

TXT e-solutions S.p.A.

2017 REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDING STRUCTURE

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

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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: Consob Regulation 20249/2017 concerning markets.

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).

TUF: Legislative Decree no. 58 dated 24 February 1998 (Consolidated Law on Finance).

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
- Related Parties 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 Related Parties Committee is a body constituted within the Board that assesses the Company's interest in carrying out Transactions with Related Parties, as well as the appropriateness and essential correctness of the relative conditions.

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. It 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 under the "governance/corporate-governance-reports" 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 2017, 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 22 April 2016 approved a stock option plan providing for the allocation of a maximum of 1,200,000 shares to the Company's top managers, dependent on achieving specific performance goals, which may be assigned by the Board of Directors in three-year tranches, with the Plan ending by 30 December 2022.

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 3% 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 2017.

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 2017, 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 2017, 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)

At 31 December 2017, there were no delegated powers to increase share capital.

On 21 April 2017, 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 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, 1,268,321 treasury shares are recognised in the Company's financial statements (1,354,133 at 31 December 2016), equal to 9.75% of the share capital, for a total par value of €2,715,604 (€2.14 per share) and a market value of € 12,226,614 (share price at 31 December 2017 equal to €9.64). This purchase is possible by using the share premium reserve for an amount equal to the value of the treasury shares purchased. In 2017, the Company purchased 32,700 treasury shares on the market, and sold over 118,512 treasury shares to employees in relation to the Stock Options 2016 plan.

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 of March 2006 (and subsequent amendments). Approved by the Corporate Governance Committee, this Code is available to the public on the Committee's website at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>.

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 L), 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 shareholding 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.), on the basis of the criterion of proportionality of procedural costs and complexity not justified by the characteristics, dimensions, organisational structure, nature, scope and framework of the activities carried out by TXT. The assessment was updated and confirmed during the Board meetings on 8 March 2017 and 8 March 2018.

4.2. Composition (Article 123-bis, paragraph 2, letter d) and d-bis), 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, of whom 3 are executive directors, 1 is a non-executive director and 3 are 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 21 April 2017 and shall remain in office up until approval of the Financial Statements at 31 December 2019.

During the Shareholders' Meeting held on 21 April 2017, two lists were submitted. The majority list was submitted by Alvise Braga Illa, with the following names: Alvise Braga Illa, Marco Edoardo Guida, Stefania Saviolo (independent candidate director), Fabienne Anne Dejean Schwalbe (independent candidate director) and Paolo Matarazzo (all elected). The minority list was submitted by E-business consulting SA with the names of Andrea Casanova, Andrea Lanciani and Teresa Cristiana Naddeo (independent candidate director). From this list Andrea Casanova, first on the list, and Teresa Cristiana Naddeo (independent director), third on the list, were appointed to replace Andrea Lanciani, second on the list, to allow a gender balance on the Board.

The shareholders declared that there are no connections between the lists. The majority list received 55.36% of votes; the minority list 43.63%.

On 21 April 2017, the Board of Directors appointed Mr Alvise Braga Illa as Chairman and Mr Marco Edoardo Guida as Chief Executive Officer.

On 3 August 2017 the director Andrea Casanova resigned for strictly personal reasons and the Board appointed Andrea Lanciani, a non-executive director, as the first candidate not elected from the same minority list voted on by the Shareholders' Meeting on 21 April 2017. The resolution was approved by the Board of Statutory Auditors.

Directors Alvise Braga Illa, Marco Edoardo Guida, Stefania Saviolo, Fabienne Anne Dejean Schwalbe and Teresa Cristiana Naddeo, elected by the Shareholders' Meeting held on 21 April 2017, had already been serving as directors. The director Paolo Matarazzo was a director of the company from 23 April 2008 to 10 May 2012.

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 Edoardo 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.

Paolo Matarazzo

Born in Milan on 5 May 1966.

After graduating in Economics and Business from Bocconi University and specialising in Business Administration at the University of San Diego (California), he gained significant experience in the world of finance, first as an analyst in London for three years and then in the Recordati Group for seven years, with responsibility for Cash Flows; in the next seven years he served as a Director of Finance, Administration and Control for Europe for Eurand, a Nasdaq-listed company in May 2007. He is a Chartered Accountant and Auditor. Since November 2007 he has been Chief Financial Officer of the TXT Group.

