

TXT e-solutions SpA

CONSOLIDATED NON-FINANCIAL STATEMENT

as at 31 December 2017

pursuant to Italian Legislative Decree no.
254/2016

Contents

1 REFERENCE CONTEXT	3
a) Message from the Chairman of the Board of Directors.....	3
b) Introduction	3
c) The year in brief	4
d) Reporting framework	4
e) Stakeholders.....	5
f) Materiality analysis	7
2 RISK ANALYSIS	8
a) Definition of risks.....	9
b) Environmental risk	9
c) Social risk - staff-related - respect for human rights.....	11
d) Corruption risk	12
3 THE ORGANISATION AND MANAGEMENT MODEL	14
a) The business model	14
b) The corporate bodies	15
c) Mission and values	16
d) Group Ethics	16
4 THE POLICIES PURSUED AND THE RESULTS ACHIEVED	18
a) People as TXT resources	18
b) Diversity and inclusion	21
c) Health and safety	22
d) Materials, energy and emissions	23
e) Compliance with rules and regulations.....	26
f) TXT's commitment to the community.....	26
g) Certifications	27
5 APPENDIX	28
a) Methodological note	28
b) Content Index	32

1 REFERENCE CONTEXT

a) Message from the Chairman of the Board of Directors

The introduction of the Consolidated Statement of a non-financial nature (hereinafter also "DNF" or "Non-Financial Statement"), in implementation of Italian Legislative Decree no. 254/16, has encouraged directors and company management to pay even more attention to the economic, social and environmental, internal and external impacts of the Group's activities in the short, medium and long term.

Changed and changing national and international social and economic scenarios require all operators to have a strategic vision increasingly inclusive of the three dimensions, in order to safeguard the expectations of all stakeholders and ensure continuity.

For TXT, the 2017 Non-Financial Statement is not a starting point, but a moment of further reflection in support of its strategic lines, both current and future.

(Alvise Braga Illa - Chairman of the Board of Directors)

b) Introduction

Italian Legislative Decree no. 254/16 implements Directive 2014/95/EU of the European Parliament and Council of 22 October 2014 governing the 'disclosure of non-financial and diversity information by certain companies and large groups'.

Article 1 of Italian Legislative Decree no. 254/16 defines the subjects obliged to draw up the Non-Financial Statement and the reporting standards to be adopted. "Article 3 describes the aspects of content to be included in the Non-Financial Statement with reference to various aspects: environmental, social, staff-related, respect for human rights and the fight against corruption, or:

- The organisation and management model of the company's activities,
- The policies pursued, their results and performance indicators, and
- The main risks incurred or suffered.

TXT e-solutions SpA (hereinafter "TXT") is the subject required to prepare the Consolidated Non-Financial Statement for the year 2017, in that it is the:

- "Parent company" of a "large group" listed on the Milan Stock Exchange (Star segment) and therefore classifiable as a Public Interest Entity (PIE) according to the provisions of Italian Legislative Decree no. 135 of 17 July 2016, Article 18;
- the TXT Group had an average of more than 500 employees during the current financial year; as at 31 December 2017, total assets in the balance sheet of more than EUR 20 million and total net revenues from sales and services of more than EUR 40 million (Article 2 - Italian Legislative Decree no. 254/16).

This Non-Financial Statement has been prepared in compliance with Italian Legislative Decree no. 254/16. The methodological note (paragraph 4.a) illustrates the principles adopted for the preparation of this document and represented by the *GRI Standards* published by the *Global Reporting Initiative* (hereinafter "GRI") in 2016.

c) The year in brief

Until 2 October 2017, the TXT Group operated through two Divisions:

- **TXT Next:** focused on software for the aerospace, aeronautics and automotive sectors, where it offers specific products and specialist engineering services, and for the banking sector, where it focuses on software testing and quality services.
- **TXT Retail:** specialising in the development and sale of software in the luxury, clothing and international mass retail sector, offering end-to-end solutions, including collection, sales, e-commerce for business planning, sales budgets and the optimal execution of business plans.

On 2 October 2017, the TXT Retail Division was sold to Aptos Inc. (US) and the fee collected.

For this reason, two different areas have been identified and delineated:

- **Continued operations**, relating to the TXT Next Division, with activities in Italy, Germany, the US, Switzerland, the UK and France (the latter two with companies incorporated in October 2017);
- **Discontinued operations**, relating to the TXT Retail Division, sold.

The sale of the TXT Retail Division redefined the scope of reporting for the purposes of the 2017 Non-Financial Statement, as described in more detail in paragraph 1.d. below.

Detailed information on the activities carried out by TXT and its subsidiaries, on the performance for the year and on the results achieved in terms of economic and financial performance is provided in the section of the Annual Financial Report.

d) Reporting framework

The general principle adopted by TXT in defining the scope of reporting is based on the provisions of Article 4, paragraph 1, of Italian Legislative Decree no. 254/16:

"To the extent necessary to ensure an understanding of the group's activities, performance, results and impact, the consolidated statement shall include the data of the parent company and its subsidiaries consolidated on a line-by-line basis and shall cover the subjects referred to in Article 3, paragraph 1".

The general quantitative and qualitative parameters used to define the scope of reporting were as follows:

- Consolidation method;
- Percentage of turnover on consolidated figures

- Percentage of the number of employees on consolidated figures;
- Significant social and environmental impacts assessed during the year;
- Significant impacts of litigation, complaints, and convictions.

The 2017 Non-Financial Statement was prepared solely within the scope of activities of the Continuing Operations of the TXT Next Division.

The reasons for excluding TXT Retail Division are as follows:

- The companies are now legally outside TXT's control;
- Objective difficulties in collecting, aggregating and documenting information;
- Comparison with 2016 figures would have been uneven and misleading given the discontinuity between the two periods.

Finally, it was decided to include the parent company TXT e-solutions SpA and direct subsidiary PACE GmbH (Germany) within the scope of *Continuing Operations*, excluding the remaining four fully consolidated subsidiaries, as the contribution of these companies was considered immaterial on the basis of:

Number of employees as a percentage of the Group's total as at 31 December 2017

- TXT Next Sarl: 0.4 %.
- TXT Next Ltd: 1.2 %.
- TXT e-solutions Sagl: 1.6 %.
- PACE America Inc.: 1.0%

Percentage of revenues on total 2017 Group aggregate

- TXT Next Sarl: 0.1 %.
- TXT Next Ltd: 0.1%.
- TXT e-solutions Sagl: 1.0%
- PACE America Inc.: 4.4%

The Group adopted a conservative approach when constructing the indicators included in the Non-Financial Statement. It excluded any information for 2016 and 2017 regarding the TXT Retail Division, which has been sold. It did this in order to make the two financial years comparable and for the clarity and completeness of the qualitative and quantitative data reported.

e) Stakeholders

Stakeholders are the people and organisations recognised as such in TXT's economic and other initiatives: they fall within the company's orbit and are interested in its services and the effects of its production activities. TXT has identified the following stakeholder groups as relevant:

- ***Customers***

They constitute the Group's main asset, and include aeronautical companies, aircraft component manufacturers, airlines, car companies, high-tech companies, banks and national and international financial companies.

- **Employees and external staff**

They represent the Group's strength and excellence, being the source of the professional, technical and operational resources that are the subject of the Company's activities. TXT recognises the importance of establishing and maintaining long-term relationships based on loyalty and trust.

- **Lenders (banks and shareholders)**

The Group's primary objective is to create value for the Company and its shareholders by pursuing long-term growth in profits.

