

# **TXT e-solutions S.p.A.**

## **2015 REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDING STRUCTURE**

Pursuant to Article 123-bis of the Consolidated Law on Finance

## Contents

1. ISSUER'S PROFILE .....	5
2. INFORMATION ON THE SHAREHOLDING STRUCTURE (Article 123-bis, paragraph 1 of the Consolidated Law on Finance) at 31 December 2014 .....	6
a) Share capital structure (Article 123-bis, paragraph 1, letter a), of the Consolidated Law on Finance) .....	6
b) Share transfer restrictions (Article 123-bis, paragraph 1, letter b), of the Consolidated Law on Finance) .....	6
c) Significant shareholdings (Article 123-bis, paragraph 1, letter c), of the Consolidated Law on Finance) .....	6
d) Shares with special control rights (Article 123-bis, paragraph 1, letter d), of the Consolidated Law on Finance).....	7
e) Employee shareholdings: exercise of voting rights (Article 123-bis, paragraph 1, letter e), of the Consolidated Law on Finance) .....	7
f) Restrictions on voting rights (Article 123-bis, paragraph 1, letter f), of the Consolidated Law on Finance) .....	7
g) Shareholders' agreements (Article 123-bis, paragraph 1, letter g), of the Consolidated Law on Finance) .....	7
h) Change of control clauses (Article 123-bis, paragraph 1, letter h) of the Consolidated Law on Finance) and provisions on takeover bids as per the Company's By-Laws (Articles 104, paragraph 1-ter, and 104-bis, paragraph 1).....	7
i) Agreements between the Company and its directors providing for a severance package in case of resignation, dismissal without just cause or end of term of office because of a takeover bid .....	7
l) Provisions applicable to the appointment and replacement of Directors, as well as to the amendment of the By-Laws, if different from the relevant supplementary legal and regulatory provisions .....	7
m) Delegated powers to increase share capital and authorisation to purchase treasury shares (Article 123-bis, paragraph 1, letter m), of the Consolidated Law on Finance).....	8
Management and coordination activities (Article 2497 et seq. of the Italian Civil Code) .....	9
3. COMPLIANCE (Article 123-bis, paragraph 2, letter a), of the Consolidated Law on Finance) ..	9
4. BOARD OF DIRECTORS.....	9
4.1. Appointment and replacement (Article 123-bis, paragraph 1, letter l), of the Consolidated Law on Finance).....	9
4.2. Composition (Article 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance). .	11
4.3. Role of the Board of Directors (Article 123-bis, paragraph 2, letter d) of the Consolidated Law on Finance).....	16

4.4. Delegated bodies.....	18
4.5. Other executive directors .....	21
4.6. Independent directors.....	21
4.7. Lead independent director .....	22
<b>5. PROCESSING COMPANY INFORMATION.....</b>	<b>23</b>
6. COMMITTEES WITHIN THE BOARD (Article 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance) .....	24
7. NOMINATION COMMITTEE .....	24
8. REMUNERATION COMMITTEE .....	24
9. REMUNERATION OF DIRECTORS .....	27
10. RISKS AND INTERNAL CONTROLS COMMITTEE.....	30
<b>11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM.....</b>	<b>32</b>
11.1. Executive director in charge of the internal control and risk management system.....	34
11.2. Manager responsible for Internal Audit.....	34
11.3. Organisation model pursuant to Legislative Decree no. 231/2001 .....	35
11.4. External Auditors .....	37
11.5. Manager responsible for preparing corporate accounting documents.....	37
11.6. Coordination between the parties involved in the internal control and risk management system.....	37
12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES.....	38
13. APPOINTMENT OF STATUTORY AUDITORS.....	42
14. COMPOSITION AND FUNCTIONS OF THE BOARD OF STATUTORY AUDITORS (Article 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance) .....	44
15. RELATIONSHIP WITH SHAREHOLDERS .....	45
16. SHAREHOLDERS' MEETINGS (Article 123-bis, paragraph 2, letter c), of the Consolidated Law on Finance).....	46
17. OTHER CORPORATE GOVERNANCE ISSUES (Article 123-bis, paragraph 2, letter a) of the Consolidated Law on Finance).....	48
18. CHANGES AFTER THE END OF THE REPORTING PERIOD.....	49
TABLE 1: Shareholding structure .....	50
TABLE 2: Composition of the Board of Directors and Committees .....	51

## GLOSSARY

**2014 Corporate Governance Code:** the Corporate Governance Code of listed companies approved in July 2014 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

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

**Board:** the Issuer's Board of Directors.

**Issuer:** the issuer of listed shares to which the Report refers.

**Financial Year:** the accounting period to which the Report refers.

**Consob Issuers' Regulation:** Regulation 11971/1999 (and subsequent amendments) concerning issuers issued by Consob.

**Consob Regulation on markets:** Regulation 16191/2007 (and subsequent amendments) concerning markets issued by Consob.

**Consob Regulation on transactions with related parties:** Regulation 17221 of 12 March 2010 (and subsequent amendments) on transactions with related parties issued by Consob.

**Report:** the report on corporate governance and shareholding structure drafted by companies pursuant to Article 123-bis of the Consolidated Law on Finance (TUF).

**Consolidated Law on Finance (*Testo unico finanziario, TUF*):** Legislative Decree no. 58 dated 24 February 1998.

## 1. ISSUER'S PROFILE

This report illustrates the Corporate Governance system adopted by TXT e-solutions S.p.A. (hereinafter the "Company" or "TXT") and its compliance with the Corporate Governance Code of listed companies (hereinafter the "Code") pursuant to Article 124-bis of the Consolidated Law on Finance, Article 89-bis of the Consob Issuers' Regulation and Article IA.2.6 of the Instructions accompanying Borsa Italiana S.p.A.'s Rules.

Within the scope of the measures aimed at enhancing value for shareholders and ensuring transparent management actions, TXT defined an articulated and homogeneous system of rules of conduct concerning both its own organisational structure and relations with stakeholders – in particular with shareholders – that comply with the most advanced Corporate Governance standards. The Corporate Governance system adopted by the Board is in line with the principles stated in the Code aimed at ensuring proper and transparent corporate information and creating value for shareholders through an effective management of the Company.

Corporate bodies are listed below:

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

The duly constituted Shareholders' Meeting (the "Shareholders' Meeting") represents the Company through its resolutions, which are adopted in compliance with the law and the By-Laws; they are binding on all shareholders, including those who are absent or dissenting.

The Board of Directors (the "Board") is assigned with the tasks of managing the Company on an exclusive basis. 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 puts forward opinions and proposals to the Board of Directors concerning the remuneration of the Company's executive directors and managers with strategic responsibilities.

The Risks and Internal Controls Committee is constituted by Board members empowered to assess the adequacy of internal control and risk management systems, and to express an opinion on the control procedures.

The Board of Statutory Auditors is responsible for ensuring compliance with the law and the Company's By-Laws as well as for overall management controls. Is not assigned with the task of auditing company accounts, which is the responsibility of External Auditors, registered in a specific Register. 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 relevant regulations.

The corporate bodies' powers and tasks comply with the law, the Company's By-Laws and bodies' resolutions passed from time to time.

A copy of the annual report is available at the Company's registered office and on the website [www.txtgroup.com](http://www.txtgroup.com) under the "Company/Investor Relations/Corporate Governance" section.

## **2. INFORMATION ON THE SHAREHOLDING STRUCTURE (Article 123-bis, paragraph 1 of the Consolidated Law on Finance) at 31 December 2014**

### **a) Share capital structure (Article 123-bis, paragraph, 1, letter a), of the Consolidated Law on Finance)**

The Company's share capital is fully made up of ordinary shares. At 31 December 2015, the subscribed and paid-in share capital was equal to € 6,503,125.00, broken down into 13,006,250 shares with a par value of € 0.50 each.

In addition, the Shareholders' Meeting of 23 April 2012 approved a stock grant plan providing for the allocation of a maximum of 1,122,000 shares (originally 510,000, adjusted due to the free share capital increases of 2013 and 2015) to the Company's top managers, dependent on achieving specific performance goals, which may be assigned by the Board of Directors in three three-year tranches, with the Plan ending by 30 June 2017.

The Shareholders' Meeting of 17 December 2013 passed a resolution approving a free share capital increase involving the issue of 1 share with a par value of € 0.5, cum dividend, for every share held, by using the share premium reserve. Shares have been cum dividend since 1 January 2013. The new shares issued became effective on the Stock Market on 3 February 2014, increasing from 5,911,932 to 11,823,864 shares.

The Shareholders' Meeting of 22 April 2015 passed a resolution approving a free share capital increase involving the issue of 1 share with a par value of € 0.5, cum dividend, for every 10 shares held, by using the share premium reserve. Shares have been cum dividend since 1 January 2015. The new shares issued became effective on the Stock Market on 18 May 2015, increasing from 11,823,864 to 13,006,250 shares.

### **b) Share transfer restrictions (Article 123-bis, paragraph 1, letter b), of the Consolidated Law on Finance)**

There are no share transfer restrictions.

### **c) Significant shareholdings (Article 123-bis, paragraph 1, letter c), of the Consolidated Law on Finance)**

As far as significant shareholdings in TXT are concerned (shareholders owning over 2% of the share capital), see Table 1 attached to this Report.

This information is based on the information contained in the Shareholders' Register and in communications by shareholders pursuant to Article 120 of the Consolidated Law on Finance, as at 31 December 2015.

d) Shares with special control rights (Article 123-bis, paragraph 1, letter d), of the Consolidated Law on Finance)

No shares with special controlling interests have been issued.

e) Employee shareholdings: exercise of voting rights (Article 123-bis, paragraph 1, letter e), of the Consolidated Law on Finance)

The By-Laws do not envisage any provisions on the exercise of voting rights by employee shareholders.

f) Restrictions on voting rights (Article 123-bis, paragraph 1, letter f), of the Consolidated Law on Finance)

There are no restrictions on voting rights.

g) Shareholders' agreements (Article 123-bis, paragraph 1, letter g), of the Consolidated Law on Finance)

No shareholders' agreements pursuant to Article 122 of the Consolidated Law on Finance have been notified to the Company.

h) Change of control clauses (Article 123-bis, paragraph 1, letter h) of the Consolidated Law on Finance) and provisions on takeover bids as per the Company's By-Laws (Articles 104, paragraph 1-ter, and 104-bis, paragraph 1)

The Company and its subsidiaries did not enter into any significant agreements that are effective, change or terminate if the Company's controlling interests change.

i) Agreements between the Company and its directors providing for a severance package in case of resignation, dismissal without just cause or end of term of office because of a takeover bid

At 31 December 2015, no such agreement was entered into.

Disclosures pursuant to Article 123-bis, paragraph 1, letter i) are provided in the Remuneration Report, published pursuant to Article 123-ter of the Consolidated Law on Finance.

l) Provisions applicable to the appointment and replacement of Directors, as well as to the amendment of the By-Laws, if different from the relevant supplementary legal and regulatory provisions

At 31 December 2015, there were no provisions different from the applicable legal or regulatory provisions.

Disclosures pursuant to Article 123-bis, paragraph 1, letter l) are provided in the Board of Directors' Report (Section 4.1).

m) Delegated powers to increase share capital and authorisation to purchase treasury shares (Article 123-bis, paragraph 1, letter m), of the Consolidated Law on Finance)

On 22 April 2015, the Shareholders' Meeting passed a resolution approving a free share capital increase of € 591,193, involving the issue of one new ordinary share with a par value of € 0.5, cum dividend as from 1 January 2015, for every 10 shares held, by using the share premium reserve, and providing the Board of Directors with powers for implementation. The issue was subscribed on 18 May 2015.

On 23 April 2012, the Shareholders' Meeting approved a stock grant plan for managers with strategic and key roles within the Company and the Group, up to a maximum of 1,122,000 shares (originally 510,000, adjusted due to the free share capital increases of 2013 and 2015), to be carried out by granting treasury shares.

On 22 April 2015, the Company's Shareholders' Meeting revoked the previous authorisation to purchase treasury shares and empowered the Board of Directors to proceed, also through delegated parties, pursuant to Article 2357 of the Italian Civil Code, with the purchase, in one or more tranches, for a period of 18 months since the resolution, of TXT e-solutions S.p.A. ordinary shares up to the legal maximum amount of 20% of the share capital. The minimum payment for the purchase must not be lower than the par value of TXT e-solutions S.p.A. shares, and the maximum payment must not be higher than the average of the official Stock Market prices in the three sessions prior to the purchase, plus 10%, and in any case it must not exceed € 25.00 (twenty-five/00).

The Shareholders' Meeting also authorised the Board of Directors, pursuant to Article 2357-ter of the Italian Civil Code, to transfer – also through delegated parties, at any time, in whole or in part, in one or more tranches and even before the purchases have been completed - the treasury shares purchased, assigning the Board the power to establish, on a case-by-case basis and in compliance with the legal and regulatory provisions, the suitable deadlines, means and conditions, without prejudice to the fact that disposal of the shares may take place for a minimum amount that is not lower than the par value of such shares. The purposes for which the purchase and disposal of treasury shares was authorised are those permitted by the applicable regulations in effect, and include:

- a) To conduct operations such as the sale and exchange of treasury shares for the acquisition of shareholdings, or as part of any strategic agreements within the realm of the Company's investment policy;
- b) To establish the necessary funding to carry out stock option plans and stock grants approved by the shareholders' meeting;
- c) To carry out investments and divestments of treasury shares if the trend in prices or the amount of available liquidity make such a transaction feasible at the economic level;
- d) To support the liquidity of shares on the market, in order to encourage regular trading and avoid price shifts that are not in line with the market, strengthening - in accordance with the applicable legal and regulatory provisions - price stability during the more delicate phases of negotiations.

This purchase will be made possible by using the share premium reserve for an amount equal to the value of the treasury shares purchased.

