RISKS COMMITTEE

The Issuer established the Control and Risks Committee from members of the Board.

The Control and Risks Committee was originally set up on 7 October 2009, implementing a Board resolution of 3 September 2009 and subject to the Start of Trading of ordinary shares on the MTA.

The current Control and Risks Committee was established by a Board resolution of 30 April 2015 and comprises 3 (three) non-executive directors, all of whom are independent, namely:

- Alessandro Foti – Independent Director – Chairman;
- Catherine Gérardin Vautrin – Independent Director;
- Raffaello Napoleone – Independent Director.

Accordingly, being all the members of the Control and Risks Committee all Independent Directors, the composition of said Committee is in line with the indications of Principle 7.P.4. of the Code.

All the members of the Control and Risks Committee have experience in accounting and finance deemed adequate by the Board at the time of their appointment.

The functioning and tasks of the Control and Risks Committee are also governed by a regulation approved by the Board of Directors which, in accordance with the provisions of the Code, expressly provides for the works of the committee to be coordinated by a Chairman and for minutes of meetings to be recorded. The Chairman of the Committee did actually informed the Board of Directors on the Control and Risks Committee meetings during the Board’s meetings held on 7 February, 23 February, 1 March, 3 May, 2 August and 8 November 2017.

FUNCTIONS ATTRIBUTED TO THE CONTROL AND RISKS COMMITTEE

The Control and Risks Committee has a consulting and advisory role supporting the Board of Directors. Specifically, the Committee:

- evaluates, together with the Director responsible for preparing the financial statements and on the advice of the Independent Auditor and the Board of Statutory Auditors, the correct use of the accounting standards adopted and, in the case of groups, their consistency for the purposes of preparing the consolidated financial statements;
- expresses opinions on specific aspects pertaining to the identification of the main corporate risks;
- examines the periodic reports on the evaluation of the internal control and risk management system and those of particular importance prepared by the Internal Audit department;
- monitors the autonomy, adequacy, effectiveness and efficiency of the Internal Audit department;
- can ask the Internal Audit department to conduct audits in specific operating areas, at the same time notifying the Chairman of the Board of Statutory Auditors;
- reports to the Board, at least twice a year, on the approval of the annual and half-year financial report, on the activity conducted as well as the adequacy of the internal control and risk management system;
- supports with an adequate investigation activity the assessments and decisions of the Board of Directors concerning the management of risks deriving from prejudicial events that came into the knowledge of the same Board of Directors.
At the meeting of 9 November 2016, the Board of Directors, pursuant to Criterion 4.C.1., of the Code resolved to entrust to the Control and Risks Committee the supervision functions of sustainability issues related to the relevant business and to its interactions with all the stakeholders.

The Control and Risks Committee must carry out its duties in coordination with the Board of Statutory Auditors, the Director in charge and the Internal Audit Manager (the “Director in Charge”).

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During the reference year, the Control and Risks Committee met 6 (six) times on the following dates: 3 February, 23 February, 21 April, 20 June, 26 July and 6 November 2017, addressing the following points:

- review of the competence, autonomy and organisational adequacy of the Group’s internal audit structure and positive assessment of the adoption of the “YOOX Group Internal Audit Department Mandate” for subsequent approval by the Board;
- approval of the Audit Plan prepared for the year by the Internal Audit Manager;
- examining and evaluating the completeness and adequacy of the plan of activities of the Group Internal Audit department for the year and the methods used in its definition, with a particular focus on the new Group structure after the Merger;
- examining the periodic reports prepared by the Internal Audit department for the year on the evaluation of the internal control and risk management system relating to areas subject to audit, as well as the related corrective actions shared with the managers and the outcome of the follow-up activities carried out;
- reviewing the results of activities carried out by the Director responsible for preparing the financial statements, performed with the support of the Internal Audit department, monitoring the adequacy and full operation of the internal control system under the scope of administration-accounting for compliance pursuant to Law 262/05, in relation to the annual report as at 31 December 2016 and the half-year report as at 30 June 2017;
- evaluating, together with the Director responsible for preparing the financial statements and on the advice of the Independent Auditor and the Board of Statutory Auditors, the correct use of the accounting principles and their consistency for the purpose of preparing the consolidated financial statements, as well as the process for producing the draft budget as at 31 December 2016 and the half-year financial report as at 30 June 2017;
- reviewing the results of the activities of YOOX’s Supervisory Body with the support of the Internal Audit department in relation to checks on the adequacy of the Organisational Model, pursuant to Legislative Decree 231/01, and monitoring the correct and full operation of the internal control system overseeing the offence risks to which the Decree refers;
- appointing the Internal Audit Manager;
- approving changes to the Related-Party Procedure;
- approving the guidelines for impairment activities and approving the outcomes of the impairment test; and
- purchase price allocation activities.

At its meetings of 1 March 2017 and 2 August 2017, the Chairman of the Control and Risks Committee reported to the Board of Directors on the activities carried out and the adequacy of the internal control and risk management system.

The Chairman or a member of the Board of Statutory Auditors, the Director responsible for preparing the financial statements, the Internal Audit Manager, the Supervisory Body pursuant to Legislative Decree 231/01 and the Independent Auditor also took part in the meetings of the Control and Risks Committee that took place over the financial year. The presence of these supervisory and corporate control bodies, permanently required by the Control and Risks Committee, has allowed the main aspects relating to the identification of corporate risks to be communicated and shared.
The minutes of meetings of the Control and Risks Committee were duly recorded and the meetings lasted approximately an average of one hour and a half. The Chairman of the Committee informs thereof at the first useful Board of Directors.

At least 5 (five) meetings of the Control and Risks Committee are expected to take place in 2018. As well as the meeting of 15 January 2018 and 27 February 2018 where, amongst other things, the impairment test process and the adequacy of the internal control and risk management system were discussed - another 3 (three) meetings are scheduled for the following dates: 3 May, 26 July and 26 October.

At the meeting of 27 February 2018, the Committee also approved the audit plan for 2018, while at the meeting of 15 January 2018 it took note of the activities carried out by the Internal Audit Manager relating to the audit plan for the year and the activities carried out by the Director responsible for preparing the financial statements of the Issuer for compliance pursuant to Law 262/05 and the by the Supervisory Body for compliance pursuant to Legislative Decree 231/01.

In performing its functions, the Control and Risks Committee has access to the information and company departments necessary to fulfil its duties, and may also use external consultants.

No specific financial resources were allocated to the Control and Risks Committee since, in performing its duties, it makes use of the resources and company structures of the Issuer.

11. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system is the totality of rules, procedures and organisational structures that allow the Company, through an appropriate process of identification, measuring, management and monitoring of the main risks, to be managed in a sound and correct manner, in line with present objectives. An effective internal control and risk management system helps to ensure the protection of corporate capital, the efficiency and effectiveness of company operations, the reliability of information provided to corporate bodies and the market, and compliance with laws and regulations.

The Board of Directors guides and assesses the adequacy of the internal control and risk management system. To this end, the Board:

a) defines the guidelines for the internal control and risk management system, so that the main risks relating to the Issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, in line with the management of the business consistent with the strategic objectives identified;

b) periodically checks, at least on an annual basis, the adequacy of the internal control and risk management system in relation to the characteristics of the business, as well as its effectiveness;

c) annually approves the work plan prepared by the Internal Audit Manager, having consulted the Board of Statutory Auditors and the Director in Charge;

d) describes the main characteristics of the internal control and risk management system and the coordination methods between the bodies involved therein, in the report on corporate governance and ownership structure, expressing an opinion on its adequacy;

e) evaluates, having consulted the Board of Statutory Auditors, the results presented by the Independent Auditor in any management letter and in the report on the fundamental questions arising during the statutory audit.

In performing these duties, the Board works with the Director in Charge with the duties listed below, and a Control and Risks Committee.

