



CONSOLIDATED NON-FINANCIAL STATEMENT

DATALOGIC GROUP

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Message from the CEO

This non-financial statement (the second for Datalogic) represents an opportunity for us to convey all the activities we carried out for our “Stakeholders” during the course of 2018. The Group’s commitments have remained focused upon customer satisfaction, product research and innovation, attention to employees, relations with suppliers and local communities, and the management of our environmental impact.

Our leadership in the field of automatic data capture and process automation has always been based on the development of revolutionary technologies to meet the needs expressed by customers, and to anticipate those that are not expressed. We believe in continuously monitoring their needs and their level of satisfaction in order to establish and consolidate long-term relationships. This means building a shared future.

We are essentially driven by the desire to understand and meet our Customers' expectations, and this desire motivates us to come up with increasingly efficient and effective ways to improve the Customer Experience. The year ended with almost 500 specialised human resources (mostly engineers) employed at the Group’s Research & Development divisions all around the world, who are committed to creating innovative solutions designed to simplify complex activities, while at the same time expediting and error-proofing the relative processes. Our growth is primarily fuelled by these high value resources.

In order to satisfy our customers with highly innovative products and solutions and keep up with the latest technological trends, one of our main priorities is to attract and retain some of the best talents available on the market. For this purpose, Datalogic offers excellent entry-level opportunities and solid pathways of professional growth. Training is a key process for improving skills, especially technical skills, and keeping them up to date. Investments in R&D currently amount to about 10% of the Group’s revenues. Moreover, Datalogic offers all the Group’s resources (including R&D) a series of benefits through a welfare platform that takes into account all our staff’s needs in the various countries in which we operate.

For an organisation like ours, engagement, growth and collaboration with suppliers are key factors for improving competitiveness. The strategic suppliers and their processes undergo specific analyses in order to assess any potential risks in terms of supply quality and the protection of social and environmental aspects.

Datalogic continuously places particular focus on the functioning of its corporate governance system, and uses national and international corporate governance best practices as a basis for the development of its decision-making and control structures. Risk management contributes to the ethical management of the company in a manner that’s consistent with its objectives, thus fostering informed decisions, the proper functioning of the corporate processes, the reliability of the information provided to the corporate bodies and the market, compliance with the laws and regulations, and the ongoing pursuit of sustainability.

One of the Group's drivers is its ability to network with academic and industrial partners who share our passion for high-tech innovation. Datalogic has been collaborating with academic, industrial and research institutes all over the world for several years, with the aim of developing increasingly advanced technologies and promoting research and training projects. University students enrolled in science-based faculties even have the opportunity to participate in the “Best Thesis of the Year” award: an initiative that the company has set up in order to reward the best thesis project carried out at the company with a € 1,000 contribution and the possibility of being hired by the company with a training contract.

Datalogic has implemented environmental protection policies in order to minimise the external impact and the risks associated with its activities. Our daily commitments include the application of eco-compatible technologies and the engagement of the employees and suppliers in this regard. Datalogic constantly

monitors the current health and safety legislation in order to guarantee the complete legislative compliance of its products and processes.

This Non-Financial Statement is a further step forward in the process of sharing information with our “Stakeholders” regarding social and environmental sustainability aspects and the management of the relative risks.

Methodological note

Italian Legislative Decree 254/2016, as amended (hereinafter: the Decree)¹, introduced the obligation, starting from the year ended on 31/12/2017, for large companies or groups that constitute public interest entities, to report on the environmental and social issues relevant to each company in light of its activities and characteristics, relating to personnel, respect for human rights, and the fight against active and passive corruption.

In compliance with the provisions of article 5, paragraph 3, letter b, of Italian Legislative Decree no. 254/2016, Datalogic Group has prepared this consolidated non-financial statement, hereinafter the Statement or NFS, which constitutes a distinct report separate from the Management Report.

This NFS for the 2018 financial year covers the period from 1 January to 31 December 2018, and includes Datalogic S.p.A. (the Parent Company) and all the companies consolidated line-by-line, as described in the Consolidated Financial Statements (within this document, the terms “Datalogic Group”, “Group” and “Datalogic” refer to all the companies included within the scope of consolidation).

Datalogic has prepared this NFS in accordance with the GRI Sustainability Reporting Standards (hereinafter also referred to as the “GRI Standards”) published in 2016 by the Global Reporting Initiative (GRI). In particular, in accordance with the provisions of GRI 101: Foundation, section 3, reference is made within this document to the GRI Reporting Standards (“*Core Option*”).

This is the second time that Datalogic Group has issued an external report and disclosure regarding its non-financial performance. The material topics to be reported were selected through a process that’s described in detail further ahead within these Methodological Notes. During the course of 2018, Datalogic began refining and reviewing its reporting process, including the process for defining the material topics, with the aim of ensuring continuous improvement.

The performance indicators were selected from among those proposed by the GRI, based on their relevance and representativeness with respect to the characteristics of the Group and its Business activities.

The process was coordinated on a Group-wide level by Corporate Quality. The Corporate Departments, on both a centralised and local level, were involved in the process of gathering the policies, the risks generated and suffered, the management and organisation models, and the data and information necessary for the preparation of the Statement.

The consolidated non-financial statement is prepared on an annual basis, and includes a comparison with the information provided for the previous years. As this is the second year for which the Group has reported its non-financial information, wherever available comparisons have been drawn with the data provided in the 2017 NFS. For the data being introduced for the first time in this report, however, comparisons will only be possible with the previous years starting with the next Statement.

The data are calculated accurately based on the accounting and non-accounting records, and the other information systems used by the competent departments, and are validated by the relevant department managers.

¹ It acknowledges the provisions of Directive 2014/95/EU (amending Directive 2013/34/EU) concerning the disclosure of non-financial information and information on diversity by certain companies and large groups.

For 2018, the reference criteria for calculating the environmental consumption values were updated as follows:

- **Conversion factors:** the national standard parameters published by the Ministry of the Environment in 2018 were utilised;
- **Scope 1 Emissions:** the conversion factors calculated by DEFRA for the year 2018 were taken into account;
- **Scope 2 Emissions:** those calculated by Terna (with conversions attributed in 2017 for the year 2018) were used as a reference, with the exception of Vietnam, where the values estimated by IGES were taken into account.

This document was approved on 19 March 2019 by the Datalogic S.p.A. Board of Directors, with the approval of the Control, Risk, Remuneration and Appointments Committee, and after having consulted with the Board of Statutory Auditors.

This Non-Financial Statement has been audited by the independent company EY S.p.A. (which is also tasked with auditing Datalogic Group's Financial Report), in accordance with the methods required by the current legislation.

The 2018 consolidated non-financial statement is available on the Datalogic website: <https://www.datalogic.com/ita/azienda/investor-relations-ir-239.html>

For more information or clarifications, or for any questions you may have, please contact Datalogic Group via the "contact us" section of the website, at: <https://www.datalogic.com/ita/contatti-cth-4467.html>.

Materiality analysis and relevant topics

This Non-Financial Statement is intended to provide information on environmental and social issues relating to personnel, respect for human rights, and the fight against active and passive corruption.

Using the GRI Standards as a reference, Datalogic has initiated a materiality analysis process (as required by GRI 101 – Foundation) in order to identify the relevant topics upon which to focus the content of the 2018 NFS, based on the importance of the economic, environmental and social impacts generated by its own activities, and their influence upon the assessments and decisions of the Group's stakeholders.

Datalogic has decided to refine the internal materiality analysis process with respect to the 2017 NFS. In fact, the materiality analysis is a strategic tool for defining the issues that are relevant and significant to the Group and its stakeholders.

The materiality analysis process was carried out according to the following phases:

1. **Identification of the relevant topics:** initial analysis of internal and external document sources, taking into consideration:
 - The business model, strategy and main risks;
 - The main sectoral issues;
 - The interests and expectations of the stakeholders;
 - The impact of the activities;
 - Public policies and regulatory stimuli.

This analysis was followed by interviews with the Company's main Department Managers in order to refine and validate the topics identified;

2. **Assessment of the topics' relevance for the Group:** Web survey sent out to the Company's Department Managers in order to collect their assessments regarding the relevance of the identified topics;
3. **Assessment of the topics' relevance for the stakeholders:** engagement of the main categories of reference stakeholders (Material and Service Providers, Distributors, Public Bodies)² in order to determine the external perception of the Group, by holding appropriate interviews and conducting an analysis of public sources capable of effectively representing the stakeholders' point of view;
4. **Evaluation of the results:** the evaluation of the data and the assessments collected led to the identification of the material topics to be addressed in the 2018NFS;
5. **Validation of the results:** the results of the materiality analysis were initially validated through a collective meeting held with all the Company's Department Managers, and were subsequently approved by the Group's CEO.

5 target areas useful for understanding the Group's Business were identified:

- **Business Ethics, Corporate Conduct and Governance:** to be understood as the establishment of a comprehensive set of values and principles, as well as the adoption of tools intended to facilitate their implementation and disseminate a common culture geared towards results, efficiency and a sense of belonging to the Group;
- **Customer relations:** a "Customer Centric" organisation sees the ability to understand customers' needs and to effectively meet their requirements as a major objective and a success factor for its business;

² In order to improve the Materiality Analysis process, Datalogic engages a larger number of external stakeholders in the listening and data capture phase

- **Product innovation:** a primary driver of company development, capable of generating value in the customers' processes, helping us stand out from the competition, and bringing technological change to the sector in which the Group operates;
- **The Company's Personnel:** being the Group's main resource, the personnel undergo development and retention processes;
- **Management of environmental impacts:** oversight and approach aimed at reducing the environmental impacts generated by the company's operations;

These areas were then broken down into detailed topics, as a starting point for the materiality analysis. At the end of the process, 10 "material" topics were identified for Datalogic Group. 2 additional topics (energy efficiency, and the reduction of CO₂ emissions) were added to these, due to the fact that they're considered to be points of major interest/increased awareness within the sector, and in response to the requirements of Italian Legislative Decree 254/2016.

The areas of reference and the relative topics are therefore listed below:

Area	Material Topic
Business Ethics, Corporate Conduct and Governance	<ul style="list-style-type: none"> • Adequacy of Corporate Governance • Risk Management
Customer Relations	<ul style="list-style-type: none"> • Customer Needs
Product Innovation	<ul style="list-style-type: none"> • R&D and Innovation • Quality Management
Personnel	<ul style="list-style-type: none"> • Employee attraction, management and turnover • Diversity Management • Training and Coaching • Employees' rights • Workplace safety
Management of Environmental Impacts	<ul style="list-style-type: none"> • Energy efficiency • Reduction of CO₂ emissions

Table 1 Material Topics

In addition to the previously identified topics, in order to gain a full understanding of the Group's Business, and to comply with the provisions of Italian Legislative Decree 254/16, this Statement also contains information on the **Supply Chain Management** area, which is to be understood as the supplier selection and evaluation process, not only based on economic criteria, but also based on environmental and social sustainability criteria, and the ability to build lasting partnerships over time.

The topic of Human Rights will be covered only briefly within this Statement, as it emerged in the materiality analysis as being not very relevant and having an insignificant level of risk (both in terms of the activities carried out by Datalogic and the types of activities performed by its suppliers).

The Group's water consumption, on the other hand, has not been reported at all, as it is not relevant to ensure an understanding of the business, its performance, its results, and the impacts that it generates. In fact, the Group's business consists of offices and production facilities that do not use any significant amounts of water.

The areas and topics considered to be “material” were therefore related to those covered by Italian Legislative Decree 254/16:

Area of Italian Legislative Decree 254/16	Area	Material Topic
Aspects relating to the fight against Corruption	Business Ethics, Corporate Conduct and Governance	Adequacy of Corporate Governance
		Risk management (*)
Social Aspects	Customer Relations	Customer needs
	Product Innovation	R&D and Innovation
		Quality Management
Supply Chain Management	-	
Aspects pertaining to Personnel/Human Rights	Personnel	Employee attraction, management and turnover
		Diversity Management
		Training and Coaching
		Employees' rights
		Workplace safety
Environmental Aspects	Management of environmental impacts	Energy efficiency
		Reduction of CO ₂ emissions

(*) The topic of “Risk Management” includes aspects relating to the fight against corruption, in keeping with the requirements of the Decree.

Table 2 Areas and material topics related to the areas covered by Italian Legislative Decree 254/16

Scope of the reporting

The scope of the reporting, as well as the scope of coverage of the GRI Disclosures adopted, consists of Datalogic Group as a whole, with the sole exception of the environmental issues (Disclosure GRI 302-1, 305-1, and 305-2).

The environmental reporting for 2018 is limited exclusively to the locations that carry out production activities (the most significant area in terms of environmental impacts produced) and the Parent Company’s headquarters, as detailed below:

Country	Location/Facility
Italy	<ul style="list-style-type: none"> ● Lippo di Calderara (Bologna – Parent Company) ● Monte San Pietro (Bologna) ● Castiglione Messer Raimondo (Teramo)
Slovakia	<ul style="list-style-type: none"> ● Trnava
Hungary	<ul style="list-style-type: none"> ● Balatonboglár
Vietnam	<ul style="list-style-type: none"> ● Ho Chi Min City
USA	<ul style="list-style-type: none"> ● Eugene
Brazil	<ul style="list-style-type: none"> ● Jundiaí

Table 3 Scope of environmental data reporting

With respect to the 2017 NFS, the locations in Cologno Monzese (MI), Quinto di Treviso (TV) and Donnas (AO) were not included within the scope of reporting for Italy in 2018, as they are exclusively responsible for office activities.

With regard to the external scope of reporting, it should be noted that, as indicated in the 2017 NFS, the reporting has currently not been extended to include suppliers.

1. The business model

Datalogic is a worldwide technology leader in the fields of automatic data acquisition and process automation. The company specialises in the design and production of bar code readers, mobile computers, recording, measurement and safety sensors, and laser vision and marking systems.

In addition to its continuous technological innovation and high quality range products and services, Datalogic's success over the past 45 years has also been ensured by its reliability and readiness to promptly meet every customer's needs.

Its cutting-edge solutions help to increase the efficiency and quality of processes throughout the entire value chain in the retail, manufacturing, transportation & logistics, and healthcare industries.

Vision:

"A world identified, viewed, inspected, marked and verified by Datalogic".

Mission:

"To provide customers in Retail, Manufacturing, Transportation & Logistics and Healthcare the best quality and efficiency in data collection and process automation, through superior product technology, and extremely talented people.

Strategy:

To continue to grow faster than the market average, thus significantly increasing our company's profitability.

To remain a production company, but with a new emphasis upon solutions designed to meet the needs of the end-users in the four sectors in which it operates throughout Europe, Asia, and the Americas: Retail, Manufacturing, Healthcare and Transportation & Logistics.

To make the transition from a product-centric to a customer-centric approach by exploiting the uniqueness of our product range, which is capable of meeting all of our customers' data capture and process automation needs.