- **Local communities**

TXT considers the local community an important stakeholder, as it is affected by the positive and negative impacts of its business. This is why TXT is concerned to reduce any negative impact as far as possible and to increase positive impacts through technological progress, the development of knowledge and skills, growth in jobs and financial support for certain social activities.

- **Sectoral or local interest groups**

TXT is committed to providing its stakeholders with timely, clear, complete and transparent information on its activities and performance, without favouring any interest group or individual, thus guaranteeing fair competition and complying with current regulations.

- **Suppliers**

The high value of TXT's services is also based on selected relationships with suppliers, based on the pursuit of maximum competitive advantage. Suppliers are selected for their ability to provide high quality goods and services.

The Code of Ethics, available online (www.txtgroup.com/it/governance), describes in detail and complements the relations between TXT and its stakeholders.

TXT considers it important to understand the needs, demands and expectations of Stakeholders and to respond appropriately. The Company has implemented a structured process to classify Stakeholders according to their level of interest in the organisation's activities and their ability to influence the Company decision making.

The Company has therefore constructed a matrix and positioned each Stakeholder, on a scale of importance from 1 to 5, with respect to two variables: *influence on the company* and *interest in the company*.

f) Materiality analysis

In accordance with Italian Legislative Decree no. 254/2016 and other sources¹, TXT has identified the issues to help ensure that the company's activities, performance, results and impact on the non-financial issues indicated in the Decree are understood.

In order to identify the issues that are relevant to the company, TXT has carried out analyses seeking to understand the main pressures from its stakeholders and the company's priorities with reference to the five areas of Italian Legislative Decree no. 254/2016 (environmental, social, staff-related, respect for human rights, and the fight against active and passive corruption), considering a mix of parameters both within and outside the Group. Specifically, the analyses carried out to identify the main aspects related to the five areas of Italian Legislative Decree no. 254/2016 in which the company invests resources and pays most attention, are the following:

- Analysis of global sustainability trends: main non-financial aspects taken into consideration by market regulatory authorities who have published guidelines for sustainability reporting, sustainability ratings and international organisations;
- Analysis of practices in the sector: non-financial aspects identified as relevant in the sector to which TXT belongs;
- Analysis of company priorities: through interviews with reference company managers and analysis of the main company documents. The final result of this materiality analysis allowed us to identify the non-financial aspects most relevant to TXT and, therefore, subject to reporting in the Non-Financial Statement.

The issues identified in these areas are monitored not only for the purposes of the Non-Financial Statement but also as part of the corporate governance system. Reference in this regard should be made to the documents available on the TXT Group website:

- Report on corporate governance and ownership structure (www.txtgroup.com)
- Code of Ethics (www.txtgroup.com)
- Corruption Prevention Policy (www.txtgroup.com)
- Organisational Model 231/2001 (www.txtgroup.com)
- Environmental policy (www.txtgroup.com)

The following table illustrates the relevant aspects identified and reported, subdivided by GRI Standard used:

¹ See, for example, CONSOB's Illustrative Report of 19-1-2018 on the "Regulations for the implementation of Italian Legislative Decree no. 254 of 30 December 2016, on the communication of non-financial information".

GRI standard	Description of the appearance	Stakeholder relevance	Relevance in Italian Legislative Decree no. 254/16	Inclusion in the Non-Financial Statement
GRI 205	Anti-corruption	✓	✓	✓
GRI 206	Anti-competitive behaviours	✓	✓	✓
GRI 302	Energy	✓	✓	✓
GRI 305	Emissions	✓	✓	✓
GRI 307	Environmental <i>compliance</i>	✓	✓	✓
GRI 401	Employment	✓	✓	✓
GRI 403	Occupational health and safety	✓	✓	✓
GRI 404	Training and education	✓	✓	✓
GRI 405	Respect for diversity and equal opportunities	✓	✓	✓
GRI 406	Non-discriminatory behaviours	✓	✓	✓
GRI 415	Political contributions	✓	✓	✓
GRI 419	Social and economic <i>compliance</i>	✓	✓	✓

We have focused our attention on the supply chain, as the products and services sold by TXT are mainly the result of activities carried out by internal or external staff. TXT has no strategic suppliers or such as to significantly influence its choices or business model. For this reason, the supply chain is also represented, to a large extent, by commodities/utilities suppliers. This assumption has led management not to consider, as relevant, the GRI reporting aspects closely linked to the supply chain. In general, to date, no issues have been identified that have a significant impact on entities external to the Group.

2 RISK ANALYSIS

TXT e-solutions SpA has a Control and risks committee that operates autonomously and independently so as to safeguard the company's integrity.

Among the functions performed, the Committee supports the Board of Directors in the activities relating to the Internal Control and Risk Management System. It periodically checks the adequacy of the System and its functioning, ensuring that the main corporate risks are identified, managed adequately and that they are compatible with the Company's strategic objectives.

Every year TXT prepares a compliance, financial, operational and strategic risk analysis within the company departments and related thematic areas, which highlights the areas at risk and defines the necessary monitoring and control activities.

In addition, in light of Italian Legislative Decree no. 231/2001 on the administrative liability of companies, in 2008 TXT approved the "231 Organisation, management and control model" to make the controls and procedures adopted within the group as efficient and consistent as possible. The document also includes the Code of Ethics with binding rules and principles for directors, employees, consultants, external staff and suppliers.

With the adaptation to Italian Legislative Decree no. 254/16, with regard to the preparation of the Non-Financial Statement, the risk analysis must be extended to the non-financial categories and

as defined in Article 3, paragraph 1: *'The individual non-financial statement, to the extent necessary to ensure understanding of the company's activities, its performance, results and impact, covers environmental, social, staff-related, and respect of human rights, as well the fight against active and passive corruption, which are relevant to the activities and characteristics of the company, describing at least: a) the company's management and organisation model, including any organisational and management models adopted pursuant to Article 6, paragraph 1a) of Italian Legislative Decree no. 231 of 8 June 2001, also with reference to the management of the above mentioned issues; b) the policies practised by the company, including due diligence policies, the results achieved through them and the relative non-financial key performance indicators; c) the main risks, generated or incurred, connected with the aforementioned issues and deriving from the company's activities, products, services or commercial relations, including, where relevant, supply and subcontracting chains'.*

In order to comply with the requirements of Italian Legislative Decree no. 254/16 above, the activities carried out by the Control and Risk Committee are supplemented by further activities, analyses, procedures and actions performed by other departments in the environmental and social field, as described below.

a) Definition of risks

TXT identifies and analyses the following non-financial risks within its business activities:



[Environmental risk] [Social risk –staff-related – respect for human rights] [Corruption risk]

b) Environmental risk

TXT develops software and IT services to help improve its effectiveness in relation to environmental issues and applicable environmental regulations in order to prevent pollution and minimise negative impacts on the environment. TXT has identified the following environmental aspects and the risks connected with them as significant: energy consumption, atmospheric emissions and environmental compliance.

Areas of Italian Legislative Decree no. 254	Risk identified	Description of the risk
Environment	POTENTIAL RISK LINKED TO THE GROUP'S LIMITED LEVEL OF CONTROL OVER ENERGY EFFICIENCY MEASURES	Energy consumption is the main aspect of TXT activities with environmental implications. The absence of a programme to improve consumption efficiency, due in part to the inability to act in depth on buildings as tenants, may not allow the Group to benefit from a reduction in operating costs and in its atmospheric emissions.
	POTENTIAL RISK LINKED TO THE ABSENCE OF MANAGEMENT AND REDUCTION PROGRAMMES FOR GREENHOUSE GAS EMISSIONS	For the TXT Group, greenhouse gas emissions are mainly linked to energy consumption and business travel.
	POTENTIAL RISK LINKED TO THE NON-TRANSPOSITION OF ENVIRONMENTAL LEGISLATION	In a constantly evolving context, companies are required to perform regular monitoring and to comply with environmental regulations. The absence of a specific department and/or designated contact person for environmental compliance could lead the TXT Group to run the risk of non-compliance with its compliance obligations.

