

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

## **CONSOLIDATED NON-FINANCIAL STATEMENT**

**as at 31 December 2019**

**pursuant to Italian Legislative Decree No.  
254/2016**

## Contents

<b>1 REFERENCE CONTEXT</b> .....	3
a) Message from the Chairman of the Board of Directors.....	3
b) Introduction .....	3
c) The year in brief .....	3
d) Corporate Information .....	4
e) Reporting framework .....	4
f) Stakeholders.....	5
g) Materiality analysis .....	7
<b>2 RISK ANALYSIS</b> .....	9
a) Definition of risks.....	9
b) Environmental risk .....	9
c) Social risk - staff-related - respect for human rights.....	11
d) Corruption risk .....	13
<b>3 COMPANY MODEL FOR THE MANAGEMENT AND ORGANISATION OF ACTIVITIES</b> .....	16
a) The business model .....	16
b) The corporate bodies .....	17
c) Mission and values .....	18
d) Group Ethics .....	18
<b>4 THE POLICIES APPLIED AND THE RESULTS ACHIEVED</b> .....	20
a) People as resources of TXT .....	20
b) Diversity and inclusion .....	26
c) Occupational health and safety .....	26
d) Energy and emissions.....	27
e) Compliance with rules and regulations.....	31
f) TXT's commitment to the community.....	31
g) Certifications .....	32
<b>5 APPENDIX</b> .....	33
a) Methodological note .....	33
b) Content Index .....	37

## 1 REFERENCE CONTEXT

### a) Message from the Chairman of the Board of Directors

The introduction of the Consolidated Non-Financial Statement (hereinafter also "NFS" or "Non-Financial Statement"), in implementation of Italian Legislative Decree no. 254/2016, has encouraged the directors and company management to pay even more attention to the economic, social and environmental, internal and external impacts of the Group's activities in the short, medium and long term.

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

The TXT Group's development plan is therefore focused, in addition to its responsible business conduct, to its active contribution to the prosperity of the environment in which it operates, to the benefit of all its stakeholders.

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

### b) Introduction

Italian Legislative Decree no. 254/2016 implements Directive 2014/95/EU of the European Parliament and Council of 22 October 2014 governing the "disclosure of non-financial and diversity information by certain companies and large groups".

TXT e-solutions S.p.A. (hereinafter "TXT"), as defined by Italian Legislative Decree no. 254/ 2016, is the subject required to prepare the Consolidated Non-Financial Statement for the year 2019, in that it is the:

- "Parent company" of a "large group" listed on the Milan Stock Exchange (Star segment) and therefore classifiable as a Public Interest Entity (PIE);
- During the current financial year, the TXT Group (TXT e-solutions S.p.A. and integrally consolidated companies) has had an average number of employees exceeding 500; at 31 December 2019 it had a total balance sheet of more than 20 million Euro.

This Non-Financial Statement has been prepared in compliance with Italian Legislative Decree no. 254/2016 and subsequent integrations. The methodological note (paragraph 5.a) illustrates the principles adopted for the preparation of this document and represented by the GRI Standards published by the Global Reporting Initiative (hereinafter "GRI") in 2016.

### c) The year in brief

In 2019 the TXT Group operated through two Divisions:

- **TXT Aerospace, Aviation & Automotive:** focused on software for the aerospace, aeronautics and automotive industry, where it offers specific products and specialist engineering services;
- **TXT Fintech:** focused on services related to software testing and quality for companies in the banking sector.

TXT e-solutions is an international leader in the provision of software products and strategic solutions in dynamic markets that require a high degree of specialisation and a capacity for innovation. TXT is focused on software for the aerospace, aeronautics and automotive sectors, where it offers specific products and specialist engineering services, and for the banking sector, where it focuses on software testing and quality services. Listed on the Milan Stock Exchange since July 2000 and inserted in the Star segment, TXT has its head office in Milan and offices in Italy, Germany, France, the UK, Switzerland and the United States.

On 30 April 2019, the Company entered into an agreement for the acquisition of the share capital of Link Software S.r.l. which on that date held (i) 100% of the share capital of Assioma.Net S.r.l., which in turn held 51% of the share capital of Assiopay S.r.l., and (ii) 70% of the share capital of Assioma.Itec S.r.l. (www.assioma.net). On 12 June 2019 Link Software S.r.l. purchased the remaining 30% of Assioma.Itec S.r.l. that was not yet owned.

This group of Italian entities specialises in the governance of application software quality, with consolidated skills thanks to almost 30 years of experience. It has approximately 160 employees in Turin, Milan and Bari.

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

For comparative purposes, the data relating to the years 2018 and 2017 are reported. The data reported for the financial year 2017 relate exclusively to continued operations, and in particular include the TXT Next Division, with activities in Italy, Germany, the USA, Switzerland, the UK and France. The activities relating to discontinued operations that in 2017 related to the TXT Retail Division were not included in the 2017 comparative data to ensure homogeneity in the scope of the reported topics and in view of the fact that it was sold in 2017.

#### d) Corporate Information

The parent company TXT e-solutions S.p.A. is a legal entity organised according to Italian Law. The ordinary shares of TXT are listed on the telematic circuit of the Milan Stock Exchange - MTA - STAR segment. Its headquarters are in Milan in Via Frigia 27.

TXT does not belong to any category associations.

#### e) Reporting framework

The reporting framework, consistently with what is required by the Decree, coincides with that of the Consolidated Financial Statements (except as detailed below) and includes the parent company TXT e-solutions S.p.A. and its subsidiaries PACE GmbH (Germany), TXT Next Sarl, TXT Next Ltd, TXT e-solutions Sagl, PACE America Inc., Cheleo S.r.l.<sup>1</sup>, Txt Risk Solution S.r.l.<sup>2</sup>, Assioma.Net S.r.l. and Assiopay S.r.l. The data relating to Assioma.Net S.r.l. and Assiopay S.r.l. refer to the period 1/5/2019 - 31/12/2019, according to the dates of consolidation of the same.

The companies TXT Next Sarl, TXT Next Ltd, TXT e-solutions Sagl, PACE America Inc. were excluded from the scope of environmental reporting, consistent with the provisions of art. 4 of Italian Legislative Decree no. 254/2016, according to which the consolidated statement can exclude those companies from the Statement which, even if they are included in the consolidated financial reporting, are not necessary for an understanding of the Group's business, its development, its results and the impact produced by the business itself. In fact, the socio-economic and environmental impacts of these companies are considered insignificant because of their low impact in terms of the number of employees (26) and type of business (non-productive).

#### f) Stakeholders

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

- **Customers**  
They constitute the Group's main asset, and include aeronautical companies, aircraft component manufacturers, airlines, car companies, high-tech companies, banks and national and international financial companies.
- **Employees and external staff**  
They represent the Group's strength and excellence, being the source of the professional, technical and operational resources that are the subject of the Company's activities. TXT recognises the importance of establishing and maintaining long-term relationships based on loyalty and trust.
- **Lenders (banks and shareholders)**  
The Group's primary objective is to create value for the Company and its shareholders by pursuing long-term growth in profits.

---

<sup>1</sup> Cheleo S.r.l., a company acquired by the TXT Group in the second half of 2018, has been included in the scope of reporting since 1/1/2019.