At the end of the reporting period, 1,345,700 treasury shares are recognised in the Company's financial statements (1,570,635 at 31 December 2014, adjusted following the free share capital

increase of 20 May 2015), equal to 10.35% of the share capital, for a total par value of € 3,253,840 and a market value of € 10,940,541 (share price of € 8.13 at 31 December 2015). This purchase is possible by using the share premium reserve for an amount equal to the value of the treasury shares purchased. In 2015, the Company purchased 124,755 treasury shares on the market, and sold over 300,000 shares outside of the open markets (block trade) to the Kabouter Management LLC fund, an institutional investor based in Chicago (USA).

#### **Management and coordination activities (Article 2497 et seq. of the Italian Civil Code)**

The Company is not subject to any management and coordination activities pursuant to Article 2497 et seq. of the Italian Civil Code.

### **3. COMPLIANCE (Article 123-bis, paragraph 2, letter a), of the Consolidated Law on Finance)**

The Company adopted the Corporate Governance Code for listed companies approved by the Corporate Governance Committee in March 2006 (and subsequent amendments) and promoted by Borsa Italiana S.p.A. The Code is available to the public on Borsa Italiana's website ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

The Issuer and its strategically important subsidiaries are not subject to non-Italian legal provisions affecting the Company's corporate governance structure.

### **4. BOARD OF DIRECTORS**

#### **4.1. Appointment and replacement (Article 123-bis, paragraph 1, letter I), of the Consolidated Law on Finance)**

The Company is managed by a Board of Directors consisting of three to fourteen members, as decided by the Ordinary Shareholders' Meeting upon appointment. Directors are appointed in compliance with current applicable regulations on gender balance as specified below.

The Director's position is subject to compliance with the respectability, professionalism and independence requirements pursuant to the provisions applicable to the Company, and with those provided for by the codes of conduct issued by the company managing regulated markets.

If one or more members leave office during the financial year, those remaining in office replace them through a resolution approved by the Board of Statutory Auditors, as long as the majority of Board members is appointed by the Shareholders' Meeting.

If the leaving members had been appointed by minorities (as hereafter defined), the new members will be chosen by the Board from among those belonging to the leaving members' minority list. In the event of replacement, the Board of Directors must also ensure compliance with current regulations on gender balance. The new members will hold office until the next Shareholders' Meeting.

Board Members are appointed by the Shareholders' Meeting on the basis of lists in which candidates must be progressively included. Shareholders who, alone or together with other shareholders, reach at least the share capital percentage provided for by the law or by Consob pursuant to Article 147-ter, paragraph 1, of the Consolidated Law on Finance (currently at 4.5%) have the right to submit the lists. The minimum shareholding requirement for the submission of lists is met based on the number of shares held by Shareholders upon submission. Related certification may be provided after the deposit but within the deadline scheduled for the publication of lists by the issuer.

Each shareholder can submit, or participate with other shareholders in the submission of, only one list and each candidate can stand in only one list, under penalty of being ineligible to qualify as a candidate.

The lists shall be deposited at the issuer's offices no later than 25 days before the date fixed for the Shareholders' Meeting resolving on the appointment of Board of Directors' members and they shall be available to the public at the Company's registered office, on its website, and by any other means provided for by Consob Regulation at least 21 days before the date fixed for the Shareholders' Meeting.

Within the above-mentioned deadlines, each list must also be submitted together with the declarations in which individual candidates accept their candidacy and certify the absence of ineligibility and incompatibility reasons and the possession of relevant regulatory requirements, the candidate's CV and the existence of any independence requirements pursuant to Article 148, paragraph 3, of the Consolidated Law on Finance. The shareholders shall prove they own the number of shares necessary for submitting the lists by providing and/or sending a copy of the notices issued by the relevant parties to the Company's registered office, at least three days before the date scheduled for the Shareholders' Meeting on first call. The lists must show which candidates comply with the independence requirements provided for by the law.

Each person entitled to vote may vote for just one list.

The appointment of Directors is as follows:

- in the event that more than one list is submitted:
  - a) four fifths of Board members are selected from the list that received the highest number of votes, based on the list's progressive order and rounding to the lower unit, in case of decimals;
  - b) the other Board members are selected from the list ranking second, based on the list's progressive order, as long as said list is not directly or indirectly connected with the shareholders who submitted or voted for the list receiving the highest number of votes; in the event that several lists obtained the same number of votes, a run-off will be held between said lists and all the shareholders participating in the Shareholders' Meeting will cast their vote. The candidates belonging to the two lists receiving the majority of votes are elected;
- if only one list is submitted, directors are selected from that list, based on the list's progressive order until the number of directors provided for by the Shareholders' Meeting is reached;

- if no list is submitted or the number of elected candidates is not sufficient with respect to the number of directors required by the Shareholders' Meeting, directors are appointed by the Shareholders' Meeting through a resolution passed by the type of majority required by the law.

The lists with three or more candidates must include a gender mix, as provided for in the Shareholders' Meeting's notice, so that the Board of Directors' composition complies with current regulations on gender balance.

In any case, the appointed directors shall include at least one independent director, or the number of directors provided for by the regulations applicable to the Company upon appointment. If the independent director is not elected on the basis of the above-mentioned voting procedure, he/she will be appointed in place of the last director selected from the list he/she belongs to, giving priority to the independent director belonging to the list that received the greatest number of votes.

The minimum gender mix requirements provided for by regulations applicable to the Company must be complied with upon directors' appointment. If, following the election of candidates based on lists, the Board of Directors' composition does not comply with the gender mix requirements, a director of the least represented gender shall be appointed in place of the last director selected from the list to which he/she belongs, giving priority to the director of the least represented gender belonging to the list that received the majority of votes. Finally, if said procedure does not ensure within the Board the minimum gender mix requirements provided for by regulations, directors belonging to the least represented gender shall be appointed by the Shareholders' Meeting through a resolution passed by the type of majority required by the law without any restriction in terms of lists, and shall replace, if necessary to reach the number of board members required by the Shareholders' Meeting, the last elected candidate taken from the list that received the majority of votes.

In addition to the provisions of the Consolidated Law on Finance, the Company is not subjected to other provisions regarding the composition of the Board of Directors (such as industry provisions).

The Board of Directors has not established, within the Board, any Nomination Committee, since that function is directly performed by the Board owing to the Company's shareholders structure and Board's size.

At its meeting of 10 May 2012 the Board of Directors decided not to adopt a succession plan for executive directors (*Criterion 5.C.2.*), since the identification of parties to be assigned such role or the adoption of relevant selection criteria cannot be performed before the replacement becomes necessary. The appointment of a new executive director shall be assessed on a case by case basis.

#### 4.2. Composition (Article 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance)

In accordance with the Company's By-Laws, the Board of Directors has a minimum of 3 and a maximum of 14 members, pursuant to the resolution passed by the Ordinary Shareholders' Meeting upon appointment.

Board members' term of office lasts for three financial years; afterwards they may be re-elected. The current Board includes 7 members, 4 of whom are executive directors and 3 are non-executive independent directors. Pursuant to Article 3 of the Code, the latter do not have any economic relations with the Company, its subsidiaries, executive directors or shareholders such as to prejudice their judgement. In addition, they do not hold, directly or indirectly, any controlling interests and they do not enter in any shareholders' agreements to control the Company.

All members of the Board of Directors have been appointed by the Shareholders' Meeting held on 16 April 2014 and shall remain in office up until approval of the Financial Statements at 31 December 2016.

On 29 April 2015, the Company received the resignation of Director Franco Cattaneo, elected in the aforementioned meeting from the majority list (Independent Director). Mr Franco Cattaneo was a member of the Risks and Internal Controls Committee, Chairman of the Remuneration Committee and Lead Independent Director. At the time of his resignation, Mr Cattaneo owned 20,000 TXT shares. His justification for resignation included differences of opinion with regard to the composition and role of the Board, communication and the company's future stock option plan, still under discussion.

The independent directors met without the other directors, discussing and assessing the reasons behind the resignation of director Franco Cattaneo. They concluded that the composition and role of the Board are consistent with the provisions of the Corporate Governance Code both in substance and form of operation, that the communication procedures are compliant with the internal regulations and with the regulatory provisions, and that the drafting of a new stock option plan is still in a preliminary phase, not yet disclosed to the Remuneration Committee or to the Board.

At its meeting of 5 May 2015, the Board of Directors co-opted Ms Fabienne Dejean Schwalbe, in the absence of other candidates in the majority list submitted to the Shareholders' Meeting of 16 April 2014 and in compliance with the provisions of Article 15 of the By-Laws and Article 2386 of the Italian Civil Code and subject to the Board of Statutory Auditors' agreement. Ms Schwalbe shall remain in office until the next Shareholders' Meeting.

Ms Fabienne Dejean Schwalbe declared to possess the independence requirements pursuant to Article 148, paragraph 3 of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance) and the Corporate Governance Code of Borsa Italiana. Based on information available to the Company, the new director does not possess any TXT shares as at the appointment date. On the basis on her declarations and the assessment made by the Board of Directors during the co-opting stage, she possesses the requirements of integrity, professionalism and independence provided for by the law, by the By-Laws and by the Corporate Governance Code.

During the Shareholders' Meeting held on 16 April 2014, two lists were submitted. The majority list was submitted by E-business consulting SA with the names of Franco Cattaneo (independent board member) and Teresa Cristiana Naddeo (independent board member) (both elected). The minority list was submitted by Alvise Braga Illa, with the following names: Alvise Braga Illa, Paolo Enrico Colombo, Marco Edoardo Guida, Stefania Saviolo (independent board member) and

Andrea Cencini (all elected). The shareholders declared that there are no connections between the lists. The majority list received 54.42% of votes; the minority list 45.58%.

On 8 May 2014, the Board of Directors appointed Mr Alvise Braga Illa as Chairman and Mr Marco Edoardo Guida as Chief Executive Officer.

Directors Alvise Braga Illa, Marco Edoardo Guida, Franco Cattaneo, Paolo Enrico Colombo, Andrea Cencini and Teresa Cristiana Naddeo, elected by the Shareholders' Meeting held on 16 April 2014, had already been serving as Directors.

The professional experiences of each director (Article 144-decies of the Consob Issuers' Regulation) are indicated below:

Alvise Braga Illa

Born in Segovia (Spain) on 12 December 1939.

After graduating from Politecnico di Milano, Mr Braga Illa worked for ten years as a researcher and professor at the Lincoln Laboratory and the Massachusetts Institute of Technology, where he was also in charge of the Optical Communications Group and Network Systems. Mr Braga Illa managed Italtel R&D Laboratories, founded Zeltron S.p.A. and led the Ducati Energia restructuring process as General Manager. Mr Braga Illa founded TXT Automation Systems, sold to ABB in 1997, and TXT e-solutions in 1989.

Marco Guida

Born in Milan on 12 September 1961.

After graduating in Electronic Engineering, Mr Guida was in charge of a Computer Integrated Manufacturing team at Pirelli Informatica until 1994, when he joined TXT e-solutions. From 2000 onwards Mr Guida has been appointed as Vice Chairman and subsequently as Manager of International Operations, effectively converting TXT from an Italian company to an international group, by managing the acquisition and integration of two foreign companies (based in UK and Germany, respectively). In 2006 he was appointed as General Manager of TXT e-solutions and in January 2009 he was appointed as CEO of the TXT Group.

Franco Cattaneo (in office until 29 April 2015)

Born in Trieste on 11 July 1939.

Degree in Mechanical Engineering. PMD at Harvard Business School (USA).

Professional background: Chief Executive Officer of Jucker (Italy), Chief Executive Officer and General Manager of Pomini S.p.A. (leading engineering company). Chairman of Ing. Leone Tagliaferri & C. S.p.A. (oven manufacturing company); in 1993 Chief Executive Officer of Jucker; Chief Executive Officer of Cotonificio Roberto Ferrari S.p.A.; Vice Chairman of ACIMIT (Italian association of companies producing machinery for the textile industry); Executive Chairman of Savio Macchine Tessili S.p.A.; from 1999 to 2004 Senior Executive Director of Caretti & Associati S.p.A. Chief Executive Officer of Aprilia S.p.A. in 2004. Until 2014, independent director and member of the Remuneration, Control and Risk Committee of Interpump Group S.p.a.

Andrea Cencini

Born in Tolmezzo (UD) on 7 June 1963.

After graduating in IT, he was assigned the task of designing and developing network monitoring systems at a leading IT company. He joined TXT e-solutions in 1989 holding increasingly high-profile positions, managing the CRM and e-business business units. He is currently Manager of the TXT Perform division.

Paolo Enrico Colombo

Born in Milan on 29 February 1956.

After graduating with an Electronic Engineering degree from Politecnico di Milano in 1980, Mr Colombo was a Researcher for several years at Olivetti in Ivrea, CNR and major Software companies. In the TXT group since 1984, he personally headed the launch and development of various business sectors for the company, covering a number of managerial roles. He has been a member of the Board of Directors of TXT e-solutions since its inception, Executive Vice President and currently Managing Director of the TXT NEXT Division.

Teresa Cristiana Naddeo

Born in Turin on 22 May 1958.

After graduating in Economics and Commerce from the Turin University, she acquired long-term experience on the Italian and international financial markets. In recent years, Ms Naddeo has worked in the Zenit Group's brokerage and asset management companies, with significant operating and managerial responsibilities and as a Director. Previously, Ms Naddeo had joined Arthur Andersen, reaching senior levels; she performed the audit and certification of financial statements of large Groups in the banking, financial, television and media industries. Ms Naddeo is active in numerous professional and civic associations and foundations, and is registered in the Roll of Chartered Accountants and Auditors of Milan. She is director at Zenit SGR and since 2014 has been standing auditor at Salini Impregilo SpA.

Stefania Saviolo

Born in Milan on 14 March 1965.

Ms Saviolo graduated with a degree in Business Economics from Milan's Bocconi University, where she also earned her Ph.D in International Business. She achieved her Chartered Accountant qualification in Milan in 1994.