The Director in charge has been identified as the Chief Executive Officer, Federico Marchetti. For information on the Director in charge please see section 11.1.
The structured and formalised models established by the Issuer for the management of internal controls and company risks are the following:

- Group Strategic Risk Management Policy and Model, with reference to the definition of guidelines for the internal control and risk management system, guaranteeing the traceability of the strategic decision-making process and the taking of conscious business risks, based on acceptable risk. The Strategic Risk Management model is based on an risk analysis and management system which will be integrated in the broader Enterprise Risk Management model. This latter model is based on the ISO 31000 Standard and has been implemented with the goal of identifying, evaluating, managing and monitoring all types of Group risk, including strategic risks;

- Model pursuant to Law 262/05 with reference to the attributions related to the person of the Director responsible for preparing the financial statements and activities relating to the organisation, formalisation and verification of adequacy and effective operation of administrative-accounting procedures and procedures for the preparation of financial reports;

- Organisation and Management Model with reference to the prevention of offences pursuant to Legislative Decree 231/01, the appointment and the attributions of the Supervisory Body pertaining to the Issuer;

- Occupational Health and Safety Management System compliant with British Standard OHSAS 18001:2007 certified by a third party, in order to fulfil the requirements defined by health and safety standards in the workplace, with special reference to Legislative Decree 81/08;

- Environmental Management System that complies with standard UNI EN ISO 14001:2004 and is integrated with the Occupational Health and Safety Management System, certified by authorised third parties, in compliance with environmental regulatory requirements;

- Group Planning and Control Model, with the aim of directing and guaranteeing the alignment of management with the economic and financial objectives defined by senior company managers;

- Information security management system based on International Standard ISO/IEC 27001 for managing risks relating to the confidentiality, integrity and availability of corporate information (including the management of risks pursuant to Legislative Decree 196/2003), with the supervision of an Compliance, Ethic and Risk Committee which dictates the guidelines.

In addition to what has been specified above, at a control level, the Issuer has:

- a Code of Ethics, which defines the collection of values recognised, accepted and shared by the YOOX NET-A-PORTER GROUP community at all levels in carrying out business activities, and which prescribes behaviour in line with these values;

- objectives, responsibilities and roles defined and formalised under the scope of the organisation of the Group;

- powers and proxies consistent with the organisational responsibilities assigned;

- a business model on the major regulatory issues, that the Group and the businesses are aware of;

- a body of company procedures to govern the main corporate processes, or the most risky processes in terms of compliance with legal provisions;

- Group “Anti-Corruption Compliance Programme”, which identifies relevant rules on corruption for the foreign companies and sets expected standards of conduct and control, as well as defining responsibility for implementing checks to ensure compliance and for dedicated training activities.

In addition, a key role in the management of internal controls and company risks is carried out by corporate functions which, although not mentioned above, carry out second- and third-level checks on company processes; in other words they provide assistance and consulting services to other departments (e.g. Security, Risk & Compliance, Legal, Tax & Corporate Affairs, Management Control, Prevention and Protection Service, Internal Audit, etc.).
In general, the risk management and internal control models mentioned above deal with making reliable and timely information available to support decision-making processes (management, senior management) and to support the control and supervisory bodies.

The Board of Directors, as part of the definition of strategic, industrial and financial plans, defined the risk nature and level compatible with the Issuer’s strategic objectives, including in its assessments all risks that may be relevant with a view of medium-long period sustainability of the Issuer’s activity. Said matters have always been, in fact, subject to specific focus by the Company, which in the last years enhanced a Sustainability road based on the consideration that conducting its business in full respect of environmental and social values is one of the basis for the creation of value for the company in the long term, to the benefit of the plurality of stakeholders. Furthermore, by virtue of the combined provisions of the novelties introduced by the code in this respect and the implementation of Directive 95/2014, as implemented by Legislative Decree 254/2016, on the Disclosure of non-financial information and corporate social responsibility, according to which starting from 2018 public interest entities – among which also listed companies – are obliged to report a number of transactions of non-financial nature relating to its sustainability initiatives in environmental, social, gender policies and diversity, respect of human rights and fight against corruption matters. Matters linked to sustainability will accordingly become a key topic both in the ordinary management of the Group, and in the activities of the Board of Directors and its Committees.

It is noted that such information, which pursuant to Legislative Decree 254/2016 are given in a separated non financial declaration, will be published as part of the 2017 directors’ management report which is being approved by the Board of Directors relating to the approval of the draft separate financial statements for the year ended 31 December 2017.

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MAIN FEATURES OF THE EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN RELATION TO THE FINANCIAL INFORMATION PROCESS

The internal control and risk management system, among its fundamental elements, includes the internal control system relating to the financial reporting process. The latter aims to guarantee reliability, accuracy, integrity and promptness in the preparation and communication of financial information.

The “262 Model” of the Group, established in 2009 and constantly updated, comprises the following macro elements:

- the design of a workflow model, procedures and risk control matrices for each company process for each Company within the scope of consolidation;
- a system of internal certification to the Director responsible for preparing the financial statements on the completeness, accuracy and reliability of the information provided to the management functions for the preparation of financial reports, as well as on the effectiveness of the control procedures with accounting significance established within each structure;
- monitoring of the Model – testing of the adequacy and effectiveness of key controls and procedures defined, in relation to the preparation of the annual and half-year financial reports, based on an analysis of the materiality of the accounting entries;
- identification of the corrective actions, follow-ups and reporting – definition and sharing of the corrective actions with Management, verification of their effective implementation, preparation of reports for the Director responsible for preparing the financial statements and for the supervisory and control bodies;
- updating of the Model and related documents, based on corporate, organisational and process changes which have taken place.

The methods followed for the design and performance of the checks on Model 262 are aligned with international best practices and guarantee full traceability.

With regard to the identification and assessment of financial disclosure risks, the Issuer carries out its own analyses and auditing activities on the Parent Company, YOOX NET-A-PORTER GROUP S.p.A., and on the subsidiaries with revenue levels and assets above a predefined materiality threshold, and on the management of inter-company relations. Rotating analyses and audits
The risks detected and assessed in accordance with international practices on the subject of risk assessment involve both operating processes supplying the general ledger entries, and the budget estimates and statements, with a view to both the prevention of accuracy and completeness errors and the prevention of fraud. The evaluation of the “inherency” of risks is qualitative, conducted both with reference to the materiality and nature of the accounting entries, and with reference to the frequency of the operations supplied.

With regard to the identification and evaluation of controls in the light of risks identified, Model 262 takes into consideration both preventive controls and detective and second-level controls on processes supplying accounting entries and estimates. The evaluations made of the adequacy and effectiveness of controls for mitigating risks are qualitative, based on the outcome of tests carried out during the course of Model monitoring activities.

The monitoring activities are concentrated on operating processes related to material accounting entries, for the identification of which a preliminary scope analysis is carried out annually. Ad hoc checks are also carried out on activities related to the accounting closing and consolidation entries, which the Company documents, allocates in terms of responsibility for performing and authorises through a dedicated IT program, ensuring that they are complete and accurate.

Having established Model 262 in its fundamental design elements in 2009, the Director responsible for preparing the financial statements gives an annual mandate to the Internal Audit department to carry out periodic monitoring as well as support to the activities of maintenance and updating of the actual Model. The sharing of the planning and finalisation of the activities carried out on the Model between the Director responsible for preparing the financial statements and the Internal Audit department takes place at least twice a year. In particular, after important organizational changes as a result of the merger and the integration of the processes and the Group’s administrative and accounting systems, the aforementioned Model is constantly being updated with particular reference to the former Net-A-Porter Group Companies. This update is being implemented in the context of the Integrated Compliance project, for details of which reference is made to paragraph 11.5 of this Report.

The Director responsible for preparing the financial statements and the Internal Audit Manager report periodically to the Control and Risks Committee, to the Board of Statutory Auditors, to the Director in Charge and to the Supervisory Body on the management of Model 262, expressing their opinion on the adequacy of the administrative-accounting control system and the corrective actions to be implemented.

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Having consulted the Board of Statutory Auditors and the Director, the Board of Directors approved the work plan prepared by the Internal Audit Manager for 2017 and for 2018 on 23 February 2017 and 28 February 2018 respectively.

On 28 February 2018, pursuant to Criterion 7.C.1, let. b) of the Code, the Board of Directors expressed a favourable opinion on the adequacy of the internal control and risk management system with regard to the characteristics of the business, as well as its effectiveness, using the periodic reports prepared by the Director in Charge, the Control and Risks Committee, the Internal Audit Manager and the Board of Statutory Auditors.

In the course of the reference year the Company contacted a primary consulting company for the preparation of an internal procedure, which was activated, for the reporting of any irregularity or breach by employees (so called whistle blowing), that ensures a specific and confidential communication channel as well as the anonymity of the reporting person. The management of the specific so-called hotline service has been entrusted to a highly-specialized company in the sector. The procedure, which had been illustrated Control and Risks Committee during previous meeting, was approved by the Board of Directors on 23 February 2017.