Highlights of the 2018 financial year

	2016	% on revenues	2017	% on revenues	2018	% on revenues	Chg.% 2016-17	Chg.% 2017-18
Total revenues	576,482	100.0%	606,022	100.0%	631,015	100.0%	5.1%	4.1%
Operating performance (EBITDA)	90,366	15.7%	103,299	17.0%	105,549	16.7%	14.3%	2.2%
Operating income (EBIT)	70,245	12.2%	82,879	13.7%	83,517	13.2%	18.0%	0.8%
Group net Profit/Loss	45,846	8.0%	60,080	9.9%	62,210	9.9%	31.0%	3.5%
Net Financial Position (NFP)	3,503	-	30,137	-	23,843		>100%	-20.9%

Table 4 Highlights of the 2016, 2017 and 2018 financial years

The results of the 2018 financial year showed an increase in all the economic indicators, thus confirming the continued growth trend of recent years, and once again recording the best performance levels since the year the Group was founded.

Despite being impacted by an unfavourable trend in the exchange rates, the consolidated revenues increased by 4.1%.

While benefiting from an improvement in the gross contribution margin, the economic indicators reflect the increased investments in R&D and the strengthening of the sales organisations, which have been necessary to ensure the Group's continued growth.

The EBITDA increased by 2.2% to € 105.5 million, bringing the EBITDA margin to 16.7%, while the EBIT increased by 0.8% to € 83.5 million and the net profit increased by 3.5% to € 62.2 million.

The net financial position was positive, amounting to € 23.8 million, for a decrease of € 6.3 million with respect to 31 December 2017, mainly due to the increased investments in research and development, for about € 29 million, the purchase and sale of treasury shares, which absorbed approximately € 16 million in cash, and the payout of dividends, for the amount of € 29 million.

For more information on the Group's 2018 financial report, visit <https://www.datalogic.com/ita/azienda/investor-relations-ir-239.html>

1.1 The Group's History

The main events that have marked the Group's growth and development are summarised below:

YEAR	DESCRIPTION
1972	Founded by the Engineer Romano Volta, Datalogic was initially focused upon the design and production of photoelectric sensors for the textile, ceramic and packaging industries.
1974	The company's first foreign office for the distribution of Datalogic products was established in Nürtingen, Germany.
1976	Datalogic began selling its products in Japan.
1978	The first commercial company in the United States was established.
1980	Datalogic became a European technological leader in the field of laser bar-code readers.
1988	Datalogic acquired the California-based company Escort Memory Systems, which was active on the electronic tag and RFID market.
1993-1995	Romano Volta steered Datalogic towards a new managerial approach. An ambitious 3-year (1993–1995) Strategic Improvement Plan was launched in order to transform Datalogic into “an industrial reality, with steady and strong growth, that would be internationally recognised for its image, reputation and achievements.”
1995	A joint venture was established with the Japanese group Izumi in order to develop the company’s commercial activities in Japan and the Far East.
1997	Datalogic acquired IDWare Mobile Computing & Communications, Europe's largest producer of portable terminals.
1999	Datalogic installed the world’s first RFID application at a post office.
2000	Creation of the first self-shopping solution (Shopevolution™), which involved the use of small hand-held computers with integrated bar code readers, which allowed shoppers to make their purchases quickly and easily, and, above all, without having to queue for payment.
2001	Datalogic was listed on the New Market of the Milan Stock Exchange.
2005-2015	Datalogic continued to expand and make new acquisitions, including that of the American company PSC, based in Eugene, Oregon. Thanks to these acquisitions, Datalogic soon became the world’s leading company on both the retail countertop scanner market and the industrial scanner market, doubling its turnover. At the same time, plants were being built in Slovakia, Vietnam and Hungary.
2016-2017	The company established and implemented a new strategy and organisation, with a “customer centric” approach. This strategy resulted in a corporate reorganisation that unified the activities of the ADC (Automatic Data Capture) and IA (Industrial Automation) Divisions within a single legal entity in each of the countries in which the Group operates.
2017	Datalogic acquired the German company Soredi Touch System GmbH, which operates in the field of industrial computer technologies.
2018	In October, in addition to its offices in Telford (PA), Eugene (OR), Minneapolis (MN) and Pasadena (CA), Datalogic inaugurated yet another location in the United States, this time in Las Colinas (TX), near Dallas.

Table 5 The History of Datalogic Group

1.2 Products and markets

Datalogic Group is the only global player on its reference market that operates in the fields of both Industrial Automation and Automatic Data Capture.

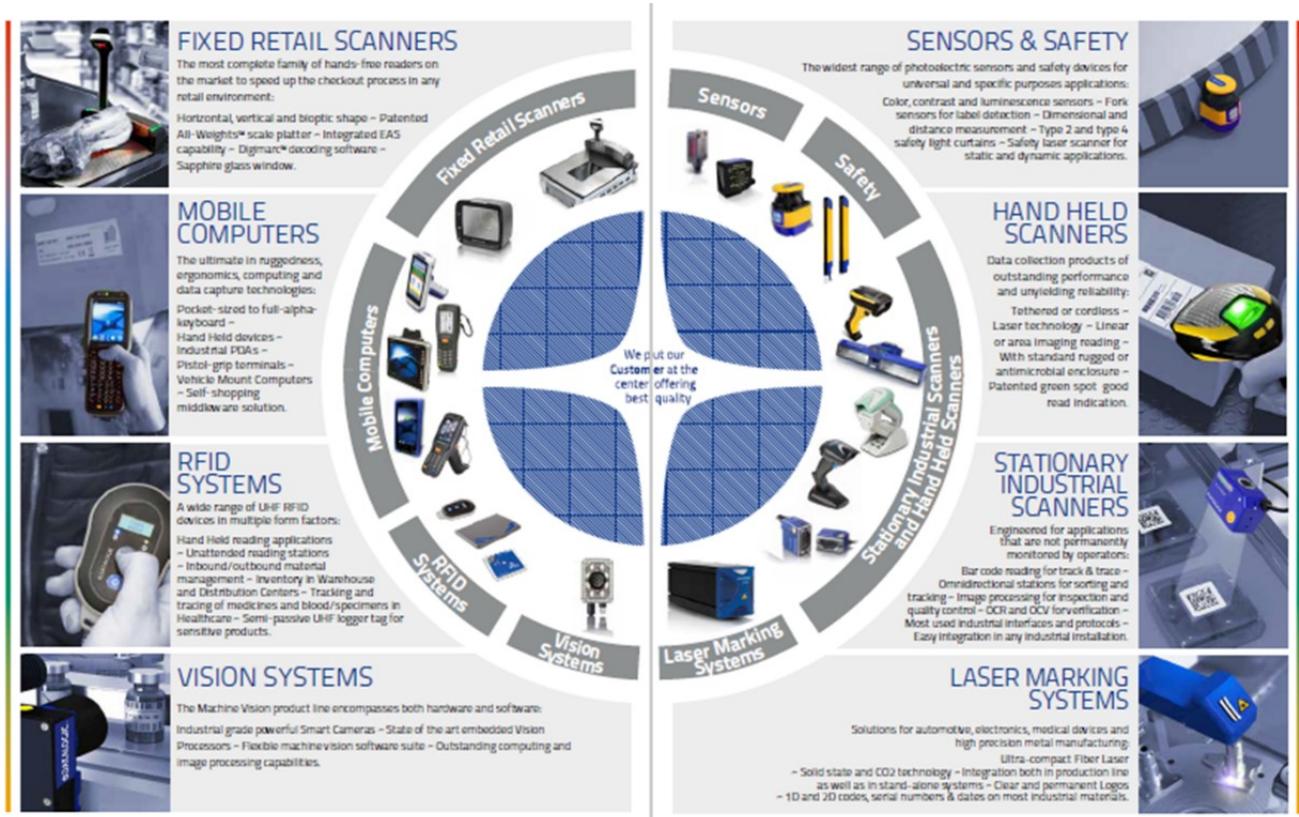


Figure 1 Datalogic Products

The products are broken down into 8 types:

- **Fixed retail scanners:** countertop scanners and scales to expedite the payment process at the cash register;
- **Hand held scanners:** manual scanners for reading codes on any surface, available in plug-in or cordless versions, with Laser or Imaging technology, and with a Standard, industrial or antimicrobial plastic external casing. All the scanners are equipped with patented Green Spot technology, for visual feedback following a successful scan;
- **Fixed Industrial Scanners:** fixed scanners for industrial environments where an operator's presence is not required, typically used for track & trace applications, omnidirectional stations for parcel sorting and tracking, inspection and quality control, and OCR and OCV verification. Equipped with industrial interfaces and protocols for easy integration within any production environment;
- **Mobile Computers:** extremely rugged pocket-sized hand held solutions equipped with bar-code scanning units. Used for warehouse applications or for the automation of field operations, such as courier delivery services. These devices are available with or without keyboards, in pistol grip, hand held, or vehicle mounted versions, and with a comprehensive selection of middleware SW solutions, which guarantee our partners and end users the highest level of compatibility with the industry's standards;
- **Sensors and safety:** a wide range of photoelectric sensors for verifying the presence and quality of objects for the industrial automation sector, from automatic packaging machines, to the automotive industry. The various types include sensors for detecting colour, contrast and luminescence, sensors for

reading labels, and gap measurement and sizing tools. A complete range of type 2 and 4 safety light curtains for protecting people from machinery and for controlling access to hazardous areas, with basic or advanced features, such as integrated muting, override, blanking, cascade connection, and programming.

- **Vision Systems:** hardware and software for parts recognition and quality control in an industrial environment; the range includes smart cameras with integrated vision systems;
- **Laser Marking Systems:** systems for the direct permanent marking of parts made from any type of material, for the automotive, electronics, medical devices, and precision mechanics sectors. A complete range of products and solutions based on FIBER LASER, SOLID STATE and CO2 technology.
- **RFID devices:** UHF RFID devices in various form factors developed for Point of Sale (Inventory, Checkout and Security), Warehouse Management (Inventory, Manual or Automatic Shipping/Receiving), and Healthcare applications (Tracking of medicines and laboratory samples).

The centrality of the customer has led to the development of a new “Customer Centric” approach (in place since 2017), which covers the 4 main target markets (Industries) and offers highly innovative products and services suitable for various contexts.



Figure 2 Target markets

- **Retail**

Datalogic is one of the leading providers of cutting-edge technology for the retail sector worldwide. Datalogic products maximise the retailer’s productivity and efficiency, while at the same time improving the customer’s experience, from production to inventory, and all the way to the point of sale.

Operations like receipt, storage, inventory and stock replenishment are carried out effectively and efficiently thanks to devices designed to be durable and reliable.

- **Manufacturing**

Companies operating in the Automotive, Food & Beverage, Electronics, Pneumatics, Warehouse Logistics and AGV/Robot Guidance sectors can greatly benefit from the ease of use and reliability offered by Datalogic’s identification devices, vision systems, and sensors. Datalogic offers technologies designed to detect the presence of objects, to protect workers with safety light curtains, to ensure product quality

through vision sensors, and to code items through laser marking. Process and product traceability is ensured thanks to fixed industrial readers, manual bar-code scanners, and mobile computers, which are capable of tracking the items throughout the entire production chain, up until the time of distribution.

- **Transportation & Logistics**

Supply chain management applications require complete visibility throughout the entire production chain. At the same time, traceability is essential for airport, courier, freight forwarder, postal services and logistics applications. The sizing solutions even guarantee accurate information compliant with the current regulations during shipping (logistics) and baggage handling (airports) operations.

- **Healthcare**

Datalogic's solutions are used by pharmacies, hospitals, laboratories and pharmaceutical companies for various processes: the vision systems check the labels and make sure that the containers are sealed, the laser markers allow the surgical instruments to be marked, the mobile computers optimise the inventory processes, and the manual bar-code scanners allow medical prescriptions to be correctly associated with the right patients.

In most cases, Datalogic serves its target markets through a network of specialised companies, such as integrators, solution providers, and value added resellers, who operate within the framework of the **Partner Program**. There's only one unit of measure for a successful partnership: the growth of each company involved in the business process. Datalogic's Partners provide value-added solutions that help complete our technological offering. Our Partner Advantage Program offers 3 levels of partnership, depending on each company's specific type of business.

For more information, visit <https://www.datalogic.com/ita/azienda/partner-pa-2732.html>.

Datalogic operates a global business with thousands of Partners and Customers spread across 5 continents:

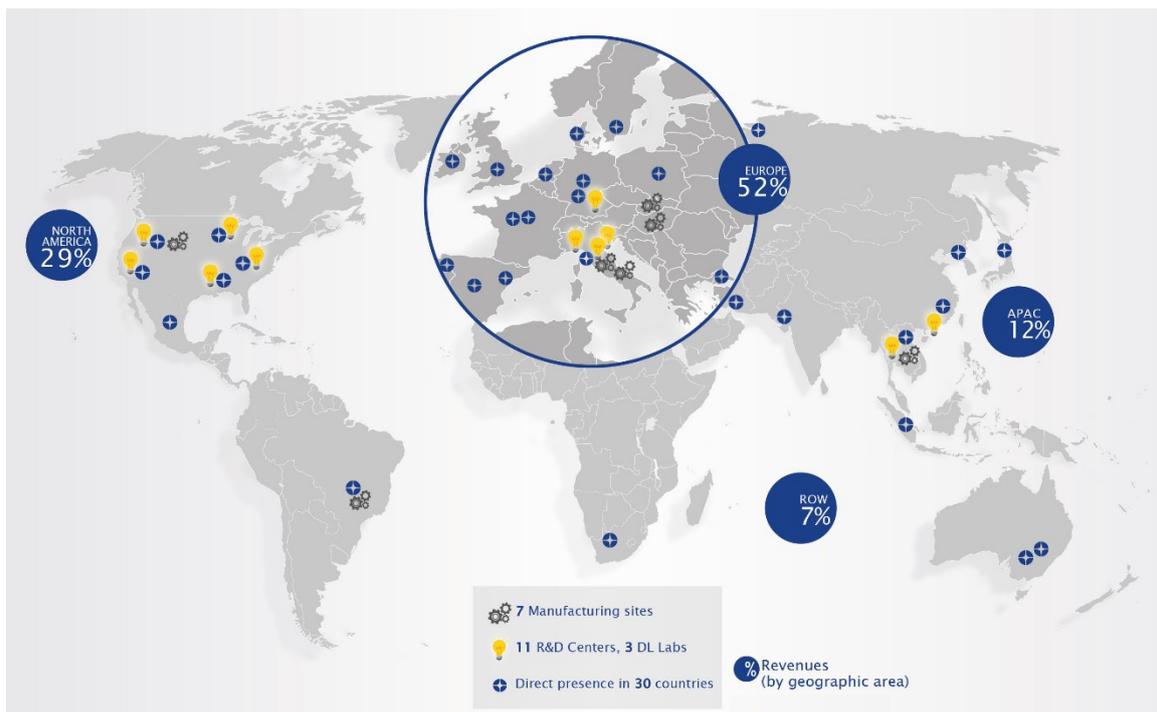


Figure 3 Datalogic's Worldwide Presence

1.3 The Group’s Stakeholders

The Stakeholders constitute Datalogic Group’s relational universe. The Strategy and the objectives that Datalogic has adopted are aimed at satisfying them, not only economically, but also in terms of social and environmental respect. Datalogic’s main stakeholders are the following:

- Shareholders
- The Financial Community
- Institutions
- Customers/Distributors
- Material suppliers
- Service providers
- Repair service partners
- Employees
- The political/economic community
- The Scientific community

1.4 Group Structure

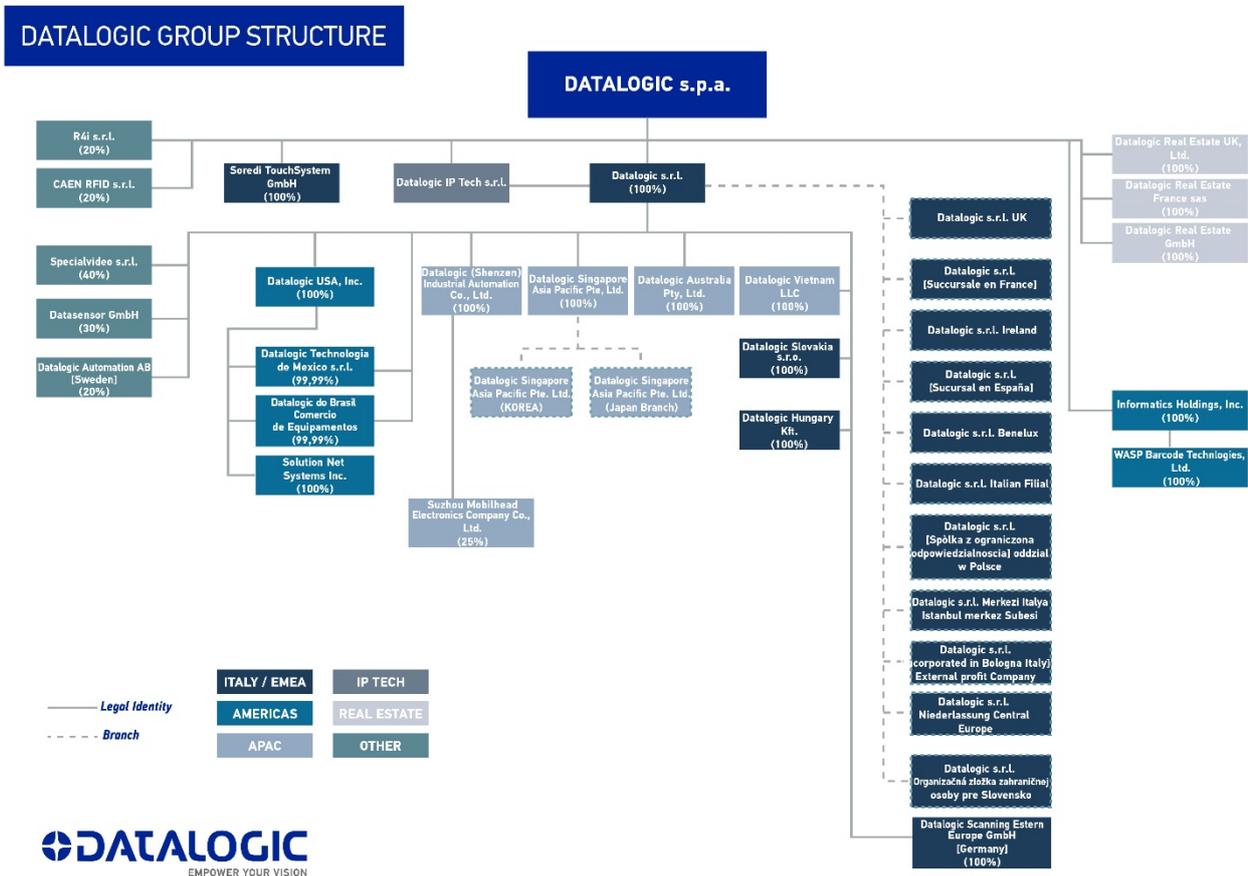


Figure 4 Structure of Datalogic Group

Datalogic S.p.A., with headquarters in Lippo di Calderara (Bologna), is the Group’s Parent Company, and is responsible for defining the Group’s vision, strategy, values and policies. The Group’s organisation did not undergo any significant changes during 2018. The Group is also a member of the major industry associations, including Confindustria, Unindustria, Anie (the National Federation of Electrotechnical and Electronic Companies) and Assolombarda. It also participates in associations dedicated to defining standards, such as the Wi-Fi Alliance and the USB Implementers Forum, and environmental protection, including the Fondo Ambiente Italiano (FAI).

2. Governance, risk management and the Organisation, management and control model pursuant to Italian Legislative Decree 231/01

2.1 Corporate Governance

Datalogic continuously places particular focus on the effectiveness and functioning of its corporate governance system, and uses national and international corporate governance best practices as a basis for the development of its decision-making and control structures.

Datalogic S.p.A.'s traditional corporate governance system, shown in the diagram below, is inspired by the principles of management and informational fairness and transparency, which it achieves through a process that continuously controls the effective implementation and effectiveness of those principles.

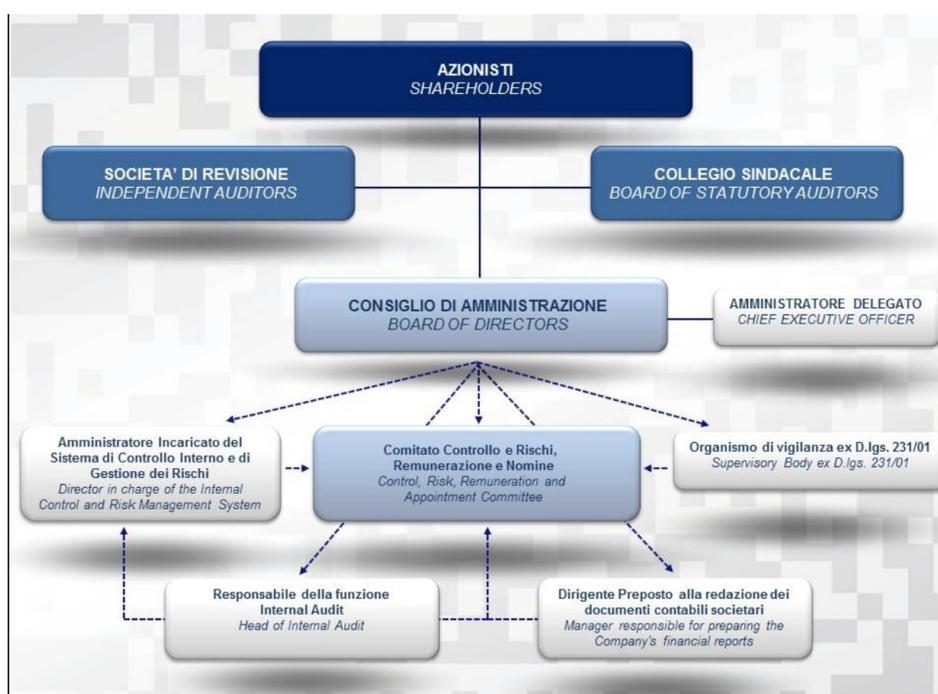


Figure 5 Group Governance

The Group's listing on the STAR segment of *Borsa Italiana* (the Italian Stock Exchange), which consists of Italy's top listed companies, requires the Group to comply with more stringent requirements in terms of Governance (e.g. the inclusion of independent directors and internal committees on the Board of Directors), as well as in terms of the transparency and timeliness of its communications to the market.

Datalogic S.p.A. adheres to the Italian Stock Exchange's Corporate Governance Code for listed companies; with a resolution passed by the Board of Directors on 5 November 2015, Datalogic adhered to the July 2015 version of the aforementioned Code.

As of the date of this Statement, the Datalogic S.p.A. Board of Directors consisted of 8 members³, four of whom are independent:

- Romano Volta – Chairman;

³ On 9 August 2018 the Board of Directors co-opted Prof. Vera Negri Zamagni following Dr. Angelo Busani's resignation from his board position submitted on the same date.

- Valentina Volta – Director and Chief Executive Officer;
- Pietro Todescato – Executive Director;
- Filippo Maria Volta – Non-Executive Director;
- Angelo Manaresi – Independent Director;
- Chiara Giovannucci Orlandi – Independent Director;
- Vera Negri Zamagni – Independent Director;
- Roberto Osvaldo Lancellotti – Independent and Minority Director.

The average age of the Directors in office as of the date of this Statement is 59 years, with 2 Directors in the 30 - 50 age group, and 6 Directors in the over 50 age group. Women constitute 38% of the Board Members (3 out of 8), including the Chief Executive Officer (for an increase with respect to 2017, when 2 out of 7 members, or 29%, were women).

For more information on the composition and duties of the corporate bodies and the relevant policies, please refer to the 2018 Report on Corporate Governance at the following link <https://www.datalogic.com/ita/azienda/corporate-governance-pa-218.html>.

Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/01

Pursuant to Italian Legislative Decree no. 231/2001, Datalogic S.p.A. and its Italian Subsidiaries have adopted an Organisation, Management and Control Model (hereinafter the “Model”) and have appointed a Supervisory Body (SB) for compliance purposes.

In its current configuration, the Model consists of a General Part, in which the Model itself is described in terms of objectives, functionality, and bodies established to oversee the same, and a Special Part, in which the protocols aimed at preventing the predicate offences are identified.

Each predicate offence is subject to a specific risk assessment with regard to its applicability to the business and the internal controls put in place.

Datalogic promotes the dissemination and effective knowledge of the Model itself, and condemns any conduct that is not compliant with the law, the provisions of the Model, and the Code of Ethics. All the recipients of the Model are required to collaborate in order to ensure the full and effective implementation of the same, with any violations being immediately reported.

Datalogic S.p.A. and its subsidiaries also ensure the implementation of mandatory training programs in order to guarantee that the employees have a complete knowledge of the Decree and the Model, even through the administration of evaluation questionnaires.

The boards of directors of Datalogic S.p.A. and its subsidiaries have appointed their own Supervisory Bodies (one SB for each Company), in order to meet the requirements in terms of autonomy, independence, professionalism, and continuity of action. In accordance with the provisions of art. 6 of Italian Legislative Decree no. 231/01, the Supervisory Body is vested with the powers of initiative and control necessary to ensure the effective and efficient supervision of the functionality and observance of the Model.

The Supervisory Body carries out checks on the areas of activity deemed to be at risk of crime, pursuant to Italian Legislative Decree no. 231/2001, making use of the competent corporate functions.

The aspects of the management and organisation model applicable to each of the topics relevant to Datalogic Group, as presented in the Methodological Notes, are described in the specific chapters dedicated to the topics themselves.

2.2 Integrated risk management

The aim of risk management is to preserve the Group's effectiveness and profitability along the value chain. Depending on the case at hand, this is guaranteed by the main safeguards in terms of:

- Organisational and corporate structure;
- Governance;
- Control environment;
- Rules and tools.

The establishment of the strategic objectives by the executive leadership team is accompanied by the assessment of the relative risks, in order to identify the main impacts with respect to the implementation of the Group strategy.

The Governance body that oversees the Group's risk management approach is the Control, Risk, Remuneration and Appointments Committee. In keeping with the provisions of the Corporate Governance Code, this body is made up of 3 Directors, 2 of whom are independent and 1 of whom is non-executive. Among other things, the Committee is tasked with supporting the assessments and decisions made by the Board of Directors, with regard to the internal control and risk management system, by conducting adequate preliminary work.

The operational risks directly arising from the strategy and relating to the achievement of the strategic objectives are assessed by the department Managers, in accordance with the executive responsibilities assigned to them, and are managed throughout the various areas and regions via the main safeguards listed above. Risk management, as described, contributes to the management of the company in a manner that's consistent with its objectives, thus fostering informed decisions, the proper functioning of the corporate processes, the reliability of the information provided to the corporate bodies and the market, and compliance with the laws and regulations.

The Management Report provides an annual assessment of the Group's exposure to the various types of risk, including risks of a purely financial nature, as well as risks of a different nature that could impact the Group's financial position.

For more information on the 2018 Management Report, please refer to the 2018 financial report, which is available on the Group's website at the following link <https://www.datalogic.com/ita/azienda/investor-relations-ir-239.html>

Main risks associated with non-financial topics

The current and potential risks to which the Group is or could be exposed (contained in the various documents identifying and assessing the Group's internal risks⁴) include certain risks, suffered and generated, associated with the topics that Datalogic has identified as "material" for the Group and its stakeholders in this consolidated non-financial statement.

⁴ In particular, the following documents were examined: risk activities surveyed within the context of the Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001; analysis of the risks associated with the management of the environmental impacts identified in the ISO 14001 Management Systems, where present; analysis of the risks associated with occupational health and safety identified in the OHSAS 18001/ISO45001 Management System, where present, and in the management reports prepared in compliance with the national regulations of the foreign countries where the company's production sites are present.

This mapping, which was carried out starting with the potential risk factors associated with the most relevant topics already identified by the Group, represents a first step in understanding how social, environmental, personnel management, human rights or anti-corruption topics can impact the effectiveness and sustainability of Datalogic's business model over the short, medium and long term, and how it can be supplemented with evaluation activities or with in-depth studies on specific areas of risk in the coming years.

The main associated risks can be summarised as follows:

Area of Italian Legislative Decree 254/16	Main Risks	Monitoring tools and actions
Aspects relating to the fight against Corruption	Risks of active and passive corruption in the following cases: <ul style="list-style-type: none"> - Sale and purchase of goods and services - Receipt of public funding - Participation in tenders for the awarding of service and/or supply contracts - Receipt and/or renewal of certifications, authorisations, licenses and permits for conducting business activities from public and/or private entities - Recruitment of personnel 	<ul style="list-style-type: none"> • Group Code of Ethics • Group Procedures⁵ • Group system of delegations and powers of attorney • Segregation of duties approach • Group IT systems • Organisation and Management Model pursuant to Italian Legislative Decree 231/2001 • Group internal control environment for monitoring regulatory compliance
Aspects pertaining to Personnel / Human Rights	<ul style="list-style-type: none"> • Failure to engage the personnel with adequate skills during both the recruitment and management phase • Worker health and safety • Failure to respect human rights and gender diversity 	<ul style="list-style-type: none"> • Group Code of Ethics • Group Quality Policy • ISO 9001⁶ • Group Procedures⁷ • Employee Handbooks • Procedures on the individual territorial contexts with regard to health and safety, and certification where required (e.g. OHSAS 18001/ISO45001 Italy and Vietnam) • Human Resource management tools (including Performance Reviews, training programs, and corporate welfare systems) • Organisation and Management Model pursuant to Italian Legislative Decree 231/2001

⁵ The main procedures include: "Payments scheduling and approval rules", "Indirect material sourcing and procurement procedure", "Search and select suppliers", "Price exception management", "Travel policy" and "Group recruitment for employee positions and internal mobility procedure".