In 1992-1993, she was Visiting Scholar at the Stern School of Business - New York University, where she also followed the International Teacher Program. She has been contract Professor at the Political Economics Department of Bocconi University. Since 1994, she has been a Lecturer of Fashion and Luxury Management at Bocconi University and Senior Professor at SDA Bocconi School of Management, where she teaches undergraduate, graduate and executive courses. At SDA Bocconi, she was the founder and director the Master's Degree in Fashion, Experience & Design Management. Since 2013, she has held the role of Manager at SDA Bocconi's Luxury &

Fashion Knowledge Center. Ms Saviolo also provides management consulting services for leading companies in the fashion and luxury sector, in the areas of brand management, product marketing and globalisation strategies, and has published a number of papers in the area of strategy and brand management for fashion, luxury and lifestyle companies.

#### Fabienne Dejean Schwalbe (in office since 5 May 2015)

Born in Dakar (Senegal) on 5 May 1964.

Ms. Schwalbe graduated in 1985 with a Master's Degree from HEC Paris, with subsequent specialisations at the IMD Business School in Lausanne (2003) and at the Harvard Business School (2012). She gained key experience in the Media & Digital sectors in the United States, with growing responsibilities in the Bertelsmann Group in Paris. In Italy, she has held the position of CEO in the Bertelsmann Gruner+Jahr/Mondadori joint venture and provides consulting on digital transformation in France and Italy.

Independent directors hold office in companies that are not part of the TXT Group.

#### **Maximum number of positions held in other companies**

The Board has not set any specific criteria regarding the maximum number of management and control positions that can be held with other companies (*Criterion 1.C.3.*), also given the composition of the Board, whose members regularly and effectively participate in carrying out the role of director.

#### **Induction Programme**

Subsequent to their appointment and during their term of office, the Chairman has made it possible for directors to participate in initiatives aimed at providing them with adequate knowledge of the business sector in which the Company operates, the corporate dynamics and their development, as well as the relevant regulatory framework of reference (*Criterion 2.C.2.*). Application of this principle is fulfilled for the independent directors (3 individuals) through discussions and meetings with management and participation in operational events and initiatives. In fact, during 2015, two independent directors participated in meetings at a specialised fair in New York for the TXT Perform division, and a visit by directors and auditors at the headquarters of a major client of the TXT Next division was organised as well. The other directors (4 individuals) are directors and managers of the company.

The Board of Directors shall act and decide autonomously, having full knowledge of the facts, and pursue the objective of creating value for the shareholders – an essential requirement for a profitable relationship with the financial market. All the directors devote the necessary time to the diligent performance of their duties, being aware of the responsibilities pertaining to their office.

The Company did not set up an Executive Committee or a Nomination Committee. The members of the Remuneration and Control Committee are all independent Directors.

No other change has occurred since the end of the 2015 reporting period to date.

#### 4.3. Role of the Board of Directors (Article 123-bis, paragraph 2, letter d) of the Consolidated Law on Finance)

The Board of Directors has a fundamental role in the company's management, charged with strategic functions and organisational coordination. The board is also responsible for verifying that a suitable audit system needed to monitor the performance of the Company is in place.

The Board (*Criterion 1.C.1. letter a*):

- examines and approves the Company's strategic, industrial, and financial plans, periodically monitoring their implementation;
- examines and approves the strategic, industrial, and financial plans of the Group headed by the Company, periodically monitoring their implementation;
- determines the Company's corporate governance;
- defines the structure of the Group headed by the Company.

The tasks carried out by the Board of Directors on an exclusive basis are determined both by the Company's By-Laws and by corporate common practice. In particular, the Board is vested with the broadest powers regarding the Company's ordinary and extraordinary management and specifically, it is entitled to take all the measures it deems appropriate for achieving the Company's goals, except for those reserved exclusively for the Shareholders' Meeting pursuant to legal provisions. Notably, the Board of Directors:

1. gives and revokes the CEO's mandates (if any) by defining his/her operational environment and powers;
2. undertakes commitments which are not included in the ordinary management of the Company and previously approved budgets;
3. determines the remuneration of the Chairman of the Board of Directors after examining the Remuneration Committee's proposal and after consulting with the Board of Auditors;
4. examines and approves transactions having a significant impact on the Company's profitability, assets and liabilities or financial position and resolves upon the acquisition and disposals of stakes, companies or business branches; it assesses in advance real estate transactions and disposal of strategic assets;
5. defines the guidelines and identification parameters of the most significant transactions, also involving related parties;
6. oversees general operating performance on the basis of information received from the General Manager and the Risks and Internal Controls Committee;
7. establishes the Company's and the Group's structure and checks their adequacy;
8. reports to the shareholders at the Shareholders' Meeting.

During the 2015 financial year, the Board of Directors held 8 meetings with an average duration of 2 hours and 50 minutes. Directors had an average attendance of 100%, while that of the Statutory Auditors was 96%.

A total of 5 meetings have been scheduled for 2016, none of which were held prior to the date of this report. As envisaged by the regulatory provisions in effect, the Company has disclosed, in its press release issued on 17 December 2015, the following dates of the Board of Directors' meetings scheduled for 2016, for examination of the financial data:

- 8 March 2016: draft financial statements for the year ending 31/12/2015
- 27 April 2016: meeting for the 2015 financial statements (single call)
- 13 May 2016: interim report on operations as at 31/03/2016
- 10 August 2016: half-yearly report as at 30/06/2016
- 8 November 2016: interim report on operations as at 30/09/2016

The Chairman organises all the Board activities, ensuring that Directors are promptly provided with all documentation and information necessary to make any decision. In order to ensure that all the Directors make informed decisions and that a proper and complete assessment of the agenda items is performed, all documentation and information – and in particular draft interim reports – shall be made available to the Board members an average of 7 days before the meeting (*Criterion 1.C.5.*). The Board meetings may also be held via audio and video conferencing. In certain circumstances, depending on the type of decisions to be made, on confidentiality requirements or on critical timing, some restrictions to prior disclosure could apply.

The Chairman of the Board of Directors, with the assistance of the Board secretary, notifies the Directors and Statutory Auditors in advance with regard to the issues that will be discussed during the board meetings and, if necessary, in relation to the topics on the agenda, ensures that adequate information is provided on the issues to be examined sufficiently ahead of time. The Board secretary, upon instruction by the Chairman, sends the relative documentation to the directors and statutory auditors via e-mail, at different times depending on the material to be discussed, except for cases of urgency or when there are special confidentiality requirements; in this case, detailed examination of the topics is in any case ensured. The CEO informs the department managers in advance with regard to the necessity for or mere possibility of participating in the Board meetings during examination of the topics pertinent to them, so that they may contribute to the discussion.

Company managers, in charge of relevant functions, the Company's auditors and occasionally other external members may join any Board meeting with the aim of providing in-depth analysis of the issues on the agenda (*Criterion 1.C.6.*). In 2015, Mr Paolo Matarazzo, Chief Financial Officer, regularly attended meetings of the Board and was called upon to act as secretary. Based on the items on the agenda, Mr Simone Pozzi, manager of the TXT Retail business unit, attended two meetings. Regular updates were provided by the two executive directors, Mr Andrea Cencini and Mr Paolo Colombo, respectively directors of the TXT Perform and TXT Next divisions.

The Board assessed the suitability of the organisational, managing and accounting structure of the Company and its strategically significant subsidiaries provided by the CEO, with special reference to the internal control and risk management system and the management of conflicts of interest (*Criterion 1.C.1., letters b) and c).*

After examining the proposals of the relevant committee and in accordance with the Board of Statutory Auditors, the Board decided the remuneration of the Chairman and of the other directors (*Criterion 1.C.1., letter d).*

The Board assessed the Company's general management, taking into account, in particular, the disclosure provided by the delegated bodies, and periodically comparing the actual results with respective targets (*Criterion 1.C.1., letter e*).

The Board examined and approved in advance the transactions having a significant impact on the strategies, profitability, assets and liabilities or financial position of the Company and its subsidiaries (*Criterion 1.C.1., letter f*).

The Board is reserved the right to examine and approve in advance any transactions of the Company and its subsidiaries in which one or more directors have an interest both in favour of themselves or on behalf of third parties (*Criterion 1.C.1., letter f*).

On 12 May 2015, the Board assessed the size, composition and functioning of the board itself and of its committees (*Criterion 1.C.1., letter g*).

Each Director received a questionnaire asking for their opinion on the size, composition, functioning, meetings, efficacy and responsibilities of the Board and its committees, with the option of making suggestions or intervention proposals. The completed questionnaires were collected by the secretary of the Board of Directors, who compiled a summary of the opinions and recommendations made and submitted it to the Board of Directors.

Acknowledging the overall results of the relative questionnaires, the Board expressed an evaluation of essential adequacy with regard to the size, composition and functioning of the Board of Directors and its committees.

The Shareholders' Meeting did not authorise, on a general and preventive basis, exemptions to the non-competition agreement provided for by Article 2390 of the Italian Civil Code (*Criterion 1.C.4.*).

With the intention of ensuring correct management of company information, the Company adopted a procedure for internal handling and disclosure to third parties of documents and information concerning the Company, notably price sensitive information (*Criterion 1.C.1., letter j*), effective from 1 April 2016.

#### **4.4. Delegated bodies**

##### **Chief Executive Officer**

At the Board of Directors' meeting of 8 May 2014, Mr Marco Edoardo Guida was confirmed as Chief Executive Officer, a position which he has held since 1 January 2009. During this meeting the powers already conferred during the Board of Directors' meeting of 20 April 2011 were also confirmed. He is entitled to exercise, with sole signature, the following powers as part of the Company's ordinary management, in any case reporting to the Board of Directors according to legal provisions:

1. sign in the name and on behalf of the Company, sale and purchase agreements and lease agreements, including financial leases concerning movables, even those registered in public registers, tenders, creditors' agreements; act as a principal or agent in agency or sub-agency agreements and appoint agents;

2. participate in bids, tenders, public and private auctions in order to provide works and services of all types; sign supply and service contracts; take part in the related tenders, with regard to any public administrations;
3. sign quotations and accept purchase orders on behalf of the Company;
4. open and close bank accounts, apply for loans and credit lines with ordinary credit institutions of any amount and nature, on a medium-to-long term basis, and sign all the documents requested by the aforementioned credit institutions for completing said applications; accept the related contract clauses;
5. collect payments and values due to the Company for any reason by any entity as well as by Administrations belonging to the State, Regions, Provinces and Municipalities; issue receipts and discharges; issue, endorse and collect bills of exchange, money orders and bank cheques, including overdraft, provided that the figure is within the credit line allowed to the Company; perform any transaction concerning the use of loans provided by banks and in particular arrange for any commercial bills to be discounted and collected and use the relevant proceeds; take any action or conduct transactions with the Public Debt Offices, *Cassa Depositi e Prestiti*, post offices, railway offices, Customs and transport firms and in general with any public and private office, with the power to collect valuables, packages, letters and registered letters, etc.; in other words, implement any formality and transactions, including those with Issuing and Credit Institutions, by authorising investment and divestment;
6. represent the Company before any Administrative Authority, sign and submit petitions, appeals, and minutes concerning any subject; file administrative and court cases in relation to bankruptcy proceedings, creditors' agreements and moratoria; sign tax declarations and certifications;
7. appoint, employ, promote, suspend and dismiss staff, including managers;
8. sign contracts aimed at forming Associations, temporary business associations, and consortia for participating in tenders promoted by both private and public bodies;
9. appoint attorneys-in-fact and representatives to whom to transfer, in whole or in part, said functions;
10. sign on behalf of the Company, by virtue of his signatory powers, all deeds concerning the above-mentioned issues, by adding the corporate name before the signature.

In his capacity as Chief Executive Officer, Mr Marco Guida is responsible for the Company's management.

The case of interlocking directorate does not apply since TXT's Chief Executive Officer does not serve as a director in other issuers (not belonging to the same Group) where a TXT director serves as Chief Executive Officer (*Criterion 2.C.5.*).

### **Chairman**

The Chairman of the Board has been entrusted with special tasks on corporate strategy and communication and institutional relations, as well as all the powers regarding the Company's ordinary and extraordinary management, except for the purchase and sale of real estate property.

The Chairman reports to the Board of Directors on the activities performed by providing, from time to time, adequate disclosure to update the Board of Directors on atypical or unusual transactions or on transactions with related parties whose examination and approval are not reserved to the Board of Directors.

The Chairman is not the controlling shareholder of the Issuer.

At the meeting of the Board of Directors of 8 May 2014 the following powers were conferred on the Chairman, Mr Braga Illa, which had already been conferred at the Board of Directors' meeting of 20 April 2011:

1. to perform, in the name and on behalf of the Company, all the ordinary and extraordinary operations, except for purchase and sale of real estate property; in particular, for example, but not limited to:
2. to release grants, securities and guarantees in general, in the name of the Company;
3. to sign, in the name and on behalf of the Company, sale and purchase agreements and lease agreements, including financial leases concerning movables, even those registered in public registers, tenders, free loans, lease agreements concerning real estate property; acting as a principal or agent in agency or sub-agency agreements and appoint agents;
4. to participate in bids, tenders, public and private auctions to the end of providing works and services of all types;
5. to open and close bank accounts, apply for loans and credit lines with ordinary credit institutions of any amount and nature, on a medium-to-long term basis, and sign all the documents requested by the aforementioned credit institutions for completing said applications; to accept the related contract clauses;
6. to collect payments and values due to the Company for any reason by any entity as well as by Administrations belonging to the State, Regions, Provinces and Municipalities; to issue receipts and discharges; to issue, endorse and collect bills of exchange, money orders and bank cheques, including overdraft, provided that the figure is within the credit line allowed to the Company; to perform any transaction concerning the use of loans provided by banks and in particular arranging for any commercial bills to be discounted and collected and use the relevant proceeds; to take any action or conduct transactions with the Public Debt Offices, Cassa Depositi e Prestiti, post offices, railway offices, Customs and transport firms and in general with any public and private office, with the power to collect valuables, packages, letters and registered letters, etc.; in other words, to implement any formality and conduct transactions, including those with Issuing and Credit Institutions, by authorising investment and divestment;
7. to represent the Company before any ordinary, special, national, regional and administrative Authority; to sign and submit petitions, appeals, minutes concerning any issue, filing administrative and court cases; to take part in creditors' agreements and bankruptcy procedures; to appoint lawyers and enter into any retainer agreements, in relation to any court proceedings, including with enforcing powers, in any stage and instance; to settle disputes through arbitration, with awards enforceable as a court ruling (*arbitrato rituale*) or with decisions counting as a contract (*arbitrato irrituale*), and acting as *amiable compositeur*; to appoint arbitrators; to sign tax declarations and certifications;
8. to represent the Company in any import or export transaction, customs formality, before the Bank of Italy or the Ministry of Foreign Trade;
9. to appoint, employ, promote, suspend and dismiss staff of any level;
10. to sign contracts aimed at forming Associations, temporary business associations, and consortia for participating in tenders promoted by both private and public bodies; to subscribe or purchase stocks or shares of companies of any nature;
11. to appoint attorneys-in-fact and representatives to whom to transfer, in whole or in part, said functions;
12. to apply for patents for inventions or trademarks; to sign the relevant licence contracts, waiving or withdrawing patent applications;
13. to sign interest-bearing or non-interest-bearing financing contracts with subsidiaries or associated companies; to represent the Company during both ordinary and extraordinary shareholders' meetings;
14. to sign on behalf of the Company all deeds concerning the above-mentioned issues, and all the ordinary and extraordinary deeds, for which a non-exhaustive list has been compiled for

example purposes, by adding the corporate name before the signature.