Please note in this respect that on 14 December 2017 law 30 November 2017, no. 179, setting out “Provisions on the protection of persons reporting crimes or irregularities they became aware of as part of a public or private employment relation” was published on the Official Gazette no. 291 and was adopted, after a legislative process started in 2015, with the purpose of reforming whistle blowing in the public and private sector. As per the private sector, the Law provided for the supplementing of art. 6 of Legislative Decree no. 231, for the purpose of laying down a detailed protection for all companies’ employees and/or collaborators who have reported offences they became aware of in the context of their working duties. The
whistle-blowing procedure adopted by YNAP is consistent with the requirements of the aforementioned law and is further transposed in the Group Model 231.

### 11.1 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On 30 April 2015, the Board appointed Chief Executive Officer, Federico Marchetti, as the Director in charge of the internal control and risk management system.

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In connection with and for the implementation of the guidelines established by the Board, the Director is responsible for:

(i) identifying the main typical company risks, in relation to the characteristics of the activities of the Issuer and its subsidiaries and the sector in which they operate, reporting to the Board on 23 February 2017 and 2 August 2017;

(ii) planning, implementation and management of the internal control and risk management system, in line with the operating conditions of the Issuer and the regulatory framework, verifying the adequacy and effectiveness through the designated structures;

(iii) requesting audits from the Internal Audit department into specific operating areas and into the compliance of internal rules and procedures, audits which have been included in the audit plan brought to the attention of the Control and Risks Committee and the Board of Statutory Auditors for subsequent approval by the Board of Directors;

(iv) did not, directly or through audits conducted by the Internal Audit department and by other governance functions within the YOOX NET-A-PORTER Group, identify problems that would impinge on the objectives of correct corporate governance.

### 11.2 INTERNAL AUDIT MANAGER

The Board, with the favourable opinion of the Control and Risks Committee and the Board of Statutory Auditors, on the recommendation of the Director in Charge, by a resolution of 9 March 2016, appointed Matteo James Moroni as Person in Charge of the Internal Audit Function of the Group and internal member of the Supervisory Body, entrusting him with the responsibility of verifying that the internal control and risk management system was adequate and functioning.

The Internal Audit Manager is not responsible for any operating area and reports to the Board.

As well as his/her auditing activities, the Internal Audit Manager also assists the Director responsible for preparing the financial statements and the Supervisory Body to comply with Law 262/05 and Legislative Decree 231/01. He/she also acts as an internal consultant to support the corporate operational areas and oversees corporate social responsibility reporting, as well as coordinates the preparation process of the non-financial information statement pursuant to Legislative Decree 254/16. The assigning of these activities to the Internal Audit Manager received a positive evaluation from the Board in terms of opportunities, and there are no conflicts of interest or limitations to the application of the Code of Conduct.

The Board of Directors, upon proposal of the Director in Charge and previous favourable opinion of the Control and Risks Committee and having heard the Board of Statutory Auditors determined the amount of the remuneration of the as Person in Charge of the Internal Audit Function in line with the Group policies.

The resources placed at the disposal of the Internal Audit Manager have been deemed adequate by the Board to carry out the activities required.

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The Person in Charge of the Internal Audit Function of YNAP Group:

(a) verifies (and during the course of the financial year has verified), both continuously and with regard to specific requirements and in compliance with the international standards of the profession, the operation and suitability of the internal control
and risk management system, through an audit plan approved by the Board of Directors based on a process of analysing and prioritising company risks;
b) has direct access to all information useful for the performance of his/her duties;
c) reports (and during the financial year has reported) quarterly on his/her operations and the progress of activities provided for by the plan to the Control and Risks Committee, the Board of Statutory Auditors and the Chairman of the Board of Directors and Director in charge, giving the outcomes of the activities conducted in the reference quarter in terms of audits carried out, corrective actions discussed with management and related time schedules;
d) prepares (and during the financial year has prepared) half-year reports for the Chairman of the Control and Risks Committee, the Chairman of the Board of Statutory Auditors and the Chairman of the Board of Directors and Director in charge, highlighting the methods through which risk management is carried out, compliance of the plans defined for containing it, as well as giving an assessment of the suitability and adequacy of the overall internal control and risk management system;
e) attends the meetings of the Board of Directors and the Control and Risks Committee to which he/she is invited and, with regard to the year, attended the Board meetings of 23 February 2017 and 2 August 2017 as well as all the meetings of the Control and Risks Committee;
f) carries out the further tasks that the Board deems appropriate to allocate to him/her, in other words as far as the year was concerned, coordinating and supporting corporate social responsibility issues.

Following the activities carried out during the year, the Internal Audit Manager did not identify urgent elements which required special reporting and did not conduct specific activities with regard to the reliability checks on the information systems.

As regards to IT governance of the YOOX NET-A-PORTER Group, in order to build up an integrated compliance model that enables the Group to obtain a comprehensive view of risks and a better integration, coordination and effectiveness of the management and control activities, with the approval of the Control and Risk Committee of 27 October 2016, the Information Risk Committee has been replaced by the Compliance, Ethics and Risk Committee. Such Committee is responsible for overseeing the management of the Group’s risks, to evaluate and approve the possible adoption of improvement actions, to evaluate the adequacy of oversight processes of the Group’s risks and develop appropriate preventive action.

Within the Compliance Ethics and Risk Committee, the Head of the Internal Audit is a permanent member, with the aim to let him be constantly updated in relation to the risks of reliability of information systems and to take active part in the group leading the application of the Security Management System of the Group information.

The risk assessment and monitoring of controls in place for their mitigation is headed by the Information Security function, which reports the results of its activities to the Group Risk Manager, responsible for reporting to the Compliance, Ethics and Risk Committee on the overall risk status Group.

The activities of the Internal Audit Function, in accordance with the audit plan for the reference year, concerned audits of operational assurance and regulatory consulting activities on operational processes to support business operational areas and compliance, the corporate process coordination Social Responsibility Group. In summary:

- operational assurance audits were conducted on several key company processes identified through a risk-based methodology and specific follow-up activities were carried out;
- for the purpose of issuing a certificate by the Director responsible for preparing the financial statements in relation to financial reporting as at 30 June 2017 and 31 December 2017 (Law 262/05), on the mandate of the latter periodic monitoring activities were carried out on Model 262 and the activities of maintaining and updating the internal control system documentation relating to the main administrative-accounting processes of YOOX NET-A-PORTER GROUP were completed; It was also ascertained that the system of internal certification to the Director responsible for preparing the financial statements on the completeness, accuracy and reliability of the information provided to the management functions for the preparation of financial reports, and on the effectiveness of the control procedures with accounting significance established within each structure, was functioning correctly;
to ensure compliance with Legislative Decree 231/01, on the mandate of the Supervisory Body, specific audits were conducted into areas of the Organisational Management and Control Model of YOOX NET-A-PORTER GROUP S.p.A. designated as “sensitive”. As a member of the Supervisory Body, the Internal Audit Manager helps to make the Model effect from inside the organisation;

consultancy activities were carried out to improve internal controls relating to some company areas, also with regard to process and responsibility reorganisations, as well as their formalisation within the scope of company procedures;

support was also provided to the Company in the maintenance of an SA8000 (Social Accountability) management system, which is a voluntary standard that can be verified by an accredited certification body. The standard appraises and safeguards all personnel within the organisation’s sphere of control and influence, setting out fundamental requirements that must be met in order to improve workers’ rights and workplace conditions and to manage relations with suppliers and contractors. The Company obtained international SA8000 certification from accredited certification body IQNet Ltd on 20 July 2015 and assured the transition of the management system to the new version of the SA8000:2014 standard. The current scope of application of the certification is limited to the Italian registered offices of Milan and Zola Predosa, Bologna Masini, Casalecchio and the Bologna Interporto logistics cluster. The extension of such model to the other companies of the Group is currently under evaluation;

finally, with reference to the management of the Group’s Corporate Social Responsibility process, the Internal Audit Function, after the discontinuation of the publication of the Sustainability Report for the year 2015 due to the integration process following the merger, has guaranteed the update and the extension to all the Group of appropriate reporting tools for sustainability. Further, the Audit Function has managed a stakeholder engagement process internal and external, availing itself of the support of a highly specialized advisor. This process led to the definition of the strategic vision of the Group’s Sustainability. In the course of 2017 the structuring exercise of the sustainability vision within a strategic framework capable of assigning measurable objectives and targets also progressed.