⁶ For Datalogic Spa, Datalogic Srl, Datalogic USA Inc, Datalogic Vietnam LLC, Datalogic Slovakia Sro, Datalogic Hungary Kft and Datalogic Do Brazil Ltda.

⁷ The main procedures include: "Group recruitment for employee Positions and Internal Mobility", "Group Training Management" and "Sales incentive calculation & payment".

Area of Italian Legislative Decree 254/16	Main Risks	Monitoring tools and actions
Environmental Aspects	<ul style="list-style-type: none"> • Failure to respect the environmental regulations • Accidents resulting in the discharge of chemical pollutants into the soil and water 	<ul style="list-style-type: none"> • Group Code of Ethics • Group Quality Policy • Group Environmental Policy⁸ • Careful management of environmental aspects within production contexts • ISO14001 certification at the plants located in Monte San Pietro and Lippo di Calderara (HQ), Hungary, Vietnam and Slovakia
Social Aspects	<ul style="list-style-type: none"> • Product innovation and technology: failure to generate and produce innovative products and solutions 	<ul style="list-style-type: none"> • Group Code of Ethics • Group Quality Policy • Group procedures (e.g. New Product Development Procedure) • ISO 9001⁶
	<ul style="list-style-type: none"> • Reputation with Customers: failure to ensure the safety and quality of the products and services 	<ul style="list-style-type: none"> • Group Code of Ethics • Group Quality Policy • Product conformity certifications • ISO 9001⁶
	<ul style="list-style-type: none"> • Privacy and data management: breaches of the company's IT systems and of customer, supplier and employee data 	<ul style="list-style-type: none"> • Group Code of Ethics • Quality Policy • IT Tools Policy • ISO27001 Certification⁹ • Group Procedures¹⁰ • Employee training on IT security issues and the GDPR
	<ul style="list-style-type: none"> • Supply chain: <ul style="list-style-type: none"> - Supply problems; - Poor quality of supplies; • Supplier violations of environmental, social and human rights regulations 	<ul style="list-style-type: none"> • Group Code of Ethics • Group Quality Policy • Group Procedures (in particular for suppliers of direct materials)¹¹ • General contractual conditions • Framework contractual agreement with main suppliers

Table 6 Risks

⁸ Established during 2018 and effective as of 2019.

⁹ For Datalogic S.p.A, Datalogic S.r.l., Datalogic USA Inc., Datalogic (Shenzhen) Industrial Automation Co., Ltd, Datalogic Australia Pty Ltd and Datalogic Vietnam LLC.

¹⁰ The main procedures include: "Information classification marking instruction", "Information classification", "Data breach management instructions" and "Guidelines for data processors".

¹¹ The main procedures include: "Indirect Material Sourcing and procurement procedure", "Search and selection suppliers" and "Supplier qualification".

The main risks – generated and suffered – that have been identified in relation to the relevant topics, as presented in the Methodological Notes, are described in the specific chapters dedicated to the topics themselves.

Preventing and combating corruption

Corruption, which can be understood as "the abuse of a delegated power for a private benefit", can be perpetrated by individuals in both the private and public sectors, and includes practices such as bribery, fraud, extortion, collusion, conflicts of interest, and money laundering.

By virtue of the processes that they govern and manage during the performance of their activities, the risk of such crimes being committed lies almost entirely with the Group's corporate functions. Based on the characteristics of the business activities carried out by Datalogic Group, the main areas potentially at risk of corruption are the following:

- Sale and purchase of goods and services;
- Receipt of public funding;
- Participation in tenders for the awarding of service and/or supply contracts;
- Receipt and/or renewal of certifications, authorisations, licenses and permits for conducting business activities from public and/or private entities;
- Recruitment of personnel.

By way of example, the main activities at risk in relation to the first point include distributing gifts, money or other benefits, including non-monetary benefits, to the Group's Customers (both public and private), or their acceptance from suppliers, beyond the scope of regular business practices, or entertaining business relationships with customers or suppliers suspected of belonging to criminal organisations or otherwise operating outside the law.

With regard to relations with the Public Administration, examples of activities at risk include making false statements to national or local public institutions in order to obtain public grants or to be awarded public contracts, or the use of public funds for purposes other than those for which they were granted.

With respect to the Group's relations with the Public Administration, the risk of corruption is also specifically linked to participation in calls for tenders for the allocation of direct or indirect funding for Research and Development activities. These funds currently aren't of significant amounts with respect to the Group's business volume.

Areas considered to be potentially at risk of corruption between private parties are those in which transfers of money occur (e.g. cash management processes), as well as procurement and staff recruitment processes.

100% of the processes (a total of 18) have been analysed in terms of risk of corruption. In this regard, Datalogic Group's internal control environment and the safeguards of which it consists guarantee compliance with the main regulations concerning corruption and extortion crimes. In particular, these safeguards are the following:

- The Group Code of Ethics;
- The Group Procedures;
- The Group system of delegations and powers of attorney;
- The *segregation of duties* approach defined by the internal procedures;
- The Group IT systems;
- The Organisation and Management Model pursuant to Italian Legislative Decree 231/2001;

- The Group's internal control environment dedicated to ensuring regulatory compliance with regard to the financial disclosures pursuant to Italian Law no. 262/05 and the quality system management (ISO, OHSAS, etc.).

There were no confirmed instances of corruption within the Group during 2018.

IT Data Security and Privacy

The management of data through IT systems represents an area potentially exposed to network vulnerability risks, for example with respect to unauthorised external accesses or data loss, and, in the case of Datalogic, this applies to both the internal networks and the services provided to customers.

In order to guarantee continuous monitoring that's up-to-date on the latest developments in the field, Datalogic has adopted ISO 27001 Certification, the specific objective of which is to protect data and information from threats of all kinds, in order to ensure its integrity, confidentiality and availability, and to provide the prerequisites necessary for the adoption of an adequate information security management system (ISMS) dedicated to the proper management of the company's sensitive data.

For Datalogic, the certification concerns two different areas:

- **IT services:** the management of all the processes of the IT Information System that covers Datalogic Group, in all of its aspects. The certification concerns the operating units of Lippo di Calderara (BO, Italy), Eugene (OR, USA) and Ho Chi Minh City (Vietnam);
- **IT security for Customer Services:** the provision of Remote Maintenance Services and Remote Assistance Services (upon request). This certification concerns several operational locations throughout Italy and around the world.

At the global level, in 2018 there were no instances of customer data loss or theft, nor any complaints to that effect.

In order to ensure better training and awareness on matters of corporate security, ad hoc training is organised on specific topics (the GDPR, phishing, netiquette, IT threats, etc.). The company's web portal contains these training pills on a dedicated page, which is periodically updated with the latest news.

Once the new European data protection regulation (GDPR) came into effect in May of 2018, Datalogic adapted its templates and internal procedures to conform to the new regulation, and published new guidelines and instructions for the processing of personal data.

Adequate training sessions were also prepared in order to inform the personnel about the requirements and obligations arising from the new legislation. The HR compliance department is responsible for managing the personal data processing register for the Datalogic Group companies that act as data controllers, as well as for ensuring the use and application of the newly adapted privacy documentation (e.g. job applicant disclosures, employee disclosures, consent to the use of images, etc.).

2.3 Management Systems: Policies and Procedures

Product and service excellence, environmental protection, and awareness of social and economic impacts, worker safety, and data security are among the most important aspects of Datalogic's corporate culture.

The Group has established and implemented a Group Quality Management System in compliance with the International Standards and the Group's Internal Standards; this system is continuously monitored and improved.

The Group's Quality Policy is the document with which the Group undertakes to maintain relationships based on trust with all of its stakeholders over time. This is made possible by offering innovative products with

cutting-edge technologies, by acknowledging and meeting the customers' needs, through continuous improvement in terms of quality and employee skill development, and by respecting the legislative and environmental standards.

Datalogic Spa, Datalogic Srl, Datalogic USA Inc., Datalogic Vietnam LLC, Datalogic Slovakia Sro, Datalogic Hungary Kft, and Datalogic Do Brazil Ltda are all certified according to the ISO9001 standard.

The Group has established policies and procedures for its key processes, in order to ensure compliance with that which is declared therein.

For more information about the Group's Quality Policy, visit the following link <https://www.datalogic.com/ita/azienda/panoramica-dellazienda/sistema-di-gestione-iso-co-217.html>.

2.4 Business conduct and integrity

The Code of Ethics outlines the standards of conduct to be respected in order to ensure integrity of business conduct and compliance with the Group's values.

The Code applies to the members of the corporate bodies, the directors of the Company and the Group's companies, the Employees and collaborators who, in any capacity, act in the name and on behalf of the Company and/or one or more of the Group's companies, and the external consultants and suppliers of the Company and/or any of the Group's companies (hereinafter the "Recipients").

The recipients must always respect the principles established by the Code of Ethics in carrying out their business dealings, in performing their activities, and in managing their relations with third parties.

The ethical principles and rules of conduct established by the Code are also relevant for the purposes of preventing the commission of any crimes by the Parent Company or by other Group companies. In fact, the Code aims to recommend, promote or prohibit certain forms of conduct in every relevant jurisdiction, beyond and regardless of that which is required by law.

The Code of Ethics is consistent with and complementary to the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01 and the relevant safeguards.

In order to ensure a widespread knowledge of the same, the Code of Ethics has been posted on the company's website, and a copy of the same is given to all of Datalogic's new hires.

Email accounts and physical mailboxes for collecting reports regarding any violations of the Code of Ethics, as well as to serve as direct and potentially anonymous channels for contacting the Supervisory Body, have been made available to the employees (as well as any other concerned stakeholders).

For more information on the Group's Code of Ethics, visit the "Corporate Governance" section of the Datalogic website at the following link <https://www.datalogic.com/ita/azienda/corporate-governance-pa-218.html>

3. Customers

Datalogic supports and accompanies its Customers on their journeys towards the new frontiers of process automation. The four sectors in which the Group operates (Retail, Manufacturing, Transportation & Logistics, and Healthcare) have seen significant growth in demand driven by a constant increase in industrial automation, even thanks to legislative incentives, both in Italy and in other major economies. The ability to mark and read data is essential for obtaining a smart factory, where the machines, products and systems are all connected along the value chain.

The Group's goal is to ensure Customer satisfaction through high levels of product quality and the continuous improvement of the services that it offers, guaranteeing expert consulting services during the pre-sales phase, timely deliveries, and excellent after-sales technical services.

The Customers are seen as partners with whom the Group establishes and maintains long-term relationships, in order to meet their unexpressed needs, and to reach new milestones together.

Datalogic has adopted the Net Promoter Score (NPS), used by many Fortune 500 Companies, as a Customer satisfaction performance indicator.

Datalogic also shows its dedication to its customers through its Customer Service department, which offers three types of support: Standard support, Fast Turnaround and Premium Service Coverage. In particular, the Premium Service Coverage offers Customers:

- On-site support service within one day of receiving the Customer's request;
- Telephone support in the Customer's local language;
- Ease-of-care Comprehensive, available either within 2 days or with the overnight option (including transport);
- Availability of the "Ease-of-care, not comprehensive" option;
- Coverage for both warranty and non-warranty products through Datalogic repair centres or authorised Partners.

The Customers' ever increasing awareness of the economic, social and environmental impacts generated by their suppliers' business activities has prompted the Group to join the Ecovadis platform: the first collaborative platform that allows users to monitor their suppliers' sustainability performance. This allows Datalogic to gauge itself with respect to the industry practices and performance levels, to communicate its results to the stakeholders concerned, and to update and improve its sustainability policies and procedures on an ongoing basis.

3.1 Monitoring of the Customer's Experience

Understanding and meeting the Customers' expectations are key drivers, and they're achieved through continuous initiatives aimed at improving the Customer Experience, which Datalogic carries out with its partners and customers on a daily basis.

Numerous activities were carried out during 2018, and were mainly focused upon in-depth Customer knowledge. In order to improve its understanding of the Customer throughout each phase of the relationship, Datalogic implemented several new CRM functions in early 2018, with once central idea: to take advantage of the precious capital already present in the form of Customer information and experiences, in order to render this knowledge readable and actionable throughout the entire company. In fact, this makes it possible to increase customer satisfaction through clear and personalised communications, first-class assistance, detailed information, and the fulfilment of individual wishes.

Listening to Customers is also a strategic aspect and ensures that the service offered actually provides what is really most important to them. In this regard, at the beginning of 2018 in Europe and the United States, and in November 2018 in the APAC region, Datalogic began systematically collecting customer feedback after each request submitted to the Customer Service department by administering a quick "One Minute Feedback" questionnaire covering various aspects of the Customer experience, including the service received for the most recent case, the service received from the operator who handled the case, and the resolution of the case. The project is not merely aimed at intercepting and intervening in cases of customer dissatisfaction but is above all intended to sustain and focus the Customer Support service, in order to offer a service that's even more in line with the Customer's expectations.

In this sense Datalogic has also begun the process of continuously improving the solutions and services provided based on the annual monitoring of the experience offered to its customers, using two tools:

- **"Voice of the Customer"** (VOC): a survey sent out to all Customers (end users, solution providers, manufacturing industries, retailers, distributors, and system integrators) in order to collect their satisfaction levels with regard to certain products and services, such as product lead times, delivery times, product customisation, and technical support. With a view toward continuous improvement, this process gives rise to internal development sites within Datalogic;
- **"Net Promoter Score"** (NPS): measured by posing the question "how much would you recommend Datalogic to a friend or a colleague?" and collecting the responses on a scale of 0 to 10, this indicator allows for the company's Customers to be sorted into Detractors (scores from 0 to 6), Passive Customers (scores from 7 to 8) and Promoters (scores from 9 to 10). The NPS calculation, or rather the percentage difference between the Promoters and Detractors, makes it possible to evaluate loyalty in a business-customer relationship. The NPS for 2018 was equal to 23.

Thanks to the results of the analyses conducted at the end of 2018 (e.g. projects aimed at improving the post-sales process), a new Tech Support structure and an improvement in the repair process are already in the works for 2019. The strategic approach to improving the customer experience will also include a major project aimed at reducing the product delivery lead-time. The aim will be to reduce the lead-time offered in order to meet the average demand on the market and among individual competitors, thus rendering it a strategic lever and a differentiating factor for Datalogic in relation to its competitors.