The company protects the environment by encouraging all employees to behave responsibly, at all levels, monitoring and continuously improving their environmental protection activities and reducing the various forms of pollution. TXT intends to prevent and mitigate the above risks by defining and applying the Environmental Policy through the following actions:

Actions
<ul style="list-style-type: none"> • Responsible management of electricity, gas and water consumption in order to reduce consumption. • Use of teleconferencing and videoconferencing technologies where feasible as an alternative to travel, to help reduce CO2 emissions. • Promotion of the use of recycled materials, as far as possible in the course of activities; • Paying attention to paper consumption by reducing or eliminating printing whenever possible; • Integrating environmental considerations into procurement processes. • Paying attention to new opportunities for waste reduction, optimisation, recycling and reuse.

TXT is committed to the success of this policy and has set up an environmental supervisory and promotional department to ensure compliance with environmental laws and regulations in force in all countries where the group operates and that requires employees to report any non-compliance to implement an appropriate follow-up.

c) Social risk - staff-related - respect for human rights

Social risks vary according to social class, gender, age, but also depending on the context. Within the TXT Group, the protection of people from social risks is the main objective of the welfare policies and projects pursued.

TXT has identified the following social issues and related risks as relevant: employment, training and education, respect for diversity and equal opportunities, non-discriminatory behaviour, health and safety at work, anti-competitive behaviour, social and economic compliance, political contributions.

Areas of Italian Legislative Decree no. 254	Risk identified	Description of the risk
Personnel Management	POTENTIAL RISK LINKED TO THE INABILITY TO ATTRACT QUALIFIED AND COMPETENT STAFF	It is crucial for the TXT Group to attract qualified and updated personnel in order to provide quality software products and services and to ensure professional and high-quality employee behaviour. The inability to attract and retain qualified resources could have negative effects on the Group's current and future performance.
	POTENTIAL RISK LINKED TO A DETERIORATION IN STAFF SKILLS AND QUALITY LEVEL	The TXT Group considers it essential to ensure that its personnel are constantly updated, both technically and professionally. The effectiveness of training plans is therefore very important for the Group. A reduction in the quality level of output and inadequate training programmes could have negative effects on the Group's current and future performance.
	POTENTIAL RISK LINKED TO THE POSSIBILITY OF THE GROUP FAILING TO COMPLY WITH DIVERSITY LAWS AND/OR REGULATIONS (INCLUDING FUTURE ONES)	Inadequate focus of the Group on diversity in the company could cause TXT to fail to take advantage of the wealth brought by the contribution of resources with diverse experiences, professional profiles, cultures and genders and be unready to comply with any legislation or regulation in this field.

	POTENTIAL RISK LINKED TO DISCRIMINATORY PRACTICES COMMITTED BY EMPLOYEES	The Group's limited level of control over the management of any episodes of discrimination could increase the risk of discriminatory behaviour among employees, with negative operational and reputational consequences for the Group.
	POTENTIAL RISK LINKED TO NON-COMPLIANCE WITH EXISTING HEALTH AND SAFETY LEGISLATION	The failure to comply with applicable regulations on health and safety at work could entail risks for the health of its employees and external staff and regulatory non-compliance, with negative effects on the Group, also in financial and reputational terms.
Social	POTENTIAL RISK LINKED TO THE ADOPTION OF UNFAIR COMPETITIVE PRACTICES	The TXT Group, operating in a highly competitive market, is potentially exposed to anti-competitive actions and behaviour by its competitors. At the same time, any reputational and financial damage for the Group could arise from commercial practices that are not in line with the company's ethical values or with regulations governing unfair competition.

The monitoring and mitigation of social risks take the form of the following actions:

Actions
<ul style="list-style-type: none"> • Partnership with local universities for the training of students and their integration into the world of work • Breaking down architectural barriers • Catholic University project for the integration of students with disabilities into the world of work • Funding for the development of curricula and partnerships with universities in the IT sector • Welfare programmes guaranteed by the National Collective Labour Agreement (CCNL) for the Metalworking Industry • Additional health policies extended to the family • Promoting the sense of belonging and well-being of workers • Recreational events • Work-related stress prevention • <i>Smart working</i> • Flexible hours

d) Corruption risk

TXT adopts an approach of firm and absolute prohibition of any form of corruption. The Anti-Corruption Policy applies to all personnel of the various TXT Group companies who are required to follow the highest standards of proper behaviour and moral integrity to avoid situations in which both top management and partners are, or may appear to be, in conflict with their interests, with respect to the contractual or fiduciary obligations related to their position.

The company's Code of Ethics clearly and transparently defines the principles of corporate ethics considered of key importance for the Group's proper functioning, reliability and reputation, and therefore for the success of the company itself.

Following the application of Italian Legislative Decree no. 231 of 2001, TXT has adopted its own Organisation and Management Model in order to clearly and transparently outline the specific organisational, management and control structure, as well as to make it compliant with the provisions contained in the Decree and suitable for preventing the commission of crimes. A "Supervisory Body" has also been designated to supervise the application of the Model.

Every recipient of the Code of Ethics and the Organisation Model is responsible for the fight against corruption, not only to avoid any illegal act or crime, but also to ensure the highest quality and fair compensation as regards the services and goods provided and/or requested. This is why TXT's relations with customers, suppliers, Public Institutions and every Public Administration are based on the principles of fairness, transparency and cooperation. Any conduct that could be considered collusive or that could compromise the principles expressed in the Code of Ethics is rejected.

<p>Fight against corruption</p>	<p>POTENTIAL RISK LINKED TO THE OCCURRENCE OF EPISODES OF CORRUPTION (BOTH ACTIVE AND PASSIVE)</p>	<p>The TXT Group regularly engages in commercial relations with other companies. This can represent a potential risk of exposure of its employees to both active and passive corruption.</p>
---------------------------------	--	--

Monitoring and mitigation of social risks are implemented through the following actions:

<p>Actions</p> <ul style="list-style-type: none"> • Benefits of any kind (money, promises of employment, etc.) should not be granted to representatives of the Italian or foreign Public Administration, Partners, or their close relatives, in order to acquire favourable treatment in any business activity or that may in any case influence independence of judgement or result in any advantage for the company. • It is forbidden to distribute gifts and to perform acts of courtesy and hospitality to representatives of public officials and public employees, public service employees and employees of Partners, except when of modest value and in any case, that do not compromise the integrity or reputation of one of the parties and that cannot be interpreted, by an impartial observer, as seeking to gain an improper advantage. • Money, gifts or any other benefit or the promise of such should not be accepted from anyone seeking to enter into relationship with the Company and who wishes to improperly obtain unduly favourable treatment. • The Company may not hire employees of the public administration, of the State or of the European Communities, of any qualification or level, their spouse and their relatives, or their ascendants, descendants, brothers, sisters, uncles, aunts, nephews, nieces, or former employees, for three years following the performance of an act within the competence of one of the above-mentioned persons from which the Company has derived a benefit, if this is intended to obtain an unfair profit for the Company. • Any commercial incentive must comply with standard market practices in the country of reference, must not exceed the permitted value limits and must have been approved in accordance with internal rules. The granting of any commission, discount, credit, and rebate must conform to current regulations and be officially awarded to corporate entities upon
--

presentation of supporting documentation. It is forbidden to promise or provide benefits or other similar incentives commensurate with the achievement of objectives based on performance targets that are clearly unjustified and unattainable.