<sup>2</sup> Txt Risk Solution S.r.l., a company acquired by the TXT Group in the second half of 2018, has been included in the scope of reporting since 1/1/2019.

- **Local communities**

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

- **Sectoral or local interest groups**

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

- **Suppliers**

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

The Code of Ethics available online (<https://www.txtgroup.com/governance/articles-of-association-and-policies/>) describes in detail and complements the relations between TXT and its stakeholders.

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

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

No special issues were highlighted by the stakeholders relative to the Group in 2019.

### g) Materiality analysis

In accordance with Italian Legislative Decree no. 254/2016 and other sources<sup>3</sup>, TXT has identified the issues to help ensure that the company's activities, performance, results and impact on the non-financial issues indicated in the Decree are understood.

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

- Analysis of global sustainability trends: main non-financial aspects taken into consideration by market regulatory authorities who have published guidelines for sustainability reporting, sustainability ratings and international organisations;
- Analysis of practices in the sector: non-financial aspects identified as relevant in the sector to which TXT belongs;
- Analysis of company priorities: through interviews with reference company managers and analysis of the main company documents.

The final result of this materiality analysis allowed identifying the non-financial aspects most relevant to TXT and, therefore, subject to reporting in the Non-Financial Statement.

The issues identified in these areas are monitored not only for the purposes of the Non-Financial Statement but also as part of the corporate governance system. Reference in this regard should be made to the documents available on the TXT Group website ([www.txtgroup.com](http://www.txtgroup.com)); that is:

- Report on corporate governance and ownership structure
- Code of Ethics
- Corruption Prevention Policy
- Organisational Model 231/2001
- Environmental Policy

The analysis carried out for the 2018 NFS was updated in 2019 to reflect the progress of the corporate business, the expectations of its stakeholders and the context of operation, and the aspects identified in the 2018 NFS were confirmed. The following table illustrates the relevant aspects identified and reported, subdivided by GRI Standard used:

---

<sup>3</sup> See, for example, the Consob Explanatory Report of 19-1-2018 to the "Regulation for the implementation of Italian Legislative Decree no. 254 of 30 December 2016 concerning the reporting of non-financial information".

<b>Description of the appearance</b>	<b>GRI standard</b>
Anti-corruption	<b>GRI 205</b>
Anti-competitive behaviours	<b>GRI 206</b>
Energy	<b>GRI 302</b>
Emissions	<b>GRI 305</b>
Environmental compliance	<b>GRI 307</b>
Employment	<b>GRI 401</b>
Occupational health and safety	<b>GRI 403</b>
Training and education	<b>GRI 404</b>
Respect for diversity and equal opportunities	<b>GRI 405</b>
Non-discriminatory behaviours	<b>GRI 406</b>
Political contributions	<b>GRI 415</b>
Customer privacy	<b>GRI 418</b>
Social and economic compliance	<b>GRI 419</b>

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



## 2 RISK ANALYSIS

TXT e-solutions S.p.A. has a Control and Risks Committee that operates autonomously and independently so as to safeguard the company's integrity.

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

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

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

The structure of the Organisational Model was fully updated in 2019 to be more effective in consulting and communicating with stakeholders.

The activities carried out by the Control and Risk Committee are supplemented by further activities, analyses, procedures and actions performed by other departments in the environmental and social field, as described below.

### a) Definition of risks

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



### b) Environmental risk

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

Italian Leg. Decree no. 254/2016 Areas	Risk identified	Description of the risk
Environment	POTENTIAL RISK LINKED TO THE GROUP'S LIMITED LEVEL OF CONTROL OVER ENERGY EFFICIENCY MEASURES	Energy consumption is the main aspect of TXT activities with environmental implications. The absence of a programme to improve consumption efficiency, due in part to the inability to act in depth on buildings as tenants, may not allow the Group to benefit from a reduction in operating costs and in its atmospheric emissions.
	POTENTIAL RISK LINKED TO THE ABSENCE OF MANAGEMENT AND REDUCTION PROGRAMMES FOR GREENHOUSE GAS EMISSIONS	For the TXT Group, greenhouse gas emissions are mainly linked to energy consumption and business travel. Increasing national and international pressures on this issue ensure that this risk is adequately managed through a careful analysis of the energy consumption responsible for greenhouse gas emissions.
	POTENTIAL RISK LINKED TO THE NON-TRANSPOSITION OF ENVIRONMENTAL LEGISLATION	In a constantly evolving context, companies are required to perform regular monitoring and to comply with environmental regulations. The absence of a specific department and/or designated contact person for environmental compliance could lead the TXT Group to run the risk of non-compliance with its obligations.

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

Actions
<ul style="list-style-type: none"> <li>• Responsible management of electricity, gas and water consumption in order to reduce consumption.</li> <li>• Use of teleconferencing and videoconferencing technologies where feasible as an alternative to travel, to help reduce CO<sub>2</sub> emissions.</li> <li>• Promotion of the use of recycled materials, as far as possible in the course of activities.</li> <li>• Paying attention to paper consumption by reducing or eliminating printing whenever possible.</li> <li>• Integrating environmental considerations into procurement processes.</li> <li>• Paying attention to new opportunities for waste reduction, optimisation, recycling and reuse.</li> </ul>

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

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

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

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

Italian Leg. Decree no. 254/2016 Areas	Risk identified	Description of the risk
	POTENTIAL RISK LINKED TO THE INABILITY TO ATTRACT QUALIFIED AND COMPETENT STAFF	It is crucial for the TXT Group to attract qualified and updated staff in order to provide quality software products and services and to ensure professional and high-quality employee behaviour. The inability to attract and retain qualified resources could have negative effects on the Group's current and future performance.

Personnel Management	POTENTIAL RISK LINKED TO A DETERIORATION IN STAFF SKILLS AND QUALITY LEVEL	The TXT Group considers it essential to ensure that its staff are constantly updated, both technically and professionally. The effectiveness of training plans is therefore very important for the Group. A reduction in the quality level of output and inadequate training programmes could have negative effects on the Group's current and future performance.
	POTENTIAL RISK LINKED TO THE POSSIBILITY OF THE GROUP FAILING TO COMPLY WITH DIVERSITY LAWS AND/OR REGULATIONS (INCLUDING FUTURE ONES)	An inadequate Group focus on diversity in the company could cause TXT to fail to take advantage of the wealth brought by the contribution of resources with diverse experiences, professional profiles, cultures and genders and be unready to comply with any legislation or regulation in this field.
	POTENTIAL RISK LINKED TO DISCRIMINATORY PRACTICES COMMITTED BY EMPLOYEES	The Group's limited level of control over the management of any episodes of discrimination could increase the risk of discriminatory behaviour among employees, with negative operational and reputational consequences for the Group.
	POTENTIAL RISK LINKED TO NON-COMPLIANCE WITH EXISTING HEALTH AND SAFETY LEGISLATION	The failure to comply with applicable regulations on health and safety at work could entail risks for the health of its employees and external staff and regulatory non-compliance, with negative effects on the Group, also in financial and reputational terms.
Social	POTENTIAL RISK LINKED TO THE ADOPTION OF UNFAIR COMPETITIVE PRACTICES	By operating in a highly competitive market, the TXT Group is potentially exposed to anti-competitive actions and behaviour by its competitors. At the same time, any reputational and financial damage for the Group could arise from commercial practices that are not in line with the company's ethical values or with regulations governing unfair competition.