The first Sustainability Report of the Group was published in April 2017 in compliance with the option “core” as defined by the “G4 Sustainability Reporting Guidelines” issued by the Global Reporting Initiative (GRI).

For the purpose of complying with the requirements of Legislative Decree no. 254/2016 in the matter of non-financial information as mentioned in paragraph 1 of this Report, the Internal Audit Function defined an informative set and the indicators to be included in the Non-financial information consolidated statement, in accordance with the provisions of Legislative Decree 254/2016, by referring to the materiality analysis already conducted and in line with the GRI-G4 guidelines issued by the Global Reporting Initiative (GRI). In particular the Internal Audit function was supported by a primary consultancy company specialising in Risk & Compliance and Sustainability Services for the completion of a structured gap analysis, comprising benchmarking activities, aimed at identifying possible informative deficiencies and improvement areas in relation to the reporting areas provided for by article 3 of Legislative Decree 254/2016. The outcome of the analysis, which was completed in November 2017, led to a deep review of the minimum content subject to reporting, of the policies and reference framework of the Non-financial information consolidated statement. The analysis further allowed to identify improvement areas which have been timely analysed and incorporated in an action plan.

Furthermore, the Internal Audit Function provided consultancy in the matter of governance of the non-financial reporting process: assignment of roles and responsibilities for the collection of non-financial information (data review and assurance by data owners) and implementation of formalized controls to assure accuracy and completeness of data. The final result of said activity was the release of the Group’s procedure for the preparation of the Non-financial information consolidated statement. The Non-financial information consolidated statement of YOOX NET-A-PORTER GROUP is included in the Directors’ Management Report in section Non-financial information consolidated statement and was approved by the Board of Directors of YOOX NET-A-PORTER GROUP on 6 March 2018.

During the course of the year, the Internal Audit department made use of external parties with the appropriate professional, organisational and independence requirements with regard to the Issuer. No areas of responsibility of the Internal Audit department are outsourced.

11.3 ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

The Issuer adopted an organisational, management and control Model to prevent the offences for the purposes envisaged by Legislative Decree 231/2001 (hereinafter also “Model 231”), as subsequently amended on 3 September 2009 with a view to
ensuring that corporate activities are conducted correctly and transparently and to protect its position and image and those of Group companies, shareholders’ expectations and the work of its employees, formulated according to the specific requirements determined by the entry into force of Legislative Decree 231/2001.

Through the Board of Directors’ resolution of 16 December 2010, in the light of the regulatory updates that took place, the Issuer adopted a new version of Model 231 and the Group Code of Ethics. The latest updates of the Model, which include the regulatory and organisational amendments and the most recent legal and doctrinal guidelines on the subject, were implemented by way of Board resolution on 31 July 2013, on 12 May 2016 and on 2 August 2017 - the latter with reference to the adjustment of the list of predicate offences to the legislative evolutions which led to the restatement of the offence of corruption among privates and the extension of the 231 liability to illegal intermediation and labour exploitation. The Company is also implementing an updated version of the Model, coordinating such activity to the broader construction of the abovementioned Integrated Compliance model.

The Code of Ethics is an integral part of Model 231. It outlines the ethical principles and conduct that should be followed by Company employees and other recipients, helping to create a control environment that can ensure the Issuer’s activities are always based on the principles of fairness and transparency, and reducing the risk of the crimes mentioned in Legislative Decree 231/2001. In addition to the Code of Ethics, the Company prepared a document called «YNAP Way of Working» (WoW), which aims, according to the underlying intention, at assuming the nature of Group’s Code of Conduct and at incorporating high level principles of conduct, which are described in detail within the specific policies and procedures belonging to the corporate procedural body, expressly recalled through web-links (e.g. whistle blowing policy, information security policy), including the policies relating to the topics identified by article 3 of Legislative Decree 254/2016. The Company finally proceeded with the update of the Code of Conducts for vendors, which is inspired by the Universal Declaration of Human rights and the principles of the International Labour Organization (ILO), and is extending it to all categories of vendors.

The requirement of exemption from administrative responsibility has led to the establishment of a Supervisory Body, within the Issuer, equipped with autonomous powers of initiative and control, with the task of (i) supervising the effectiveness of the Model, which is based on the verification of consistency among the concrete behaviour and the established Model; (ii) examining the adequacy of the Model, in other words its actual capacity to prevent, broadly speaking, undesired behaviour; (iii) conducting an analysis on maintaining the requirements of solidity and functionality of the Model over a period of time; (iv) attending to the necessary updating of the Model in dynamic terms, through the formulation of specific suggestions, in the event that the analyses require corrections and adjustments; and (v) following up on, or verifying the implementation or effective functionality of, the proposed solutions.

The Supervisory Body, in office until the approval of the financial statements as at 31 December 2017, was appointed by the Board on 27 April 2012 and comprises three members: Rossella Sciolli, an external member, as Chairwoman; Isabella Pedroni, an external member; and Matteo James Moroni, internal member and Head of the Issuer’s Internal Audit Function, who replaced Riccardo Greghi on 11 November 2015.

In the meeting on 30 April 2015, the Board decided not to assign to the Supervisory Body functions to the Board of Statutory Auditors.

The Chairman of the Supervisory Body prepared six-monthly reports for the Board of Directors on 23 February 2017 and on 2 August 2017, containing information on the verification and monitoring activities conducted and their outcome.

The offences described in the Issuer’s Model 321 are in line with those currently provided for in the legislation: corruption crimes and other offences against the Public Administration (Articles 24 and 25; Article 2635 of the Civil Code); corporate offences (Article 25–ter); crimes for the purpose of terrorism or subversion of democratic order (Article 25-quater); market abuse (Article 25-sexies); manslaughter or serious or extremely serious injury committed in violation of the laws relating to the protection of health and safety in the workplace (Article 25-septies); receiving, laundering or using money, assets or goods from unlawful sources (Article 25-ocories); organised crime (Article 24-ter); crimes against industry and commerce (Article 25-bis.1); copyright infringement (Article 25-novies); incitement to withhold or make false statements to the judiciary authorities (Article 25-decies); crimes against the environment (Article 25-undecies); employment of citizens from non-EU countries without residence permits (Article 25-duodecies); cross-border crimes (Article 3, Law 146/2006); and self-laundering (Article 25-oceties). The other offences pursuant to Legislative Decree 231/01 were assessed as “not realistically achievable”.

Model 231 introduces an adequate system and punitive measures for conduct in violation thereof.
The training activities on the Model are managed centrally by the Learning & Development Department within the Human Resources Function.

Model 231 and the Code of Ethics are available in the Governance section of the Company website at www.ynap.com.

11.4 INDEPENDENT AUDITOR

KPMG S.p.A., based at 25, Via Vittor Pisani, Milan, was engaged to perform a statutory audit on the Group's accounts. The engagement was conferred on this company by resolution of the Shareholders’ Meeting of 8 September 2009, on the proposal of the Board of Statutory Auditors, for 2009-2017.

11.5 DIRECTOR IN CHARGE OF PREPARING THE FINANCIAL STATEMENTS AND OTHER CORPORATE ROLES AND FUNCTIONS

Pursuant to Article 19 of the articles of association, following mandatory consultation with the Board of Statutory Auditors, the Board of Directors appoints the Director responsible for preparing the financial statements, pursuant to Article 154-bis of the TUF, conferring on him/her sufficient resources and powers to execute the duties attributed thereto. In addition to the requirements of honesty prescribed for statutory auditors by the laws in force, the Director responsible for preparing the financial statements must meet the professional requirements of at least three years’ experience in administration and control, or in performing management or consulting functions in a listed company and/or related groups of companies or organisations of significant size and importance, also in relation to the preparation and control of corporate accounting documents.

The failure to uphold these requirements will result in dismissal from the position, which must be declared by the Board of Directors within 30 days of it being made aware of the fault.

On 24 April 2015, the Board, with a favourable opinion from the Board of Statutory Auditors, appointed Enrico Cavatorta - the Issuer’s Chief Financial and Corporate Officer - as the Director responsible for preparing the financial statements. With the appointment, the Board checked the existence of the requirements pursuant to the above laws and Company articles of association in force.

With the appointment, the Board granted the Director responsible for preparing the financial statements powers and duties pursuant to Article 154-bis et seq. of the TUF.