Andrea Lanciani

Born in Turin on 9 January 1965.

Andrea Lanciani graduated with a Law Degree in Turin in 1989, cum laude and publication recommended, and has been enrolled in the Bar Association since 1992. A Supreme Court attorney, he has expertise in the fields of commercial law with specific reference to banking, financial and corporate law and the sector of public companies. He is the author of publications on commercial law, corporate law and on the philosophy of law. He is fluent in English and French and is a partner at Studio Tosetto, Weigmann e Associati.

Stefania Saviolo

Born in Milan on 14 March 1965.

She graduated in 1989 in Business Economics from Milan's Bocconi University, where in 1993 she earned her PhD in International Business completely in 1992-1993 at the Stern School of Business - New York University.

She qualified as a Chartered Accountant in 1994 and is registered on the Milan Register of Accountants. Since 1993, she has been a Lecturer in Management and Technology at Bocconi University and the SDA Bocconi School of Management, where she teaches undergraduate, graduate and executive courses. She has been an independent director since 2014 of the Natuzzi Group (NYSE-listed) and since 2017 of the Stefanel Group, where she is also the Chairman of the Appointments and Remuneration Committee. For over 20 years she has provided management consultancy to fashion, design and luxury companies in the areas of brand management, international growth and organisational development.

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. She has completed projects for leading companies in the Media as well as Fashion sectors and has collaborated with Boston Consulting Group. She is currently advisor to the Chief Executive Officer of ASM Group, company specialised in customer care for Luxury brands, present in Europe, the USA and Asia.

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 of Gardena Capital Ltd, auditor at Salini Impregilo SpA, chairman of the Board of Statutory Auditors of Ligestra Quattro Srl.

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

Diversity policies

To date, the Company has not adopted a diversity policy in relation to the composition of the Board of Directors and the Board of Statutory Auditors. In the decision not to adopt a diversity policy, at least for 2017, due consideration was made of the significant transformation of the Group over the course of that year as a result of the assignment of the TXT Retail Division and the reconfiguration of activities in the TXT Next Division. The question of the suitability of approving a specific diversity policy was therefore deferred until 2018, once the scope of the Company's activities and the industrial development priorities have been defined.

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, the principles of correct management of risks, as well as the relevant regulatory framework of reference (Criterion 2.C.2.). Application of this principle is fulfilled for the non-executive and independent directors (4 individuals) through discussions and meetings with management and participation in operational events and initiatives, including the presentation of the new TXT Sense initiative at La Triennale di Milano on 28 September 2017. The other directors (3 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 non-executive and mostly independent directors.

No other change has occurred since the end of the 2017 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 system;
- 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, 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 2017 financial year, the Board of Directors held 10 meetings with an average duration of 2 hours and 40 minutes. Directors had an average attendance of 99%, while that of the Statutory Auditors was 98%.

5 meetings have been scheduled for the financial year 2018, none of which have been held yet. As envisaged by the regulatory provisions in effect, the Company has disclosed, in its press release issued on 15 November 2017, the following dates of the Board of Directors' meetings scheduled for 2018, for examination of the financial data:

- 08 March 2018: draft financial statements for the year ending 31/12/2017
- 19 April 2018: Meeting for the 2017 financial statements (single call)
- 10 May 2018: interim report on operations as at 31/3/2018
- 2 August 2018: half-yearly report as at 30/6/2018
- 6 November 2018: interim report on operations as at 30/9/2018

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 3.5 days before the meeting, a better timeframe than the 3 days in advance indicated as adequate by the Risk and Control Committee (*Criterion 1.C.5*). During 2017, 43% of the items on the agenda of the Board meetings did not require the submission of any preliminary documentation, considering the nature of the topics discussed. 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 ensures that sufficient time is dedicated to the topics in the agenda, in order to allow a constructive debate, encouraging contributions by the Directors during the course of the meetings.

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 2017, Mr Paolo Matarazzo, Chief Financial Officer, attended meetings of the Board – before being appointed as a director – and was called upon to act as secretary. Based on the items on the agenda, Mr Simone Pozzi, CEO of the TXT Retail division, attended one meeting. Regular updates were provided by the Company's consultants and lawyers.

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 8 March 2017, 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.