3.2 Monitoring the customers' needs

The approach to Customer relations is structured in such a way as to constantly monitor the customer's needs and satisfaction levels, and to bring added value to interactions, for the purpose of improving the internal processes, starting from that of product development.

The Group has structured its internal processes to monitor the Customers' needs, perceptions and proposals at various times throughout the relationship, with the aim of providing a concrete response to their needs, while at the same time guaranteeing a direct link between the sales and product development departments:

- **Market Requirements Definition (MRD)**: this phase, which is extremely important for establishing the product and solutions Roadmap used by Industry Leaders, serves to define and share the business opportunities identified for the various sectors (e.g. the development of new products for the market or for the company, or the modification of an existing product). For each opportunity identified, the Industry Leaders prepare a Market Requirements Document (MRD). The document contains information regarding the needs of the Customers (new or existing), the critical points noted by the customers themselves, and the competitive advantage identified. The MRD is supported by:

- a market analysis (even taking into account the market's size, entry barriers, and main competitors), the proposed products and/or solutions, and the level of innovation;
 - a specific "Voice of the Customer" survey, which is administered to significant potential Customers, from whom feedback and suggestions for improvement are obtained;
 - reports compiled by the sales force (Visit Reports), which often contain suggestions and/or explicit needs expressed by Customers.
-
- **Definition of product requirements and development of new projects:** the MRD is jointly analysed by the Industry Leaders and the Product Marketing, Research and Development departments in order to ensure that the Customer's needs and the "Product Requirements" (formalised in the internal "Product Requirement Document" or PRD) are effectively met. On the basis of this document, a Business Case is developed, which includes an estimate of the necessary resources, the development costs, and a ROI analysis, and guides the actual definition of the Roadmap for the projects' development.

4. Innovation and R&D

Datalogic operates on an extremely dynamic market, where technology has made great strides over the past 20 years, and today's advances in many sectors, such as software, computing platforms and sensors, are indicative of an accelerated rate of innovation.

Datalogic believes that innovation is both the key to meeting the needs of its Customers, and the key to the future.

4.1 Partnerships with research institutes

One of the Group's key elements is its ability to network with academic and industrial partners who share its passion for innovation and applied research.

Datalogic has been collaborating with external partners and research institutes for several years, with the aim of developing increasingly innovative technologies and promoting research and training projects, thus ensuring the technology transfer necessary for the development of increasingly innovative products to be launched on the market.

Datalogic recently signed a framework partnership agreement with the University of Bologna to carry out joint educational, research, development and innovation activities in the field of data acquisition and management. This agreement, which is of high strategic interest and scientific value, puts to use the expertise and strengthens the pre-existing interactions between Datalogic and the University of Bologna's individual research units and structures. The partnership entails the planning of commissioned research activities, joint participation in regional, national, European, and international research contracts and programs, and the funding of research grants and doctoral scholarships, as well as training activities, events dedicated to launching internships and introducing students to working life, and technology transfer and co-branding initiatives.

However, the partnerships with research centres are on an international scale, and aren't limited to the Bologna area alone. On an international level, one of the most cutting-edge partnerships is that with the NSF Center for Big Learning: a consortium made up some of the most important American Universities operating in the field of Deep Learning and Big Data research, and massive industrial entities like Google, IBM, Intel, Tencent and Nvidia. The purpose of the consortium is to explore cutting-edge applications in the Artificial Intelligence and Big Data industries, especially Deep Learning. The policies described up until this point serve to sustain international competition, and to support continuous improvement and the launch of new products.

By way of example, some of the most important and most recent projects in which Datalogic has taken part are the following:

- **AIDA (Adaptive Industrial Automation through cyber-physical vision systems):** This project, funded through the Emilia-Romagna Region's POR FESR 2014-2020 Program, allowed Datalogic to re-imagine many of its products as Cyber-Physical Systems (CPSs), or rather, no longer in terms of the integration of physical and IT devices at the individual machine level, but at the level of the entire factory, or even the entire supply chain. Among the numerous products in the field of industrial automation, the Group has focused upon a select few in order to render them increasingly consistent with the new paradigms. In particular, these include: smart readers, vision sensors, vision systems and photocells, and safety light curtains. The project ended in April of 2018;

- **No-Loss:** An ongoing project on the design of optical technologies, funded through the Research & Innovation Marie Skłodowska-Curie Action, aimed at tackling challenges like the lossless acquisition of photons and the extraction of more in-depth information from images;
- **ROSSINI (RObot enhanced SenSing, INtelligence and actuation to Improve job quality in manufacturing):** Datalogic is the leader and coordinator of the consortium set up in order to participate in the call to tender issued by the Horizon 2020 EU Framework Program on "Effective Industrial Human-Robot Collaboration." The aim of the project is to develop an intrinsically safe hardware-software platform for the design and implementation of human-robot collaboration (HRC) applications in the production environment. By combining innovative detection and identification, implementation and control technologies (developed by large industrial stakeholders who are world leaders in their respective technologies and on their target markets) and integrating them into an open development environment, the platform will allow for the creation of HRC applications in which robots and human operators will become members of the same team, thus improving work quality, production flexibility, efficiency and, consequently, productivity.

4.2 Product development process

Datalogic's Research & Development team consists of employees located in Italy, the United States, China and Vietnam, who are organised within Product Hubs dedicated to overseeing the product technologies.

Technological innovation

For Datalogic, creating innovative products and solutions is a major competitive factor, and one of the fundamental strategic risks that the company faces is a lack of effectiveness in terms of innovation processes. In addition to guaranteeing structured processes and robust monitoring, Datalogic also mitigates this risk through substantial investments in Research and Development.

The oversight of "disruptive" (revolutionary) innovation is entrusted to:

- **The Datalogic Labs:** hubs dedicated to the design and development of standard constituent elements, representing the "embryos" of numerous future products, and the development of core technologies for improving products and for integration within existing products. The Labs' main areas include the deep learning, vision systems and 3D scanning areas;
- **Core Platforms:** the Lab team is supported by the Core Platforms Hub for the standardisation of the hardware resources and the development of the digital platforms and software component ecosystems. The Core Platforms Hub is mainly dedicated to the design and development of standards that will serve as the basis for the Group's future products.

The engineers at the hubs mentioned above are constantly on the lookout for revolutionary ideas. Using all the available technologies, they strive to simplify difficult tasks and to render the processes error-proof for Customers.

The Group is actively involved in the fields of optical, mechanical, hardware and software design, working with the most advanced mobile operating systems, continuously improving algorithms for classifying complex images and machine-readable codes, and using the latest developments in artificial intelligence to push the boundaries of the user-friendly concept.

Development process

The development process, as a result of the technological evolution of the products, is driven by the R&D resources working at the following Hubs:

- **Mobile Computing:** mobile devices for companies. These devices require identification capabilities and have the same functions as consumer products, but with a higher level of stability and performance;
- **Automation Products:** interconnected smart devices for Industry 4.0 applications that are capable of performing protection, identification, detection, control and marking operations in accordance with the highest quality standards;
- **Hand-Held Devices:** devices that are able to capture the best possible bar-code image under any environmental conditions, from darkness to direct sunlight;
- **Fixed Retail Scanners:** high-end fixed scanners, and size and weight measurement systems for Retail and Transport & Logistics companies.

The development process is governed by a special "New Product Development" procedure, and is powered by the "Products Roadmap", which represents the CEO's mandate to the Research and Development department.

The new product development process consists of the following main stages:

1. **Roadmap Management (product plan):** an interactive process involving Product Marketing and Industry Leaders (*section 3.3 "Monitoring the Customers' needs"*), whose objective is to incorporate the "needs" collected from Customers into the Roadmap;
2. **Product Development:** during the first development stage, Product Marketing transforms the requirements into project specifications. The project will be guided by a Program Manager along a pathway that's divided into a series of stages and gates, all the way up to the product's release on the market;
3. **Monitoring of the Product's qualitative and quantitative performance:** after the market launch, the project's Core Team, of which the Product Marketing and Quality functions are an integral part, guarantees that the released Product fully meets the Customers' needs by subjecting it to further checks.

The innovation "milestones" implemented by the Group are listed below:

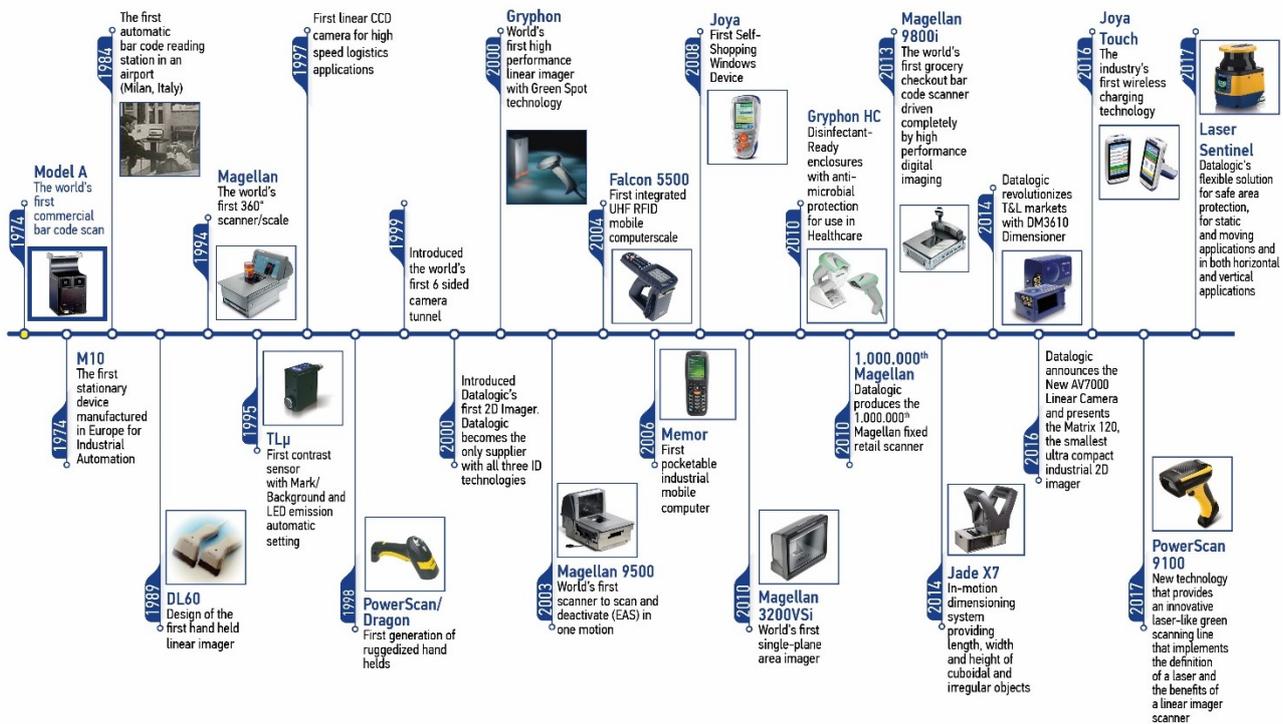


Figure 6 Timeline of the Group's main innovations

Focus on safety

The assessment and handling of the risk associated with the product is an integral part of the product development process. The regulations applicable to the new product (voluntary and mandatory) are defined during the early stages of the project, and compliance is verified and guaranteed by having specific tests carried out by internal or external laboratories.

The final verification of the new product's conformity is carried out on the standard production lines in order to ensure that the production process will allow for the confirmation of the product's compliance with the project requirements. This is known as the Manufacturing Validation Test (MVT).

At this stage it is important to make sure that there are no defects or alterations in the components utilised. The Ongoing Reliability Test (ORT) process verifies the presence of any such defects on the completed product, thus further minimising the risk with an additional check. If any non-conformities are encountered, these are resolved by taking action with the suppliers and/or by improving the product and/or the production process.

During mass production, several samples of the products are taken from the warehouse and are examined to verify their conformity.

Another process aimed at ensuring the compliance of the product/process, and the management of the associated risks, is the Engineering Change Order (ECO), which is used for the management of any technical changes.

Whenever any non-conformities are encountered with respect to the requirements or the international regulations, a Root Cause Analysis (RCA) is carried out, the origin of the defect is identified, and the necessary containment and/or corrective actions are performed in order to restore the product's conformity. This process can occur at any time throughout the life of the product.

With regard to the regulatory aspects, Datalogic products are backed by specific certifications; some of these are required by the regulations in the countries where the marketing takes place (e.g. CE certification for the European Union).

Some of these Directives (and those of 2014 in particular) require a Risk Analysis to be carried out upon the product, which must be rendered available to the competent Authorities, if necessary.

The production of "Safety" products is regulated by specific legislation, which requires manufacturers to carry out a risk analysis based on the EN ISO 13849-1, EN 62061, and EN 61508 standards, and to have a validation performed by an external notified body from the European Community.

In terms of risk, the ROHS (2011/65/EU) and WEEE (Waste Electrical and Electronic Equipment) European Directives should also be taken into consideration. Datalogic guarantees its processes' compliance with these regulations as well.

The first limits the use of dangerous substances (lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls-PBBs or polybrominated diphenyl ethers-PBDE) in new electrical and electronic equipment placed on the market as of 1 July 2006, in order to help protect the environment and human health, and to prevent the production of hazardous waste.

The second Directive is aimed at minimising the environmental impact of electrical and electronic equipment during the course of its life cycle, and when it becomes waste. It applies to a wide range of products, and inspires and defines the criteria for the collection, treatment, recycling and recovery of waste electrical and electronic equipment.

In order for their dissemination to be allowed in non-European contexts, Datalogic has obtained a considerable number of local certifications for its products, some of which take specific safety aspects and risks into consideration, while others are primarily focused upon bureaucratic aspects.

In addition to the mandatory certifications, these also include voluntary certifications that the Group has obtained in order to guarantee the reliability of Datalogic's products for the market; in these cases, the certificates are issued by leading multinational companies with specific expertise in assessing the impact of electronic equipment upon health and safety.

100% of the products developed undergo the assessments described above. There were no non-compliances anywhere in the world in 2018 relating to health and safety impacts generated by the products.

4.3 Training and professional growth of R&D resources

Complete knowledge of the company, its products and its procedures is one of the key elements for Datalogic's success.

Datalogic Group is constantly on the lookout for the most talented graduates from engineering faculties all around the world. Results-oriented people with a passion and curiosity for innovation and for the development of new products and solutions, with a desire to meet the Customers' needs, and with excellent technical and relational skills.

As the company firmly believes in the importance of ongoing training as a way to promote professional growth, Datalogic has developed a comprehensive and diversified training offering that's available to all of its employees.

The development of the R&D resources is supported by the use of leadership tools and self-assessments, in order to help guide the staff's professional careers in the best possible manner.

In order to provide new hires with a full knowledge of the Group, its products and procedures, Datalogic offers a structured training program, in collaboration with the various organisational functions, that includes both classroom training and field training. This allows for the development of both "core" and "soft" skills.