- It is forbidden to provide services to External Staff and Partners that are not adequately justified by the contractual relationship established with them, or to make payments to them that are not adequately justified by the type of task to be performed and applicable local practices.
- No payment over EUR 1,000 can be made in cash in Italy or abroad.
- Any document describing an event that has occurred and/or an assessment made in the context of operations that fall within the sensitive areas for the purposes of the Anti-Corruption Policy, must be signed by or attributable to the person who drafted it. All documents must comply with current legislation.

Moreover, TXT does not carry out activities with public administrations and in developing countries, but mainly in western countries and with a high level of industrialisation.

TXT monitors and manages the risk of corruption, conflict of interest and other corporate governance offences by defining its own policy for the prevention of corruption, conflicts of interest and other corporate governance offences and by providing for the establishment of a procedure and implementation of training and information activities.

The anti-corruption policy aims to protect the company's assets, people and objectives through a broader approach, which:

- provides indications to identify the different level of exposure of the offices to the risk of corruption and illegality and indicates the organisational interventions aimed at preventing the same risk;
- indicates the implementation and control rules for the respect of legality and integrity;
- invites employees to review all their conduct and procedures;
- recognises the corruption prevention plan as an essential piece of policy.

No corruption was reported in 2016 and 2017.

3 THE COMPANY MODEL FOR THE MANAGEMENT AND ORGANISATION OF ACTIVITIES

a) The business model

As described in detail in the 2017 Report on corporate governance and the company's ownership structure, TXT has drawn up a complex and standardised system of rules of conduct governing both its organisational structure and relations with stakeholders, in particular shareholders, which complies with the most advanced standards of Corporate Governance.

The Board has adopted a Corporate Governance model in line with the principles contained in the Code of Conduct, in order to ensure correct and transparent corporate information and to create value for shareholders through the proper functioning of the Company.

Corporate bodies are listed below:

- Shareholders' Meeting
- Board of Directors
- Remuneration Committee
- Risks and Internal Controls Committee
- Related Parties Committee
- Board of Statutory Auditors.

The Shareholders' Meeting ("Meeting"), duly constituted, is the body that expresses the Company's will through its resolutions. Resolutions passed by the Board of Directors in accordance with the law and the Articles of Association are binding on all shareholders, including absent and dissenting shareholders.

The Board of Directors (the "Board") is exclusively responsible for managing the Company. It is appointed by the Shareholders' Meeting every three years. Its members appoint a Chairman and a CEO and define their powers.

The Remuneration Committee is constituted by Board members and has consultative and advisory functions. In particular, it expresses opinions and makes proposals to the Board of Directors regarding the determination of the remuneration of executive directors and managers with strategic responsibilities.

The Risks and Internal Controls Committee is a committee of the Board that assesses the adequacy of the internal control and risk management system and expresses its opinion on the control procedures.

The Related Parties Committee is a committee of the Board that assesses the Company's interest in carrying out Transactions with Related parties, as well as the convenience and substantial correctness of the related conditions.

The Board of Statutory Auditors is a supervisory body, responsible for ensuring compliance with the law and the Company's Articles of Association as well as management controls. It is not assigned with the task of auditing company accounts, which is the responsibility of Independent Auditors, named on a specific Register, which is the control entity external to the Company. The latter are vested with the power to verify, during the reporting period, that company books are properly managed, accounting items are correctly recorded, and statutory and consolidated financial statements are in line with accounting entries and audits performed, and that all accounting documents are compliant with the relevant regulations.

b) The corporate bodies

Shareholders (with shareholdings of more than 3% as at 31 December 2017):

- 4CV PTE Ltd (via E-Business Consulting S.A.)
- Alvisé Braga IIIa
- Kabouter Management LLC
- Market

Board of Directors:

- Alvise Braga Illa: Chairman
- Marco Edoardo Guida: Chief Executive Officer
- Paolo Matarazzo: Director
- Fabienne Anne Dejean Schwalbe: Independent Director
- Teresa Cristiana Naddeo: Independent Director
- Stefania Saviolo: Independent Director
- Andrea Lanciani: Non-executive Director

Of the above members, 100% are in the over 50-age bracket.

Board of Statutory Auditors:

- Mario Basilico: Chairman
- Luisa Cameretti: Standing auditor
- Giampaolo Vianello: Standing auditor
- Massimiliano Alberto Tonarini: Alternate auditor
- Pietro Antonio Grignani: Alternate auditor
- Laura Grimi: Alternate auditor

Of the above members, three are between 30 and 50 years old (50%) and three are over 50 years old (50%).

Independent auditors:

- EY SpA

c) Mission and values

The principle mission of the Group is to offer quality products and services, at competitive conditions and in compliance with the rules protecting fair competition. TXT targets extremely dynamic markets that require cutting-edge technological solutions. Markets where technology and innovation are key elements for growth and competitiveness.

To meet the needs of its customers, TXT has always focused on innovation, whether technological, process or business, making it one of the values on which to build its success. The Group excels in offering business-critical solutions, exclusively designed for the business of its customers and their processes. One of TXT's primary objectives is to create value for all stakeholders.

For the Group, therefore, the baseline requirements are: the professionalism of the stakeholder, the availability of means, structures and know-how and the existence of quality, safety and environmental systems.

d) Group Ethics

The values that guide the internal and external life of TXT are governed by the Code of Ethics, formalised in 2010 and applicable to all Group Companies. The recipients of this Code are the

directors, employees, external staff, customers, suppliers, lenders (banks and shareholders), residents of areas surrounding the company or interest groups in the sector or locally.

To ensure that the Code is applied and respected, each Group Company undertakes to disseminate it to all interested parties. In addition, the Board of Directors of TXT has set up a "Supervisory Body" pursuant to Italian Legislative Decree no. 231/2001 whose task, among others, is to oversee the application of the Code.

The Code of Ethics is a set of principles that constantly guide daily action and from which all company policies and business principles derive, that is:

- ***Legality, honesty and fairness***
 The Group operates in compliance with the applicable laws and pursues its interests following a policy of conduct in accordance with the principles of legality, fairness and honesty. The same parameters are applied in relations with Group stakeholders. The Group undertakes to ensure that the provisions of the Code are adopted and practised by all its recipients.
- ***Compliance with laws and regulations***
 The Group ensures that it is adequately informed and made aware of issues relating to the Code of Ethics in order to comply with current laws and regulations. Any doubts or uncertainties are resolved by its own direct managers and by the Supervisory Board.
- ***Transparency and completeness of information***
 The Group ensures that all stakeholders are provided with clear and transparent information about their situation and performance, without favouring any interest group or individual. Shareholders and competent bodies are informed about significant events concerning the Group's corporate and accounting management.
- ***Confidentiality of information***
 The Group ensures that it has procedures in place to guarantee the confidentiality of the information in its possession and refrains from seeking confidential information using illegal means. The Group ensures that it is forbidden to use confidential information for purposes not related to the exercise of its professional activity.
- ***Respect for the individual and fairness***
 The Group is committed to ensuring respect for the physical and cultural integrity of the individual, for relations with others and fair treatment. In support of this, the Group checks the existence of a context of safety and respect for individual dignity.
- ***Impartiality and equal opportunities***
 TXT avoids any discrimination based on age, gender, sexuality, health, race, nationality, political opinions or religious beliefs in all decisions that affect relations with its stakeholders.
- ***Conflicts of interest***
 The Group undertakes to prevent situations of conflict of interest, by prohibiting the recipients from pursuing interests other than the Group's mission or from personally benefiting from business opportunities.
- ***Protection of competition***

The Group believes in free and fair competition, and consequently its actions are oriented towards obtaining competitive results that reward ability and efficiency. Any action that could alter the conditions of fair competition is contrary to company policy and is prohibited.