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The other company functions with specific tasks regarding internal control and risk management, which carry out second-level cross-checks in the Group on the performance of corporate transactions, including preventive and coordinating controls, are as follows:

- Prevention and Protection Service (headed by Daniela Rinaldi), which oversees the Integrated Occupational Health and Safety Management and Environmental Management System, defined in accordance with British Standard OHSAS 18001:2007 and standard UNI EN ISO 14001:2004, for the purpose of controlling legislative compliance, specifically in relation to Legislative Decree 81/08 in the area of health and safety, and Legislative Decree 152/06 in the area of the environment. Daniela Rinaldi was reappointed Head of the Prevention and Protection Service on 1 July 2013, appointed Head of the Occupational Health and Safety Management System on 21 December 2011, and appointed Head of the Environmental Management System on 4 March 2013. The function made use of both internal resources and external consultants for auditing activities in 2014. In order to comply with its responsibilities, the function does not have its own budget, which remains the responsibility of the delegated occupational health and safety officer to whom the Head of the Prevention and Protection Service reports;

- Information Security (headed by Varun Uppal), which oversees the Group Information Security Management System based on international standard ISO/IEC 27001, with the purpose of intercepting and managing risks relating to confidentiality, integrity and availability of company information. In 2017, the risks analysis activities carried out by the Information Security Function focused on the risk evaluation of the systems managing data owned by the Group and technology due diligence of third parties to the Group. The Information Security Management System further includes personal data protection, in accordance with the requirements of Legislative Decree 196/2003, protection of information
YOOX NET-A-PORTER GROUP

relating to credit card transactions, in compliance with the international PCI-DSS standard, and protection of strategic information essential for the business. Gianluca Gaias is Privacy Officer in charge for supervising data protection;

- Security, Risk and Compliance (headed by Gianluca Gaias), which oversees the Group Integrated Compliance Model, by establishing a methodology and a compliance framework for the identification and timely response to requirements defined at Group level and at local level. Further, the Security, Risk and Compliance Function oversees the risk management process through the definition and the management of a structured enterprise risk management based on the international standard ISO 31000 and a Business Continuity Management program (BCM). The Security, Risk and Compliance Function is also responsible for the governance of the processes and the development of the Group’s procedures, with the aim of making a constant analysis, simplification, standardization and re-engineering of business processes, covering the different business lines, functions and geographical areas.

Finally, the Security Risk & Compliance Director has defined, with support of the Head of Internal Audit and with the opinion of the Chief Financial and Corporate Officer, assumptions and the methodological approach for the implementation of the abovementioned Group Integrated Compliance Model. The Security, Risk & Compliance Director presented the integrated compliance model during the Risk Management Committee of 27 October 2016. The above model follows the “three lines of defence” approach and allowed the implementation at the Group level a dynamic and integrated approach to risk management, able to identify emerging risks in a timely manner and to ensure the right set of information to support the decisional process.

11.6 COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The coordination methods established by the Issuer for the various persons involved in the internal control and risk management system ensure, including in the year under review, the effective and efficient coordination and sharing of information between the bodies which have these functions. Specifically:

- the Internal Audit Manager maintains regular communication flows with the other company bodies and structures with supervisory or monitoring functions of the internal control and risk management system, such as the Director responsible for preparing the financial statements, the Supervisory Body pursuant to Legislative Decree 231/01, the Independent Auditor, the Head of the Prevention and Protection Service, the Legal Department, each within their sphere of activity and responsibility;

- attendance by the Internal Audit Manager at meetings of the Supervisory Board and meetings of the Compliance, Ethics and Risk Committee as a member of these bodies, the monitoring carried out by the Internal Audit department pursuant to Law 262/04 on the mandate of the Director responsible for preparing the financial statements and pursuant to Legislative Decree 231/01 on the mandate of the Supervisory Body, and, lastly, attendance by the Internal Audit Manager at all meetings of the Control and Risks Committee held during the year, enabled the Internal Audit department to maintain adequate visibility on the incumbent corporate risks managed in the YOOX NET-A-PORTER GROUP and the problems arising and brought to the attention of the various monitoring and control bodies, giving these appropriate attention and analysis in the half-yearly reports to the Board of Directors, the Director in charge, the Control and Risks Committee and the Board of Statutory Auditors;

- the Control and Risks Committee periodically invites the main functions with second-level control responsibilities for company transactions to its meetings in order to obtain precise and direct information about risk management in the areas of responsibility;

- the Board of Statutory Auditors maintains regular communications with the Board of Directors and the Control and Risks Committee. Specifically, the Board of Statutory Auditors attended all the meetings of the Committee held during the year; the Board attended all the Committee meetings and referred to the Board on 23 February and 2 August 2017;

- the Supervisory Body can be invited to attend meetings of the Board of Directors and the Control and Risks Committee, reporting half-yearly on the activities carried out. Specifically, during the course of the year the Body attended all the meetings of the Committee and reported to the Board on 5 March and 30 July 2014;

- the independent auditor takes part in the meetings of the Control and Risks Committee so that it is constantly updated on the activities and the decisions of the Committee itself, as well as for the purpose of reporting on the planning and
On 28 February 2018 the Board of Directors, in accordance with the provisions of Criterion 7.C.1 of the Code, has assessed the adequacy of the coordination between the parties involved in the Internal Control and Risk Management System.

12. DIRECTORS’ INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

The Issuer has defined and adopted dedicated procedures for important transactions and related transactions, suitable to guarantee full and exhaustive information on these types of transactions for the Directors.

PROCEDURE FOR RELATED-PARTY TRANSACTIONS

On 10 November 2010, the Board of Directors unanimously approved the procedure for related-party transactions (the "Related-Parties Procedure") adopted pursuant to Related-party Transactions Consob Regulation which is applied also taking account of Consob Communication DEM/10078683, published on 24 September 2010 (the "Implementing Communication"), which contains instructions and guidelines for the implementation of the Consob Related-Parties Regulation.

On 16 December 2015 the Related-Party Procedure was subject, to certain amendments due to the Merger and was subsequently updated pursuant to Article 3.1 of the afore-mentioned Related-Parties Procedure and in accordance with paragraph 6.1 of the Implementing Communication, on 1 March 2017 and 2 August 2017. The Related-Party Procedure was lastly updated on 7 February 2018 since YNAP no longer qualifies as “low-size company”, meaning, pursuant to Consob’s Related-Parties Regulation, companies whose balance sheet assets and revenues, as resulting from the most recent consolidated approved financial statements, do not exceed 500 million Euro (art. 3, lett. f) of Consob’s Related-Party Regulation).

The Related-Parties Procedure governs the identification, approval and management of transactions with related parties. Specifically, the Related-Parties Procedure:

- governs the procedure for identifying related parties, defines the method and timing for the preparation and updating of the List of Related Parties, and identifies the company divisions with responsibility for doing so;
- identifies the rules for identifying related-party transactions before they are carried out;
- regulates the procedures for carrying out transactions with related parties by the Issuer, also through its subsidiaries, pursuant to Article 2359 of the Civil Code or subject to direction and coordination activities (the "Subsidiaries");
- establishes the procedure and timing for the fulfilment of the obligation to inform corporate bodies and the market.

The obligations established by the Related-party transactions Procedure therefore also apply to related-party transactions carried out by subsidiaries. For the definition of “related parties” and “related-party transactions”, see Section 2 of the Related-party Transactions Procedure.

The Related-party transactions Procedure has been communicated to all the Subsidiaries in accordance with Article 114, para.2 of the TUF. Pursuant to paragraph 5 of the Related-Parties Procedure, directors who have an interest in the transaction must inform the Board promptly and in full of the existence of that interest and of the related circumstances. The decision to have these directors leave the meeting during decisions on the transaction or to abstain from voting must be made on a case-by-case basis. If the director in question is the Chief Executive Director, he/she will not conclude the transaction. In such cases, the Board’s resolutions must state adequate reasons and the benefit for the Issuer of entering into the transaction.

The Related-Parties Procedure and the relative annexes are available in the Governance section of the Issuer’s website at www.ynap.com (Governance section).
At its meeting of 10 November 2010, the Board of Directors resolved to establish from its own members a “Related-Party Transactions Committee”, made up of independent directors and assigned to this committee all of the functions set out in the Related-Parties Procedure.

The Related-Party Transactions Committee, appointed by the Board meeting of 30 April 2015, is composed of:

- Catherine Gérardin Vautrin – Independent Director - Chairwoman;
- Alessandro Foti – Independent Director;
- Robert Kunze-Concewitz – Independent Director.

During the tax year, the Related-Party Transactions Committee carried out its duties in compliance with the Related-Parties Procedure.