On 8 March 2017 the Board approved a document entitled "Information from the Board to Shareholders on the size and composition of the new Board of Directors", in preparation of the lists of candidates and the Shareholders' Meeting for re-election of the Board on 21 April 2017. The document was made available on the company's website and, as recommended by the Corporate Governance Code, contains considerations on the future size and composition of the administrative body, giving information to shareholders with a view to re-election. The main considerations include the indication of 7 directors as the optimal number for TXT, the useful separation of the two distinct posts of Chairman and Chief Executive Officer, the positive presence of diversified business and professional cultures, skills in the sectors of the two divisions, the composition of Committees, and the indication that directors should know English and have sufficient time to dedicate to the post, and ensuring a certain diversification between age groups.

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.*).

In order to ensure the correct management of company information, the Board of Directors approved on 8 March 2017 a new "Regulation for the management of Privileged Information and Establishment

of the register of persons with access to it” and a new “Internal Dealing Procedure”, updating the previous one from 2006, in accordance with the new Market Abuse Regulation – MAR. The documents were published on the Company's website (Criterion 1.C.1. letter j).

4.4. Delegated bodies

Chief Executive Officer

At the Board of Directors' meeting of 21 April 2017, 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 to the end of providing 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. 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;
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 make 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. to 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

On 21 April 2017 the Board of Directors entrusted to the Chairman special tasks with regard to the identification, coordination and review of development strategies; identification and implementation of business collaboration proposals with other operators, including through acquisitions, partnerships or joint ventures; promotion of activities to major customers and investors, coordinating the relevant internal activities; monitoring of the international situation, with particular regard to markets in which the company has a presence through its subsidiaries, in order to update the company's and the group's strategy on the basis of continual developments in market conditions.

The Chairman of the Board of Directors has been entrusted with 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 21 April 2017 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. 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 make 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;
 7. to represent the Company before any ordinary, special, national, regional and administrative Authority; sign and submit petitions, appeals, minutes concerning any issue, file administrative and court cases; take part in creditors' agreements and bankruptcy procedures; appoint lawyers and enter into any retainer agreements, in relation to any court proceedings, including with enforcing powers, in any stage and instance; 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; appoint arbitrators; 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

Within the Board Mr Paolo Matarazzo (Chief Financial Officer) is to be considered an executive director 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 independent 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 independent 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 2017, the three non-executive directors were qualified as independent: Teresa Cristiana Naddeo, Stefania Saviolo and Fabienne Dejean Schwalbe.

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 independent director (*Criterion 3.C.4.*). In performing the above-

mentioned assessments the Board applied all the criteria provided for by the Code (*Criteria 3.C.1. and 3.C.2.*).

On 8 March 2016, the Board adopted a Procedure to Assess the Independence Requirements, with a number of additional requirements with respect to those envisaged by the code. The Board states that a director is not generally considered independent if they have or had during the prior year business, financial or professional dealings with the Company, with one of its subsidiaries or with any of the relative significant parties, or with a party that controls the Issuer, or with the relative significant parties, if the total value of said dealings exceeds:

- i) 10% of the turnover of the legal person, organisation or professional firm in which the director has control or is a significant member or partner, or
- ii) 10% of the annual income of the director as natural person or of the annual turnover generated directly by the director as part of the activities carried out for the legal person, organisation or professional firm in which the director has control or is a significant member or partner, or
- iii) 100% of the remuneration received as member of the Board of Directors and Committees. (*Criterion 3.C.4.*)

On 8 May 2017 the Board of Directors assessed the independence of non-executive directors by considering, among other things, the principle of substance over form (*Criteria 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.

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).

Over the course of the year the independent directors met without the other directors on 16 January 2017 and 18 September 2017 (*Criterion 3.C.6.*). They discussed matters relating to setting the level of remuneration for executive directors and aspects of the stock option plan and analysed the risk profile of the extraordinary transaction to assign the TXT Retail Division. These meetings are to be considered separate and different from that of the Board committees.

The independent directors have regular occasions to meet during meetings of the Remuneration Committee and of the Risks and Internal Controls Committee.

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 has been appointed. On 21 April 2017, the Board of Directors appointed Ms Teresa Cristiana Naddeo as Lead Independent Director (*Criterion 2.C.3.*).