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

<p><b>Actions</b></p> <ul style="list-style-type: none"> <li>• Partnership with local universities for the training of students and their integration into the working world.</li> <li>• Approval and implementation of the Diversity Policy of the Board of Directors.</li> <li>• Approval and implementation of the Diversity Policy of the Statutory Auditors.</li> <li>• Breaking down architectural barriers.</li> <li>• Università Cattolica project for the integration of students with disabilities into the working world.</li> <li>• Funding for the development of curricula and partnerships with universities in the IT sector.</li> <li>• Welfare programmes guaranteed by the National Collective Labour Agreement (CCNL) for</li> </ul>
--

the Metalworking Industry.

- Additional health policies extended to the family.
- Promoting the sense of belonging and well-being of workers.
- Recreational events.
- Work-related stress prevention.
- Smart working.
- Flexible hours.

#### d) Corruption risk

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

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

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

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

Italian Leg. Decree no. 254/2016 Areas	Risk identified	Description of the risk
Fight against corruption	POTENTIAL RISK LINKED TO THE OCCURRENCE OF EPISODES OF CORRUPTION (BOTH ACTIVE AND PASSIVE)	The TXT Group regularly engages in commercial relations with other companies. This can represent a potential risk of exposure of its employees to both active and passive corruption.

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

**Actions**

- Benefits of any kind (money, promises of employment, etc.) should not be granted to representatives of the Italian or foreign Public Administration, Partners, or their close relatives, in order to acquire favourable treatment in any business activity or that may in any case influence independence of judgement or result in any advantage for the company.
- It is forbidden to distribute gifts and to perform acts of courtesy and hospitality to representatives of public officials and public employees, public service employees and employees of Partners, except when of modest value and in any case that do not compromise the integrity or reputation of one of the parties and that cannot be interpreted, by an impartial observer, as seeking to gain an improper advantage.
- Money, gifts or any other benefit or the promise of such should not be accepted from anyone seeking to enter into a relationship with the company and who wishes to improperly obtain unduly favourable treatment.
- The company may not hire employees of the public administration, of the State or of the European Communities, of any qualification or level, their spouse and their relatives, or their ascendants, descendants, brothers, sisters, uncles, aunts, nephews, nieces, or former employees, for three years following the performance of an act within the competence of one of the above-mentioned persons from which the Company has derived a benefit, if this is intended to obtain an unfair profit for the company.
- Any commercial incentive must comply with standard market practices in the country of reference, must not exceed the permitted value limits and must have been approved in accordance with internal rules. The granting of any commission, discount, credit and rebate must conform to current regulations and be officially awarded to corporate entities upon presentation of supporting documentation. It is forbidden to promise or provide benefits or other similar incentives commensurate with the achievement of objectives based on performance targets that are clearly unjustified and unattainable.
- It is forbidden to provide services to external staff and partners that are not adequately justified by the contractual relationship established with them, or to make payments to them that are not adequately justified by the type of task to be performed and applicable local practices.
- No payment over 1,000 Euro can be made in cash in Italy or abroad.
- Any document describing an event that has occurred and/or an assessment made in the context of operations that fall within the sensitive areas for the purposes of the Anti-Corruption Policy, must be signed by or attributable to the person who drafted it. All documents must comply with current legislation.

Moreover, TXT mainly carries out activities with private companies in Western countries and with a high rate of industrialization.

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

The Anti-Corruption Policy aims to protect the company's assets, people and objectives through a broader approach, which:

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

No corruption was reported in 2019.

## **3 COMPANY MODEL FOR THE MANAGEMENT AND ORGANISATION OF ACTIVITIES**

### a) The business model

As described in detail in the 2019 Report on corporate governance and the company's ownership structure, TXT has drawn up a complex and standardised system of rules of conduct governing both its organisational structure and relations with stakeholders, in particular shareholders, which complies with the most advanced standards of Corporate Governance.

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

The Group's corporate bodies are listed below:

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

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

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

In 2019 the TXT Board of Directors adopted Policies relating to the diversity of the Board itself and the Board of Statutory Auditors. They describe the optimal characteristics of the composition of the Board of Directors and the Board of Statutory Auditors so that they can exercise their tasks in the most effective manner, making decisions that may concretely exploit the contribution of a plurality of qualified points of view able to examine the issues under discussion from different perspectives.

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

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



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

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

## b) The corporate bodies

Shareholders (with shareholdings of more than 3% as at 31 December 2019):

- Laserline S.p.A.
- Alvise Braga IIIa
- Kabouter Management LLC
- Market

Board of Directors as at 31/12/2019:

- Alvise Braga IIIa: Chairman
- Enrico Magni: Chief Executive Officer
- Daniele Misani: Director
- Alessandro Arrigoni: Independent Director
- Fabienne Anne Dejean Schwalbe: Independent Director
- Valentina Cogliati: Independent Director
- Stefania Saviolo: Independent Director

Of the above members, 71% are in the over 50-age bracket.

Board of Statutory Auditors:

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

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

Independent auditors:

- EY S.p.A.

### c) Mission and values

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

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

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

### d) Group Ethics

The values that guide the internal and external life of TXT are governed by the Code of Ethics, formalised in 2010 and applicable to all Group Companies. The recipients of this Code are the directors, employees, external staff, customers, suppliers, lenders (banks and shareholders), residents of areas surrounding the company or interest groups in the sector or locally.

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

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

- ***Legality, honesty and fairness***  
The Group operates in compliance with the applicable laws and pursues its interests following a policy of conduct in accordance with the principles of legality, fairness and honesty. The same parameters are applied in relations with Group stakeholders. The Group undertakes to ensure that the provisions of the Code are adopted and practised by all its recipients.
- ***Compliance with laws and regulations***  
The Group ensures that it is adequately informed and made aware of issues relating to the Code of Ethics in order to comply with current laws and regulations. Any doubts or uncertainties are resolved by its own direct managers and by the Supervisory Board.
- ***Transparency and completeness of information***  
The Group ensures that all stakeholders are provided with clear and transparent information about their situation and performance, without favouring any interest group or individual. Shareholders and competent bodies are informed about significant events concerning the Group's corporate and accounting management.
- ***Confidentiality of information***

The Group ensures that it has procedures in place to guarantee the confidentiality of the information in its possession and refrains from seeking confidential information using illegal means. The Group ensures that it is forbidden to use confidential information for purposes not related to the exercise of its professional activity.

- ***Respect for the individual and fairness***

The Group is committed to ensuring respect for the physical and cultural integrity of the individual, for relations with others and fair treatment. In support of this, the Group checks the existence of a context of safety and respect for individual dignity.

- ***Impartiality and equal opportunities***

TXT avoids any discrimination based on age, gender, sexuality, health, race, nationality, political opinions or religious beliefs in all decisions that affect relations with its stakeholders.

- ***Conflicts of interest***

The Group undertakes to prevent situations of conflict of interest, by prohibiting the recipients from pursuing interests other than the Group's mission or from personally benefiting from business opportunities.