I3. APPOINTMENT OF THE STATUTORY AUDITORS

The appointment and replacement of statutory auditors is governed by the legislation and regulations in force and by Article 26 of the articles of association.

Pursuant to Article 26 of the articles of association, the Board of Statutory Auditors comprises 3 (three) standing auditors and 2 (two) deputy auditors, fulfilling the gender balance requirement pursuant to Article 148, paragraph 1-bis, of the TUF, as introduced by Law no. 120 of 12 July 2011. The statutory auditors’ term is three years, expiring on the date of the General Meeting called to approve the financial statements of the last year of their term. Statutory auditors may be re-elected. Their remuneration is determined by the General Meeting upon their appointment for the entire duration of their term.

Statutory auditors must meet the requirements established by law and other applicable provisions. As regards the requirements of professionalism, the subjects and sectors of activity strictly linked to those of the Company are those in commerce, fashion and IT, as well as those regarding private law and administrative disciplines, economic disciplines and those relating to company audit and organisation. Members of the Board of Statutory Auditors are subject to the limits on the number of management and control positions held, as established by Consob regulations.

The Board of Statutory Auditors is appointed by the General Meeting based on the lists presented by the shareholders, according to the procedures set out below, unless otherwise or further provided for by binding legal or regulatory provisions.

Minority shareholders – who do not form part of significant relationships, even indirectly, pursuant to Article 148, paragraph 2, of the TUF, and the related regulations – may appoint one standing auditor, to be appointed as Chairman of the Board of Statutory Auditors and a deputy auditor. Minority auditors are elected at the same time as other members of management bodies, except when they are replaced, a situation governed as set out below.

Shareholders who, at the presentation date, alone or together with other shareholders, hold an equity investment at least equal to that determined by Consob pursuant to Article 147-ter, paragraph 1, of the TUF, and in compliance with the Issuers’ Regulation, may present a list for the appointment of statutory auditors. In this regard, with Resolution 20273 of 24 January 2018, Consob set the equity investment required to present candidate lists for the election of the Issuer’s control body, with reference to the year ended 31 December 2016, at 1% of the share capital.

Lists must be deposited at the Company headquarters, in accordance with the procedures set out by the regulations, including existing pro tempore regulations, at least 25 (twenty-five) days before the General Meeting called to appoint the statutory auditors. The Company must also make the lists available to the public at least 21 (twenty-one) days before the General Meeting, according to the procedures set out by the laws in force.

Each list has two sections: one for the appointment of the standing auditors and one for the appointment of deputy auditors. The candidates are listed in sequential order in each section.
Lists containing a total number of three or more candidates must be made up of candidates from both genders, so that the less-represented gender on the same list constitutes at least one-third of the candidates (rounded up) for the post of standing auditor and at least one-third of the candidates (rounded up) for the post of deputy auditor.

Furthermore, the lists contain, also in annexes:

(i) information on the identities of the shareholders who submitted the lists, with an indication of the overall percentages of equity investments held; the ownership of the overall equity investment is confirmed, following the filing of the lists, according to the terms and procedures set out by the regulations, including existing pro tempore regulations;

(ii) declaration of shareholders other than those that hold, also together, a controlling or relative majority equity investment, certifying the absence of relationships pursuant to Article 144-quinquies of the Issuers’ Regulation approved by Resolution 11971 of 14 May 1999 as subsequently amended and supplemented;

(iii) exhaustive information on the personal and professional characteristics of the candidates, as well as a declaration from these candidates certifying that they meet the requirements established by law, and accept the candidacy, along with a list of management and control positions held by them in other companies;

(iv) any further or other declaration, information and/or document provided for by law and applicable regulations.

Lists presented that do not comply with the above provisions are considered ineligible.

If, by the deadline for the presentation of lists, only one list has been presented or there are only lists presented by shareholders acting in concert pursuant to applicable provisions, further lists may be deposited up to three days after this deadline. In this event, the above-mentioned thresholds required to present a list are halved.

It is prohibited for any shareholder, shareholders that are part of a shareholders’ agreement pursuant to Article 122 of the TUF, and the related parties of these shareholders, to present or take part in the presentation, either personally or through a fiduciary company, of more than a single list, or to vote for different lists, and each candidate may appear on only one list, under penalty of ineligibility. Adhesions and votes cast in breach of this regulation will not be attributed to any list.

Statutory auditors are elected as follows: (i) two standing auditors and one deputy auditor are drawn, according to the numerical order in which they are listed, from the list that obtained the largest number of votes (the “Majority List”); (ii) one standing auditor, to be appointed as Chairman of the Board of Statutory Auditors (the “Minority Auditor”), and one deputy auditor (the “Deputy Minority Auditor”) are drawn, according to the numerical order in which they are listed, from the list that obtained the second-highest number of votes, and which is not linked even indirectly with the shareholders that presented or voted for the majority list pursuant to applicable provisions (the “Minority List”).

If the resulting composition of the Board of Statutory Auditors or the category of deputy auditors does not comply with regulations on balanced gender representation, taking into account their order in the list in the respective section, the last persons elected from the Majority List of the more-represented gender forfeit their places in the necessary numbers to ensure compliance with the requirements, and are replaced by the first non-elected candidates of the less-represented gender on the same list. In the absence of candidates of the less-represented gender in the relevant section of the majority list in sufficient numbers to proceed with the replacement, the General Meeting appoints the missing standing or deputy auditors through majority voting, ensuring satisfaction of the requirement.

If two lists obtain the same number of votes, the list presented by shareholders with the largest equity investment at the time the lists are presented, or, failing that, the list presented by the greatest number of Shareholders, shall take precedence; all of the above must comply with the rules governing balanced gender representation in the bodies of listed companies pursuant to Law 120/11 of 12 July 2011.

If only one list is presented, the Shareholders’ Meeting votes on it, and if it obtains the relative majority of votes, without taking abstentions into account, all the candidates for the positions of standing and deputy auditor on the list are elected, in compliance with the rules governing gender representation in the bodies of listed companies pursuant to Law 120 of 12 July 2011. In this case, the Chairman of the Board of Statutory Auditors is the first standing auditor candidate.
If no lists are presented, the Board of Statutory Auditors and the Chairman are appointed by the General Meeting through simple majority voting prescribed by law, in compliance with the rules governing gender equality in the bodies of listed companies pursuant to Law 120 of 12 July 2011.

If the Majority Auditor leaves the position for any reason, he/she is replaced by the deputy auditor taken from the Majority List. If the Minority Auditor leaves the position for any reason, he/she is replaced by the deputy auditor taken from the Minority List.

Pursuant to Article 2401, paragraph 1, of the Civil Code, the General Meeting appoints and replaces statutory auditors, in compliance with the principle of mandatory minority shareholder representation, and in compliance with the rules governing gender representation in the bodies of listed companies pursuant to Law 120 of 12 July 2011.

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

The Issuer’s Board of Statutory Auditors currently in office was appointed by the Ordinary General Meeting of 30 April 2015 and comprises the following members: Marco Maria Fumagalli (Chairman), drawn from list no. 1 presented by the shareholders Kondo S.r.l., Sinv Holding S.p.A. and Ventilò, which resulted the second list as for number of votes; Giovanni Naccarato, drawn from list no. 2 presented by a pool of institutional investors, which obtained the majority of the votes and Patrizia Arienti, appointed through simple majority according to Article 26 of the Company’s Articles of Association, as standing auditors, and Andrea Bonechi, drawn from list no. 2, and Nicoletta Maria Colombo, drawn from list no. 1, as deputy auditors.

The Board of Statutory Auditors will remain in office until the General Meeting convened to approve the financial statements for the year ended 31 December 2017.