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

The Board of Directors approved on 8 March 2017 a new “Regulation for the management of Privileged Information and Establishment of the register of persons with access to it”, updating the previous one from 2006, in accordance with the new Market Abuse Regulation.

The Regulation is available on the Company’s website at the following address:

<https://www.txtgroup.com/it/governance/altre-informazioni/>

The new Regulation is divided into various sections, including the definition of privileged information, confidentiality obligations, prohibited and legitimate conduct, information management processes, access by third parties, the publication process, delays in communication, external relations, rumours, forecast data, subsidiaries, the register of person with access to privileged information, limitations on securities transactions in the 30 days preceding the announcement of profit/loss and before extraordinary transactions.

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.

The Regulation also governs the functioning of the register of person with access to privileged information (arts. 152-bis ff of the Issuers' Regulation). The Register ensures traceability of access to individual market-sensitive information contexts, that are separated into recurrent or continuous relevant activities/processes (e.g. the accounting process or meetings of corporate bodies) and specific projects/events (e.g. extraordinary corporate transactions, acquisitions/assignments, relevant external facts).

Names are entered on the Register for each individual recurrent or continuous activity/process or for each individual project/event (including with the possibility of the same party being registered several times in different information contexts), indicating the initial moment of availability of the specific market-sensitive information and if applicable the moment from which such availability is revoked (entry to/exit from the relevant information context). Upon registration, the system automatically produces a notification message to the interested party, accompanied by an appropriate information note regarding obligations, prohibitions and responsibilities relating to access to market-sensitive information.

On 28 January 2013 the Company published on its website a press release stating that the Board of Directors had decided to take advantage of the option not to comply with the obligations to publish information documents in the case of significant merger, demerger, capital increase by non-monetary contribution, acquisition and assignment transactions.

Code of Conduct on Internal Dealing.

The Board of Directors approved on 8 March 2017 a new "Internal Dealing Procedure", updating the previous one from 2006, in accordance with regulatory changes (Criterion 1.C.1., letter j).

The Procedure is available on the Company's website at the following address:

<https://www.txtgroup.com/it/governance/altre-informazioni/>

The new Procedure is divided into various sections, including the definition of Significant Transactions, Closely Related Persons, Relevant Parties; Obligations regarding information and conduct on the part of relevant parties and closely related persons; further conduct obligations: blackout periods, sanctions; the party responsible for updating the Procedure; its entry into force; the list of examples of significant transactions; the templates for notifications and communications to the public; negotiations during the blackout period.

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, by the end of the year starting from the first transaction. Such notification shall be made within three 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. The Board therefore also took advantage of the discretion allowed by the Corporate Governance Code to comply with the substance of the Corporate Governance improvement targets, implementing them according to the principle of proportionality, i.e. in consideration of the characteristics, dimensions, internal organisational complexity, nature, scope and complexity of the activities carried out.

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 from within its members through a resolution dated 8 June 2000. It currently has four members, one executive director and three independent 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 one non-executive director (Andrea Lanciani) and three independent 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. 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.

During the year 2017, the Committee held five meetings (on 7 March, 3 May, 28 July, 6 and 19 December) of 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 91%. Each director's participation is shown in Table 2 attached to this Report. Three meetings have been scheduled for 2018. The first meeting of the Remuneration Committee for 2018 was held on 6 March 2018.

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 2017, Mr Paolo Matarazzo, Chief Financial Officer, attended four

meetings of the Committee and was called upon to act as secretary and, depending on the items on the agenda, the Chief Executive Officer, Mr Marco Guida, also participated.

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.

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);
- examined the management proposals for changing the variable incentive plan (MBO) for senior personnel to update the operational rules and make them consistent with the company's development;
- examined the remuneration policies for managers;
- made proposals to the Board with regard to the early partial maturation of the Stock Option Plan, as a result of the assignment of the TXT Retail Division;
- expressed its opinion to the Board with regard to the maturation of bonuses for personnel in the TXT Retail Division assigned to Aptos.
- expressed its opinion to the Board with regard to a one-off payment for certain managerial staff in relation to the extraordinary assignment transaction of the TXT Retail Division;

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 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 Option 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 options assigned to directors to purchase shares or to be remunerated based on the share price performance price have a vesting period of three years;
- 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 the options until the end of their term of office, and that the managers with strategic responsibilities keep them for 3 years from exercise (*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 (*Criterion 6.C.4.*). Non-executive directors and independent directors are not involved in stock options incentive plans (*Criterion 6.C.4.*).