- ***Protection of competition***

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

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

## 4 THE POLICIES APPLIED AND THE RESULTS ACHIEVED

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

It should be noted that 100% of employees in Italy, Germany and France are covered by collective labour agreements.

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

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

### a) People as resources of TXT

The TXT Group had 786 employees at 31 December 2019, of which:

- 485 employees (120 women and 365 men) of the Italian parent company TXT e-solutions S.p.A.;
- 82 employees (16 women and 66 men) of the German subsidiary Pace GmbH;
- 9 employees (2 women and 7 men) of the US subsidiary PACE America, Inc.;
- 7 employees (all men) of the Swiss subsidiary TXT e-solutions Sagl;
- 4 employees (1 woman and 3 men) of the UK subsidiary TXT NEXT Ltd;
- 6 employees (all men) of the French subsidiary TXT NEXT Sarl;
- 3 employees (all men) of the subsidiary Txt Risk Solutions S.r.l.;
- 24 employees (8 women and 16 men) of the subsidiary Cheleo S.r.l.;
- 166 employees (60 women and 106 men) of the subsidiaries Assioma.Net S.r.l. and Assiopay S.r.l..

TXT e-solutions S.p.A., Pace GmbH, Assioma.Net S.r.l., Assiopay S.r.l. and Cheleo S.r.l. also availed themselves of the contribution of some freelance professionals and interns.

### Italy

In 2019, 91% (617/678) of Italian employees worked with permanent contracts and only 9% (61/678) had fixed-term contracts. Part-time workers accounted for 2.9% (20/678) and only 3 are men.

During the year, 175 people were recruited (44 women and 131 men), accounting for 26% of the total workforce. There were 20 with fixed-term contracts, with the remaining 155 with permanent contracts.

In 2019, 126 employees resigned, of whom 25% were women. Turnover<sup>4</sup> was 19% (126/678). The rate of resignations remains high, as in 2018, in line however with the current Italian IT market trends.

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

ITALY RECRUITED										
Age groups	2019				2018				2017	
	W		M		W		M		W	M
	no.	Incoming turnover rate	no.	Incoming turnover rate	no.	Incoming turnover rate	no.	Incoming turnover rate	no.	no.
<30	26	45.6%	85	54.8%	13	48.1%	43	45.7%	5	33
30-50	17	15.3%	42	14.9%	11	16.9%	27	14.6%	3	8
>50	1	5.0%	4	7.4%	1	9.1%	0	0%	0	1
<b>TOTAL</b>	<b>44</b>	<b>23.4%</b>	<b>131</b>	<b>26.7%</b>	<b>25</b>	<b>24.3%</b>	<b>70</b>	<b>22.5%</b>	<b>8</b>	<b>42</b>

ITALY RESIGNED										
Age groups	2019				2018				2017	
	W		M		W		M		W	M
	no.	Outgoing turnover rate	no.	Outgoing turnover rate	no.	Outgoing turnover rate	no.	Outgoing turnover rate	no.	no.
<30	10	17.5%	31	20%	5	18.5%	35	37.23%	6	12
30-50	16	14.4%	54	19.2%	15	23.1%	32	17.3%	6	23
>50	5	25%	10	18.5%	0	0%	2	6%	0	2
<b>TOTAL</b>	<b>31</b>	<b>16.5%</b>	<b>95</b>	<b>19.4%</b>	<b>20</b>	<b>19.4%</b>	<b>69</b>	<b>22.2%</b>	<b>12</b>	<b>37</b>

## Germany

In Germany, 96% (79/82) of employees were on permanent contracts and 4% (3/82) on fixed-term contracts. Part-time workers accounted for 7% (6/82), of which 2 women and 4 men.

During 2019, 19 people were recruited (1 woman and 18 men), accounting for a hiring rate of 23% of the total workforce. 95% of new hires were on a permanent contract.

<sup>4</sup> Turnover: (total resigned region/total active 31.12.2019 per region) x 100

There were 9 resignations, of which 33% (3/9) were women. Turnover was 11%. The number of recruitments and resignations is broken down by age bracket as shown in the table below, with an indication of the percentage related to the total workforce at the end of the year:

GERMANY RECRUITED										
Age groups	2019				2018				2017	
	W		M		W		M		W	M
	no.	Incoming turnover rate	no.	Incoming turnover rate	no.	Incoming turnover rate	no.	Incoming turnover rate	no.	no.
<30	0	0%	10	77%	0	0%	3	75%	1	0
30-50	1	10%	7	19%	4	33.3%	2	5.6%	1	7
>50	0	0%	1	6%	0	0%	1	7.1%	0	0
<b>TOTAL</b>	<b>1</b>	<b>6%</b>	<b>18</b>	<b>27%</b>	<b>4</b>	<b>22.2%</b>	<b>6</b>	<b>11.1%</b>	<b>2</b>	<b>7</b>

GERMANY RESIGNED										
Age groups	2019				2018				2017	
	W		M		W		M		W	M
	no.	Outgoing turnover rate	no.	Outgoing turnover rate	no.	Outgoing turnover rate	no.	Outgoing turnover rate	no.	no.
<30	0	0%	1	8%	0	0%	0	0%	0	0
30-50	3	30%	4	11%	3	25%	3	8.3%	1	3
>50	0	0%	1	6%	0	0%	2	14.3%	0	0
<b>TOTAL</b>	<b>3</b>	<b>19%</b>	<b>6</b>	<b>9%</b>	<b>3</b>	<b>16.7%</b>	<b>5</b>	<b>9.3%</b>	<b>1</b>	<b>3</b>

### Other Regions

As for staff in the USA, the UK, France and Switzerland, 100% (26/26) of employees were on permanent contracts. There were no part-time workers.

During 2019, 11 people were recruited (2 women and 9 men), accounting for a hiring rate of 42% of the total workforce. 100% of new hires (11/11) were on a permanent contract.

6 employees resigned (1 woman and 5 men). Turnover was 23%. The number of recruitments and resignations is broken down by age bracket as shown in the table below, with an indication of the percentage related to the total workforce at the end of the year:

OTHER REGIONS RECRUITED								
Age groups	2019				2018			
	W		M		W		M	
	no.	Incoming turnover rate	no.	Incoming turnover rate	no.	Incoming turnover rate	no.	Incoming turnover rate
<30	2	67%	3	43%	1	100%	2	28.6%
30-50	0	0%	3	21%	0	0%	6	50%
>50	0	0%	3	150%	0	0%	0	0%
<b>Total</b>	<b>2</b>	<b>67%</b>	<b>9</b>	<b>39%</b>	<b>1</b>	<b>50%</b>	<b>8</b>	<b>42.1%</b>

OTHER REGIONS RESIGNED								
Age groups	2019				2018			
	W		M		W		M	
	no.	Outgoing turnover rate	no.	Outgoing turnover rate	no.	Outgoing turnover rate	no.	Outgoing turnover rate
<30	0	0%	2	29%	0	0%	1	14.3%
30-50	1	100%	2	14%	0	0%	2	16.7%
>50	0	0%	1	50%	0	0%	0	0%
<b>Total</b>	<b>1</b>	<b>33%</b>	<b>5</b>	<b>22%</b>	<b>0</b>	<b>0%</b>	<b>3</b>	<b>15.8%</b>

The following table summarises all the information relating to 2017, 2018 and 2019. The difference between the headcount of the year in question/headcount of the previous years and the balance between recruits/resignations in the year in question is due to the inclusion of Cheleo S.r.l., Txt Risk Solution S.r.l., Assioma.Net S.r.l. and Assiopay S.r.l. in the reporting scope.