For further information on the lists submitted for the appointment of the control body on 30 April 2015, see the Company website www.ynap.com (Governance Section/General Meeting of Shareholders File), where the CVs of the standing auditors and deputy auditors are also available.
## Composition of the Board of Statutory Auditors

<table>
<thead>
<tr>
<th>NAME</th>
<th>POSITION</th>
<th>YEAR OF BIRTH</th>
<th>IN OFFICE SINCE</th>
<th>IN OFFICE UNTIL</th>
<th>M/m</th>
<th>INDEP.</th>
<th>% B.A.</th>
<th>OTHER POSITIONS</th>
<th>% C.D.A</th>
<th>% C.R</th>
<th>% C.C.R</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARCO MARIA FUMAGALLI</td>
<td>CHAIRMAN</td>
<td>1961</td>
<td>30/04/2015 FIRST APPOINTED: 30/04/2015</td>
<td>APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS</td>
<td>M</td>
<td>X</td>
<td>100</td>
<td>3</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>GIOVANNI NACCARATO</td>
<td>STANDING AUDITOR</td>
<td>1972</td>
<td>30/04/2015 FIRST APPOINTED: 30/04/2015</td>
<td>APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS</td>
<td>M</td>
<td>X</td>
<td>100</td>
<td>0</td>
<td>66.7</td>
<td>N/A</td>
<td>66.7</td>
</tr>
<tr>
<td>PATRIZIA ARIENTI</td>
<td>STANDING AUDITOR</td>
<td>1960</td>
<td>30/04/2015 FIRST APPOINTED: 27/04/2012</td>
<td>APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS</td>
<td>-</td>
<td>X</td>
<td>100</td>
<td>1</td>
<td>100</td>
<td>N/A</td>
<td>83.3</td>
</tr>
<tr>
<td>NICOLETTA MARIA COLOMBO</td>
<td>DEPUTY AUDITOR</td>
<td>1964</td>
<td>30/04/2015 FIRST APPOINTED: 30/04/2015</td>
<td>APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS</td>
<td>M</td>
<td>X</td>
<td>N/A</td>
<td>N/M</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>ANDREA BONECHI</td>
<td>DEPUTY AUDITOR</td>
<td>1968</td>
<td>30/04/2015 FIRST APPOINTED: 30/04/2015</td>
<td>APPROVAL OF THE 31/12/2017 FINANCIAL STATEMENTS</td>
<td>M</td>
<td>X</td>
<td>N/A</td>
<td>N/M</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Key**
- **Position**: indicates whether Chairman, standing auditor or deputy auditor.
- **List**: M/m, according to whether the auditor was elected from the majority (M) or minority (m) list.
- **Indep.**: if the statutory auditor can be classified as independent according to the criteria set out by the Code, specifying at the foot of the table if these criteria can be supplemented or amended.
- **% B.A.**: shows the attendance, in percentage terms, of the statutory auditors at the Board of Statutory Auditors meetings (the number of meetings that the auditor attended compared to the number of meetings held during the year, or since the auditor took up office, is taken into account in the calculation).
- **Other positions**: indicates the total number of positions of director or auditor covered by the person in question pursuant to Article 148-bis of the TUF. For information on other positions held by members of the Board of Statutory Auditors, see the information published by Consob pursuant to Article 144-quinquiesdecies of the Issuers’ Regulation on the website www.sai.consoi.it under Corporate Bodies – Information for the public. It is hereby recalled that the members of a single supervisory body of listed issuers or company with common financial instruments shall not be subject to the limits governing the accumulation of offices or to the related information obligations.
- **R.C. %**: shows the attendance, in percentage terms, of the director at Compensation Committee meetings (the number of meetings that the director attended compared to the number of Compensation Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).
- **C.C.R.: C/M inserted to indicate Chairman/Member of Control and Risks Committee.**
- **% C.C.R.**: shows the attendance, in percentage terms, of the director at Control and Risks Committee meetings (the number of meetings that the director attended compared to the number of Control and Risks Committee meetings held during the year, or since the director took up office, is taken into account in the calculation).
- **N/A**: not applicable.
- **N/M**: not meaningful.

### Diversity policies

As concerns corporate diversity policies applied in relation to the composition of the Board of Statutory Auditors in office (art. 123-bis, lett. d-bisj, TUF), please note that: (i) the Board of Statutory Auditors is characterised by the age diversity of its members, taking into account that Statutory Board Member’s age ranges from 46 to 57; (ii) the Company’s Board of Statutory Auditors includes one Standing Auditor and one Alternate Auditor belonging to the less represented gender, in accordance with the legislation in the matter of gender balance; (iii) without prejudice to compliance with the professionalism requirements as laid down by the law, the training and professional experience of the members of the Board of Statutory Auditors currently in office assures the suitable competences to assure the due performance of the functions entrusted thereto.

Please finally note that, the Board of Directors currently in office will include in the explanatory reports drafted pursuant to art. 125-ter TUF, relating to the appointment of the Board of Directors and Board of Statutory Auditors by the Shareholders’ meeting called to approve the financial statements as at 31 December 2017, some indications for shareholders – even pursuant
The Board of Statutory Auditors met 7 (seven) times during the year.

On average, the meetings lasted approximately one hour and forty minutes.

At least 4 (four) meetings of the Board of Statutory Auditors are scheduled for 2018 in addition to the meetings already held on 15 January and 6 March 2018.

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At the meeting of 15 January 2018, the Board of Statutory Auditors assessed that its members met the requirements of independence, using to this end the criteria in the Code regarding directors’ independence. The outcome of the assessment has been disclosed at the Board of Directors held on 28 February 2018.

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The Issuer has not provided for a specific obligation in the event that a statutory auditor, on his/her own behalf or for third parties, has an interest in a certain transaction of the Company, in that it is considered to be an ethical duty to inform other statutory auditors and the Chairman of the Board of Directors in the event that a statutory auditor has, on his/her own behalf or for third parties, an interest in a certain transaction of the Issuer.

As regards to initiatives aimed at providing the statutory auditors with adequate knowledge of the sector of activity in which the Company operates, the corporate dynamics and their development, the proper risk management principles, as well as the regulatory reference framework please see paragraph 4.2 of this Report.

The Board of Statutory Auditors has supervised and will supervise the independence of the Independent Auditor, checking compliance with applicable regulations as well as the nature and scope of services other than auditing provided to the Issuer and its subsidiaries by the Independent Auditor and entities within its network.

The Board of Statutory Auditors has constantly maintained normal coordination activities with the Control and Risks Committee and the Internal Audit department. For information on the coordination activities, please see section 11.6 above.

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Pursuant to Legislative Decree 39/2010 (“Implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC”), the Board of Statutory Auditors was endowed with the functions of the Internal Control Committee and the statutory audit and, specifically, the functions of supervising: (i) the financial disclosure process; (ii) the effectiveness of the internal control, internal review - if applicable - and risk management systems; (iii) the statutory audit of the separate financial statements and the consolidated financial statements; (iv) the independence of the Independent Auditor, especially in terms of the provision of non-auditing services to the firm undergoing the statutory audit. Since 2017, the Internal Control Committee and the Audit is in charge for the responsibilities under art. 19 of Legislative Decree. N. 39/2010 as amended by Legislative Decree. N. 135/2016.

***

Pursuant to Article 27 of the articles of association, the Board of Statutory Auditors performs the functions attributed to it by law or other applicable regulatory provisions. For the whole period in which shares of the Company are traded on a regulated Italian market, the Board of Statutory Auditors also exercises every other duty and power prescribed by special laws; with specific reference to disclosure to the Board of Statutory Auditors, the Directors must report every quarter, pursuant to Article 150 of the TUF.
Meetings of the Board of Statutory Auditors may also be held via teleconferencing and/or videoconferencing systems, provided that:

- the Chairman and the person recording the minutes of the meeting are present in the place in which it is convened;
- all participants can be identified and can follow the discussion, receive, send and view documents and are able to contribute to the discussion of all agenda items in real time. Having verified these requirements, the Board of Statutory Auditors’ meeting is considered to have taken place in the location of the Chairman and the person recording the minutes of the meeting.

15. RELATIONS WITH SHAREHOLDERS

Relations with shareholders are reported in documentation supplied in a timely fashion and regularly on the Issuer’s website, www.ynap.com in the “Investor Relations” and “Governance” section and, where requested by the relevant department, on the authorised archive site called “Nis Storage” at the following address: www.emarketstorage.com.

Specifically, this website makes available all press releases issued to the market, the periodic accounting documents of the Issuer as soon as they are approved by the management bodies (annual financial report, half-year financial report and interim trading statements), the main documents relating to Corporate Governance, the Organisational Model pursuant to Legislative Decree 231/2001 and the Code of Ethics may also be viewed on the same website.

Pursuant to article 2.2.3, paragraph 3, letter i) of the Stock Exchange Regulation, on 29 October 2009, the board appointed Silvia Scagnelli Head of the Investor Relations department (contact: investor.relations@ynap.com), to manage relations with shareholders and institutional investors, and possibly carry out specific duties relating to the management of price-sensitive information and relations with Consob and Borsa Italiana.

The Board will assess the implementation of any further initiatives to make information concerning the Issuer of importance to its shareholders more quickly and easily accessible.