The Shareholders' Meeting held on 21 April 2017 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 21 April 2017 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.

The Stock Option Plan envisages for all beneficiaries, including directors and managers with strategic responsibilities, that in the case of a Takeover Bid or in any case upon occurrence of an event that could affect the rights of beneficiaries or the possibility to exercise the options (such as mergers, de-mergers, revocation of the listing of the Shares, promotion of takeover bids or other events that could impact exercisability of the Options), the options shall become immediately exercisable in proportion to the period of time elapsed from the beginning of the vesting period until the date of the event, with respect to the regular vesting period. The remaining Options are cancelled.

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 one non-executive director (Andrea Lanciani) and three independent 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. 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 Committee held seven meetings in 2017, coordinated by the Chairman, on 23 February, 7 March, 20 June, 6, 18 and 28 July and 6 December. The directors participated in all committee meetings held during their effective term of office. At least 4 meetings have been scheduled for 2018. The first meeting of the Risks and Internal Controls Committee for 2018 was held on 6 March 2018.

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 87%.

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 2017, 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 EY Spa, attended meetings, along with Eugenio Forcinito, administrative director for Italy, and Stefano Montagnoli, manager of the consolidated financial statements.

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) to 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) to 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) to express opinions on specific issues concerning identification of the company's main risks (*Criterion 7.C.2., letter b*);
- d) to 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) to 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) to 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) to 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) to 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) to 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).

During said meetings, the Committee also examined:

- the 2016 consolidated financial statements, the 2017 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;
- updates on the certifications and operation of the Quality System;
- the report by Internal Audit and the measures carried out;
- the Group's risk assessment activities;
- risk and opportunity assessment for updating TXT Next's business plan;
- risk and opportunity assessment relating to the TXT Retail Division assignment transaction;
- risk assessment for the 2018 Budget;
- assessment of the organisational structure of TXT after the closing of the TXT Retail Division assignment transaction;
- analysis of the results of the Board's and Committees' self-assessment process and formulation of proposals to the Board for guidelines on size and composition;
- formulation of proposals to the Board for updating the privileged information management procedure;
- analysis of the report on delayed privileged information management activities;

- assessment of new features with regard to the External Auditing of Accounts in implementation of Directive 56/14;
- assessment of the action plan for compliance with new non-financial statements.

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

In defining the strategic, industrial and financial plans, the Board defined the nature and level of risk compatible with the Company's strategic objectives, including in its assessments all of the risks that might be significant with a view to medium to long-term sustainability of the activities of the Issuer (*Criterion 1.C.1., letter b*).

The risk management system cannot be considered separately from the internal control system with regard to the financial reporting process; in fact, they are both part of the same system. This system is aimed at ensuring reliability, accuracy and timeliness in financial reporting.

The Code defines this system 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 the Manager 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.

Internal control and risk management system (Principle 7.P.2.):

- contributes to operating the company in accordance with the objectives defined by the Board, encouraging the adoption of informed decisions;

- participates in ensuring safeguarding of the company assets, efficiency and effectiveness of the company processes, reliability of the information provided to the corporate bodies and to the market, and respect of laws and regulations, as well as of the company by-laws and internal procedures.

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

On 21 April 2017 the Board of Directors confirmed the appointment on 8 March 2010 of the CEO, Marco Guida, as the Executive Director in charge of supervising 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 8 May 2017, 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 EY Spa, Via Meravigli 14 - 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 an executive director and 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 2017, the

parties involved in the internal control system met and exchanged information in two meetings: 7 March and 28 July (*Criterion 7.C.1., letter d.*).

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 "Related Parties 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 Related Parties Committee shall receive exhaustive and adequate disclosure on the Transactions and their features. The Related Parties 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, and are chosen by the Related Parties Committee itself. 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.

The decision of the Board of Directors may be taken despite advice to the contrary from the Related Parties 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 or 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 2389, 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.