GROUP	2019		2018		2017 <sup>5</sup>	
	Women	Men	Women	Men	Women	Men
<b>Employees at 31.12</b>	207	579	123	384	111	347
<b>Fixed-term contract</b>	31	33	6	9	3	7
<b>Permanent contract</b>	176	546	117	375	108	340
<b>Full time</b>	188	572	108	378	89	337
<b>Part time</b>	19	7	15	6	22	10
<b>New recruits</b>	47	158	20	84	10	49
<b>Resignations</b>	35	106	23	77	13	40

<sup>5</sup> The detail for 2017 does not include employees in the USA, the UK, France and Switzerland.

**Human capital** is TXT's main resource for the development of our services and products: the attention paid to every process related to the management of our people represents our true distinctive competence. Given the business acquisitions made, the harmonisation of all HR processes and all tools has been strategically conceived and implemented this year in all companies of the TXT Group.

Staffing is the first strategic element in building a winning team: for this reason, the company pays particular attention to the continuous improvement of this process, also using scientific tests (*including the Briggs Myers Test, McClelland test and Profile XT test of the Palo Alto school*), administered by psychologists during the selection phase. These tools allow thoroughly verifying the behavioural characteristics of each person and functionally comparing them to the role for which they are being hired.

With a defined and structured Staffing process, using state-of-the-art technology tools to manage it and providing regular training to the HR staff involved, the company manages to reduce the risk level of selecting a resource that does not meet the company's expectations. Moreover, increasing attention is being paid to recognising cross-cutting qualities in the new resources, useful for maintaining and improving the business climate.

The company operates in a rapidly expanding sector where people with the necessary skills are increasingly in demand and increasingly difficult to find in the labour market: for this reason, in order to find qualified human capital, the communications that we address to potential candidates in the job market increasingly takes on the characteristics of a real marketing activity, showing what we offer in terms of activities to be carried out and the professional development of those who work with us.

Given the extremely lively employment dynamics of the market in which it operates, the other challenge for TXT is maintaining a low level of turnover. This is why a wellness survey was carried out during the year with the University of Milano-Bicocca in Milan which investigated the employability of our employees (maintaining a job over time, making it possible to move from one role to another within the same organization and externally, and satisfying the requirements to cover them) and their wellness with respect to their professional activities.

Like every year, training and growth plans have been designed and implemented to develop the growth of human capital and its satisfaction. These have been developed on three levels: Soft skills, technical skills and language training.

Through a structured process for the collection of training needs at the beginning of the year, an individual and team training course was designed and implemented in collaboration with the HR team and technical managers, in order to improve behavioural and technical skills. In order to be able to effectively respond to internal needs and the constant corporate internationalisation process, online English language courses were also offered to the entire company.

A new opportunity was also offered in 2019 on a voluntary basis, giving staff the chance to improve their language skills by speaking with a native English speaker during their lunch break. In addition to this, individual and group courses were held in Italian for foreign colleagues, and in German for our colleagues who for work reasons are often placed in a German context.



Training activities on workplace health and safety were managed internally in accordance with the law.

The table below shows the number of hours and courses provided:

<b>GROUP Training</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Number of courses	48	10	20
Hours delivered	5915	1260	833
Persons involved	597	274	81

The number of courses increased in 2019, as did the hours of training, and 76% of the company population was able to take advantage of the courses. This was possible thanks to the provision of courses via the web or directly at the reference sites.

The increase in average hours in the executive category is due to a programme financed by sector funds. The training of managers remained almost unchanged for both men and women. As for office workers, the reorganisation of the B&F area affected the training of female staff, as this Business Unit was the part of the company where the largest number of women were present.

<b>Average hours of training</b>						
<b>Category/Gender</b>	<b>2019</b>		<b>2018</b>		<b>2017<sup>6</sup></b>	
	Women	Men	Women	Men	Women	Men
Executives	57	39.83	0	2.4	0	0
Managers	7.2	6.36	2.58	6.05	0	2
Office workers	6.1	7.62	3.64	1.84	2.47	1.69
<b>Total</b>	<b>6.41</b>	<b>7.92</b>	<b>3.54</b>	<b>2.15</b>	<b>2.33</b>	<b>1.65</b>

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

<sup>6</sup> The detail for 2017 does not include the hours of training for employees in the USA, the UK, France and Switzerland.

## b) Diversity and inclusion

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

No episodes of discrimination or monetary sanctions were observed or reported in 2019, nor for inadequate treatment of ethnicity, gender, religion or opinion.

The percentage distribution of the workforce by gender underwent substantial changes between 2019 and 2018 mainly due to the acquisition of Assioma.Net S.r.l. and Assiopay S.r.l. and the inclusion of Cheleo S.r.l. and Txt Risk Solution S.r.l. in the reporting scope.

GROUP	2019						2018						2017 <sup>7</sup>					
	Women			Men			Women			Men			Women			Men		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Executives	-	-	1	-	3	4	-	-	2	-	4	6	-	-	2	-	4	8
Managers	-	5	6	-	24	17	-	1	3	-	18	9	-	1	3	-	15	10
Office workers	61	116	18	175	304	52	31	77	9	105	211	31	23	73	9	105	180	25

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

## c) Occupational health and safety

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

- Low absenteeism and accident rates

<sup>7</sup> The detail for 2017 does not include employees in the USA, the UK, France and Switzerland.

- Moderate number of overtime hours
- Limited turnover rate
- Long period of stay in the company.

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

In 2019 only one accident occurred in Italy (a man), which was not serious, at a customer's office. 2 work days were lost. In 2018 only one accident occurred in Italy (a woman), which was not serious, at the office of Milan. The total number of days lost was 21.

In Germany and in the other regions no accidents to workers occurred in the three-year period.

	M.U.	2019	2018	2017
<b>Accidents at work</b>	<b>No.</b>	<b>1</b>	<b>1</b>	<b>0</b>
<i>of which serious accidents</i>	No.	0	0	0
<i>of which fatal accidents</i>	No.	0	0	0
<b>Annual hours worked</b>	<b>hours</b>	<b>1,262,089</b>	<b>732,382</b>	<b>736,184</b>
<b>Accident rate<sup>8</sup></b>	<b>no./hours</b>	<b>0.8</b>	<b>1.4</b>	<b>0</b>
<i>Serious accident rate</i>	no./hours	0	0	0
<i>Fatal accident rate</i>	no./hours	0	0	0

In relation to workplace safety issues, in particular the assessment and mitigation of risks at work, the reporting of risks by employees, occupational health services, the consultation and training of personnel, in Italy TXT complies with the provisions of Italian Legislative Decree no. 81/2008 on the Safety and Health of Workers. Similarly in the other countries in which it operates, the TXT Group complies with the provisions of the relevant national legislation on these issues.