With regard to the management of the aspects linked to the five areas referred to in the Decree, reference should be made to Chapter 2, RISK ANALYSIS, in relation to the actions implemented in response to the risks identified, and Chapter 4, THE POLICIES PURSUED AND THE RESULTS ACHIEVED.

4 THE POLICIES APPLIED AND THE RESULTS ACHIEVED

In the tables relating to the analysis of TXT's social, personnel management and environmental performance, Italy and Germany were considered as a single entity and therefore the information has been provided in an aggregated form.

The information was disaggregated when required by the GRI or when necessary to ensure a better understanding of the data.

With the exception of the areas relating to the environment and the fight against active and passive corruption (for which please refer to the "RISK ANALYSIS" section), the Group did not deem it necessary to adopt official policies for the other areas mentioned in the Decree, also in light of the good functioning of long-established practices and the high degree of central control.

a) People as resources of TXT

At 31 December 2017, the TXT Group had 481 employees, of whom 386 (93 women and 293 men) were employees of the Italian parent company TXT e-solutions SpA, 72 (18 women and 54 men) were employees of the German subsidiary Pace GmbH and 23 were employees of other Group companies, not included in the scope of this Non-Financial Statement, as described in chapter 1.d) above. TXT also availed itself of the contribution of some freelance professionals and interns.

At 31 December 2016, the TXT Group had 790 employees, of whom 316 were from the TXT Retail Division, which was sold in October 2017 (Discontinued Operations), and 474 from the TXT Next Division (Continuing Operations).

The average number of employees of the entire Group during 2017 was 603, taking account of the weighted contribution of 159 people who, up to September 2017, worked within the transferred division of TXT SpA. Solely taking into account the reporting scope as defined in paragraph 1.d), the average number of employees in 2017 would have been 462.

Italy

In 2017, 98% of Italian employees were hired on permanent contracts and only 2% had fixed-term contracts. Part-time workers accounted for 3% and were all women, while 97% of employees worked full time.

During the year, 50 people were recruited (8 women and 42 men), accounting for 13% of the total workforce. There were five on fixed-term contracts, with the remaining 45 on permanent contracts.

In 2017, 49 employees resigned, of whom 24% were women. Turnover² was 12.7%.

Recruitment and resignations were distributed in age groups and by gender as shown in the following table (the percentages shown in the table are related to the workforce):

ITALY								
Age groups	Number RECRUITED				Number RESIGNED			
	Women		Men		Women		Men	
<30	5	1.3%	33	8.5%	6	1.6%	12	3.1%
30-50	3	0.8%	8	2.1%	6	1.6%	23	6.0%
>50	-	-	1	0.3%	-	-	2	0.5%
Total	8	2.1%	42	10.9%	12	3.1%	37	9.6%

Germany

In Germany, 94% of employees were on permanent contracts and 6% on fixed-term contracts. Part-time workers accounted for about 30% and were equally divided between women and men.

During 2017, 9 people were recruited (2 women and 7 men), accounting for a hiring rate of 12.5% of the total workforce. Fifty-percent of new hires were on a permanent contract.

There were 4 resignations, of which 25% were women. Turnover was 5.6%. The number of recruitments and resignations is broken down by age bracket as shown in the table below, with an indication of the percentage related to the total workforce at the end of the year:

GERMANY								
Age groups	Number RECRUITED				Number RESIGNED			
	Women		Men		Women		Men	
<30	1	1.4%	-	-	-	-	-	-
30-50	1	1.4%	7	8.3%	1	1.4%	3	4.2%
>50	-	-	-	-	-	-	-	-
Total	2	2.8%	7	9.7%	1	1.4%	3	4.2%

² Turnover: (total resigned/total active at 31.12) x 100

The following table summarises all the information relating to 2016 and 2017 for the Italian parent company TXT e-solutions SpA (Continuing Operations) and the German subsidiary Pace GmbH.

GROUP	2016		2017	
	Women	Men	Women	Men
Employees at 31.12	115	350	111	347
Fixed-term contract	9	11	3	7
Permanent contract	106	339	108	340
Full time	93	341	89	337
Part time	22	9	22	10
New recruits	10	45	10	49
Resignations	3	11	13	40

Human capital is TXT's main resource for the development and sale of services and software products. Consequently, recruitment and staffing processes are very important for the growth and development of the Group. The company focuses on the continuous improvement of these processes also with the use of scientific tests during selection including the Myers Briggs Test, McClelland or Profile XT test of the Palo Alto school. The objective is to thoroughly check not only the technical knowledge and skills, but also the behavioural characteristics relevant to the role and task to be performed. Paying the utmost attention to the process and providing regular training to HR staff, the aim is to reduce the risk of selecting a resource who fails to meet the company's expectations. In this regard, during 2017, 107 hours of training were provided to HR personnel on the application of the PROFILE XT test, with the aim of updating and standardising their skills.

TXT views staff training as an important tool to support human capital growth. The company's training plans are divided into two levels: a training plan for the development managed by HR mainly on soft skills and an individual training plan on technical and professional issues managed directly by team managers and divided into internal training and training with specialised bodies. The training plans managed centrally by HR in 2016 and 2017 were as follows

GROUP Training	2016	2017	Δ (17-16)
Number of courses	13	20	+7
Hours delivered	1860	833	-1027
Persons involved	82	81	-1

During 2017, there was a rise in the number of courses organised, benefiting about 17% of employees. The number of hours provided were down on 2016, in which a number of initiatives were concentrated, while in 2017 more targeted events were organised with a higher degree of specialisation and focus on critical aspects, in particular soft skills.

Training hours managed by HR management, on average by gender and by category out of the total number of active employees by gender and category as at 31 December 2016 and 31 December 2017, were distributed in the two regions as indicated in the tables below:

Italy

Average hours of training				
Category/Gender	2016		2017	
	Women	Men	Women	Men
Executives	-	17.78	-	-
Managers	6	10.29	-	2.27
Office workers	3.92	3.21	1.14	1.69
Total	3.93	4.14	1.06	1.68

Germany

Average hours of training				
Category/Gender	2016		2017	
	Women	Men	Women	Men
Executives	-	-	-	-
Managers	-	-	-	-
Office workers	1.5	4.72	8.89	1.67
Total	1.5	4.08	8.89	1.48

TXT's relationship with the trades unions is based on dialogue and full compliance with the employment contracts applied.

b) Diversity and inclusion

TXT recognises the importance of its human capital without distinction and undertakes to respect the equality of its employees. The benefits enjoyed by employees are awarded without distinction between part-time and full-time contracts and without gender distinctions.

No episodes of discrimination or monetary sanctions were observed or reported in 2017 and 2016, nor for inadequate treatment of ethnicity, gender, religion or opinion.

The percentage distribution of the workforce by gender did not change substantially between 2016 and 2017:

GROUP	2016						2017					
	Women			Men			Women			Men		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Executives	-	-	2	-	4	8	-	-	2	-	4	8
Managers	-	1	3	-	13	12	-	1	3	-	15	10
Office workers	17	83	9	61	225	27	23	73	9	105	180	25
	25%			75%			24%			76%		

Respect for human rights is fundamental to TXT and is implemented through compliance with the various national rules and regulations in the countries in which the Group operates. However, in consideration of the markets served (mainly in Western countries) and the type of activity carried out (hi-tech services), no specific measures are adopted to prevent human rights violations or discriminatory behaviour, since the risk that such events may occur is considered remote.