On 19 December 2017, the Related Parties Committee and the Remuneration Committee expressed a favourable opinion on the award of an extraordinary bonus to certain employees in the Administration, Finance, Control and General Services team, in the context of the TXT Retail assignment process. The beneficiaries include Paolo Matarazzo, the Chief Financial Officer, who in his capacity as an executive director is a related party. The remuneration policy approved by the Shareholders' Meeting on 21 April 2017 establishes that, at the proposal of the Remuneration Committee, the Board of Directors may grant bonuses to executive directors in relation to strategically significant transactions and their effects on the results of the Company and/or Group. The Related Parties Procedure adopted by the Company excludes from the examination transactions that are compliant with the Remuneration Policy approved by the Shareholders' Meeting, but it seemed appropriate nevertheless to establish both committees. For details, reference should be made to the Remuneration Report.

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, letters d) and d-bis, 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 21 April 2017, and it shall hold office until approval of the financial statements for the year ending 31 December 2019. On 24 March 2017, 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 Luisa Cameretti, Giampaolo Vianello, Laura Grimi and Pietro Antonio Grignani (two standing auditors and two alternate auditors, as respectively appointed). The minority list was submitted by Alvisè Braga Illa and included Mario Basilico, Massimiliano Alberto Tonarini and Barbara Premoli (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 62.02% of votes; the minority list 34.38%.

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.

Mario Basilico

Born in Milan on 27 February 1960.

Graduated in Law from Università Cattolica di S. Cuore in Milan in 1991 and in Economics and Business in 2011. Enrolled in the register of External Auditors since 1995 under no. 3991. A partner in the professional firm of the same name, Mr Basilico is responsible for tax affairs and national and international corporate law and has experience of organising and starting up SMEs and companies

in the financial sector, launching and managing supplementary pension funds, corporate financial statements for real estate brokerage, preparation of organisation models and supervisory body 231/01. He is a published author and lecture on specialist courses.

Giampaolo Vianello

Born in Rome on 14 May 1970.

Graduated in Economics and Commerce from Università Cattolica del S. Cuore in Milan in 1988. Enrolled in the register of External Auditors since 2004 under no. 132207. Partner at "Studio Palmieri e Associati" in Como specialising in assistance with legal, corporate and tax matters. Mr Vianello is a consultant and defence counsel at Tax Committees, with regard to tax disputes, a standing auditor of 7 companies and a director of a multinational company.

Luisa Cameretti

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

Graduated in Economics and Commerce from Università Cattolica del S. Cuore in Milan in 1990. Enrolled in the register of Chartered Accountants and bookkeepers of Milan since 1996. Enrolled in the register of Statutory Auditors under no. 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.

Diversity policies

The Company has not adopted any policies with regard to diversity for the control body other than those established by law, for the reasons already stated in Section 4.2 above dedicated to the composition of the Board of Directors, paragraph "Diversity policies". During the 2017 financial year, the Board of Statutory Auditors held 6 meetings, with an average duration of 2 hours and 30 minutes. Five meetings have been scheduled for 2018, the first of which was held on 12 February 2018.

The Board of Statutory Auditors assessed the independence of its members (Criterion 8.C.1.). In performing the above-mentioned assessments, the Board considered compatible and significant 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 the most appropriate manner, in initiatives aimed at providing them with adequate knowledge of the business sector in which the Company operates, the corporate dynamics and their development, the principles of proper risk management, as well as the relevant regulatory framework of reference (*Criterion 2.C.2.*). Application of this principle is fulfilled through discussions and in-depth meetings with management.

Remuneration of the Statutory Auditors is commensurate with the required commitment, the relevance of the role held and the size and sector characteristics of the company (*Criterion 8.C.3.*).

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 (*Criteria 8.C.4. and 8.C.5.*), meeting with internal audit and regularly attending the committee meetings.

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), 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 5 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 2017, the Company took part in the "Star Conference" event organised by Borsa Italiana in Milan, on 22 March 2017, as well as in London on 10 October 2017. The company also organised a presentation for investors and analysts during the Shareholders' Meeting of 21 April 2017, as well as various meetings with investors in Milan, Paris, London, Frankfurt and Geneva.

The Chairman of the Board of Directors has powers of communication with regard to rules and regulations and in the interests of the Company, shareholders, employees and customers, carefully assessing the subject matter and content of external communications and communications to the market. The content of communications is the responsibility of the Chairman with the support of the CEO and CFO and in consultation with the Board of Directors for particularly sensitive matters. In order to provide regular updates on the Company, an email-based communication channel is operational (txtinvestor@txtgroup.com). Everyone can sign up for this service in order to receive, in addition to press releases, specific communications to Investors and Shareholders.