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

#### d) Energy and emissions

<sup>8</sup> Accident rate: (Tot. number of accidents/total number of hours worked) x 1,000,000.

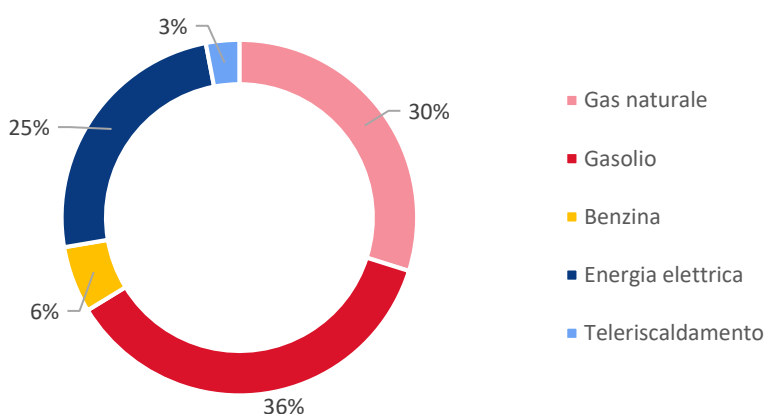
## Energy

TXT carries out its activities both in its own offices and at the customer's premises. The energy vectors used by the Group are mainly natural gas, electricity and district heating. Diesel and petrol use are related to use by the company car fleet.

The following table summarises the energy consumption, broken down by type.

**Errore. Il collegamento non è valido.**

The increase in energy consumption in 2019 is due to the entry of Assioma.Net S.r.l. and Assiopay S.r.l. into the TXT Group and the inclusion of Cheleo S.r.l. in the reporting scope.



## Emissions

The greenhouse gas emissions produced by the Group are subdivided into direct energy emissions (Scope 1) and indirect energy emissions (Scope 2 and Scope 3). The impact of other emissions is not considered significant due to the fact that the Group is mainly involved in service activities.

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

- from the consumption of natural gas for heating offices (Scope 1);
- from the use of the company car fleet (Scope 1);
- from the use of electricity inside offices (Scope 2);
- from the use of district heating for heating offices (Scope 2);
- from journeys by train, plane and hired car (Scope 3).

### Emissions Scope 1

The impacts in terms of tonnes of CO<sub>2</sub> of the overall consumption of natural gas, diesel and petrol, broken down by year, are reported in the following table:

**Errore. Il collegamento non è valido.**

As already anticipated in the comment on energy data, the change in energy consumption is due to the entry of Assioma.Net S.r.l. and Assiopay S.r.l. into the TXT Group and the inclusion of Cheleo S.r.l. in the reporting scope.

## Emissions Scope 2

Another important aspect of TXT’s environmental footprint in terms of indirect emissions (Scope 2) is the use of electricity and district heating in offices.

The following table gives details of consumption for the three-year period 2017-2019 (the percentage of electricity produced from renewable sources depends on the individual national electricity mixes):

Source of emissions (Scope 2)	Emissions 2019 [t CO <sub>2</sub> ]	Emissions 2018 [t CO <sub>2</sub> ]	Emissions 2017 [t CO <sub>2</sub> ]
Electricity (Market Based)	272	241	230
Electricity (Location Based)	204	177	176
District heating	11	13	13
<b>TOTAL SCOPE 2 Market Based</b>	<b>283</b>	<b>254</b>	<b>243</b>
<b>TOTAL SCOPE 2 Location Based</b>	<b>215</b>	<b>190</b>	<b>189</b>

Also in this case, the increase in emissions is due to the entry of Assioma.Net S.r.l. and Assiopay S.r.l. into the TXT Group and the inclusion of Cheleo S.r.l. in the reporting scope.

The change in market-based emissions in 2018 with respect to 2017 can be explained by the use of a greater quantity of electricity in Germany in the year (and a simultaneous decrease in Italian consumption); in fact, the market-based emission factor in Germany is more unfavourable than in Italy, thereby determining a greater amount of emissions for the Group in 2018.

## Emissions Scope 3

In order to mitigate the impact resulting from business travel, TXT seeks to use teleconferencing and videoconferencing technologies as an alternative to travel wherever possible; it also records the miles travelled or the fuel used to monitor trends over time.

Group employees travel by air to distant destinations and by train and car to closer ones. Our service providers (travel/car rental agencies) track travel and the results are periodically communicated to

the Facility department. In this way, TXT is able to monitor costs, consumption and related impacts over time.

The CO<sub>2</sub> emissions related to business travel, at Group level, are shown in the following table:

Source of emissions (Scope 3)	Emissions 2019 [t CO <sub>2</sub> ]	Emissions 2018 [t CO <sub>2</sub> ]	Emissions 2017 [t CO <sub>2</sub> ]
Plane	232	361	233
Train	8	8	12
Car	60	31	22
<b>TOTAL SCOPE 3</b>	<b>299</b>	<b>400</b>	<b>267</b>

The overall change in 2019 compared to 2018 is due to a high reduction in air travel by TXT e-solutions S.p.A.

#### e) Compliance with rules and regulations

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

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

The company has always operated in full compliance with environmental laws and regulations and has not received monetary penalties in the last three years.

Moreover, in the course of the last three years, TXT:

- has not received monetary and non-monetary socio-economic sanctions;
- has not registered complaints relating to infringements of privacy and the loss of its customers' data.

#### f) TXT's commitment to the community

There is increasing talk of companies that are ethical and have a strong sense of social responsibility. The TXT Group promotes the development and well-being of the local community.

In 2019 TXT focused on helping people with disabilities. Through corporate volunteering activities, TXT has worked with the Università Cattolica in Milan on the Prospera project, contributing to the integration of university students and young disabled people into the working world.

Furthermore, it is the first in Italy to create a training centre to help the employability of people with Asperger's syndrome. The training centre was approved in 2019, will begin in 2020 and will last five years, during which five people at a time will be trained in the company through classroom courses and on-the-job training with the support of Specialisterne, a company that collaborates with people suffering from this syndrome, finding them jobs that are suited to their peculiarities in the company or outside of TXT.

In 2019, the Group companies TXT e-solutions and Assioma structured a training course lasting three months, establishing an Academy for new graduates in engineering and scientific faculties and even reaching out to young high school graduates in some cases. The training objective is still to bridge the gap between the IT and process skills that are missing in the study courses of certain faculties. 95% of the participants continued their relationship with the Group with employment contracts, thus the methodology tested in previous years is improved over time. In addition to this, Assioma brings young students closer to the world of work, allowing teenagers to experiment through alternating school/work programmes and helping them learn about the business context.

Cheleo has been working with the association Lieta for years, through which it supports the distance adoption of children from Latin America every year.

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

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

The TXT Group was not involved in lawsuits related to anti-competitive behaviour in the last three years.

## g) Certifications

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

- SPICE certification at level 2: a demonstration of the excellence of TXT's work in the production of products and services related to the car industry;
- ISO 9001:2015 certification for the implementation of a quality management system;
- UNI EN 9100:2018 certification for aerospace component suppliers;
- ISO 27001:2017 certification for cyber security.