### **Executive Committee (Article 123-bis, paragraph 2 letter d), of the Consolidated Law on Finance)**

No Executive Committee has been created.

### **Disclosure to the Board of Directors**

The delegated bodies reported to the Board on the activity performed with regard to the powers assigned to them on a quarterly basis.

The CEO reports to the Board of Directors and Board of Statutory Auditors on activities carried out, on the general performance of operations, on the expected outlook and on transactions with significant income, equity and financial value carried out by the Company or by its subsidiaries. The CEO has also introduced the practice of providing a report to the Board of Directors and Board of Statutory Auditors, upon convening of each meeting of the Board of Directors and regardless of the time that has passed since the previous one, on the activities and key transactions carried out by the Company and by its subsidiaries that do not require prior approval by the Board.

## **4.5. Other executive directors**

The Board of Directors comprises two additional members (Mr Andrea Cencini, Manager of the TXT Perform Division and, in particular, of the activities for Consumer Packaged Goods and Manufacturing customers, and Mr Paolo Colombo, Manager of the TXT Next Division) who shall be deemed executive directors by virtue of the managing responsibilities held with the Issuer and its strategically significant subsidiaries (*Criterion 2.C.1.*).

Initiatives aimed at increasing knowledge of the corporate situation and trends are implemented upon each director's request (*Criterion 2.C.2.*).

## **4.6. Independent directors**

The Board of Directors has three non-executive members (without operating powers and/or executive functions within the Company) such as to ensure, regarding both number and standing, that their opinion can be significant to the Board's decisions.

The non-executive members shall provide their specific technical and strategic expertise during board discussions in order to analyse the subjects under a different point of view and pass shared, responsible resolutions in line with corporate interests.

To this end, even if in urgent circumstances powers can also be assigned to non-executive directors, they shall not be considered as executive directors under this Report.

As of 31 December 2015, the three non-executive directors were qualified as independent: Teresa Cristiana Naddeo, Stefania Saviolo and Fabienne Dejean Schwalbe.

On 29 April 2015, the Company received the resignation of independent director Franco Cattaneo, and in its session of 5 May 2015, the Board of Directors co-opted Ms Fabienne Dejean Schwalbe, independent director.

In compliance with the provisions of Article 3.P.1. of the Code, Independent Directors:

- i) do not entertain, directly or indirectly or on behalf of third parties, nor have recently entertained, business relationships with the Company, its subsidiaries, the executive directors and/or the controlling shareholder of such a relevance to influence their autonomous judgment;
- ii) do not own, directly or indirectly or on behalf of third parties, a quantity of shares enabling them to control the Company or exercise a considerable influence over it nor do they participate in shareholders' agreements to control the Company;
- iii) are not family members of executive directors of the Company or of persons mentioned in points i) and ii) above.

The Board of Directors verified compliance with the independence requirements provided for by the Code with respect to each non-executive director (*Criterion 3.C.4.*). In performing the above-mentioned assessments the Board applied all the criteria provided for by the Code (*Criterion 3.C.1. and 3.C.2.*).

The Board of Directors assessed the independence of non-executive directors by considering, among other things, the principle of substance over form (*Criterion 3.C.1. and 3.C.2.*), and making use not only of information provided by those concerned, but also of all information available to the Company; it therefore confirmed Ms Teresa Cristiana Naddeo, Ms Stefania Saviolo and Ms Fabienne Dejean Schwalbe as independent directors.

During 2015, Ms Schwalbe was assigned a professional consulting instruction with regard to digital transformation and omnichannel distribution for the Retail sector. Given the occasional nature of the instruction and the limited compensation (€ 16.5 thousand), in its meeting of 10 December 2015, the Board confirmed her status as independent director.

The Board of Statutory Auditors verified the correct application of the criteria and the verification procedures adopted by the Board to assess its members' independence (*Criterion 3.C.5.*).

The independent directors are committed to maintaining their independence status over their term of office and, if necessary, to resign (Comment to Article 5 of the Code).

The independent directors met without the other directors on 16 July 2015, in order to discuss and assess the reasons behind the resignation of director Franco Cattaneo (*Criterion 3.C.6.*) . The independent directors have regular occasions to meet during meetings of the Remuneration Committee and of the Risks and Internal Controls Committee, of which they are exclusive members.

#### **4.7. Lead independent director**

The role of Chairman of the Board of Directors is separate from the role of Chief Executive Officer, and the Chairman is not the individual who controls the company; nevertheless, a Lead

Independent Director was appointed, with this role was taken on by Ms Teresa Cristina Naddeo on 31 December 2015 (*Criterion 2.C.3.*).

The Board of Directors appointed Ms Teresa Cristina Naddeo as Lead Independent Director on 10 December 2015, to replace Mr Franco Cattaneo, who resigned during 2015.

The Lead Independent Director (*Criterion 2.C.4.*):

- a) represents a point of reference and coordination for the requests and contributions of non-executive directors, particularly independent ones;
- b) collaborates with the chairman of the Board of Directors in order to ensure that directors receive complete and prompt information.

The powers of the Lead Independent Director include the power to convene, autonomously or upon request by the other directors, specific reunions of only independent directors in order to discuss issues deemed of interest for functioning of the Board of Directors or management of the company.

## 5. PROCESSING COMPANY INFORMATION

According to the company's best practices on confidential information, press releases on resolutions regarding the approval of financial statements, half-yearly and quarterly reports, extraordinary decisions and transactions are approved by the Board, without prejudice to the power assigned to the Chairman and CEO in the event of urgent notices required by the relevant Authorities.

The disclosure of price sensitive information shall take place in compliance with guidelines issued by CONSOB and Borsa Italiana S.p.A. by means of dedicated communication tools (Network Information System), only accessible to corporate functions participating in the process.

Directors shall keep the documents and information acquired in the performance of their duties as confidential and comply with the procedure adopted for disclosure to third parties of such documents and information.

The Chairman of the Board of Directors shall oversee compliance with the provisions on company disclosure by arranging and coordinating all related intervention of internal structures.

The Board has adopted rules for the internal handling and disclosure to third parties of information concerning the Company, notably with regard to price sensitive information. These rules incorporate the definitions of price sensitive information and confidential information as inferred from the regulations, from clarifications provided by Consob and from market practice, defining the management of information included within said definitions and identifying the company managers who handle and coordinate flows of information until their disclosure to the Market, in accordance with the methods envisaged by the regulations in effect.

Code of Conduct on Internal Dealing.

The 2003/6/EC directive on market abuse has been endorsed by Articles 152-sexies et seq. of the Consob Issuers' Regulation no. 11971, as amended with resolution no. 15232 of 29 November 2005. Starting from 1 April 2006, the Company adopted a code of conduct on Internal Dealing, concerning the transactions performed by "relevant persons" in relation to its listed financial instruments. This procedure includes the regulations on the evaluation of confidential and price sensitive information, the selective disclosure conditions for confidential information, and the methods and internal disclosure processes (*Criterion 1.C.1, letter j*).

The Board has established, pursuant to Article 115-bis of Legislative Decree 58/98, the register of persons with access to price sensitive information, known as the Register of Insiders. The methods of compiling and updating the Register of Insiders envisage inclusion in this register either on a permanent or occasional basis.

According to the Code of Conduct provisions, the Company shall notify the market of the transactions performed by each relevant person whose global amount is equal to or higher than € 5,000 per person. Such notification shall be made within five trading days subsequent to the end of the transaction.

## **6. COMMITTEES WITHIN THE BOARD (Article 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance)**

No committees different from the ones provided for by the Code, with consultative and advisory functions, have been constituted.

No committees performing the functions of two or more committees provided for by the Code have been constituted.

## **7. NOMINATION COMMITTEE**

The Board of Directors has not established, within the Board, any Nomination Committee, since that function is directly performed by the Board, owing to the Company's shareholding structure and Board's size.

## **8. REMUNERATION COMMITTEE**

Information provided in this section is to be considered jointly with the relevant parts of the Remuneration Report, published in compliance with Article 123 of the Consolidated Law on Finance.

The Board of Directors has formed a Remuneration Committee (Committee for the definition of emoluments) from within its members through a resolution dated 8 June 2000. It includes three members, all independent, non-executive directors (*Principle 6.P.3*).

## **Composition and functions of the Remuneration Committee** (Article 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance)

The Remuneration Committee is composed of three independent non-executive directors (Stefania Saviolo, Teresa Cristiana Naddeo and Fabienne Dejean Schwalbe) (*Criterion 4.C.1., letter a*) (*Principle 6.P.3.*). Ms Stefania Saviolo is the Committee Chair.

Following the 29 April 2015 resignation of Director Franco Cattaneo, who was also chairman of the Remuneration Committee, on 12 May 2015 the Board appointed independent director Fabienne Dejean Schwalbe as member of the committee and Ms Stefania Saviolo as chair of the committee.

In 2015, the Committee held four meetings (26 February, 12 May, 4 August and 10 December), with an average duration of one hour. The members of the Board of Statutory Auditors are also required to take part in the Committee's meetings. The directors participated in all committee meetings held during their effective term of office. The Statutory Auditors had an average attendance of 92%. Each director's participation is shown in Table 2 attached to this Report. Three meetings have been scheduled for 2016. The first meeting of the Remuneration Committee for 2016 was held on 2 March 2016.

Directors should not participate in meetings held to discuss and submit to the Board their own remuneration (*Criterion 6.C.6.*).

Other non-members have been invited to join the meetings of the Remuneration Committee (*Criterion 4.C.1., letter f*). In 2015, Mr Paolo Matarazzo, Chief Financial Officer, regularly attended the committee meetings and was called upon to act as secretary. Based on the items on the agenda, Mr Francesco Cusaro, human resources director, also attended, in addition to the CEO, Mr Marco Guida.

The Board of Directors' Meeting held on 10 December 2010 resolved to approve the Remuneration Committee Regulations.

### **Functions of the Remuneration Committee**

The Committee's specific goal is to provide the Board with the most appropriate guidelines and means to set top managers' remuneration and verify that the parameters adopted by the Company for defining remuneration of employees, including managers, are correctly set and applied, also with a view to relevant market standards and the Company's growth targets.

The Remuneration Committee submits to the Board its proposals for definition of the general remuneration policy for executive directors, other directors who cover particular offices and managers with strategic responsibilities (*Principle 6.P.4*). The Remuneration Committee submits to the Board its proposals on the remuneration of the Chief Executive Officer and Directors holding particular positions, monitoring the application of the decisions adopted by the Board (*Criterion 6.C.5.*).

The Remuneration Committee carries out supporting activities in favour of the Board of Directors regarding the remuneration plan of directors and managers with strategic responsibilities.

The remuneration of directors and managers with strategic responsibilities is set to be sufficiently attractive to keep and motivate personnel with the required professional expertise to efficiently manage the Group.

The remuneration of executive directors and managers with strategic responsibilities is set with the aim of aligning their interests with the priority goal of creating value for shareholders in the medium-to-long term. As for directors with managing roles or dealing in general with company management, or for managers with strategic responsibilities, a large part of their remuneration is connected to the achievement of specific performance benchmarks, which may also be of a non-economic nature. These objectives have been determined and indicated beforehand in compliance with the general policy guidelines of the Corporate Governance Code.

The remuneration of non-executive directors is proportional to their commitment, including their participation to one or more committees.

Pursuant to the Corporate Governance Code of Listed Companies, the Committee has the following tasks:

- a) it periodically assesses the adequacy, general consistency and effective application of the general remuneration policy of executive directors, directors who cover particular offices and managers with strategic responsibilities, based on the information provided by the CEO. It also submits proposals on the issue to the Board of Directors;
- b) it submits proposals on the remuneration of the executive directors and of other directors who cover particular offices to the Board of Directors. It also submits proposals on the determination of performance benchmarks relating to the variable component of such directors' remuneration. It also monitors the relevant decisions of the Board, especially regarding the achievement of the performance goals.

The Committee shall perform its tasks in complete autonomy and full independence from the CEO.

Should the Committee be supported by a consultant on market practices in terms of remuneration policies, it shall firstly ascertain that he/she is not in a position that might compromise his/her independence of judgment.

Minutes of the Remuneration Committee meetings have been duly taken (*Criterion 4.C.1., letter d*) and the Chairman of the committee has informed and updated the Board on the activities carried out and decisions made during the next relevant meetings. The members of the Committee participated in all committee meetings held during their effective term of office. During the said meetings, the Committee:

- submitted proposals to the Board with regard to the remuneration of executive directors and managers with strategic responsibilities, with respect to both the fixed and variable portion of remuneration;
- examined information on the Group's remuneration policy, including it in the remuneration report;
- assessed the short-term incentive (bonus) criteria linked to objectives (MBO);
- verified the stock grant vesting conditions;
- examined the remuneration policies for managers;

- examined the personnel policy, the management of key people and the mapping of responsibilities;
- evaluated the guidelines for a new 2016-2020 Stock Option plan.