In 2017, TXT hired many resources with high growth potential, so the percentage of employees aged under 30 has risen from 17% to 27% of the total workforce.

c) Occupational health and safety

Health and safety at the workplace are core principles of TXT's business management. For years now, the concept has been extended to psychological and physical health, whose indicators are:

- Low absenteeism and accident rates
- Moderate number of overtime hours
- Limited Turnover Rate
- Long period of stay in the company.

TXT routinely looks after the welfare of its employees not only through training programmes on "work-related stress" issues, but also by ensuring employees the option of smart working, flexible hours, responsibility for and filling in their own time-sheet (i.e., no need to clock in and out) and by organising informal meetings between colleagues, also outside normal work activities, to build and improve relations between employees and the overall company atmosphere.

In 2017, only one accident (involving a man) occurred in Italy, of a minor nature and on the way from home to work, for a total of three working days lost. In 2016, there were four accidents (three men and one woman), for a total of 73 working days lost. Overall, the frequency and severity of accidents has decreased and the number of working days lost has also fallen.

In Germany, no accidents occurred in 2017, while in 2016 there was only one accident on the way to and from work.

In Italy, the absenteeism³ rate accounted for 1.2% of possible working hours, with an average of three days' absence per person, the same as in 2016.

In Germany, in 2017, the absenteeism rate was 3% of possible working hours, with an average of 7 days' absence per employee, compared to 9 days in 2016.

Generally speaking, the measures taken to mitigate the impact of risks on the health and safety of individuals effectively limit their extent in terms of probability of occurrence and severity.

³ Absenteeism Rate: (total sick days + tot. injury days + total days unpaid leave) / tot. working days

d) Materials, energy and emissions

Materials

TXT is concerned about its environmental impact, even though the Group's activities do not have a significant direct or indirect effect, since they are mainly services and software development activities. The materials used are closely linked to the nature of the activity and therefore, in addition to generic stationery, they also include software licences, servers, computers, monitors and electronic devices.

As far as materials are concerned, TXT aims to reduce the use of consumables (especially paper) in everyday operations.

In 2016, a total of 196,500 sheets of paper were used, equal to 393 reams (divided into 300 reams for TXT SpA and 93 reams for PACE GmbH), a quantity that remained largely the same in 2017, but effectively supported by the introduction of a new centralised laser printing system: printing is forwarded from the employee's workstation but released only after the employee badge has been stamped at the printer itself. This initiative aims to control and optimise toner and paper consumption.

In Italy, the reduction of paper consumption also involved embarking upon a process of dematerialisation of printed staff health records in order to significantly reduce the amount of paper used.

Another significant aspect for the Group is the focus on new opportunities for waste reduction, optimisation and recycling. The waste produced daily and disposed of through the differentiated waste collection system in the Milan offices is paper, plastic, aluminium and wet waste. In Pace GmbH's Berlin offices, waste disposal is managed directly by the tenant of the building.

Given the type of activity carried out, the Group does not produce production waste or waste with significant environmental impact.

No specific policies have been introduced for water consumption nor has consumption been systematically measured as this resource is not used for TXT production processes but exclusively for hygienic-sanitary use in the Group's offices.

Energy and emissions

TXT carries out its activities both in its own offices and at the customer's premises. The analysis of greenhouse gas emissions produced is limited to direct energy emissions (purpose 1⁴) and indirect energy emissions (purpose 2⁵). The impact of other pollutant emissions is not considered significant due to the fact that the Group is mainly involved in services and software development.

The following data, considering the activities carried out by TXT, reflect the greenhouse gas emissions generated:

- from consumption of natural gas for heating offices (purpose 1)
- related to business travels (purpose 1)
- from the use of electricity inside offices (purpose 2).

Emissions from heating systems

In order to report the emissions produced, TXT analysed the consumption of heating systems, for its sites in Italy and Germany, separating the consumption of methane gas invoiced directly by the tenant to TXT from the building service charges.

The total consumption of natural gas, broken down by year and country, and the corresponding impacts in terms of tonnes of CO2 emissions are shown in the following table:

COUNTRY	YEAR	TOTAL CONSUMPTION	TOTAL CO2 TON
Italy	2016	1.24 TJ	69
Germany	2016	0.483 TJ	27
TOTAL		1.72 TJ	96

COUNTRY	YEAR	TOTAL CONSUMPTION	TOTAL CO2 TON
Italy	2017	1.26 TJ	71
Germany	2017	0.483 TJ	27
TOTAL		1.72 TJ	98

Emissions from business travels

⁴ Direct emissions (purpose 1) include CO2 emissions generated by natural gas consumption and business travels.

⁵ Indirect emissions (purpose 2) include CO2 emissions deriving from the purchase of electricity.

One critical issue addressed by TXT is the production of CO2 emissions from the movement of employees, both for longer journeys and for the daily use of company cars.

A first step towards mitigating this impact is to use teleconferencing and videoconferencing technologies as an alternative to travel wherever possible; to record the miles travelled or the fuel used to monitor trends over time.

Group employees travel by air to distant destinations and by car to closer ones. Due to the location of customer premises, train travel is less practicable. Our service providers (travel/car rental agencies) track travel and the results are periodically communicated to the Facility department. In this way, TXT is able to monitor costs, consumption and related impacts over time.

The CO2 emissions related to business travels, at Group level, are shown in the following table:

MODE OF TRANSPORT	CO2 TON 2016	CO2 TON 2017	Δ CO2 TON (17-16)
Plane	214	233	+19
Train	6	12	+6
Car	198	189	-9
TOTAL	418	434	+16

The overall change in 2017 compared to 2016 is due to the combined effect of an increased use of aircraft and a reduction in car use, also in consideration of the development of business with international customers.

The following table aggregates the overall effects of energy consumption and business travel in terms of CO2 emissions (direct emissions - purpose 1).

EMISSIONS (PURPOSE 1)	CO2 TON 2016	CO2 TON 2017	Δ CO2 TON (17-16)
Business travels	418	434	+16
Gas consumption	96	98	+2
TOTAL	514	532	+18

Climate-changing emissions from the use of electricity in offices

Another important aspect of TXT's environmental footprint and for the analysis of CO2 emissions, in terms of indirect emissions (Purpose 2) is the use of electricity in offices. It was possible to measure and monitor the amount of electricity used by the entire Group, as bills and building consumption were available.

A total consumption of 422,032 kWh was recorded for 2016, corresponding to 166 tonnes of CO2, while 2017 saw a total consumption of 449,486 kWh, corresponding to 176 tonnes of CO2.

The following table gives details of consumption for 2016-2017 (the percentage of electricity produced from renewable sources depends on the individual national electricity mixes):

GROUP	YEAR	KWH	TOTAL CO2 TON
Total electricity purchased	2016	422,032	166

GROUP	YEAR	KWH	TOTAL CO2 TON
Total electricity purchased	2017	449,486	176

The overall change in terms of CO2 produced between one year and another is summarised below:

EMISSIONS (PURPOSE 2)	CO2 TON 2016	CO2 TON 2017	Δ CO2 TON (17-16)
Emissions related to the purchase of electricity	166	176	+10

The actions implemented by TXT to mitigate electricity consumption were:

- **Italy:** Increase common areas with low consumption lighting.
- **Germany:** Use low consumption lighting in all areas.

e) Compliance with rules and regulations

The Group carries out its activities reconciling, where possible, the reduction of pollution and the containment of negative impact on the environment.

TXT is committed to creating and spreading a corporate culture of responsible behaviour that safeguards the integrity of the environment in all circumstances.