## 5 APPENDIX

### a) Methodological note

The content of the Non-Financial Statement 2019, which contains a description of the main initiatives of the fiscal year 2019 which goes from 1 January 2019 to 31 December 2019, has been defined while complying with the following sources:

- Directive 2014/95/EU
- Italian Legislative Decree no. 254 of 30 December 2016 and subsequent integrations
- Consob Regulations for the implementation of Italian Legislative Decree no. 254 of 30 December 2016, on the disclosure of non-financial information (Resolution no. 20267 of 18 January 2018)
- GRI Standards ([www.globalreporting.org](http://www.globalreporting.org))

### Reporting standards adopted

To prepare its Non-Financial Statement, TXT has adopted the GRI Sustainability Reporting Standards (hereinafter also referred to as GRI Standards), published by the GRI - Global Reporting Initiative. In particular, the document is drawn up in accordance with the option "In accordance - Core" of the GRI Standards.

The following table compares the reporting areas of the Decree in relation to the Standards used in this document.

Italian Leg. Decree no. 254/2016 Areas	GRI standards
Business model	GRI 102-18: <i>Governance structure.</i> GRI 103-2: <i>The management approach and its components</i>
Policies implemented by the company	GRI 103-1: <i>Explanation of the material topic and its Boundary</i> GRI 103-2: <i>The management approach and its components</i>
Risks generated or suffered	GRI 102-15: <i>Key impacts, risks and opportunities</i>
Environment	GRI 103-1: <i>Explanation of the material topic and its Boundary</i> GRI 103-2: <i>The management approach and its components</i> GRI 302-1: <i>Energy consumption within the organisation</i> GRI 305-1: <i>Direct (Scope 1) GHG emissions</i> GRI 305-2: <i>Energy indirect (Scope 2) GHG emissions</i> GRI 307-1: <i>Non-compliance with environmental laws and regulations</i>
Social	GRI 103-1: <i>Explanation of the material topic and its Boundary</i> GRI 103-2: <i>The management approach and its components</i>

	<p>GRI 206-1: <i>Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices</i></p> <p>GRI 415-1: <i>Political contributions</i></p> <p>GRI 418-1: <i>Substantiated complaints concerning breaches of customer privacy and losses of customer data</i></p> <p>GRI 419-1: <i>Non-compliance with laws and regulations in the social and economic area</i></p>
<p>Work Practices</p>	<p>GRI 103-1: <i>Explanation of the material topic and its Boundary</i></p> <p>GRI 103-2: <i>The management approach and its components</i></p> <p>GRI 102-8: <i>Information on employees and other workers</i></p> <p>GRI 401-1: <i>New employee hires and employee turnover</i></p> <p>GRI 401-2: <i>Benefits provided to full-time employees that are not provided to temporary or part-time employees</i></p> <p>GRI 403-1: <i>Occupational health and safety management system</i></p> <p>GRI 403-2: <i>Hazard identification, risk assessment, and incident investigation</i></p> <p>GRI 403-3: <i>Occupational health services</i></p> <p>GRI 403-4: <i>Worker participation, consultation, and communication on occupational health and safety</i></p> <p>GRI 403-5: <i>Worker training on occupational health and safety</i></p> <p>GRI 403-6: <i>Promotion of worker health</i></p> <p>GRI 403-7: <i>Prevention and mitigation of occupational health and safety impacts directly linked by business relationships</i></p> <p>GRI 403-9: <i>Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities</i></p> <p>GRI 404-1: <i>Average hours of training per year per employee</i></p> <p>GRI 405-1: <i>Diversity of governance bodies and employees</i></p>
<p>Respect for human rights</p>	<p>GRI 103-1: <i>Explanation of the material topic and its Boundary</i></p> <p>GRI 103-2: <i>The management approach and its components</i></p> <p>GRI 406-1: <i>Incidents of discrimination and corrective actions taken</i></p>
<p>Combating active and passive corruption</p>	<p>GRI 103-1: <i>Explanation of the material topic and its Boundary</i></p> <p>GRI 103-2: <i>The management approach and its components</i></p> <p>GRI 205-3: <i>Confirmed incidents of corruption and actions taken</i></p>

The list of relevant aspects and their boundary are instead shown in the table below:

Material issues for TXT	GRI standards	BOUNDARY		
		Internal	External	Limitations
Anti-corruption	<i>GRI 205: Anti-corruption 2016 (205-3)</i>	TXT Group		
Anti-competitive behaviours	<i>GRI 206: Anti-competitive Behaviour 2016 (206-1)</i>	TXT Group		
Energy	<i>GRI 302: Energy 2016 (302-1)</i>	TXT Group		
Emissions	<i>GRI 305: Emissions 2016 (305-1, 305-2)</i>	TXT Group		
Environmental compliance	<i>GRI 307: Environmental compliance 2016 (307-1)</i>	TXT Group		
Employment	<i>GRI 401: Employment 2016 (401-1, 401-2)</i>	TXT Group		
Occupational health and safety	<i>GRI 403: Occupational Health and Safety 2018 (403-9)</i>	TXT Group	External collaborators working at Group offices	Reporting not extended to the external boundary
Training and education	<i>GRI 404: Training and Education 2016 (404-1)</i>	TXT Group		
Respect for diversity and equal opportunities	<i>GRI 405: Diversity and Equal Opportunity 2016 (405-1)</i>	TXT Group		
Non-discriminatory behaviours	<i>GRI 406: Non-discrimination 2016 (406-1)</i>	TXT Group		
Political contributions	<i>GRI 415: Public Policy 2016 (415-1)</i>	TXT Group		
Customer privacy	<i>GRI 418: Customer Privacy 2016 (418-1)</i>	TXT Group		
Social and economic compliance	<i>GRI 419: Socio- economic Compliance 2016 (419-1)</i>	TXT Group		

### Reporting process

TXT has established an "Internal procedure for the preparation of the Non-Financial Statement pursuant to Italian Legislative Decree no. 254/2016".

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

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

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

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

For certain data relating to individuals and with irrelevant percentages, estimates were used which were based on the total data of the Group. There are no "restatements" of the information provided in previous years, nor variations in relevant reporting aspects.

The Non-Financial Statement is drawn up on an annual basis. The previous edition of the document relating to the 2018 reporting year was approved in March 2019.

This document was approved by the Board of Directors of TXT e-solutions S.p.A. on 12 March 2020.

The 2019 Non-Financial Statement is subject to verification of compliance by EY S.p.A. in accordance with the provisions of Italian Legislative Decree no. 254/2016, Article 3, paragraph 10.

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

TXT has adopted the following general principles laid down by the "GRI 101 – Foundation" Standard.

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

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

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

- a. *Accuracy*: Information is reported in a sufficiently accurate and detailed manner to enable stakeholders to form an opinion on the performance of the organisation.
- b. *Balance*: The positive and negative aspects of TXT's performance are reported in order to allow for a reasonable assessment of the overall performance.
- c. *Clarity*: Information is made available in an understandable and accessible manner to the stakeholders who use the Non-Financial Statement.

- d. *Comparability*: The Non-Financial Statement provides information that is consistent from year to year.
- e. *Reliability*: TXT gathers, records, compiles, analyses and presents the information and processes used in preparing the Non-Financial Statement so that they can be subject to external scrutiny, establishing the quality and relevance of the information.
- f. *Timeliness*: The Non-Financial Statement is drawn up annually so that information is available to stakeholders at a set frequency.