For additional information on the Remuneration Committee, see the Remuneration Report published pursuant to Article 123-ter of the Consolidated Law on Finance.

As part of its mandate, the Remuneration Committee has access to company information and offices in order to perform its functions, within the limits set by the Board (*Criterion 4.C.1., letter e*).

The financial resources available to the Remuneration Committee to perform its duties amount to € 25,000.

## 9. REMUNERATION OF DIRECTORS

Information provided in this section is to be considered jointly with the relevant parts of the Remuneration Report, published in compliance with Article 123 of the Consolidated Law on Finance.

### General Remuneration Policy

The company has defined a remuneration policy for directors and managers with strategic responsibilities (*Principle 6.P.4.*).

In relation to top management, standard remuneration is adopted for Company's managers who are also shareholders and those who are not shareholders, and executive members of the Board.

The remuneration policy for executive directors or directors covering particular offices defines guidelines with reference to the issues and in line with the criteria listed below:

- a. the fixed and the variable component are properly balanced according to the Company's strategic objectives and risk management policy;
- b. the variable components are capped at a certain amount;
- c. the fixed component is sufficient to reward the director should the variable component not be paid because of the failure to achieve the performance objectives specified by the Board of Directors;
- d. performance objective are predetermined, measurable, and linked to the creation of value for shareholders in the medium-to-long term;
- e. the payment of a significant portion of the medium-to-long term variable compensation is deferred by a reasonable period with reference to its accrual; measurement of this portion and duration of the postponement are consistent with the characteristics of the business activity carried out and with the associated risk profiles;
- f. contractual agreements are in place whereby the company may request the restitution, in whole or in part, of variable portions of the remuneration paid (or withhold amounts that have been deferred), determined based on data that subsequently proved to be clearly inaccurate;
- g. no compensation is provided following directors' early end of term of office or for failure to be reappointed.

### Share-based compensation plans

Stock grants plans are set in favour of executive directors and managers with strategic responsibilities, except for the Chairman.

In preparing share-based compensation plans, the Board of Directors has ensured that:

- a. the shares, options and every other directors' right to purchase shares or to be remunerated based on the share price performance price have a vesting period of three years, with intermediate partial vesting;
- b. vesting pursuant to paragraph a) is subject to predetermined measurable performance objectives;
- c. the directors keep a portion of the shares assigned or purchased following exercise of rights pursuant to paragraph a) for three years from receipt of compensation (*Criterion 6.C.2.*)

### **Remuneration of executive directors**

A significant portion of the remuneration of the directors with managerial powers is associated with the achievement of specific performance objectives indicated above and determined in compliance with the guidelines included in the general remuneration policy defined by the Board of Directors (*Principle 6.P.2.*).

When the authorised bodies determined the remuneration of managers with strategic responsibilities the above criteria were applied in matters of remuneration policy and compensation plans based on shares relative to the remuneration of executive directors or directors vested with particular tasks (*Criterion 6.C.3.*).

### **Remuneration of managers with strategic responsibilities**

A significant portion of the remuneration of managers with strategic responsibilities is associated with the attainment of previously indicated specific performance objectives determined in compliance with the guidelines contained in the general remuneration policy defined by the Board of Directors (*Principle 6.P.2.*).

In determining the remuneration of managers with strategic responsibilities, the delegated bodies applied the above-mentioned criteria on remuneration policy and share-based compensation plans for executive directors or directors covering particular offices (*Criterion 6.C.3.*).

### **Incentive plans for the Manager responsible for internal audit and the Manager responsible for preparing corporate accounting documents**

The incentive plans for the Manager responsible for internal audit and the Manager responsible for preparing corporate accounting documents are consistent with their duties (*Criterion 6.C.3.*).

### **Remuneration of non-executive directors**

Non-executive directors' remuneration is not connected to the economic results achieved by the Issuer; it is based on a fixed amount decided by the Shareholders' Meeting. Non-executive directors are not involved in stock options incentive plans (*Criterion 6.C.4.*). Non-executive directors who are also independent Directors at TXT are not involved in stock options incentive plans (*Criterion 6.C.4.*).

The Shareholders' Meeting held on 22 April 2015 approved the Directors' Remuneration Report prepared by the Board of Directors.

**Severance package for directors in the event of resignation, dismissal or termination of the relationship following a public takeover bid** (pursuant to Article 123-bis, paragraph 1, letter i) of the Consolidated Law on Finance)

No agreements have been signed between the Company and its directors providing a severance package in case of resignation or dismissal without just cause or if the term of office ends because of a takeover bid.

An end-of-term severance package equal to 25% of the fee for particular offices resolved upon and accrued each year was confirmed by the Shareholders' Meeting held on 16 April 2014 in favour of the Chairman of the Board of Directors. It shall be paid when the term of office as Member of the Board of Directors ends.

With the other directors no severance agreements were signed in case of resignation or dismissal /dismissal without just cause or if their term of office ends because of a takeover bid.

The company discloses, in the event of withdrawal from office and/or termination of the employment relationship with an executive director or general manager, following the internal processes to determine the assignment or recognition of a severance package and/or other benefits, detailed information in this regard, through a press release (Principle 6.P.5).

The market disclosure pursuant to principle 6.P.5 includes (*Criterion 6.C.8.:*):

- a) adequate information on the severance package and/or other benefits, including the relative amount, timing of the disbursement - distinguishing the part disbursed immediately from the part subject to deferral, as well as the components assigned for the role of director from those regarding any employment relationships - and any restitution clauses, with particular regard to:
  - 1) severance package for end of term of office or employment termination, specifying the case in which said amounts accrue (for example, expiry of office, dismissal from office or compromise agreement);
  - 2) maintenance of the rights connected to any monetary incentive plans or incentive plans based on financial instruments;
  - 3) monetary or non-monetary benefits subsequent to withdrawal from office;
  - 4) non-compete agreements, describing the main contents;
  - 5) any other compensation assigned for any reason and in any form;
- b) information on the compliance or non-compliance of the severance package and/or other benefits with the guidelines contained in the remuneration policy, and in the event of even partial deviations with regard to the guidelines in said policy, information on the resolution procedures followed in application of the Consob regulations on transactions with related parties;
- c) information on the application or non-application of mechanisms that place limitations on or adjust payment of the severance package in the event in which termination is due to the achievement of objectively inadequate results, and any formulation of requests for restitution of amounts already paid;

- d) information on the fact that replacement of the withdrawing executive director or general manager is governed by a specific plan adopted by the company and, in any case, information on the procedures that have been or will be implemented in replacing the director or manager.

## 10. RISKS AND INTERNAL CONTROLS COMMITTEE

The Company has set up a Risks and Internal Controls Committee (*Principles 7.P.3. and 7.P.4.*).

**Composition and functions of the Risks and Internal Controls Committee** (Article 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance)

The Risks and Internal Controls Committee comprises three independent non-executive Directors (Teresa Cristiana Naddeo, Stefania Saviolo and Fabienne Dejean Schwalbe) (*Principle 7.P.4.*) (*Criterion 4.C.1., letter a*). Ms Teresa Cristiana Naddeo is the Chair of the Committee.

Following the 29 April 2015 resignation of Director Franco Cattaneo, who was also chairman of the Risks and Internal Controls Committee, the Board appointed independent director Fabienne Dejean Schwalbe as member of the Committee on 12 May 2015.

During the year 2015, the Committee held three meetings, coordinated by the Chairman, on 26 February, 30 July and 10 December. Besides its members, the Executive Director in charge of the internal control system and the Manager responsible for internal audit, the Committee meetings were also attended by the Statutory Auditors (*Criterion 7.C.3.*). The directors participated in all committee meetings held during their effective term of office. At least three meetings have been scheduled for 2016. The first 2016 meeting was held on 2 March 2016.

At least one member of the Risks and Internal Controls Committee has experience in accounting and finance issues deemed to be suitable by the Board upon appointment (*Principle 7.P.4.*), namely Ms Teresa Cristiana Naddeo, chartered accountant and auditor.

The Chairman and the other members of the Board of Statutory Auditors have taken part in the Risks and Internal Controls Committee meetings (*Criterion 4.C.1., letter f*). The Statutory Auditors had an average attendance of 89%.

Under invitation by the Committee, non-members have taken part in the Risks and Internal Controls Committee's Meetings (*Criterion 4.C.1., letter f*). In 2015, Mr Paolo Matarazzo, Chief Financial Officer and Manager responsible for preparing corporate accounting documents, regularly attended meetings of the committee and was called upon to act as secretary. Marco Guida, CEO and executive director in charge of overseeing the internal control and risk management system, and Luigi Piccinno, Internal Auditor, also attended. Based on the items on the agenda, Mr Marco Masante, Chairman of the Supervisory Body, and the partner and senior manager of the auditing firm Reconta Ernst & Young, attended two meetings.

### Functions of the Risks and Internal Controls Committee

The Risks and Internal Controls Committee carries out supporting activities in favour of the Board of Directors on the internal control system and on the approval of year-end financial statements and half-yearly reports. Since it monitors corporate activities in general, it also has consultative and advisory functions. In particular, according to the Corporate Governance Code of Listed Companies, the Risks and Internal Controls Committee has been assigned the following tasks:

- a) assist the Board of Directors in identifying the guidelines of the internal control and risk management system and verify that such system is suitable and effective from time to time, in order to ensure that the main corporate risks are adequately identified and managed (*Criterion 7.C.1.*);
- b) assess, together with the Manager responsible for preparing corporate accounting documents, having heard the External Auditors and the Board of Auditors, the proper implementation of the accounting standards and their consistency for the purposes of the consolidated financial statements (*Criterion 7.C.2., letter a*);
- c) express opinions on specific issues concerning identification of the company's main risks (*Criterion 7.C.2., letter b*);
- d) examine periodic reports on assessment of the internal control and risk management system and specific reports by internal audit (*Criterion 7.C.2, letter c*);
- e) monitor the autonomy, adequacy, effectiveness, and efficiency of the internal audit function (*Criterion 7.C.3., letter d*);
- f) request the internal audit function – if necessary – to conduct inspections on specific operational areas, promptly informing the Chairman of the Board of Statutory Auditors (*Criterion 7.C.2., letter e*).
- g) report to the Board of Directors, at least every six months, on the occasion of the approval of the year-end financial statements and the half-yearly report, on the adequacy of the internal control and risk management system (*Criterion 7.C.2., letter f*);
- h) assess the position and ensure the effective independence of the Director in charge of the Internal Control and Risk Management System, based on the provisions of Legislative Decree no. 231/2001 on the corporate administrative liability;
- i) assess, with the assistance of the Director in charge of the Internal Control and Risk Management System the manager of administrative functions and the manager responsible for internal audit, the proposals submitted by the External Auditors applying for the audit position, advising the Board on the issue which shall be submitted to the Shareholders' Meeting by the latter;
- j) support, with adequate information-gathering activity, the assessments and decisions of the Board of Directors with regard to the management of risks arising from prejudicial facts of which the Board of Directors has become aware (*Criterion 7.C.2., letter g*).

The Risks and Internal Controls Committee should perform its task in a completely autonomous and independent manner both from the CEO (on business integrity issues) and the External Auditors (on assessment of results mentioned in the report and in the letter of recommendations).

Minutes of the Risks and Internal Controls Committee meetings have been duly taken (*Criterion 4.C.1., letter d*) and the Chairman of the committee has informed and updated the Board on the activities carried out and decisions made during the next relevant meetings. The directors participated in all committee meetings held during their effective term of office.

During said meetings, the Committee also examined:

- the 2014 consolidated financial statements, the 2015 half-yearly report and the results on the auditing process, as well as the interim reports;
- assessments of the impairment test;

- assessments of the adequacy of the accounting standards used and their consistency;
- transactions with related parties;
- reports by the Supervisory Board on Law 231 and updates of the Organisation Model;
- the report on Corporate Governance and shareholding structure;
- the Audit Plan, the audit activities carried out, the activities relative to the Group's Risk Assessment, the progress of the Audit Plan and relative results, and the structure and role of the Internal Audit Department;
- updates on the certifications and operation of the Quality System and Security System.

As part of its mandate, the Risks and Internal Controls Committee has access to company information and offices and can appoint external consultants to the end of performing its functions, within the limits set by the Board (*Criterion 4.C.1., letter e*).

The financial resources available for the Risks and Internal Controls Committee to carry out its duties were set at € 25,000.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

Pursuant to the Code, such system may be defined as: "The set of rules, procedures and organisational structures aimed at making possible, through appropriate identification, measurement, management and monitoring of the main risks, an effective and correct management of the Company, consistent with pre-set goals".

In compliance with the Code, the internal control and risk management system also involves:

- i) the Board of Directors that sets the system guidelines and assesses its adequacy and effective operations, through the appointment of the Risks and Internal Controls Committee and its regular reporting activities;
- ii) the CEO who implements the guidelines defined by the Board of Directors and in particular, identifies the main corporate risks thanks to the support of directors in charge of internal control appointed by him;
- iii) the Risks and Internal Controls Committee with consultative and advisory functions, relating also to the assessment of the adequacy and correct use of the Company's accounting standards;
- iv) Directors in charge of internal control who verify, within internal processes, whether the defined controls are adequate with respect to the potential risks and suggest to the Committee and management, where necessary, the adoption of any measures aimed at eliminating risks of a financial nature and enhancing the efficiency and effectiveness of the corporate processes.

The Board of Directors is responsible for defining the global policies of the internal control and risk management system, setting the guidelines and regularly overseeing its adequacy and effectiveness thanks to the support of the Directors in charge of internal control. The responsibility for implementing the internal control and risk management system, in terms of carrying out and managing the measures, mechanisms, procedures and rules, fully applies to all the Company's functions.

The Board of Directors shall also ensure that the main risks faced by the Company are identified and adequately managed.

The Company's internal control and risk management system relating to financial reporting is based on the "COSO Report" model that considers "the internal control system as a set of mechanisms, procedures and tools aimed at ensuring achievement of corporate goals".