16. GENERAL MEETINGS AND SHAREHOLDERS’ RIGHTS

Under Article 8 of the Issuers’ articles of association, shareholders may attend the General Meeting if they have the right to vote. Shareholders may attend the Shareholders’ Meeting and exercise the right to vote if the Company has received an attendance notice from the intermediary who holds the related accounts pursuant to the law; on the basis of evidence of these accounts relating to the end of the accounting day of the seventh day the market was open prior to the date established for the meeting (single call) and received by the Company under the terms of the law.

Those with voting rights may appoint proxies according to the provisions in force. Electronic notification of proxy is acceptable, under the conditions indicated in the notice of convocation, through a message sent to the certified electronic mailbox given in the actual notice or through the use of the dedicated section on the Company website. The Company can designate an individual to whom shareholders can grant a mandate to represent them at the General Meeting, pursuant to Article 135-undecies of the TUF, giving notice of the calling of the Meeting.

Under Article 7 of the articles of association, both Ordinary and Extraordinary General Meetings are called, pursuant to the laws in force, with a notice published on the Company website as well as other methods mandatorily provided for by law and regulations and, if required by the applicable regulations, in the daily newspapers “Il Sole 24 Ore” or “M.F. Mercati Finanziari/Milano Finanza”, specifying the date, time and place of the single call, as well as a list of agenda items to be discussed, without prejudice to compliance with any other provisions established by the laws in force.

Pursuant to Article 6 of the articles of association, the Ordinary General Meeting to approve the financial statements must be convened within 120 days of the end of the fiscal year, or, in cases set out in Article 2364, paragraph 2, of the Civil Code, within 180 days of the end of the fiscal year, without prejudice to the provisions of Article 154-ter, of the TUF. Extraordinary General Meetings are called in all cases provided for by law.
The meeting agenda is established by those who exercise the power to call the meeting pursuant to the laws in force and the articles of association, or, if the meeting was called at the request of the shareholders, it is based on the issues to be discussed indicated in the notice of meeting.

Pursuant to Article 126-bis of the TUF, shareholders who, including jointly, represent at least one-fortieth of the share capital, may request – with the exception of items that must be proposed by the Board of Directors or based on a plan or report produced by the Board – additional items for the agenda or propose resolutions on items already in the agenda within ten days of publication of the notice, or within five days in the case of convocation pursuant to Article 125-bis, paragraph 3, of the TUF or Article 104, paragraph 2, of the TUF. Shareholders who require an addition to the Agenda should prepare a report which contains the reasoning behind the proposals for a resolution on the new subjects they are proposing, i.e. the reason relating to the further proposals for a resolution presented on the subjects already on the Agenda, and they should submit it to the Board of Directors by the deadline for presenting requests for additions.

Pursuant to Article 2367 of the Civil Code, the directors should call the meeting without delay when there is a demand by a number of shareholders representing at least one twentieth of the share capital.

Article 127-ter of the TUF provides that shareholders can ask also questions about subjects on the agenda before the General Meeting. Questions received before the General Meeting will be answered, at the latest, during the meeting itself. The Company reserves the right to provide a single answer to questions with the same contents. The call notice indicates the deadline by which the questions put before the General Meeting should reach the Company. The deadline should not be earlier than three days prior to the date of the General Meeting, first or single call, or five days if the call notice requires the Company to give an answer, before the General Meeting, to questions received. In this case the answers will be supplied at least two days before the General Meeting, including through publication in a dedicated section of the Company website.

Under Article 10 of the articles of association, General Meetings are chaired by the Chairman of the Board of Directors, or if the Chairman is absent or unavailable, by the sole Vice-Chairman, or, if there is more than one Vice-Chairman, the longest serving among those present, and if they have been in office the same amount of time, the most senior. If the Chairman, the sole Vice-Chairman or all the Vice-Chairmen are absent or unavailable, the General Meeting is chaired by a director or shareholder, appointed by majority of those present.

The Chairman of the General Meeting ascertains the identity and legitimacy of those present; he/she verifies that the meeting is being held in a regular manner and that a sufficient number of shareholders with the right to vote is present for resolutions to be valid; he/she conducts the meeting, establishes voting procedures and checks the results of the votes. For the constitution of Ordinary and Extraordinary General Meetings and its resolutions to be valid, they must comply with the provisions of the laws in force and the articles of association. All resolutions, including those of elections to company positions, are passed by open ballot.

To facilitate attendance at the General Meeting, and the exercise of voting rights by shareholders with the right to vote, Article 6 of the Issuer’s articles of association provide that the meeting may be held with the participants in different locations, neighbouring or distant, with audio/video links, provided that the principles of collective decision-making, good faith and equality among shareholders are respected.

The right to withdraw may only be exercised within the limits and according to the provisions dictated by binding legal provisions, and pursuant to Article 3 of the articles of association, is in any case excluded if the Company’s duration is extended. Under Article 5, paragraph 3 of the articles of association, if resolutions are passed to introduce or remove restrictions on the circulation of shares, even shareholders who did not vote for this resolution will not have the right to withdraw.

In accordance with Article 29 of the articles of association, the profit shown in the financial statements, minus the portion to be allocated to the legal reserve up to the limit prescribed by law, is allocated as decided by the General Meeting. Specifically, on the proposal of the Board of Directors, the General Meeting may vote on the formation and increase of other reserves. The Board may decide to distribute advances on dividends according to the procedures and forms prescribed by law.
The Extraordinary General Meeting may vote on the allocation of profits or reserves made up of earnings to employees of the Company or its subsidiaries through the issue, up to an amount equivalent to the profits, of ordinary shares without any restriction or special categories of shares to be assigned individually to employees, pursuant to Article 2349 of the Civil Code.

At present, the Company does not recognise the need to propose the adoption of specific regulation to govern the work of the General Meetings, considering it appropriate that, in principle, shareholders are guaranteed maximum participation and expression in meeting debate.

During the year, 1 (one) General Meeting was held on 21 April 2017 (attended by 5 (five) directors). During such General meeting, the Board reported on activity carried out and planned and arranged to supply the shareholders appropriate information to inform them of the decisions taken under the remit of the General Meeting.

As far as the rights of shareholders not illustrated in this Report are concerned, see the applicable laws and regulations.

At the meeting held on 28 February 2018, in accordance with Criterion 9.C.4 of the Code, not having occurred during the year 2017 significant variations in the market capitalisation of the Company or in the composition of its corporate structure, the Board did not consider it necessary to propose to the General Meeting any changes to the articles of association in relation to the percentages established for the year of the privileges put in place to protect minority shareholders – in application of Article 144-quater of the Issuers’ Regulation for the presentation of lists for the appointment of members to the Board of Directors and Board of Statutory Auditors – Articles 14 and 26 of the Issuer’s articles of association require an equity investment at least equal to that determined by the Consob pursuant to the laws and regulations. In this regard, with Resolution 20273 of 24 January 2018, Consob set the equity investment required to present candidate lists for the election of the Issuer’s management body, with reference to the year ended 31 December 2017, at 1% of the share capital.

17. FURTHER CORPORATE GOVERNANCE PRACTICES

The Issuer has not adopted any further corporate governance practices beyond those prescribed by legislation and regulations, and described in this Report.

18. CHANGES SINCE THE END OF THE TAX YEAR

No changes have taken place in the corporate governance structure since the end of the year apart from those specifically identified in the present Report.
19. CONSIDERATIONS ON THE LETTER OF 13 DECEMBER 2017 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The letter of 13 December 2017 addressed by the Chairman of the Corporate Governance Committee to the Chairmen of the Boards of Directors of Italian listed companies was brought to the attention of the Issuer’s Board of Directors in the meeting of 6 March 2018 (as well as of the Compensation Committee and of the Appointment Committee in the meetings respectively held on 28 February 2018 and 6 March 2018). The Board acknowledged the analyses and recommendations set out in the letter and found an overall adequacy of the Company in respect of the indications relating to the quality of pre-board disclosure (see Section 4.3 of this Report), remuneration policies (see the compensations report prepared pursuant to art. 123-ter of the TUF), the set up and functions of the appointments’ committee (see Section 7 of this Report), the quality of independent directors (see Section 4.6 of this Report), the content of the board review (see Section 4.3 of this Report), as well as succession plans (see Section 4.1 of this Report).

Milan, 28 February 2018
Updated on 6 March 2018
For the Board of Directors

Chairman of the Board of Directors
Raffaello Napoleone