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 usually held at the Borsa Italiana headquarters, but they may also be held at the Company's registered office or 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. The Company, in derogation from Article 135 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, Investor Relations, Corporate Governance, Shareholders' Meeting document section). The proxy may be sent electronically to 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. 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 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 21 April 2017. 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 La Triennale di Milano or at the Borsa Italiana headquarters in Milan and, subsequently, to organise presentation meetings 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 2017, the Company's market capitalisation was €113.5 million, compared to €87.4 million at 31 December 2016. 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 2017, only one ordinary Shareholders' Meeting was convened.

The Shareholders' Meeting of 21 April 2017 approved the 2016 Financial Statements, the dividend distribution, the remuneration report, the renewal of the treasury share purchase plan, appointment of the Board of Directors and Board of Statutory Auditors and determination of remuneration.

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 21 April 2017 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.

19. CONSIDERATIONS ON THE LETTER DATED 13 DECEMBER 2017 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations formulated in the letter from the Chairman of the Corporate Governance Committee dated 13 December 2017 were brought to the attention of the Board of Directors on 8 March 2018 during the discussion of the results of the self-assessment process.

The Board considered that the Company had already fully adopted some of the areas for improvement indicated by the Chairman of the Corporate Governance Committee for 2017, including:

- fully transparency on the timeliness, completeness and accessibility of information provided before Board meetings;
- the remuneration policy for directors and managers with strategic responsibilities including a suitable variable long-term component (implemented for TXT through a Stock Option Plan), the claw-back clauses already adopted for some years and the policy for giving the Chairman only a severance package for end of term of office, already specified and decided by the Shareholders' Meeting;
- the assessment process for the criteria of independence of independent directors is structured and constantly applied with attention to both form and substance;
- the board review process is carried out systematically and completed by assessments of how effectively the Board and Committees function, including contributions to the

definition of strategic plans, monitoring the progress of management and suitability of the internal control system.

The Board of Directors also assessed the recommendations for the establishment of an Appointments Committee and the adoption of Succession Plans for executive directors, but decided to comply with the guidelines of the Corporate Governance Code through the Board's direct activities, avoiding procedural costs and complexity not justified by the characteristics, dimensions, organisational structure, nature, scope and framework of the activities carried out by TXT.

TABLE 1: Information on the shareholding structure

Dichiarante	Azionista diretto	N° azioni detenute	Quota % su capitale ordinario	Quota % su capitale votante
4CV PTE Ltd (tramite E-Business Consulting S.A.)	NO	3.332.011	25,62	28,39
Alvise Braga Illa	SI	1.822.954	14,02	15,53
Kabouter Management LLC	SI	1.237.596	9,52	10,54
Azione in portafoglio (con diritto di voto sospeso)	SI	1.268.321	9,75	-
Mercato	SI	5.345.368	41,10	45,54
Totale azioni		13.006.250	100,00	100,00

TABLE 2: Composition of the Board of Directors and Committees

Consiglio di amministrazione													Comitato Controllo e Rischi		Comitato Remunerazioni	
Carica	Nominativo	Anno di nascita	Data di prima nomina	In carica dal	In carica fino a	Lista	Esec.	Non esc.	Indip. da codice	Indip. da TUF	Nr. altri incarichi (1)	Partecipazione (3)	Qualifica	Partecipazione (3)	Qualifica	Partecipazione (3)
Presidente	Alvise Braga Illa	1939	03.07.1989	01.01.2017	31.12.2017	Maggioranza	x				-	10/10				
Amm. Del.	Marco Edoardo Guida	1961	23.04.2008	01.01.2017	31.12.2017	Maggioranza	x				-	10/10				
Amm.	Paolo Matarazzo	1966	23.04.2008	21.04.2017	31.12.2017	Maggioranza	x				-	9/9				
Amm.	Teresa Cristiana Naddeo	1958	10.05.2012	01.01.2017	31.12.2017	Minoranza		x	x	x	2	10/10	Presid.	7/7	x	5/5
Amm.	Stefania Saviolo	1965	17.04.2014	01.01.2017	31.12.2017	Maggioranza		x	x	x	-	9/10	x	7/7	Presid.	5/5
Amm.	Fabienne Dejean Schwalbe	1964	05.05.2015	01.01.2017	31.12.2017	Maggioranza		x	x	x	-	10/10	x	7/7	x	5/5
Amm.	Andrea Lanciani (2)	1965	03.08.2017	03.08.2017	31.12.2017	Minoranza		x			-	3/3	x	1/1	x	2/2
AMMINISTRATORI CESSATI DURANTE L'ESERCIZIO DI RIFERIMENTO																
Amm.	Andrea Cencini	1963	20.04.2011	01.01.2016	31.12.2016	Minoranza	x				-	1/1				
Amm.	Paolo Enrico Colombo	1956	28.06.1999	01.01.2016	31.12.2016	Minoranza	x				-	1/1				
Amm.	Andrea Casanova	1986	21.04.2017	21.04.2017	03.08.2017	Minoranza		x			-	6/6	x	4/4	x	2/2
N. riunioni svolte durante l'esercizio 2017:				CDA: 10		CCR: 7		CR: 5								
Quorum richiesto per la presentazione delle liste da parte delle minoranze per l'elezione di uno o più membri (ex art. 147-ter TUF): 4,5%																