The aims of the financial reporting process are the accuracy, reliability, trustworthiness and timeliness of the information disclosure. Risk management is an integral part of the internal control system. The periodic assessment of the internal control system on the financial reporting process aims to verify that the components of the COSO Framework (control environment, risk assessment, control activities, information and communication, monitoring) are properly working together to achieve these objectives. The Company has implemented administrative and accounting procedures that ensure high standard reliability of the internal control on financial reporting.

The approach adopted by the Company on the assessment, monitoring and continuous updating of the internal control and risk management system in terms of financial reporting allows that assessment is carried out on critical areas with higher risk/importance, i.e. where the risks of material mistakes are higher, also due to fraud, on financial statements items and on related documents. The identification and assessment of possible errors that could have significant effects on financial reporting takes place through a risk assessment process that identifies organisational entities, processes and related accounting entries and the specific activities that could generate any significant errors. According to the methodology adopted by the Company, risks and related controls are associated to accounts and business processes generating accounting items.

Once identified by the risk assessment process, the significant risks shall be identified and assessed by specific tools (key controls) that ensure their coverage, thus limiting the risk of any potentially significant error on financial reporting.

Based on international best practice, the Group has implemented two types of control:

- controls at Group or subsidiary level for assignment of responsibilities, powers and delegation, duties and allocation of privileges and access rights for IT applications;
- controls at process level, such as the issue of authorisations, reconciliation processes, compliance tests, etc. This category includes controls relating to operational processes, period-end accounting and cross-cutting controls. Such controls may be "preventive" with the aim of preventing the occurrence of anomalies or fraud that could cause errors in financial reporting or "detective" with aim of detecting any anomaly or fraud that has already occurred.

The assessment of controls, where appropriate, may require the identification of compensation controls, corrective action or improvement plans. The results of monitoring activities are regularly examined by Managers responsible for preparing the corporate accounting documents. They are then reported to top management and to the Risks and Internal Controls Committee, which in turn reports to the Parent Company's Board of Directors and Board of Statutory Auditors.

## 11.1. Executive director in charge of the internal control and risk management system

On 8 March 2010 the Board of Directors appointed CEO Marco Guida as the Executive Director in charge of the internal control system (*Principle 7.P.3., letter a*) no. (i)).

The executive director in charge of supervising the functions of the internal control and risk management system was responsible for the following activities:

- together with the Supervisory Board, he was in charge of identifying the main corporate risks, taking into account the features of the business carried out by the Company and its subsidiaries. His findings were submitted to the Risks and Internal Controls Committee and to the Board of Directors (*Criterion 7.C.4., letter a*);
- he implemented the guidelines adopted by the Board, managing the drafting, implementation and management of the internal control and risk management system, verifying its general adequacy, efficacy and effectiveness (*Criterion 7.C.4., letter b*);
- he aligned the system with the operating activities and with the current regulatory framework (*Criterion 7.C.4., letter c*);
- he has the power to request the internal audit function to conduct inspections on specific operational areas and on the compliance with the rules and internal procedures in performing company activities, promptly informing the Chairman of the Board, the Chairman of the Risks and Internal Controls Committee and the Chairman of the Board of Statutory Auditors (*Criterion 7.C.4., letter d*);
- during the Board of Director's meeting of 12 May 2011, he proposed the appointment of Luigi Piccinno as Manager responsible for internal audit (*Principle 7.P.3., letter c*).

## 11.2. Manager responsible for Internal Audit

On 12 May 2011, the Board of Directors appointed Luigi Piccinno as Manager responsible for internal audit, with the task of checking the consistency of the internal control and risk management system, its operations and effectiveness (*Criterion 7.P.3., letter b*).

The appointment was made on advice of the Executive Director in charge of internal control and risk management system, following consultations with the Risks and Internal Controls Committee and the Board of Statutory Auditors (*Criterion 7.C.1., part two*).

The Manager responsible for internal audit's remuneration, following the opinion of the Risks and Internal Controls Committee, has been determined in accordance with company policies and is sufficient for him to carry out his duties (*Criterion 7.C.1., part two*).

The Manager responsible for internal audit:

- a. is in charge of the company quality system, and is a member of the Supervisory Board pursuant to Legislative Decree no. 231. He reports directly to the Executive Director in charge of the Internal Control and Risk Management System. The Board of Directors, after consulting with the Risks and Internal Controls Committee and with the Executive Director in charge of the internal control and risk management system, deemed this solution adequate and balanced, in view of the relatively small size of the group and its streamlined operating structure (*Criterion 7.C.5., letter b*);
- b. verifies, both on an ongoing basis and in relation to specific needs and in compliance with

international standards, the operations and suitability of the internal control and risk management system, by means of an audit plan, approved by the Board of Directors based on structured analyses and priorities (*Criterion 7.C.5., letter a*);

- c. had direct access to useful information for carrying out his duties (*Criterion 7.C.5., letter c*);
- d. prepared a report containing adequate information on his activity, on the method with which risk management is conducted as well as on the compliance with the plans defined for their management, in addition to an assessment on the adequacy of the internal control and risk management system (*Criterion 7.C.5., letter d*) and submitted it to the Chairman of the Board of Statutory Auditors, the Chairman of the Risks and Internal Controls Committee and the Chairman of the Board of Directors as well as to the Director in charge of the internal control and risk management system (*Criterion 7.C.5., letter f*);
- e. reported to the Risks and Internal Controls Committee and to the Board of Statutory Auditors on the activities performed (*Criterion 8.C.6., letter e*). Additionally, he reported to the Executive Director in charge of the internal control and risk management system (*Criterion 7.C.5., letter f*);
- f. verified, within the audit plan, the reliability of the information systems including accounting systems (*Criterion 7.C.5., letter g*).

The Manager responsible for internal audit, in carrying out its functions, is supported by an external consultant, Mr Marco Masante (*Criterion 7.C.6.*).

### 11.3. Organisation model pursuant to Legislative Decree no. 231/2001

The Board Meeting held on 14 March 2008 approved the organisation model in compliance with the provisions of Legislative Decree no. 231/2001. Such model includes the Code of Ethics with binding rules and principles for directors, employees, consultants, external staff and suppliers.

To define the organisation, management and control model, TXT adopted a planning approach that allows to use and integrate in such model the existing rules as well as to integrate any new offences defined by the law. The TXT model structure aims at making controls and procedures within the group as efficient and consistent as possible.

This approach: i) enhances the existing corporate assets in terms of internal policies, regulations and rules addressing and governing risk management and control procedures; ii) makes it possible to promptly update rules and methods to be communicated within the Company, subject to future fine-tuning; iii) makes it possible to manage all corporate operating rules in the same way, including those pertaining to “sensitive issues”.

The TXT model is composed of:

- a) the General Part;
- b) the Code of Ethics and the organisation procedures that are already in force within TXT and pertain to the control of conducts, events or acts relevant to Legislative Decree no. 231/2001. The Code of Ethics and the procedures in force, even if they have not been explicitly issued pursuant to Legislative Decree no. 231/2001, aims at monitoring that the conduct of TXT representatives or employees is correct, accurate and compliant with the law, and therefore, they contribute to ensure crime prevention according to Legislative Decree no. 231/2001;
- c) the Special Part, concerning the specific offence categories that are relevant for TXT and the applicable provisions.

On 5 August 2010, the Board approved updating of the Code of Ethics and the Organisation Model, in particular with reference to the company activities in the software and IT systems sector and to the expertise it has accrued over recent years. The most significant updates regard the activities in terms of workplace safety, also with regard to sub-contracts and dealings with third parties, along with the distinctive realm of cyber crimes.

The analysis focused on the planning methods, principles and measures used to identify corporate risks and to subsequently assess regulations and procedures of operating activities, the general features of controls, protocols and procedures to monitor those fields potentially at risk. It also included tasks, powers, ineligibility and incompatibility reasons that would result in the Supervisory Board's end of term of office pursuant to said regulations. During its supervision activities, the Board shall regularly report to the Executive Director in charge of the internal control system, and periodically to the Board of Directors in reference to the degree of implementation, effectiveness and operating efficiency of the Model.

The Board has updated the risk report with "as is" and gap analysis, along with the Code of Ethics, the Supervisory Board's regulations and the "Organisation and Management Model 231", and it confirmed Mr Marco Edoardo Guida as the Executive Director in charge of the Internal Control and Risk Management System, with the power to modify the operating tools, including those of the Organisation Model, as well as any operating procedure and/or company control protocol that shall be adopted in order to monitor new activities or new aspects of previously existing activities. He was also granted the power to approve any changes that may be implemented to the operating procedures and/or existing company control protocols, in order to meet the organisation and updating requirements, as requested by the various relevant bodies and by the Supervisory Board as well.

The Organisation Model was updated on 30 July 2015, particularly following the reform on corporate crime, the new crime of money laundering, the reform on corruption and the new environmental crimes.

On 12 May 2015, the Board of Directors confirmed the 12-month office of the Supervisory Board pursuant to the 231 Model: Mr Marco Masante (Chairman) and Mr Luigi Piccinno (Internal Audit). The Supervisory Board is responsible for overseeing functioning and compliance of the Model, as well as handling its update, submitting proposals to the Board for any updates and amendments to the Model adopted. The Supervisory Board reports to the Board of Directors on a half-yearly basis with regard to the Model's application and effectiveness.

On 1 October 2014, the company adopted a Policy for the prevention of corruption (available online at <http://www.txtgroup.com/it/governance/Pagine/codeofethics.aspx>) and disseminated a specific procedure to all employees of Group companies.

The Organisation Model is available on the Company's website at the following address:  
<http://www.txtgroup.com/it/governance/Pagine/organizationalmodel231.aspx>

## 11.4. External Auditors

The Shareholders' Meeting of 23 April 2012 appointed Reconta Ernst & Young Spa, Via della Chiusa 2 - 20123 Milan as External Auditors for the years 2012 to 2020, following the proposal of the Board of Statutory Auditors.

Their tasks include auditing the annual financial statements, limited auditing of the half-yearly reports, as well as monitoring activities under Article 155 of the Consolidated Law on Finance.

## 11.5. Manager responsible for preparing corporate accounting documents

On 14 February 2008, the Board of Directors, with a favourable opinion of the Board of Statutory Auditors, appointed Mr Paolo Matarazzo as Manager responsible for preparing corporate accounting documents. Mr Paolo Matarazzo is also the Group's Chief Financial Officer (*Principle 7.P.3., letter c.*).

The Manager responsible for preparing corporate accounting documents arranges appropriate administrative and accounting procedures to prepare of the consolidated and statutory financial statements, as well as all other financial documents. The delegated bodies and the Manager responsible for preparing corporate accounting documents certify the equity, income and financial disclosure pursuant to legal requirements.

The Board of Directors oversees that the Manager responsible for preparing corporate accounting documents can access suitable instruments to perform his tasks and that administrative and accounting procedures are effectively complied with.

## 11.6. Coordination between the parties involved in the internal control and risk management system

The various Company parties involved in the internal control and risk management system (the Board of Directors, the Director in charge of the internal control and risk management system, the risks and internal controls committee, the manager responsible for internal audit, the Manager responsible for preparing corporate accounting documents and other company roles and functions with specific duties of internal control and risk management, and the board of statutory auditors) shall coordinate their own activities and exchange relevant information during periodic meetings and, if necessary, during specially convened meetings (*Principle 7.P.3.*). In particular, during 2015, the parties involved in the internal control system met and exchanged information in two meetings: 26 February and 30 July.

## 12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are defined by international accounting standards (notably IAS 24) and also involve consolidated subsidiaries 100%-owned by the Company. Transactions between the Company and its subsidiaries are mainly of an on-going commercial nature, based on agreements which do not feature any unusual clauses differing from standard market practices for transactions at arm's length.

In view of the nature of transactions and their ordinary character in line with market practices, the Board deemed it unnecessary to apply for a "fairness opinion" to be provided by an independent expert to the end of assessing the economic consistency of the transactions. As stated above, transactions with related parties, with significant income, equity and financial value, are reserved to the Board of Directors.

With reference to the disclosure to the Board of Directors, except for necessary and urgent events, all transactions with significant income, equity and financial value, significant transactions with related parties and atypical and/or unusual transactions are submitted to the prior approval of the Board of Directors.

As for transactions with related parties, including intra-group transactions, not submitted for Board approval as deemed typical or usual and/or at standard conditions – i.e. at the same conditions applied by the Company to any other party – the CEO or the Managers in charge of the transactions, without any prejudice to the dedicated procedure pursuant to Article 150, paragraph 1, of the Consolidated Law on Finance, shall collect and preserve, by type or group of transactions, adequate disclosure on the nature of the transaction, its methods of execution, conditions, whether economic or otherwise, of implementation, on the assessment method adopted, underlying interests and reasons and any risks for the Company.

Despite their subject and value being pertinent, prior approval of the Board of Directors is not required for transactions which:

- are executed at market conditions or at the same conditions applied to parties other than the related parties;
- are typical or usual – i.e. they fall under the Company's ordinary operations as for their subject, nature and degree of risk, as well as execution period.

In any event, the Board of Directors shall be duly notified about such transactions as well.

On 8 November 2010, the Board of Directors approved a new implementation procedure, pursuant to Article 2391-bis of the Italian Civil Code, the Corporate Governance Code of Listed Companies, and the Consob Regulation on related parties, approved by Resolution no. 17221 of 12 March 2010 (the "Consob Regulation"). This new procedure identifies the rules governing the determination, approval and execution of transactions with related parties of TXT e-solutions S.p.A., either directly or through subsidiary companies. The purpose of this procedure is to ensure the formal and material transparency of said transactions.

"Significant Transactions with Related Parties" refer to:

- i) Transactions exceeding the lower of € 500,000 or 5% of any of the following relevance ratios, to be applied according to the specific transaction:
  - Amount relevance ratio: the ratio between the transaction amount and the net equity resulting from the latest published TXT consolidated balance sheet or, if greater, the TXT capitalisation at the end of the last trading day included in the period covered by the latest periodic report (annual, half-yearly or interim reports) published. Should the economic conditions of the transaction be determined, the transaction amount shall be:
    - a. for cash components, the amount paid by or to the other party;
    - b. for financial instrument components, the fair value determined at the date of the transaction, in accordance with international accounting standards adopted by Regulation (EC) no. 1606/2002;
    - c. for funding or guarantees, the maximum amount payable.