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

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

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

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

b) Content Index

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

**General Aspects**

102-1	Name of the organisation	1.b Introduction - Page 3	
102-2	Activities, brands, products and services	1.c The year in brief – Page 4	
102-3	Location of headquarters	1.c The year in brief – Page 4	
102-4	Location of operations	1.c The year in brief – Page 4	
102-5	Ownership and legal form	1.c The year in brief – Page 4	
102-6	Markets served	1.c The year in brief – Page 4	
102-7	Scale of the organisation	1.d Corporate Information - Page 4 4.a People as TXT resources – Page 20	
102-8	Information on employees and other workers 2016	4.a People as TXT resources – Pages 20-25	

GRI standard	Name of the standard	Chapter - page	Omission
102-9	Supply chain	1.g Materiality analysis - Pages 7-8	
102-10	Significant changes to the organisation and its supply chain	1.c The year in brief – Page 4	
102-11	Precautionary Principle or approach	The Group does not use the precautionary principle	
102-12	External initiatives	4.f TXT's commitment to the community – Pages 31-32	
102-13	Membership of associations 2016	1.d Corporate Information - Page 4	
102-14	Statement from senior decision-maker 2016	1.a Message from the Chairman of the Board of Directors – Page 3	
102-15	Key impacts, risks, and opportunities 2016	2. Risk analysis – Pages 9-15	
102-16	Values, principles, standards, and norms of behaviour 2016	3.c Mission and values – Pages 17-18 3.d Group ethics – Pages 18-19	
102-18	Governance structure 2016	3.a The business model – Pages 16-17 3.b The corporate bodies – Page 17	
102-40	List of stakeholder groups 2016	1.f Stakeholders – Pages 5 -6	
102-41	Collective bargaining agreements	4. The policies applied and the results achieved – Page 20	
102-42	Identifying and selecting stakeholders 2016	1.f Stakeholders – Pages 5 -6	
102-43	Approach to stakeholder engagement	1.f Stakeholders – Pages 5 -6	
102-44	Key topics and concerns raised	1.f Stakeholders – Pages 5 -6	
102-45	Entities included in the consolidated financial statements 2016	1.e Reporting framework - Page 5	
102-46	Defining report content and topic Boundaries 2016	1.g Materiality analysis - Pages 7-8 5.a Methodological note – Pages 33 - 37	
102-47	List of material topics 2016	1.g Materiality analysis - Pages 7-8	
102-48	Restatements of information 2016	5.a Methodological note - Page 36	
102-49	Changes in reporting 2016	5.a Methodological note – Pages 33 - 37	
102-50	Reporting period 2016	5.a Methodological note - Page 33	
102-51	Date of most recent report 2016	5.a Methodological note - Page 36	
102-52	Reporting cycle 2016	5.a Methodological note - Page 36	
102-53	Contact point for questions regarding the report 2016	5.b Content index – Page 41	
102-54	Claims of reporting in accordance with the GRI Standards 2016	5.a Methodological note - Page 33	
102-55	GRI content index 2016	5.b Content index – Pages 37-41	
102-56	External assurance 2016	5.a Methodological note - Page 36 Report of the Independent Auditors – Pages 42-45	

**Economic aspects**

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

GRI 103 Management Approach 2016	GRI 103-1: Explanation of the material topic and its Boundary	1.g Materiality analysis - Pages 7-8	
	GRI 103-2: The management approach and its components GRI 103-3: Evaluation of the management approach	2. Risk analysis – Pages 9, 11-15 3. The Company model for the management and organisation of activities – Pages 16-19 4. The policies applied and the results achieved – Page 18	
GRI 205	Anti-corruption 2016		
205-3	Confirmed incidents of corruption and actions taken	2.d Corruption risk – Page 15	
GRI 206	Anti-competitive behaviour 2016		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	4.f TXT's commitment to the community – Page 32	

**Environmental Aspects**

GRI 103 Management Approach 2016	GRI 103-1: Explanation of the material topic and its Boundary	1.g Materiality analysis - Pages 7-8	
	GRI 103-2: The management approach and its components GRI 103-3: Evaluation of the management approach	2. Risk analysis – Pages 9-11 3. The Company model for the management and organisation of activities – Pages 16-19 4. The policies applied and the results achieved – Page 20	
GRI 302	Energy 2016		
302-1	Energy consumption within the organisation	4.d Energy and emissions – Page 28	
GRI 305	Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	4.d Energy and emissions – Page 29	
305-2	Energy indirect (Scope 2) GHG emissions	4.d Energy and emissions – Page 30	
GRI 307	Environmental compliance 2016		
307-1	Non-compliance with environmental laws and regulations	4.e Compliance with rules and regulations - Page 31	

**Social Aspects**

GRI 103 Management Approach 2016	GRI 103-1: Explanation of the material topic and its Boundary	1.f Materiality analysis - Pages 7-8	
	GRI 103-2: The management approach and its components GRI 103-3: Evaluation of the management approach	2. Risk analysis – Pages 9, 11-13 3. The Company model for the management and organisation of activities – Pages 16-19 4. The policies applied and the results achieved – Page 20	
GRI 401	Employment 2016		

GRI standard	Name of the standard	Chapter - page	Omission
401-1	New employee hires and employee turnover	4.a People as TXT resources – Pages 20-23	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.b Diversity and inclusion – Page 26	
<b>GRI 403</b>	<b>Occupational health and safety 2018</b>		
GRI 403 Management Approach 2018	GRI 403-1: Occupational health and safety management system GRI 403-2: Hazard identification, risk assessment, and incident investigation GRI 403-3: Occupational health services GRI 403-4: Worker participation, consultation, and communication on occupational health and safety GRI 403-5: Worker training on occupational health and safety GRI 403-6: Promotion of worker health GRI 403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4.c Health and safety – Pages 26-27	
403-9	Work-related injuries	4.c Health and safety – Page 27	
<b>GRI 404</b>	<b>Training and education 2016</b>		
404-1	Average hours of training per year per employee	4.a People as TXT resources – Pages 24-25	
<b>GRI 405</b>	<b>Diversity and equal opportunity 2016</b>		
405-1	Diversity of governance bodies and employees	3.b The corporate bodies – Page 17 4.b Diversity and inclusion – Page 26	
<b>GRI 406</b>	<b>Non-discrimination 2016</b>		
406-1	Incidents of discrimination and corrective actions taken	4.b Diversity and inclusion – Page 26	
<b>GRI 415</b>	<b>Public policy 2016</b>		
415-1	Political contributions	4.f TXT's commitment to the community – Page 32	
<b>GRI 418</b>	<b>Customer Privacy 2016</b>		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	4.e Compliance with rules and regulations - Page 31	
<b>GRI 419</b>	<b>Socio-economic compliance 2016</b>		



GRI standard	Name of the standard	Chapter - page	Omission
419-1	Non-compliance with laws and regulations in the social and economic area	4.e Compliance with rules and regulations - Page 31	

\*\*\*

For any information regarding the 2019 Non-Financial Statement and its contents, please contact [infofinance@txtgroup.com](mailto:infofinance@txtgroup.com).