(1) In questa colonna è indicato il numero di incarichi di amministratore o sindaco ricoperti dal soggetto interessato in altre società quotate in mercati regolamentati italiani.

Detti incarichi sono indicati per esteso nella Relazione sulla corporate governance.

Informativa completa in merito a tutte le cariche ricoperte è allegata alla Relazione del Collegio Sindacale al Bilancio.

(2) Amministratore co-optato dal Consiglio in data 3.8.2017.

(3) In questa colonna è indicata la partecipazione degli amministratori alle riunioni rispettivamente del C.d.A. e dei comitati (n. di presenze/n. di riunioni svolte durante l'effettivo periodo di carica del soggetto interessato).

(4) Il Comitato Parti Correlate composto da Fabienne Dejean Schwalbe - Presidente, Teresa Cristiana Naddeo, Stefania Saviolo e Andrea Lanciani si è riunito il 19.12.2017 con la presenza di tutti membri.

TABLE 3: Composition of the Board of Statutory Auditors

Carica	Nominativo	Anno di nascita	Data di prima nomina	In carica dal	In carica fino a	Lista	Indip. da codice	Partecipazione (3)	Nr. altri incarichi (1)
Presidente	Mario Basilico	1960	21.04.2017	21.04.2017	31.12.2017	Minoranza	x	3/3	-
Effettivo	Giampaolo Vianello	1970	21.04.2017	21.04.2017	31.12.2017	Maggioranza	x	3/3	-
Effettivo	Luisa Cameretti	1965	17.04.2014	01.01.2017	31.12.2017	Maggioranza	x	6/6	-
Supplente	Pietro Antonio Grignani	1964	29.04.2002	01.01.2017	31.12.2017	Maggioranza			
Supplente	Laura Grimi	1975	17.04.2014	01.01.2017	31.12.2017	Maggioranza			
Supplente	Massimiliano Tonarini	1968	21.04.2017	21.04.2017	31.12.2017	Minoranza			
SINDACI CESSATI DURANTE L'ESERCIZIO DI RIFERIMENTO									
Presidente	Raffaele Valletta	1939	03.07.1989	01.01.2017	21.04.2017	Minoranza	x	3/3	-
Effettivo	Fabio Maria Palmieri	1962	28.06.1999	01.01.2017	21.04.2017	Maggioranza	x	3/3	-
Supplente	Angelo Faccioli	1949	23.04.2008	01.01.2017	21.04.2017	Minoranza			
N. riunioni svolte durante l'esercizio: 6									
Quorum richiesto per la presentazione di liste da parte delle minoranze per l'elezione di uno o più membri (ex art. 148 TUF): 2%									

(1) In questa colonna è indicato il numero di incarichi di amministratore o sindaco ricoperti dal soggetto interessato in altre società quotate in mercati regolamentati italiani. Detti incarichi sono indicati per esteso nella Relazione sulla corporate governance. Informativa completa in merito a tutte le cariche ricoperte è allegata alla Relazione del Collegio Sindacale al Bilancio.

(2) In questa colonna è indicata la partecipazione dei Sindaci alle riunioni del Collegio Sindacale (n. di presenze/n. di riunioni svolte nell'esercizio).