If the economic conditions of the transaction depend, in whole or in part, on items not yet known, the transaction amount is the maximum amount allowable or payable under the agreement.

- Asset relevance ratio: the ratio between the total assets of the entity involved in the transaction and TXT's total assets. The data to be used shall be obtained from the most recently published TXT consolidated balance sheet. Where possible, similar data should be used for determining the total assets of the entity involved in the transaction.

For transactions involving the acquisition and disposal of shares in companies that have an impact on the area of consolidation, the value of the numerator is the total assets of the investee, regardless of the percentage of capital concerned.

For transactions involving the acquisition and disposal of shares in companies that do not have an impact on the area of consolidation, the value of the numerator is:

- a. in the case of acquisition, the transaction amount, plus the liabilities of the company acquired taken on by the purchaser, if any;
- b. in the case of disposal, the amount of the sold asset.

For transactions involving the acquisition and disposal of other assets (other than the acquisition of company shares), the value of the numerator is:

- a. in the case of acquisition, the higher of the consideration or the carrying amount that will be attributed to the asset;
  - b. in the case of disposal, the carrying amount of the asset.
- Liabilities relevance ratio: the ratio between the total liabilities of the entity acquired and TXT's total assets. The data to be used shall be obtained from the most recently

published TXT consolidated balance sheet, if drawn up. Where possible, similar data should be used for determining the total liabilities of the company or business branch acquired.

- ii) Transactions with the listed parent company or any entities related to the latter which are in turn related to TXT, where at least one of the above-mentioned relevance ratios exceeds 2.5%;
- iii) and transactions with related parties that may have consequences on the management independence of the Company (including those concerning intangible assets), exceeding the relevance thresholds of 5.0% as stated in (i) or 2.5% if conditions pursuant to point (ii) apply.

In order to calculate the aforementioned amounts, each single transaction is considered, or, should several transactions be connected because of the same purpose or goal, the total amount of all connected transactions is considered.

The Board of Directors is in charge of decisions regarding Transactions with Related Parties, and the Significant Transactions with Related Parties (hereinafter the “Transactions”). In order to make decisions, the Board shall receive, with reasonable prior notice, adequate and complete disclosure on the features of the Transactions, such as the nature, means of execution, conditions, including economic conditions, interests, underlying reasons and any risks for the Company. Both in the information-gathering phase and in the decision-making phase, the Board of Directors shall attentively examine the Transactions. This analysis shall be supported by adequate documentation showing the reasons for the Transactions, their profitability, and that the transaction conditions are materially correct. In particular, should the Transaction conditions be equivalent to market or standard conditions, detailed supporting documentation shall be provided.

The Board of Directors decides on the Transactions after justified, non-binding advice of a committee solely composed of non-related non-executive Directors, with the majority of them being independent (the “Independent non-Related Directors’ Committee”) which examines the interests of the Company in reference to the Transaction, its profitability and if its conditions are materially correct.

In order to issue non-binding advice, the Independent non-Related Directors’ Committee shall receive exhaustive and adequate disclosure on the Transactions and their features. The Independent non-Related Directors’ Committee may be supported – at the Company’s expenses – by one or more independent experts that are not related and have no direct or indirect personal interest in the Transaction. These experts may express an opinion or draft a report on the economic conditions and/or the technical aspects and/or on the legitimacy of the Transactions. The maximum amount that may be charged to the Company shall be proportional to the value of the Transaction, and in any case it shall not exceed € 20,000 for each single transaction.

The Board of Directors and the Board of Statutory Auditors shall receive exhaustive disclosure on Transactions at least every three months.

The decision of the Board of Directors may be taken despite advice to the contrary from the Independent non-Related Directors’ Committee.

Should the Transaction involve the interest of one of the TXT Directors, the Director qualifying as the related party shall promptly inform the Board of Directors about the existence of a personal interest, pursuant to Article 2391 of the Italian Civil Code, and he /she shall abstain from voting on the issue. If the Board of Directors deems that the presence of the aforementioned Director during the information-gathering and decision-making phases is useful, he or she may take part in the process, after the Board of Statutory Auditors has been consulted on the issue.

The resolutions of the TXT Board of Directors on the Transactions shall provide full information on the interests of the Company, reasons, profitability and material correctness of the Transactions for the Company and the group to which the Company belongs (the “TXT Group”). Should said Transactions be the responsibility of the Shareholders’ Meeting or should they be authorised by the latter, pursuant to the law or the By-Laws, the aforementioned procedure shall apply to the negotiation, information-gathering and decision-making phases.

Transactions of less than € 100,000 are excluded from the aforementioned procedure, as long as they do not represent a risk and they do not have a significant impact on the Company's equity and financial position. Similarly, the remuneration plans based on financial instruments approved by the Shareholders’ Meeting, pursuant to Article 114-bis of the Consolidated Law on Finance and related implementation provisions, are also excluded from this procedure, also in light of the Shareholders’ Meeting competence and rigorous disclosure process. Furthermore the decisions taken by the Shareholders’ Meeting on issues stated in Article 2389, paragraph 1, of the Italian Civil Code, regarding remuneration of members of the Board of Directors and the Executive Committee, are likewise excluded from this procedure, as well as the decisions on the remuneration of Directors who cover particular offices up to the amount decided by the Shareholders’ Meeting pursuant to Article 2398, paragraph 3, of the Italian Civil Code. Finally, resolutions on remuneration of Directors who cover particular offices not included in the aforementioned examples and of Managers with strategic responsibilities are excluded from this procedure, provided that:

- the Company has implemented a remuneration policy;
- a committee composed of mainly independent non-executive directors has been set up to deal with the remuneration policy;
- the Shareholders’ Meeting has approved the report concerning the remuneration policy or it has expressed its opinion on it;
- the remuneration is consistent with the relevant corporate remuneration policy.

Transactions with or between companies controlled, even jointly, by TXT are excluded from this procedure, as long as in the TXT-controlled companies there are no significant interests of other parties related to the Company. Interests are considered as non-significant if they are limited to the fact that one or more Directors or Managers with strategic responsibilities hold office both with TXT and its subsidiaries.

Transactions with associated companies are also exempt from the procedure concerning Transactions with Related Parties, as long as the associated companies do not have any significant interests of other Company's related parties.

Ordinary transactions that are performed at market or standard conditions are completely excluded from this procedure.

This procedure is available on the Company's website at the following address:

<http://www.txtgroup.com/it/governance/Pagine/otherinformation.aspx>

## **13. APPOINTMENT OF STATUTORY AUDITORS**

The Board of Statutory Auditors' appointment is expressly governed by the Company's By-Laws.

The Board of Statutory Auditors consists of three Standing Auditors and three Alternate Auditors.

The Ordinary Shareholders' Meeting appoints the Board of Statutory Auditors in compliance with current regulations on gender balance and determines its members' remuneration. Minority shareholders have the right to elect the Chairman of the Board of Statutory Auditors and an Alternate Auditor.

Without prejudice to the provisions of the second last paragraph of this article, the appointment of the Board of Directors is based on the lists drafted by the shareholders in which the candidates are listed progressively.

The number of candidates in each list is not greater than the number of members to be elected.

The lists that contain three or more candidates must be comprised of candidates from both genders, with a minimum of two candidates for each gender if the list consists of six candidates.

Such lists may be submitted by those shareholders who, either alone or together with others, own at least 2% (two per cent) of shares with voting rights during the Ordinary Shareholders' Meeting.

The lists shall be deposited at the issuer's offices no later than 25 days before the date fixed for the Shareholders' Meeting resolving on the appointment of Board of Statutory Auditors' members and they shall be available to the public at the Company's registered office, on its website, and by any other means provided for by Consob Regulation at least 21 days before the date fixed for the Shareholders' Meeting.

The lists must also include a description of the candidates' professional background and a list of offices held as director or auditor in other companies and declarations in which individual candidates accept their candidacy and, under their own responsibility, certify the absence of ineligibility and incompatibility reasons and the possession of relevant regulatory requirements provided for by the law or the By-Laws.

Lists that do not comply with the provisions previously described are considered as not submitted.

Each candidate may appear in one list only, under penalty of being ineligible to qualify as a candidate.

Likewise, individuals that do not satisfy the requirements provided for by applicable standards or who are already serving as Statutory Auditors in more than five companies listed on the Italian regulated markets cannot be elected as Statutory Auditors. Each person entitled to vote may vote for just one list.

Members of the Board of Statutory Auditors shall be elected as follows, without prejudice to provisions on gender balance.

Two standing auditors and two alternate auditors are drawn from the list that received the greatest number of votes during the Shareholders' Meeting, on the basis of the progressive order in which they were listed. The Chairman of the Board of Statutory Auditors and the other alternate auditor are drawn from the second list that received the greatest number of votes during the Shareholders' Meeting, on the basis of the progressive order in which they were listed. In the event that several lists obtained the same number of votes, a run-off takes place between said lists and all the shareholders participating in the Shareholders' Meeting shall cast their vote. Candidates from the list that obtain a simple majority of votes are deemed elected.

If the Board of Statutory Auditors' composition does not comply with gender mix requirements provided for by current regulations, the necessary replacements shall be made from the list receiving the highest number of votes and based on the progressive order the candidates were listed in.

In the event of death, withdrawal or end of term of office of one auditor, the alternate auditor belonging to the same list takes over.

If the chairman of the Board of Statutory Auditors is to be replaced, the other standing Auditor drawn from the same list as the outgoing chairman shall take over the chairmanship; if, due to prior or simultaneous withdrawals from office, it is impossible to carry out the replacement following the above-mentioned criteria, a Shareholders' Meeting shall be convened to fill the vacancies of the Board of Statutory Auditors.

Pursuant to the provisions of the aforementioned paragraph or to the law, in the event that the Shareholders' meeting is required to appoint standing and/or alternate members of the Board of Statutory Auditors to fill vacancies, the procedure shall be as follows: in order to replace Auditors from the majority list, the appointment is made by a relative majority vote without any restriction in terms of lists; if, on the contrary, Statutory Auditors from the minority list must be replaced, the Shareholders' Meetings replaces them by a relative majority vote by choosing them, where possible, from among the candidates indicated in the list to which the Statutory Auditor to be replaced belonged to.

Should just one list be presented, the Shareholders' Meeting shall vote candidates of that list; if the list obtains the relative majority of votes, the standing Auditors to be elected are the first three candidates in progressive order and the fourth, fifth and sixth candidate are Alternate auditors; the chairman of the Board of Statutory Auditors is the first person indicated in the list; in case of death, withdrawal or end of term of office of an Auditor or if the Chairman of the Board of Statutory Auditors has to be replaced, the Alternate Auditors and the Standing Auditor, respectively, shall take over the offices following the order indicated in the list.

If there are no lists, or if the list voting procedure does not elect all the standing and alternate members, the members of the Board of Statutory Auditors and if the case may be, the chairman thereof, are appointed by the Shareholders' Meetings by the type of majority required by the law, in compliance with the current regulations on gender balance.

Outgoing auditors may be re-elected.

## **14. COMPOSITION AND FUNCTIONS OF THE BOARD OF STATUTORY AUDITORS (Article 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance)**

The current Board of Statutory Auditors was elected, in compliance with the procedures described above, by the Shareholders' Meeting held on 16 April 2014, and it shall hold office until approval of the financial statements for the year ending 31 December 2016. On 21 March 2014, two lists of candidates for appointment to the company's Board of Statutory Auditors were deposited at the registered office. The majority list was submitted by E-business consulting SA and included Fabio Maria Palmieri, Luisa Cameretti, Pietro Antonio Grignani and Laura Grimi (two standing auditors and two alternate auditors, as respectively appointed). The minority list was submitted by Alvise Braga Illa and included Raffaele Valletta, Angelo Faccioli and Patrizia Rossi (from which the Chairman of the Board of Statutory Auditors and one alternate auditor were elected). The shareholders declared that there are no connections between the lists. The majority list received 54.42% of votes; the minority list 45.58%.

The Board of Statutory Auditors' current composition is shown in Table 3 attached to this Report.

No significant changes in the Board of Statutory Auditors took place after the end of the reporting period.

The professional experience of each Statutory Auditor (Article 144-decies of Consob Issuers' Regulations) is provided below.

### Raffaele Valletta

Born in Milan on 10 October 1939.

Graduated in Economics and Commerce from Università Cattolica del S. Cuore in Milan in 1963. Enrolled in the register of Chartered Accountants since 1964 and in the Register of Statutory Auditors since 1995. Founding member of Studio Commercialisti Associati Valletta-Belloni-Cattaneo-Polli-Todescato in Milan. On several occasions Mr Valletta was appointed as assistant to the judge by the Milan Court and Court of appeal and as Receiver by the Ministry of Labour and Welfare.

### Fabio Maria Palmieri

Born in Erba (province of Como) on 16 July 1962.

After graduating in Economics and Commerce from Università Cattolica del S. Cuore in Milan in 1988, he enrolled in the register of Chartered Accountants and Bookkeepers of Como under number 457 and in the Register of Statutory Auditors under number 69384. Partner of Studio

Legale Tributario Bruni-Galasso-Palmieri based in Como, which involves the cooperation of around fifteen consultants. He is currently a consultant of two groups, a board member in 5 companies, and a standing auditor of around 20 companies, including a listed company.

#### Luisa Cameretti

Born in San Giorgio a Cremano (province of Naples) on 11 November 1965.

Graduated in Economics and Commerce from Università Cattolica di S. Cuore in Milan in 1990. Enrolled in the register of Chartered Accountants of Milan since 1996 and in the Register of Statutory Auditors under number 91224. Associated with the firms "Studio Tributario e Societario Borioli e Colombo" and "Studio Sciumé e Associati". She founded the firm Zazzeron e Cameretti Associati Studio Tributario e Societario, which works in corporate and tax consulting for companies, cooperatives, associations and foundations.