The company has always operated in full compliance with environmental laws and regulations and has never received monetary penalties including in 2016 or 2017.

Moreover, TXT incurred no monetary and non-monetary penalties of a social and economic nature over the two years.

f) TXT's commitment to the community

TXT promotes the development and well-being of the local community. In 2016 and 2017, it supported a number of cultural, charitable and social aggregation initiatives through donations to young people, cultural institutions and voluntary associations. In 2017, TXT donated over EUR 100,000 to various types of organisations, such as: La Triennale di Milano, Opera San Francesco per i poveri Onlus, Circolo Polisportiva Bresso and AISM (Italian Multiple Sclerosis Association).

Through corporate volunteering activities, TXT has worked with the Catholic University of Milan on the Prospera project, contributing to the integration of university students and young disabled people into the world of work.

In addition, in partnership with Milan Polytechnic University, TXT has developed the OLOS PoliMi Project. This focuses on the importance of pursuing healthy lifestyles with direct beneficial effects on work performance.

TXT Group does not support political parties in any way and its relations with the institutions are based on compliance with all applicable rules and regulations.

Finally, no measures have been applied to implement agreements of international and supranational organisations on social and staff-related matters, since the policies already implemented by the Group and described in this document are considered adequate by virtue of the activities carried out by the Group in the countries where it operates.

In 2016 and 2017, the TXT Group was not involved in lawsuits related to anti-competitive behaviour.

g) Certifications

TXT has received some very prestigious and crucial certifications in the course of its activities, such as:

- SPICE certification at level 2: a demonstration of the excellence of TXT's work in the production of products and services related to the car industry.
- ISO:9001 certification for the implementation of a quality management system.
- ISO:9100 certification for aerospace component suppliers.

TXT also received the "We hired better" work award for its staff's managerial excellence in the process of researching and recruiting new candidates.

5 APPENDIX

a) Methodological note

The content of the 2017 Non-Financial Statement has been defined in accordance with the following sources:

- Directive 2014/95/EU
- Italian Legislative Decree no. 254 of 30 December 2016
- Circular ASSONIME no. 13 of 12 June 2017
- CONSOB: Regulations for the implementation of Italian Legislative Decree no. 254 of 30 December 2016, on the disclosure of non-financial information (Resolution no. 20267 of 18 January 2018)
- GRI Standards (www.globalreporting.org)

Reporting standards adopted

Article 3, paragraph 3, of Italian Legislative Decree no. 264/16 provides the option to choose different reporting methodologies:

- **“Reporting standards”**: *standards and guidelines issued by authoritative supranational, international or national bodies, public or private, functional, wholly or in part, to compliance with the non-financial reporting requirements set out in this Legislative Decree and in Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014;*
- **“Independent reporting methodology”**: *the composite set, consisting of one or more reporting standards, as defined in point f), and the additional standards, criteria and performance indicators, independently identified and complementary to those required by the reporting standards adopted, which is functional to compliance with the non-financial reporting requirements set out in this Legislative Decree and in Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014.*

To prepare its Non-Financial Statement, TXT has adopted the GRI Sustainability Reporting Standards (hereinafter also referred to as GRI Standards), published in 2016 by the GRI - Global Reporting Initiative. In particular, in accordance with Standard GRI 101: Foundation, paragraph 3, this document refers to the Reporting Standards contained in the Content Index on page 32 ("GRI-referenced").

Finally, TXT verified the compliance of the aforementioned GRI Standards with the qualitative and quantitative disclosure requirements set out in Italian Legislative Decree no. 254/16. The results of the analysis are shown below:

Compliance with content requirements

No.	Information requirement	Italian Legislative Decree no. 254/16	GRI standards
1	Business model	ART. 3, 1st paragraph - a)	GRI 102-18: <i>Governance structure.</i> GRI 103-2: <i>The management approach and its components.</i>

2	2 Policies implemented by the company	ART. 3, 1st paragraph - b)	GRI 103-1: <i>Explanation of the material topic and its Boundary.</i> GRI 103-2: <i>The management approach and its components.</i>
3	Risks generated or suffered	ART. 3, 1st paragraph - c)	GRI 102-15: <i>Key impacts, risks and opportunities.</i>
4	Environment	ART. 3, 2nd paragraph - a); b); c)	GRI 103-1: <i>Explanation of the material topic and its Boundary.</i> GRI 103-2: <i>The management approach and its components.</i> GRI 302-1: <i>Energy consumption within the organisation.</i> GRI 305-1: <i>Direct (Scope 1) GHG emissions.</i> GRI 305-2: <i>Energy indirect (Scope 2) GHG emissions.</i> GRI 307-1: <i>Non-compliance with environmental laws and regulations.</i>
5	Social	ART. 3, 2nd paragraph - c); d)	GRI 103-1: <i>Explanation of the material topic and its Boundary.</i> GRI 103-2: <i>The management approach and its components.</i> GRI 206-1: <i>Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.</i> GRI 415-1: <i>Political contributions.</i> GRI 419-1: <i>Non-compliance with laws and regulations in the social and economic area.</i>
6	Work Practices	ART. 3, 2nd paragraph - d)	GRI 103-1: <i>Explanation of the material topic and its Boundary.</i> GRI 103-2: <i>The management approach and its components.</i> GRI 102-8: <i>Information on employees and other workers.</i> GRI 401-1: <i>New employee hires and employee turnover.</i> GRI 401-2: <i>Benefits provided to full-time employees that are not provided to temporary or part-time employees.</i> GRI 403-2: <i>Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.</i> GRI 404-1: <i>Average hours of training per year per employee.</i> GRI 405-1: <i>Diversity of governance bodies and employees.</i>
8	Respect for human rights	ART. 3, 2nd paragraph - e)	GRI 103-1: <i>Explanation of the material topic and its Boundary.</i> GRI 103-2: <i>The management approach and its components.</i> GRI 406-1: <i>Incidents of discrimination and corrective actions taken.</i>

9	Combating active and passive corruption	ART. 3, 2nd paragraph - f)	<p>GRI 103-1: <i>Explanation of the material topic and its Boundary.</i></p> <p>GRI 103-2: <i>The management approach and its components.</i></p> <p>GRI 205-3: <i>Confirmed incidents of corruption and actions taken.</i></p>
---	---	----------------------------	---

Reporting process

TXT has established an "*Internal procedure for the preparation of the Non-Financial Statement pursuant to Italian Legislative Decree no. 254/16*".

The contacts for the drafting, application and updating of the Non-Financial Statement procedure are:

- Policy owner: Manager responsible for preparing corporate accounting documents
- Policy administrator: Head of Control & Governance

The Policy administrator guarantees the timely updating of the procedure and its dissemination; the Policy owner guarantees the annual approval process of the same as described above.

The Non-Financial Statement is drawn up on an annual basis, if the conditions set out in Italian Legislative Decree no. 254/16, Article 2 are met. For financial year 2017, the comparison of information with the previous year was provided where the comparison met three requirements:

- Completeness
- Accuracy
- Clarity

In cases where it was not possible to meet these requirements, the comparison with the previous year was summary and qualitative in nature as permitted by Italian Legislative Decree no. 254/16, Article 12, paragraph 2.

Moreover, a conservative estimate was used for energy consumption and business travels if the precise data were not available, which led to the choice of the scenarios associated with less positive environmental performance by the company.

As this was the first ever Non-Financial Statement, no restatement of information provided in previous years was made, nor were any changes been made to the relevant aspects to be reported, as they were not applicable.

This document was approved by the Board of Directors of TXT e-solutions SpA on 8 March 2018.