4.4 Investments in innovation and R&D

Datalogic is built on innovation, and boasts a history dating back 46 years, during which it has achieved unique results: over 1,200 patents in multiple jurisdictions, 11 research and development centres (throughout Italy, the USA and Asia), and 497 specialised resources (mostly engineers) dedicated to the development of new products and solutions, all supported by a forward-thinking management staff.

Datalogic constantly promotes practical inventions mainly related to automatic data acquisition and industrial automation for the retail, production, transport, logistics and healthcare industries.

For our engineers, the "Leonardo da Vinci Award" for best inventor of the year is a real acknowledgement of their achievements. With this € 10,000 prize, Datalogic incentivises their contribution to the Group's portfolio of intellectual property ("IP"). By rewarding engineering excellence and innovation throughout the group through the use of a superior acknowledgement and awards programme that celebrates and gives credit to the inventors, this portfolio plays a strategic role in ensuring our competitive advantage and market strength.

Major and ongoing investments have been made to support the quality of the development process. Datalogic is equipped with the very best CAD and simulation systems.

Datalogic has the most advanced Product Portfolio Management (PPM) and requirements management systems.

The use of the PLM (Product Lifecycle Management) is expected to be extended to all the departments involved in the new product development process during the course of 2019.

5. The Datalogic personnel

Human Capital is the central element upon which Datalogic bases the pursuit of its development goals, and is the main asset upon which its Product and Innovation strategy is founded.

Its staff's skills are the keystone to its long-term competitiveness, and are a critical success factor for its Research and Development. In order to support Datalogic's overall business growth, the company decided to invest in the fundamental processes of staff recruitment and selection, placement, training, talent development, and performance management.

The structure of the Human Resources Department and significant changes in 2018

In order to strengthen the Human Capital core processes and ensure a more rapid response to the Group's changing needs, significant investments were made in the structure of the Human Resources department during the course of 2018, with the acquisition of key talents from the international market.

The new Senior Vice President and Chief Human Resources Officer (CHRO) is supported by three regional HR Managers (EMEA, APAC and AMERICAS), by HR Business Partners responsible for the management and development of the Professional Families on a global scale (in close collaboration with the Business), and by the COEs (Centres of Excellence) responsible for defining and implementing the Policies, functional processes and technical components of their specific competence, while at the same time defining the relative standards and KPIs: Organisational Development, Talent Acquisition, Total Reward, Leadership Development, Internal Communication, Industrial Relations and HR Compliance.

From an operational point of view, the HR Managers of a location/country are a territorial reference point for the management and valuation of their human resources, guaranteeing the precise execution of the guidelines, policies and processes assigned to them, complete with any relative adaptations that need to be made for the individual countries from a regulatory, contractual, and even cultural standpoint.

During the course of 2018, the Group closed its sales office in Ireland, and consequently laid off the employees.

5.1 Overview of the Group's personnel

The data regarding the Group's personnel are broken down by the three Regions in which Datalogic operates (EMEA, AMERICAS, and APAC¹²). For a significant portion of the data, a precise comparison is provided with the data from 2017 and 2016; where not available, a qualitative comparison is made. A further breakdown between White Collar (office staff) and Blue Collar personnel (direct and indirect production employees) will also be provided for internal purposes.

As of 31/12/2018 Datalogic Group had 3,157 employees, for an increase of 8.4% compared to the 2,912 employees recorded in 2017.

	2016		2017		2018		Δ %	
	N	%	N	%	N	%	'17 vs. '16	'18 vs. '17
Total Employees	2,696	100.0%	2,912	100.0%	3,157	100.0%	8.0%	8.4%
EMEA	1,389	51.5%	1,602	55.0%	1,766	55.9%	15.3%	10.2%
Americas	623	23.1%	621	21.3%	653	20.7%	-0.3%	5.2%
APAC	684	25.4%	689	23.7%	738	23.4%	0.7%	7.1%

Table 7 Total Employees broken down by geographical area, in 2016, 2017 and 2018

While the Group's presence has particularly increased in the EMEA area (+10.2%), constant growth has also been recorded in the other areas as well (+5.2% in Americas, and +7.1% in APAC). The recruiting efforts have mainly been focused upon product development structures (R&D and engineering) in EMEA, and Sales profiles in Americas.

2018	EMEA		Americas		APAC		Total	
	N	%	N	%	N	%	N	%
Total employees	1,766	100.0%	653	100.0%	738	100.0%	3,157	100.0%
Men	1,019	57.7%	498	76.3%	443	60.0%	1,960	62.1%
Women	747	42.3%	155	23.7%	295	40.0%	1,197	37.9%
Under 30 years old	288	16.3%	66	10.1%	321	43.5%	675	21.4%
30 to 50 years old	1,119	63.4%	293	44.9%	402	54.5%	1,814	57.4%
Over 50 years old	359	20.3%	294	45.0%	15	2.0%	668	21.2%

Table 8 Employees by gender and age group 2018

¹² The countries included within the three Regions are the following:

- EMEA: Austria, France, Germany, Hungary, Ireland (only for the years 2016 and 2017), Italy, the Netherlands, Poland, Russia, Slovakia, Spain, Sweden, Turkey, United Arab Emirates, and the United Kingdom;
- Americas: Brazil, Mexico, and the USA;
- APAC: Australia, China, India, Indonesia, Korea, Malaysia, Singapore, Thailand, and Vietnam.

	EMEA		Americas		APAC		Total	
	N	%	N	%	N	%	N	%
Total employees	1,766	100.0%	653	100.0%	738	100.0%	3,157	100.0%
White Collars	1,157	65.5%	604	92.5%	362	49.1%	2,123	67.2%
Blue Collars	609	34.5%	49	7.5%	376	50.9%	1,034	32.8%
Total Men	1,019	100.0%	498	100.0%	443	100.0%	1,960	100.0%
White Collars	851	83.5%	469	94.2%	241	54.4%	1,561	79.6%
Blue Collars	168	16.5%	29	5.8%	202	45.6%	399	20.4%
Total Women	747	100.0%	155	100.0%	295	100.0%	1,197	100.0%
White Collars	306	41.0%	135	87.1%	121	41.0%	562	47.0%
Blue Collars	441	59.0%	20	12.9%	174	59.0%	635	53.0%
Total Employees under 30 years old	288	100.0%	66	100.0%	321	100.0%	675	100.0%
White Collars	147	51.0%	62	93.9%	82	25.5%	291	43.1%
Blue Collars	141	49.0%	4	6.1%	239	74.5%	384	56.9%
Total Employees 30 to 50 years old	1,119	100.0%	293	100.0%	402	100.0%	1,814	100.0%
White Collars	781	69.8%	276	94.2%	267	66.4%	1,324	73.0%
Blue Collars	338	30.2%	17	5.8%	135	33.6%	490	27.0%
Total Employees over 50 years old	359	100.0%	294	100.0%	15	100.0%	668	100.0%
White Collars	229	63.8%	266	90.5%	13	86.7%	508	76.0%
Blue Collars	130	36.2%	28	9.5%	2	13.3%	160	24.0%

Table 9 Employees broken down by “White Collars” and “Blue Collars” 2018

67.2% of Datalogic employees are “White Collars”. This percentage is even greater among the male employees (79.6%), most of whom have engineering training. The organisation does not have any relevant activities that are performed by significant numbers of non-employee workers.

5.2 Employment and contract types

Aware of the fact that Datalogic's growth accompanies that of its own human resources, the Group prefers to maintain stable and long-term employment relationships with its employees. In 2018, 91.5% of the employees held open-ended contracts¹³, a significant increase compared to 2017 (+26.0%). 97.2% of the employees have full-time contracts.

		EMEA			Americas			APAC			Total		
		EMEA			Americas			APAC			Total		
		2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Total Employees	N	1,389	1,602	1,766	623	621	653	684	689	738	2,696	2,912	3,157
Open-ended	N	1,196	1,256	1,639	618	617	650	455	419	599	2,269	2,292	2,888
	%	86.1%	78.4%	92.8%	99.2%	99.4%	99.5%	66.5%	60.8%	81.2%	84.2%	78.7%	91.5%
Fixed-term	N	193	346	127	5	4	3	229	270	139	427	620	269
	%	13.9%	21.6%	7.2%	0.8%	0.6%	0.5%	33.5%	39.2%	18.8%	15.8%	21.3%	8.5%

Table 10 Total employees by contract type (open-ended or fixed-term) in 2016, 2017 and 2018

		2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Total Employees	N	1,389	1,602	1,766	623	621	653	684	689	738	2,696	2,912	3,157
Full-time	N	1,314	1,514	1,688	612	617	644	682	689	738	2,608	2,820	3,070
	%	94.6%	94.5%	95.6%	98.2%	99.4%	98.6%	99.7%	100.0%	100.0%	96.7%	96.8%	97.2%
Part-time	N	75	88	78	11	4	9	2	-	-	88	92	87
	%	5.4%	5.5%	4.4%	1.8%	0.6%	1.4%	0.3%	0.0%	0.0%	3.3%	3.2%	2.8%

Table 11 Total employees by contract type (full-time and part-time) in 2016, 2017 and 2018

2018		EMEA		Americas		APAC		Total	
		N	%	N	%	N	%	N	%
Total Open-Ended		1,639	100.0%	650	100.0%	599	100.0%	2,888	100.0%
Men		983	60.0%	498	76.6%	336	56.1%	1817	62.9%
Women		656	40.0%	152	23.4%	263	43.9%	1071	37.1%
Total Fixed-Term		127	100.0%	3	100.0%	139	100.0%	269	100.0%
Men		36	28.3%	0	0.0%	107	77.0%	143	53.2%
Women		91	71.7%	3	100.0%	32	23.0%	126	46.8%
Total Full-Time		1,688	100.0%	644	100.0%	738	100.0%	3,070	100.0%
Men		1008	59.7%	491	76.2%	443	60.0%	1942	63.3%
Women		680	40.3%	153	23.8%	295	40.0%	1128	36.7%
Total Part-time		78	100.0%	9	100.0%	-	n.a.	87	100.0%
Men		11	14.1%	7	77.8%	-	n.a.	18	20.7%
Women		67	85.9%	2	22.2%	-	n.a.	69	79.3%

Table 12 Employees per area broken down by open-ended, fixed term and contract type 2018

		EMEA			Americas			APAC			Total		
		2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Total Employees		1,389	1,602	1,766	623	621	653	684	689	738	2,696	2,912	3,157
Total Employees covered by collective bargaining agreements with the trade unions	N	766	822	952	40	46	36	553	554	548	1,359	1,422	1,536
	%	55.1%	51.3%	53.9%	6.4%	7.4%	5.5%	80.8%	80.4%	74.3%	50.4%	48.8%	48.7%

Table 13 Employees covered by collective bargaining agreements with the trade unions in 2016, 2017 and 2018¹⁴

¹³ In contexts outside Italy, permanent or open-ended contracts are stipulated.

¹⁴ For the year 2018, collective bargaining is intended as bargaining conducted with employees or the employees' representatives (Unions).

5.3 Talent Acquisition

The continued implementation of Datalogic's Mission aimed at creating value for customers is only possible thanks to the help of "extremely talented people". Talent is the final result of a perfect mix of leadership, distinctive skills, and the consistency between the individual's behavioural and the company's characteristics.

The main challenge for the Datalogic Department Managers and Human Resources Department is attracting, developing and maintaining these technical and managerial skills internally (retention).

Partnerships with Universities and Institutions

Datalogic has recently signed a framework agreement of high strategic interest with the University of Bologna, which strengthens the pre-existing interactions between Datalogic and the University of Bologna's individual research units and structures. This partnership involves participation in events like the Bologna Career Day, which are dedicated to launching internships and introducing students to working life, as well as technology transfer and co-branding initiatives.

However, the partnerships with research centres are on an international scale, and aren't limited to the Bologna area alone.

The network, which contributes to the development of increasingly innovative technologies, has been consolidated over the years, and includes entities like: The University of Modena and Reggio Emilia, The University of Ferrara, Technische Universiteit Delft (TU Delft), École polytechnique fédérale de Lausanne (EPFL), T3Lab, CRIT, Its Cuccovillo, Fraunhofer-Gesellschaft, TNO (Nederlandse Organisatie voor Toegepast Natuurwetenschappelijk Onderzoek), SUPSI (University of Applied Sciences of Italian-speaking Switzerland), Oregon Technology, Oregon State University, The University of Oregon, The University of Florida, Carnegie Mellon University (CMU), The University of Missouri-Kansas City (UMKC), The University of Portland, and Portland State University.

Furthermore, in order to consolidate its network of emerging talents, Datalogic has established two types of university thesis programs. The first consists of the opportunity to prepare a thesis while covering a professional position within the Group. The second offers university students enrolled in scientific faculties the opportunity to participate in the "Best Thesis of the Year" competition. The initiative, which Datalogic hosts in order to meet new and promising resources, involves the assessment of the best thesis project carried out at the company by a panel of technical judges, consisting of R&D department's senior managers.

In addition to the partnerships mentioned above, Datalogic has also established a partnership with the Cuccovillo Superior Technical Institute of Bari. The agreement entails the inclusion of 25 graduate students in a two-year dual training course (a "Data-Dil" course). Finally, in order to ensure the most comprehensive training possible, complete with practical "on the job" technical training, the course includes a 6-month operational internship with the company, for a curriculum that will allow these young people to obtain the European Title of Electronics Technician Highly Specialised in the field of Industrial Automation.

Datalogic is also part of the "School-Work Alternation Club" promoted by Confindustria Emilia, an association of companies dedicated to effectively applying the relevant legislation and creating the conditions to offer students experiences that will broaden their awareness of the world of business. This type of partnership favours the early identification of talents during their school years, and promotes the supplementation of educational courses with real-life workplace experience. In this regard, the Discover your Talent Initiative (aimed at better focusing the university studies of three-year students) is also in the works.

Talent Acquisition and “Onboarding” Process

The Talent & Acquisition team guarantees the managerial and technical skills necessary for the harmonious development of the company’s business. In fact, the team matches the talent available on the market with the gaps to be filled at the various organisational levels, all through an input filter designed to guarantee the best possible fit between the Group and the Individual, both immediately and over the long term. The talented people targeted by Datalogic are guided using the PPA (Personal Profile Analysis) and GIA (General Intelligence Assessment) tools, which guarantee objectivity, consistency and sustainability throughout the selection process, as well as during the subsequent individual and Professional Family development phases.

Datalogic compares the profiles of individuals with standard PPA role profiles in order to structure the individual and collective development processes accordingly, in keeping with the strong trend in workforce growth that took place in 2018.

In fact, these tools allow the company to evaluate the degree to which the individual’s behaviour, values, and skill levels correspond to the expectations for the role/position to be filled. These tools can also help to improve the orientation of Datalogic’s personnel by defining career pathways aimed at maximising each individual’s value and developing their potential. In fact, during the course of 2018 an ambitious recruitment plan was carried out, which involved all the company’s departments, with a particular focus upon R&D and Sales.