During the 2015 financial year, the Board of Statutory Auditors held 8 meetings, with an average duration of 2 hours and 50 minutes. A total of 5 meetings have been scheduled for 2016, none of which were held prior to the date of this report.

The Board of Statutory Auditors assessed the independence of its members (*Criterion 8.C.1.*). In performing the above-mentioned assessment, the Board complied with the criteria provided for by the Code concerning Directors' independence (*Criterion 8.C.1.*).

The Board of Directors made it possible for statutory auditors to participate, subsequent to their appointment and during their term of office, in initiatives aimed at providing them with adequate knowledge of the business sector in which the Company operates, the corporate dynamics and their development, as well as the relevant regulatory framework of reference (*Criterion 2.C.2.*). Considering the Board of Statutory Auditors' composition and the members' seniority, the application of the principle is fulfilled with thorough discussions and meetings with management.

According to corporate policies, in the event that an auditor who, on his own behalf or on behalf of third parties, has an interest in a specific corporate transaction, he or she shall promptly and exhaustively report to the other auditors and to the Chairman about nature, terms, origin and scope of his/her interest (*Criterion 8.C.3.*).

The Board of Statutory Auditors oversaw the independence of external auditors, verifying both the respect of the relevant regulations and the nature and entity of services other than audit provided to the Issuer and its subsidiaries by the external auditors and the entities belonging to its network.

While performing its activities, the Board of Statutory Auditors coordinated with the internal audit function and the Risks and Internal Controls Committee (*Criterion 8.C.4. and 8.C.5.*).

## 15. RELATIONSHIP WITH SHAREHOLDERS

The Company endeavours to develop a constructive dialogue with institutional investors, shareholders and the public in general, deeming it an important goal since its listing. To the end of

maintaining such relationship, in compliance with regulations governing disclosure of corporate documents and figures, TXT manages this service internally.

Furthermore, communications are provided to shareholders through the Company's website ([www.txtgroup.com](http://www.txtgroup.com)), where income and financial information (i.e. annual, half-yearly and quarterly reports), price sensitive and other press releases issued by the Company in the last 3 years are available, along with the list of corporate events and meetings on the group's operational, financial and corporate development.

The Chief Financial Officer Paolo Matarazzo was appointed as Investor Relations Manager. Considering the relatively limited size of TXT and the characteristics of its shareholding structure, a specific corporate structure was not deemed necessary (*Criterion 9.C.1.*).

During the year, the Company took part in the "Star Conference" event organised by Borsa Italiana in Milan, on 24 and 25 March 2015, as well as in London on 6 October 2015. The company also organised a presentation for investors and analysts during the Shareholders' Meeting of 22 April 2015, as well as various meetings with investors in Milan, Lyon, Paris, London, Frankfurt, Zurich and Geneva.

## **16. SHAREHOLDERS' MEETINGS (Article 123-bis, paragraph 2, letter c), of the Consolidated Law on Finance)**

The duly constituted Shareholders' Meeting represents all the shareholders. The resolutions it approves in compliance with the law and the By-Laws bind all the shareholders, including those who are absent or disagree. Shareholders' Meetings are normally held at the Company's registered office, but they can be held elsewhere in Italy.

The one share one vote principle applies.

The Shareholders' Meeting is convened by public notice published in a national newspaper and on the Company's website within the deadlines and by the means provided for by the law; the notice indicates the date, time and place of the meeting and the agenda. The Shareholders' Meeting cannot pass resolutions on issues which are not on the agenda. As an exception to Article 135-undecies, paragraph 1 of the Consolidated Law on Finance (Italian Legislative Decree no. 58/1998), the Company did not select a representative appointed to receive from the shareholders the proxies and voting indications. The Ordinary Shareholders' Meeting held to approve the financial statements shall be convened by the Board within 120 days from the end of the relevant reporting period.

The right to participate in the Shareholders' Meeting is held by those entitled with voting rights at the record date, i.e. 7 trading days before the date fixed for the shareholders' meeting and who have provided the Company with the related communication made by an authorised intermediary. Shareholders holding shares only subsequent to the record date shall not have the right to take part in and vote at the Shareholders' Meeting. No voting procedures by post or electronic means are allowed.

Each shareholder entitled to participate can be represented during the Shareholder's Meeting by means of a written proxy. The relevant form is available on the Company's website ([www.txt.it](http://www.txt.it), Investor Relations, Corporate Governance, Shareholders' Meeting document section). The proxy may be sent electronically to [deleghetxt@txtgroup.com](mailto:deleghetxt@txtgroup.com). The early notification of proxies does still require the person entrusted with it to submit a true copy and certify the identity of the delegating person, in order to take part in the Shareholders' Meeting.

Shareholders who, even jointly, represent at least 1/40 of the share capital with voting rights may ask for integrations on the agenda, indicating the issues in the request. The latter must be sent within 15 days of the publication of the notice, to the registered office of the Company and submitted to the Chairman of the Board of Directors with due certification of the shareholding requirements. In addition to this request, a report on the topic must be deposited in a timely manner at the registered office, so that it can be made available to the other Shareholders at least 10 days before the Shareholders' Meeting on first call. This integration is not allowed on topics on which the Shareholders' Meeting must vote, as per the law, upon proposal of the Directors, or which are based on a project or report prepared by them.

Shareholders entitled to participate in the Shareholders' Meeting may submit questions on the agenda even before the Shareholders' Meeting, by sending a registered letter to the Company's registered office or by email to [infofinance@txtgroup.com](mailto:infofinance@txtgroup.com). Questions that are received prior to the Shareholders' Meeting shall be answered at the latest during the meeting itself. The Company reserves the right to give a single answer should there be numerous questions on the same topic. The request must include the necessary certification issued by the intermediaries proving the shareholders' voting right or the communication approving participation in the Shareholders' Meeting and the voting rights.

The Shareholders' Meeting is regularly attended by the Board of Directors and Board of Statutory Auditors.

The Ordinary Shareholders' Meeting votes on annual financial statements, net profit allocation, the appointment of the Board of Directors' members and their remuneration, the appointment of Standing and Alternate Auditors and the Board of Statutory Auditors' Chairman and on their remuneration. The ordinary Shareholders' Meeting also votes on the appointment of the External Auditors, establishing the relevant fees, and on approval of the regulations of the Shareholders' Meeting as well as on any other issue pursuant to the law.

The Extraordinary Shareholders' Meeting votes on issues involving changes in the Company's By-Laws, the appointment and powers of receivers in case of liquidation as well as on any other issues pursuant to the law.

Both the first and subsequent dates of convening shall be indicated in the Shareholders' Meeting notice, pursuant to law, unless the Board of Directors opts for the new single-call system instead of the traditional one allowing multiple calls; in this case, the Board of Directors shall explain the choice in the notice.

The recommendation included in the Corporate Governance Code considering the Shareholders' Meetings as an opportunity for developing a constructive dialogue between the Board of Directors and shareholders has been carefully analysed and fully shared by the Company. All directors and

standing auditors attended the Shareholders' Meeting of 22 April 2015. During the course of the Meeting, the Board of Directors, through the Chairman and CEO, reported on the activities carried out and planned, providing shareholders with adequate information in order to make informed decisions pertaining to the Shareholders' Meeting, as well as the documentation prepared with regard to the individual topics on the agenda. In order to encourage maximum attendance by shareholders, it has become common practice over the last few years to convene the Shareholders' Meeting at the Borsa Italiana headquarters in Milan and, subsequently, to organise a presentation meeting for shareholders and investors (*Criterion 9.C.3.*).

The Shareholders' Meeting held on 7 April 2001 approved a specific set of rules to ensure that the Company's Ordinary and Extraordinary Shareholders' Meetings are effectively held, while guaranteeing the right of each shareholder to ask for clarifications on the agenda, speak and put forward proposals.

The Board reported to the Shareholders' Meeting on the activities performed and scheduled, and arranged to provide shareholders with adequate disclosure on the necessary issues so that they can take informed decisions pertaining to the Shareholders' Meeting (*Comment to Article 9 of the Code*).

At 31 December 2015, the Company's market capitalisation was € 94.8 million, compared to € 81.1 million at 31 December 2014. The shareholding structure was essentially unchanged. In this respect, it was not deemed necessary to submit to the Shareholders' meeting amendments to the By-Laws on the percentages established for exercising shares and the measures aimed at protecting minorities and in said case report on the results of said amendments (*Criterion 9.C.4.*).

During 2015, one ordinary and extraordinary Shareholders' Meeting was convened.

The Ordinary Shareholders' Meeting of 22 April 2015 approved the 2014 financial statements, the dividend distribution, the Remuneration Report, and renewal of the treasury share purchase plan. The extraordinary session approved the free share capital increase, in the amount of 1 new share for every 10 owned.

In reference to Article 7 of the Corporate Governance Code relating to the remuneration of directors and managers with strategic responsibilities, the Shareholders' Meeting of 22 April 2015 approved the remuneration policy document prepared by the Remuneration Committee and the Board of Directors.

## **17. OTHER CORPORATE GOVERNANCE ISSUES (Article 123-bis, paragraph 2, letter a) of the Consolidated Law on Finance)**

No other corporate governance issues have been implemented in addition to those previously mentioned.

## **18. CHANGES AFTER THE END OF THE REPORTING PERIOD**

There were no changes in the Company's corporate governance after the end of the reporting period.

**TABLE 1: Shareholding structure**

<b>Shareholder</b>	<b>Direct shareholder</b>	<b>No. of shares owned</b>	<b>As a % of ordinary capital</b>	<b>As a % of voting capital</b>
4CV PTE Ltd (via E-Business Consulting S.A.)	NO	3,327,012	25.58	28.53
Alvise Braga Illa	YES	1,790,055	13.76	15.35
Kabouter Management LLC	YES	932,667	7.17	8.00
Marco Edoardo Guida	YES	277,200	2.13	2.38
Treasury shares (with suspended voting right)	YES	1,345,700	10.35	-
Outstanding shares	YES	5,333,616	41.01	45.74
Total shares		13,006,250	100.00	100.00

**TABLE 2: Composition of the Board of Directors and Committees**

Board of Directors													Risks and Internal Controls Committee		Remuneration Committee	
Office	Name	Year of birth	Date of first appointment	In office since	In office until	List	Exec.	Non-exec.	Indep. pursuant to code	Indep. pursuant to Consolidated Law on Finance	No. of other offices (1)	Investment (3)	Office	Investment (3)	Office	Investment (3)
Chairman CEO	Alvise Braga Illa Marco Edoardo Guida	1939 1961	03.07.1989 23.04.2008	01.01.2015 01.01.2015	31.12.2015	Minority	x				-	8/8				
Director	Andrea Cencini	1963	20.04.2011	01.01.2015	31.12.2015	Minority	x				-	8/8				
Director	Paolo Enrico Colombo	1956	28.06.1999	01.01.2015	31.12.2015	Minority	x				-	8/8				
Director	Teresa Cristiana Naddeo	1958	10.05.2012	01.01.2015	31.12.2015	Majority		x	x	x	2	8/8	Chairman	3/3	x	4/4
Director	Stefania Saviolo	1965	17.04.2014	01.01.2015	31.12.2015	Minority		x	x	x	-	8/8	x	3/3	Chairman	4/4
Director	Fabienne Dejean Schwalbe (2)	1964	05.05.2015	05.05.2015	31.12.2015	-		x	x	x	-	6/6	x	2/2	x	2/2
<b>WITHDRAWING DIRECTORS DURING THE YEAR IN QUESTION</b>																
Director	Franco Cattaneo	1939	23.04.2008	01.01.2015	29.4.2015	Majority		x	x	x		2/2	x	1/1	Chairman	1/1
No. of meetings held during 2015:				BoD: 8	ICC: 3	RC: 4										
<b>Quorum required to submit lists by minorities to elect one or more members (pursuant to Art. 147-ter of the Consolidated Law on Finance): 4,5%</b>																

(1) This column shows if Board members serve as a Director or Statutory Auditor in other companies listed on Italian regulated markets.

Such other offices are detailed in the Report on Corporate Governance.

A full disclosure of all offices held is provided in the Board of Statutory Auditors' Report to the Financial Statements.

(2) Director co-opted by the Board on 05/05/2015.

(3) This column indicates attendance by directors in the meetings of the Board of Directors and committees (no. of presences/no. of meetings held during the interested party's effective term of office).

**TABLE 3: Composition of the Board of Statutory Auditors**

Office	Name	Year of birth	Date of first appointment	In office since	In office until	List	Indep. pursuant to code	Investment (3)	No. of other offices (1)
Chairman	Raffaele Valletta	1939	03.07.1989	01.01.2015	31.12.2015	Minority	x	6/6	-
Standing Auditor	Fabio Maria Palmieri	1962	28.06.1999	01.01.2015	31.12.2015	Majority	x	5/6	-
Standing Auditor	Luisa Cameretti	1965	17.04.2014	01.01.2015	31.12.2015	Majority	x	6/6	-
Alternate auditor	Pietro Antonio Grignani	1964	29.04.2002	01.01.2015	31.12.2015	Majority			
Alternate auditor	Laura Grimi	1975	17.04.2014	01.01.2015	31.12.2015	Majority			
Alternate auditor	Angelo Faccioli	1949	23.04.2008	01.01.2015	31.12.2015	Minority			
WITHDRAWING AUDITORS DURING THE YEAR IN QUESTION									
-	-	-	-	-	-	-	-	-	-
No. of meetings held during 2015: 6									
Quorum required to submit lists by minorities to elect one or more members (pursuant to Art. 148-ter of the Consolidated Law on Finance): 2%									

(1) This column shows if Board members serve as a Director or Statutory Auditor in other companies listed on Italian regulated markets.

Such offices are detailed in the Report on Corporate Governance.

A full disclosure of all offices held is provided in the Board of Statutory Auditors' Report to the Financial Statements.

(2) This column indicates attendance by Statutory Auditors in meetings of the Board of Statutory Auditors (no. of presences/no. of meetings carried out in the year).