The 2017 Non-Financial Statement is subject to verification of compliance by EY SpA in accordance with the provisions of Italian Legislative Decree no. 254/16, Article 3, paragraph 10.

Principles for defining the "content" and "quality" of the Non-Financial Statement

TXT has adopted the following general principles as provided for by the "GRI 101 - Foundation" Standard, ascertaining that these do not conflict with the provisions of Italian Legislative Decree no. 254/16.

Principles for defining the **content** of the Non-Financial Statement:

- a. *Stakeholder inclusiveness*: Identification of stakeholders and explanation of how TXT has responded to their expectations and interests.
- b. *Sustainability context*: The Non-Financial Statement must present the performance of the organisation in the wider context of sustainability.
- c. *Materiality*: Only those aspects that reflect significant impacts in the economic, environmental and social spheres or that influence the judgement and decisions of stakeholders can be reported.
- d. *Completeness*: The Non-Financial Statement must include sufficient material matters, including limitations on reporting, to reflect significant economic, environmental and social impacts and to allow stakeholders to assess TXT performance over the reporting period.

Principles for defining the **quality** of the Non-Financial Statement:

- a. *Accuracy*: Information is reported in a sufficiently accurate and detailed manner to enable stakeholders to form an opinion on the performance of the organisation.
- b. *Balance*: The positive and negative aspects of TXT's performance are reported in order to allow for a reasonable assessment of the overall performance.
- c. *Clarity*: Information is made available in an understandable and accessible manner to the stakeholders who use the Non-Financial Statement.
- d. *Comparability*: The Non-Financial Statement provides information that is consistent from year to year.
- e. *Reliability*: TXT gathers, records, compiles, analyses and presents the information and processes used in preparing the Non-Financial Statement so that they can be subject to external scrutiny, establishing the quality and relevance of the information.
- f. *Timeliness*: The Non-Financial Statement is drawn up annually so that information is available to stakeholders at a set frequency.

Criteria for inclusion or exclusion of information from the Non-Financial Statement

TXT, through the materiality analysis commented on above, has identified the relevant aspects to be included in the Non-Financial Statement, taking into account their relevance for the company and for stakeholders.

TXT has identified the relevant aspects (§ 1.f Materiality analysis) to be included in the Non-Financial Statement, weighing them also in relation to:

- Type and complexity of its business;
- Markets served;
- Compliance with national and international standards and regulations;
- Presence of information in other sections of the Annual Financial Report, with particular regard to economic performance.

b) Content Index

This paragraph proposes the list of General Disclosure and Topic-Specific Standards used by TXT in preparing the Non-Financial Statement.

The reconciliation table of the GRI Standard is reported below (*the description has been maintained in the original language of the standard*):

GRI standard	Name of the standard	Chapter - page	Omission
--------------	----------------------	----------------	----------

General Aspects

102-8	Information on employees and other workers 2016	4.a People as resources of TXT – Pag.18, 20	
102-14	Statement from senior decision-maker 2016	1.a Message from the Chairman of the Board of Directors - Page 3 3.c Mission and values - Page 16 3.d Group ethics - Page 16	
102-15	Key impacts, risks, and opportunities 2016	2. Risk analysis – Page 8-13	
102-16	Values, principles, standards, and norms of behaviour 2016	3.c Mission and values - Page 16 3.d Group ethics - Page 16	
102-18	Governance structure 2016	3.a The business model - Page 14 3.b The corporate bodies - Pages 15-16	
102-40	List of stakeholder groups 2016	1.e Stakeholders - Page 5-6	
102-42	Identifying and selecting stakeholders 2016	1.e Stakeholders - Page 5-6	
102-45	Entities included in the consolidated financial statements 2016	1.d Reporting framework - Page 4-5	
102-46	Defining report content and topic Boundaries 2016	1.f Materiality analysis - Page 7-8 5.a Methodological note - Page 28	
102-47	List of material topics 2016	1.f Materiality analysis - Page 6	
102-48	Restatements of information 2016	5.a Methodological note - Page 28	
102-49	Changes in reporting 2016	5.a Methodological note - Page 28	
102-50	Reporting period 2016	5.a Methodological note - Page 28	
102-51	Date of most recent report 2016	5.a Methodological note - Page 28	
102-52	Reporting cycle 2016	5.a Methodological note - Page 28	
102-53	Contact point for questions regarding the report 2016	5.b Content index - Page 32	
102-54	Claims of reporting in accordance with the GRI Standards 2016	5.a Methodological note - Page 28	

GRI standard	Name of the standard	Chapter - page	Omission
102-55	GRI content index 2016	5.b Content index - Page 32	
102-56	External assurance 2016	5.a Methodological note - Page 28	

Economic aspects

GRI 103 Management Approach 2016	GRI 103-1: Explanation of the material topic and its Boundary.	1.f Materiality analysis - Page 7-8	
	GRI 103-2: The management approach and its components.	2. Risk analysis - Pages 8, 12-14 3. The Company model for the management and organisation of activities - Page 14 4. The policies applied and the results achieved - Page 18	
GRI 205	Anti-corruption 2016		
205-3	Confirmed incidents of corruption and actions taken	2.d Corruption risk - Page.14	
GRI 206	Anti-competitive behaviour 2016		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.	4.f TXT's commitment to the community - Page 26	

Environmental Aspects

GRI 103 Management Approach 2016	GRI 103-1: Explanation of the material topic and its Boundary.	1.f Materiality analysis - Page 7-8	
	GRI 103-2: The management approach and its components.	2. Risk analysis - Page 8-9 3. The Company model for the management and organisation of activities - Page 14 4. The policies applied and the results achieved - Page 18	
GRI 302	Energy 2016		
302-1	Energy consumption within the organisation	4.d Materials, energy and emissions - Page 24-26	
GRI 305	Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	4.d Materials, energy and emissions - Page 24-25	
305-2	Energy indirect (Scope 2) GHG emissions	4.d Materials, energy and emissions - Page 25-26	
GRI 307	Environmental compliance 2016		
307-1	Non-compliance with environmental laws and regulations	4.e Compliance with rules and regulations - Page 26	

Social Aspects

GRI 103 Management Approach 2016	GRI 103-1: Explanation of the material topic and its Boundary.	1.f Materiality analysis - Page 7-8	
	GRI 103-2: The management approach and its components.	2. Risk analysis - Pg.8, 11 3. The Company model for the management and organisation of activities - Page 14	

GRI standard	Name of the standard	Chapter - page	Omission
		4. The policies applied and the results achieved - Page 18	
GRI 401	Employment 2016		
401-1	New employee hires and employee turnover	4.a People as resources of TXT - Page 19	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.a People as resources of TXT - Page 21	
GRI 403	Occupational health and safety 2016		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	4.c Occupational health and safety – Page 22	
GRI 404	Training and education 2016		
404-1	Average hours of training per year per employee	4.a People as TXT resources - Page 20-21	
GRI 405	Diversity and equal opportunity 2016		
405-1	Diversity of governance bodies and employees	4.b Diversity and inclusion - Page 15-16, 21	
GRI 406	Non-discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	4.b Diversity and inclusion - Page 21	
GRI 415	Public policy 2016		
415-1	Political contributions	4.f TXT's commitment to the community - Page 26	
GRI 419	Socioeconomic compliance 2016		
419-1	Non-compliance with laws and regulations in the social and economic area	4.e Compliance with rules and regulations - Page 26	

The 2017 Non-Financial Statement was prepared with the advisory support and methodological contribution of **VIVIDA & Partners** (www.vividapartners.com).

For any information regarding the 2017 Non-Financial Statement and its contents, please contact infofinance@txtgroup.com.