2018	EMEA		Americas		APAC		Total	
	N	%	N	%	N	%	N	%
Total Employees	1,766		653		738		3,157	
Total White Collars	1,157		604		362		2,123	
Total Blue Collars	609		49		376		1,034	
Total New Hires	558	31.6%	140	21.4%	146	19.8%	844	26.7%
White Collar New Hires	278	24.0%	137	22.7%	128	35.4%	543	25.6%
Blue Collar New Hires	280	46.0%	3	6.1%	18	4.8%	301	29.1%
Total Men	1,019	100.0%	498	100.0%	443	100.0%	1,960	100.0%
Male New Hires	326	32.0%	112	22.5%	101	22.8%	539	27.5%
Total Women	747	100.0%	155	100.0%	295	100.0%	1,197	100.0%
Female New Hires	232	31.1%	28	18.1%	45	15.3%	305	25.5%
Total Employees under 30 years old	288	100.0%	66	100.0%	321	100.0%	675	100.0%
New Hires under 30 years old	209	72.6%	47	71.2%	62	19.3%	318	47.1%
Total Employees 30 to 50 years old	1,119	100.0%	293	100.0%	402	100.0%	1,814	100.0%
New Hires 30 to 50 years old	287	25.6%	64	21.8%	82	20.4%	433	23.9%
Total Employees over 50 years old	359	100.0%	294	100.0%	15	100.0%	668	100.0%
New Hires over 50 years old	62	17.3%	29	9.9%	2	13.3%	93	13.9%

Table 14 Number and rate of New Hires by geographical area 2018¹⁵

In order to achieve this goal, the company has implemented various strategies and initiatives aimed at attracting talents and raising awareness of the numerous opportunities offered by the Group. Datalogic participated in the main Career Days, with sessions dedicated to presenting the company and its available

¹⁵ The rate of new hires is calculated as the ratio between the total number of resources hired in 2018 (total, white collars and blue collars, by gender and age group), and the total number of employees (total, white collars and blue collars, by gender and age group) as of 31/12/2018. The number of the resources hired doesn’t include resources transferred between different Regions.

positions, and even opened up its Headquarters to students for an entire day of orientation and manager interviews.

The tools that have helped promote this strong growth are the following:

- **Employer Branding:** the strengthening of the Group's presence on social media, especially on work platforms, such as LinkedIn, Glassdoor, Monster and Facebook. With the aim of actively searching for specific profiles for strategic growth in the field of innovation;
- **The New HRMS System (Success Factors)**, which was expanded in 2018 to include Compensation and Benefit, Organisational development, Talent and people management modules, as well as reports to be provided to Human Resources, in order to be able to quickly and effectively obtain accurate information regarding the number of employees, Full Time Equivalents, new hires, turnover, etc., with regard to the entire Datalogic workforce, both in Italy and abroad;
- **The restructuring of the Datalogic "Career" website** with a particular section dedicated to "Careers", which has allowed for the qualitative development of the recruitment practices to be monitored;
- **The re-engineering of the *onboarding* process**, which now guarantees that assimilation into the Datalogic workforce will take place in the most appropriate manner possible, by maximising the learning curve for new hires.

The new Welcome On board pilot program was launched in Italy (at the Bologna headquarters) in September, and, after an initial set-up phase, was implemented on a worldwide scale.

The process specifically entails an initial phase consisting of institutional training, training on the specific position held within the departments of membership, an intermediate evaluation for the subsequent fine tuning of the cross-training process, and a final assessment.

In order to stay competitive with the other companies present in the area, based on a market analysis with international companies such as Radford/Hay, the company has prepared remuneration and benefits packages that are consistent with and, in many cases, even better than its greatest competitors.

The process was triggered by the review of the internship conditions and of the packages applicable to the three-year degree and master's programmes, which now include support for a 6-month relocation, a mentorship for all new graduates, and facilitated financing for the purchase of a first home and participation in missions abroad for significant periods of time.

The packages envisaged for Research & Development figures currently represent a benchmark on the Italian labour market.

5.4 Employee training

The various forms and methods of training support the development of the talent and potential available through an individual and collective learning process, thus allowing the level of skills to be increased and maintained.

This process is important for preventing rapid skill obsolescence and turnover; in order to better manage this topic, in 2018 the process was centralised within the context of the newly established Leadership Development COE.

As the central body responsible for organising the training courses, the Leadership Development COE has standardised a process for determining the training requirements on a global scale, and has begun preparing a unified catalogue of training opportunities, which will be made available to the personnel at the request of their line managers, and with the approval of the COE itself.

In order to meet the widest possible range of requirements, in the future the training offering will include a variety of online and Face-to-Face solutions (to be administered by both internal and external teachers), as well as combined solutions (including the use of Action Learning, Gamification, Virtual Reality, Augmented Reality, and Remote guided training).

The in-depth courses are structured based on the needs and the different learning capacities of the individuals involved.

In view of the important role that employee skill development plays for the Group, Datalogic has decided to monitor and report on its training data for 2019.

5.5 Employee performance

By highlighting the commitment and contribution of each individual, the Performance review helps to keep the company and the employees on the same page in terms of expectations.

It is a process that's carried out on a Group-wide scale; on a global level, the "White Collar" employees are covered by the Management Incentive Program (MIP) and Sales Incentive Program (SIP), which poses business and behavioural targets closely linked to the corporate values.

In particular, the performance management process is an ongoing process between the employee and the subjects involved in evaluating his/her performance. It consists of the following specific phases:

1. **Target setting:** The goals for each employee are set at the beginning of the year, so that they're in line with the company's goals. The goals are set once the employee has had a discussion with his/her own manager, in order to ensure that they're both on the same page in terms of expectations.
2. **Self-assessment:** this is the first phase of the dual-assessment step (Self-assessment and Manager assessment); during this time frame, the employee is given the opportunity to perform a self-assessment and to express his/her point of view regarding the achievement of the established targets and the work conduct he/she has adopted based on the corporate values.
3. **Assessment:** this is the phase in which the employees' skills are assessed by the manager, who is responsible for preparing an overall and balanced assessment regarding his/her team members' performance and behaviour (supported by valid and quantitative arguments).
4. **Calibration:** this phase is aimed at ensuring the application of the same assessment criteria by the managers of the various teams within the individual departments, as well as among different departments. It takes place by holding open discussions, first at the department level, and then at the corporate level.
5. **Feedback and Goal Setting:** this is the final phase of the performance review process. The manager holds a 1-to-1 meeting with his/her employee in order to provide feedback regarding the assessment. This is a time to re-affirm the goals for the coming year, and to reflect upon the development of the employee's various career paths.

In 2018, 80.7% of the Group's White Collar employees were involved in the performance review process.

2018	EMEA		Americas		APAC		Total	
	N	%	N	%	N	%	N	%
Total employees	1,766	100.0%	653	100.0%	738	100.0%	3,157	100.0%
White Collar Employees Assessed	930	52.7%	456	69.8%	327	44.3%	1,713	54.3%
Total White Collars	1,157	100.0%	604	100.0%	362	100.0%	2,123	100.0%
White Collar Employees Assessed	930	80.4%	456	75.5%	327	90.3%	1,713	80.7%
Total White Collars - Men	851	100.0%	469	100.0%	241	100.0%	1,561	100.0%
White Collar Men Assessed	692	81.3%	367	78.3%	218	90.5%	1,277	81.8%
Total White Collars - Women	306	100.0%	135	100.0%	121	100.0%	562	100.0%
White Collar Women Assessed	238	77.8%	89	65.9%	109	90.1%	436	77.6%
Total White Collar Employees under 30 years old	147	100.0%	62	100.0%	82	100.0%	291	100.0%
White Collar Employees under 30 years old Assessed	97	66.0%	32	51.6%	70	85.4%	199	68.4%
Total White Collar Employees 30 to 50 years old	781	100.0%	276	100.0%	267	100.0%	1,324	100.0%
White Collar Employees 30 to 50 years old Assessed	636	81.4%	204	73.9%	246	92.1%	1,086	82.0%
Total White Collar Employees over 50 years old	229	100.0%	266	100.0%	13	100.0%	508	100.0%
White Collar Employees over 50 years old Assessed	197	86.0%	220	82.7%	11	84.6%	428	84.3%

Table 15 Employees who underwent performance review in 2018

5.6 Employee welfare and safety

Welfare and Benefits

The corporate welfare system that Datalogic is structuring in Italy bears witness to the attention the company pays to its human resources, and represents an additional loyalty-building element.

In fact, all the Group's employees in Italy currently have access to a series of healthcare and family management support tools designed to contribute to the personal wellness of the individual.

The Welfare platform that the company maintained for its employees during 2018 allowed them to choose and take advantage of the full range of flexible benefits envisaged by the legislation, in order to make use of the amount converted from the performance bonus, and the Welfare amount rendered available to them by Collective Bargaining Agreement for the mechanical engineering sector, as well as the variable bonus instalments converted for certain categories of employees. Various discounts have also been made available to all the employees within the same portal, which have increased their spending power on different types of goods and services for leisure time.

Furthermore, in order to support the medical needs of the employees and their families, a supplementary health insurance policy dedicated to the middle managers has been in place on a company-wide scale for years. A similar policy was extended to all the Italian personnel at the end of 2017, and has therefore been available to everyone as of 1 January 2018.

Moreover, all employees with children aged 0-3 years have access to an annual bonus intended to assist with the cost of nursery school enrolment, which is divided equally based on the number of requests received; this contribution helps female workers make an effective return to the workplace after maternity leave, and helps improve the balance between their personal and professional lives.

Along the same lines, the non-production staff have been granted flexible shift times (starting between 8 a.m. and 9:30 a.m.), as well as the possibility of telecommuting upon request, where compatible with their work responsibilities.

Worker health and safety

One of Datalogic Group's most important responsibilities is to guarantee a work environment compliant with even the most stringent safety requirements. To this end, monitoring and periodic review activities are constantly carried out in order to safeguard the employees' health and safety and guarantee healthy and accommodating working conditions.

The safety policy requires the company to ensure:

- Continuous prevention in terms of workplace health and safety and environmental protection;
- Compliance with the applicable legislation and any other requirements to which the organisation has decided to adhere;
- Continuous improvement, by preparing annually updated performance plans, and by pursuing the goals of "zero workplace injuries" and "zero occupational diseases";
- Staff awareness, in order to maintain high levels of interest with regard to workplace health and safety issues.

The Group's Occupational Health and Safety Department in Italy is coordinated by the OHSM, who relies upon the collaboration of external consultants and representatives from each plant.

Health and safety issues are managed on a local level, in compliance with the current local regulations.

With particular regard to production areas, the health and safety risks posed to the workers are analysed through procedures enacted within the individual territorial contexts, in compliance with the local regulations. All the assessments have shown very limited risks for the workers, since the productive activities only pose a low risk level in terms of health and safety.

As of the date of this Statement's publication:

- Datalogic Spa and Datalogic Srl hold certificate no. 9192.DAP1 (IMQ) for compliance with the OHSAS18001 standard concerning "Occupational Health and Safety Management Systems", first issued on 6 June 2008;
- Datalogic Vietnam LCC holds certificate no. VN18/00322 SGS, obtained in 2018, for compliance with the new ISO45001 standard concerning "Occupational health and safety management systems".

The continuous improvement process linked to the maintenance of these certifications, and the Group's constant adaptation to the national regulations in the foreign countries where it operates, represent the safeguards that it maintains on this topic. The risk analyses carried out within the various contexts and the systematic monitoring of the data concerning injuries and occupational diseases have shown that none of the workers are engaged in activities with a high accident rate or a high risk of specific diseases.

In Italy, an occupational health and safety level risk is established based on the specific tasks performed. The health and safety training activities are planned based on this risk level, and are carried out upon joining the

company, with periodic updates being provided as required by the applicable legislation (Italian Legislative Decree no. 81/08 and the State-Regions Agreement).

No significant accidents occurred during 2018 in terms of hours of absence from work.

Respect for employees' rights

In order to exalt the value of individuals within a harmonious framework of sustainable business development, while at the same time leveraging the great human potential at its disposal, Datalogic has decided to create a work environment inspired by maximum respect for diversity and individuality.

The Group's Business Ethics, which has been put into practice through the tools and procedures contained within the Code of Ethics and the Employee Handbooks (whose implementation phase began in 2018) allows the Group to lay out development pathways that are respectful of individuals, and that have positive impacts on productivity, creativity and innovation.

Exalting diversity also allows the Group to contextualise equal treatment and opportunities for development within its organisational structures. This Ethics allows Datalogic to eliminate the risk of human rights violations in all the countries in which it operates. This aspect is doubly guaranteed in Italy by the application of the national collective bargaining agreements, in this case that of the Mechanical Engineering sector.

The Employee Handbook is the reference guide to the rights and duties of the employees in a given country, and contains all the behavioural, managerial and contractual guidelines with which each Datalogic employee must comply, as well as the relative safeguards. It also serves to provide correct information and clear explanations of the rules of conduct at the workplace. There were no cases of employee discrimination in 2018.

5.7 Employee turnover

Consolidating your distinctive skills at the collective level and over time means taking care of your talents. This is one of the Group's main objectives. In this regard, an Employer Value Proposition (EVP) has been established in order to formulate a strategic communication that promotes the benefits, opportunities and rewards that Datalogic has to offer, above all with the aim of adopting an "employee centred" approach. The main objective is to find common ground between the cultural communication, conduct, and actions taken by Datalogic through the development of employer branding, in order to transform the reputation of employer branding into an authentic "employee experience".

2018	EMEA		Americas		APAC		Total	
	N	%	N	%	N	%	N	%
Total Employees	1,766		653		738		3,157	
Total Turnover	401	22.7%	103	15.8%	95	12.9%	599	19.0%
Total Men	1,019	100.0%	498	100.0%	443	100.0%	1,960	100.0%
Male Employee Turnover	170	16.7%	65	13.1%	55	12.4%	290	14.8%
Total Women	747	100.0%	155	100.0%	295	100.0%	1,197	100.0%
Female Employee Turnover	231	30.9%	38	24.5%	40	13.6%	309	25.8%
Total Employees under 30 years old	288	100.0%	66	100.0%	321	100.0%	675	100.0%
Turnover of employees under 30 years old	119	41.3%	25	37.9%	45	14.0%	189	28.0%
Total Employees 30 to 50 years old	1,119	100.0%	293	100.0%	402	100.0%	1,814	100.0%
Turnover of employees 30 to 50 years old	212	18.9%	40	13.7%	46	11.4%	298	16.4%
Total Employees over 50 years old	359	100.0%	294	100.0%	15	100.0%	668	100.0%
Turnover of employees over 50 years old	70	19.5%	38	12.9%	4	26.7%	112	16.8%

Table 16 Number and rate of turnover by geographical area in 2018¹⁶

Most of the time, employees let go in 2018 were from certain production sites, and this was attributable to seasonality, the use of fixed-term work formulas, and the low level of unemployment specific to certain countries (above all Slovakia and Hungary). There was a turnover in the production areas following the change of mission at the site in Slovakia. Moreover, from a geo-economic standpoint, the average unemployment rate in the area of the Slovak site is 1.8%, with an average turnover of 20%. The location of the site in Hungary makes it rather difficult to attract, and above all retain, employees. For reasons similar to those in Slovakia, due to a change in the site's mission, personnel with greater technical skills needed to be sought out in 2018. Finally, the area has an average unemployment rate of 3.8%, and a shortage of other production sites from which to draw staff for recruitment purposes. Measures aimed at containing the turnover for both the Hungary and Slovakia sites will be taken during 2019.

The employees over 50 years old who were let go (16.8%) were offset by the recruitment of new hires under the age of 30. Datalogic Group has a policy of accompaniment for the personnel being let go. The measures vary depending on the circumstances, and can include the use of outplacement tools or the payment of lay off incentives, as required by the contractual and legal provisions.

Datalogic's turnover is in line with the turnover data of other HiTech companies, especially those operating on highly competitive markets, like APAC. Starting in mid-2018, measures were taken to improve the remuneration provided to the personnel of greatest importance to the company (R&D and Sales), with a market alignment plan for recent graduates, and a consequent internal alignment for Datalogic's operational staff.

An ad hoc Retention policy was also implemented for the personnel in the most critical positions. This already led to a significant reduction in quarterly turnover in Q4.

¹⁶ The turnover rate is calculated as the ratio between the total number of resources let go in 2018 (total, by gender and age group), and the total number of employees (total, by gender and age group) as of 31/12/2018. The number the resources let go doesn't include resources transferred between different Regions.

6. Supply chain

6.1 Overview of the supply chain

For an organisation like Datalogic, whose main objectives are customer satisfaction and the creation of “zero-defect” systems, engagement, growth, and ongoing collaboration with suppliers are fundamental elements for strengthening its competitiveness.

There were no significant changes in the supply chain structure during 2018.

The Group’s suppliers are divided into two categories:

- **Suppliers from which Datalogic purchases direct materials**, or rather those used for production;
- **Suppliers from which Datalogic purchases “indirect” goods and services**, which constitute all the remaining purchases, namely professional services, facilities, Marketing and communications, transport and travel expenses, and other purchases of materials.

	2016		2017		2018	
	No.	%	No.	%	No.	%
Total Suppliers	5,605	100.0%	5,246	100.0%	5,074	100.0%
Direct Suppliers	977	17.4%	857	16.3%	698	13.8%
Indirect Suppliers	4,628	82.6%	4,389	83.7%	4,376	86.2%

Table 17 Total number of suppliers in 2016, 2017, 2018¹⁷

	2016		2017		2018		Δ %	
	€	%	€	%	€	%	'17 vs. '16	'18 vs. '17
Total Suppliers	276,157,118	100.0%	278,284,648	100.0%	296,889,924	100.0%	0.8%	6.7%
Direct Suppliers	218,960,906	79.3%	221,282,992	79.5%	230,328,382	77.6%	1.1%	4.1%
Indirect Suppliers	57,196,212	20.7%	57,001,656	20.5%	66,561,542	22.4%	-0.3%	16.8%

Table 18 Purchases (in €) by type of supplier in 2016, 2017, 2018¹⁸

The Group made purchases from a total of 698 direct suppliers during 2018, a figure which is consistent with the reclassified values of 2017, during which time a project aimed at streamlining the supplier base was in progress.

Purchases from direct suppliers increased in proportion to the growth of the business (+4.1% compared to 2017).

Although a streamlining and consolidation project is currently underway, the number of indirect Suppliers is consistent with the market figures. The decrease in the number of indirect suppliers (-0.3% compared to 2017) compared to the level of purchases (+16.8% compared to 2017) was in line with the supplier partnership objective.

¹⁷ The 2018 data regarding direct suppliers were calculated based on a new reclassification of the master data contained in the Management Systems. The change with respect to the previous years can therefore be explained in this sense; in fact, the 2016 and 2017 figures recalculated using the new methodology result in 764 and 706 direct suppliers respectively, which are consistent with the 2018 value. The above numbers for indirect suppliers only take into account suppliers for OPEX purchases, excluding CAPEX, settlements, accruals and deferrals, and expense reports.

¹⁸ Only taking into account OPEX purchases, excluding CAPEX, settlements, accruals and deferrals, and expense reports.

Due to their greater strategic importance and the fact that their activities expose them to greater potential risks in terms of supply quality and the safeguarding of social and environmental aspects, greater attention is paid to the direct suppliers throughout all the procurement processes.

The direct materials are divided into four groups representing the “commodities” purchased, which in turn consist of different product categories (“segments”). These specifically include:

- **Contract Manufacturing & Original Design Manufacturing (CM&ODM):** finished products and sub-assemblies made based on designs and specifications defined by Datalogic;
- **Custom Mechanical:** mechanical components that are assembled to obtain Datalogic products;
- **Custom Optoelectronics:** lenses, displays and similar products that are integrated within Datalogic products;
- **Electronics:** electronic components, which constitute the commodities of greatest value purchased by Datalogic.

The Group’s total purchases (OPEX) from Direct Suppliers, broken down by Region and year, are as follows:

	2016		2017		2018		Δ %	
	€	%	€	%	€	%	'17 vs. '16	'18 vs. '17
Total Direct Suppliers	218,960,906	100.0%	221,282,992	100.0%	230,328,382	100.0%	1.1%	4.1%
EMEA	76,116,255	34.8%	81,085,510	36.6%	84,524,158	36.7%	6.5%	4.2%
Americas	15,061,182	6.9%	13,244,425	6.0%	11,048,919	4.8%	-12.1%	-16.6%
APAC	127,783,469	58.3%	126,953,057	57.4%	134,755,305	58.5%	-0.6%	6.1%

Table 19 Purchases (in €) by geographical location of the suppliers’ registered offices in 2016, 2017 and 2018¹⁹

From the standpoint of geographical location, 36.7% of direct material purchases are made through suppliers with registered offices in EMEA. In 2018, the strategy of investing in local suppliers led to an increase in purchases from suppliers located in these specific areas (+16.2% in Vietnam and +18.5% in Eastern Europe).

The Group’s total purchases (OPEX) from Direct Suppliers, broken down by individual Plant ²⁰and by year, are as follows:

	2016		2017		2018		Δ %	
	€	%	€	%	€	%	'17 vs. '16	'18 vs. '17
Total	218,960,906	100.0%	221,282,991	100.0%	230,328,382	100.0%	1.1%	4.1%
Italy ²¹	39,402,847	18.0%	40,284,070	18.2%	42,034,478	18.2%	2.2%	4.3%
Slovakia	33,630,549	15.4%	40,956,862	18.5%	34,908,278	15.2%	21.8%	-14.8%
Hungary	5,710,113	2.6%	11,968,241	5.4%	18,520,838	8.0%	109.6%	54.7%
Vietnam	131,285,308	60.0%	120,977,972	54.7%	127,714,284	55.4%	-7.9%	5.6%
USA ²²	8,273,906	3.8%	6,133,319	2.8%	6,218,641	2.8%	-25.9%	1.4%
Brazil	658,183	0.2%	962,527	0.4%	931,863	0.4%	46.2%	-3.2%

Table 20 Purchases (in €) by plant in 2016, 2017, and 2018²³

¹⁹ Only taking into account OPEX purchases, excluding CAPEX, settlements, accruals and deferrals

²⁰ Considering the total purchases of each Datalogic Plant, broken down by State of origin, regardless of the supplier’s registered offices

²¹ Considering the following Plants in Italy: Monte San Pietro (Bo), Castiglione Messer Raimondo (Te)

²² Considering the Eugene Plant and the Telford Repair Centre in the United States

²³ Only taking into account OPEX purchases, excluding CAPEX, settlements, accruals and deferrals

The direct material purchases made by the various plants reflect the volumes required for the Group's own production and that entrusted to third party contractors.

6.2 Supply chain management model

The supplier research, evaluation and selection process

In order to manage the supply chain in a manner that will help achieve the corporate objectives and monitor the risk areas described, Datalogic has set up an organisation structured according to four macro areas:

- Direct purchases;
- Indirect purchases;
- Supplier quality;
- Project Sourcing.

Datalogic manages all the phases of its supplier relations through centrally established procedures applied on a Group-wide scale. Suppliers of direct materials are subject to in-depth analysis, as they represent the most important segment from both a quantitative and an economic perspective.

The main potential risks associated with the procurement processes for direct materials are the following:

- **Supply difficulties**, or rather the unavailability of materials needed for production from suppliers;
- **Poor quality of supplied materials**, which can have an impact on both the production processes and the finished product;
- **Infringement of environmental, social and human rights regulations by suppliers**, which are inconsistent with the ethical principles adopted by the company, and can have negative impacts on the company's reputation.

In order to mitigate these risks, during the qualification phase, Datalogic carefully evaluates whether the suppliers are capable of ensuring the quality levels required for the supply operations, and conducts subsequent verifications during the course of the supply relationship.

Once identified, each new potential supplier undergoes a qualification process, which consists of the standard process through which a supplier of components, products, systems can be qualified as a Datalogic supplier. A key part of the qualification process is the completion of a questionnaire by the aspiring supplier, on the basis of which an overall supplier profile is obtained, which also defines their risk level.

Suppliers identified as strategic are subject to:

- Evaluation of the basic requirements, taken from the questionnaire that the supplier is asked to fill out;
- Evaluation of the processes by means of an audit at the supplier's production plant, carried out by a group consisting of members of the Quality and Procurement departments, in order to verify the information provided on the questionnaire;
- Evaluation of samples produced by the supplier.

Datalogic Group invests resources in activities and projects dedicated to engagement, growth and ongoing collaboration with its strategic suppliers, with a particular focus upon two strategic geographical areas: Vietnam and Eastern Europe.

Quality control along the supply chain

The suppliers' performance levels are monitored via a set of indicators, which, taken as a whole, reflect the service level and reliability of the companies with which Datalogic collaborates.

These KPIs are used to monitor the quality of the supplies, the delivery times, and the total costs associated with a supply. The suppliers are divided into categories based on the score obtained, from 100 (Excellent) to 0 (Poor), and both the number of suppliers and the total amounts purchased in each category are monitored. Thanks to improvement measures and the replacement of the worst suppliers, the number of suppliers and the amounts purchased from the Excellent and Good categories in 2018 increased by 10.5% and 20.6% respectively compared to the previous year.

Monitoring of social and environmental issues along the supply chain

Datalogic has identified a limited risk level associated with lack of compliance on the part of the suppliers of materials used for its own production processes (direct purchases).

The risk of non-compliance with the mandatory local regulations, the commitment to environmental protection, and respect for human rights is mitigated thanks to a supplier evaluation process, which is consistent with the code of conduct and is carried out both during the qualification phase and during the monitoring of the maintenance of the performance levels and the agreed standards.

The "general purchase conditions" and the "Code of Ethics" (both of which are available on the Datalogic website) make explicit reference to:

- Compliance with the applicable regulations;
- The REACH and RoHS regulations, with regard to environmental impacts;
- Respect for human rights and workers' rights, citing "conflict minerals";
- The principles of fairness and ethical principles.

During the course of 2017 and 2018 there were no instances of non-compliance with the contractual conditions of a magnitude that resulted in a discontinuation of the supply relationship and the consequent termination of contract.

7. Environmental protection

7.1 Management of environmental impacts

Innovation is in Datalogic's DNA. Innovation is the future, and the future means taking care of reality today, with the aim of creating a better tomorrow. For Datalogic, this means a healthy environment for both the local territory and the communities in which our company is located. The ecological approach is part of our broader outlook.

Datalogic has implemented environmental protection policies in order to minimise the external impact and the risks associated with its activities. Our daily commitments include the application of eco-compatible technologies and the engagement of the employees and suppliers in this regard. Datalogic constantly monitors the current health and safety legislation in order to guarantee the complete legislative compliance of its products and processes.

In striving to continuously improve its processes, and with the awareness that people and the environment are priceless to the Company, Datalogic aims to ensure:

- Continuous prevention in terms of environmental protection;
- Compliance with the applicable legislation and any other requirements to which the organisation has decided to adhere;
- Staff awareness, in order to maintain high levels of interest with regard to health and safety and environmental issues.

The management of the effects that the Group's activities have upon the environment, starting with the identification of the main environmental management risks and the relative impacts, is focused upon the production plants, which are identified as the most significant areas of activity for this purpose due to both the types of activities carried out and the number of people they employ. As indicated in the methodological notes, the 2018 figures reported below refer to the Italian locations in Monte San Pietro (BO), Castiglione Messer Raimondo (TE) and Lippo di Calderara (BO - Group HQ), and the factories of Slovakia, Hungary, Vietnam, Eugene (USA), and Jundai (Brazil).

A Facility Manager in charge of monitoring the environmental aspects associated with the production sites has been appointed at each plant.

Taking into account the types of activities carried out by the Group, the overall level of environmental risk was assessed as limited following all the environmental analyses carried out at the sites, which were mainly done for the purpose of adopting and maintaining a certified environmental management system. Four of the Group's seven production plants have management systems certified according to the ISO 14001 standard, which demands the constant monitoring of the environmental aspects and establishes an approach aimed at continuous performance improvement. These are the plants in:

- Monte San Pietro (Bologna); the certified management system also covers the location in Lippo di Calderara (Bologna), where the Corporate offices and other indirect activities are located, such as Research & Development and Engineering;
- Ho Chi Minh City (Vietnam);
- Trnava (Slovakia);
- Balatonboglár (Hungary).

As for the remainder, significant production activities are only carried out in Teramo, while the location in Jundiaí is small, and Eugene carries out limited repair and assembly activities.

A unified Environmental Policy for the entire Group was established during the course of 2018, and became effective in early 2019. During 2018, the environmental aspects at the production sites with the greatest environmental impacts were properly managed, and the sites that had obtained ISO14001 certification established their own environmental policies, which outline the objectives and guidelines of the environmental management system.

The most significant environmental aspect for the Group is the energy consumption required to operate its plants and locations; the production activities themselves, however, mainly entail the assembly of components, and do not include operations that consume large amounts of energy.

The impact analyses carried out at the sites have shown that the main area of environmental risk consists of the unlikely occurrence of accidents that could result in the discharge of potentially polluting chemicals into the soil and/or water; in this regard, specific safeguards have been put in place at the various plants, as required by a certified management system. In Vietnam the risk assessment also showed the need for specific monitoring in terms of daily conduct and routine maintenance in order to avoid accidents associated with domestic discharges.

There were no non-compliances involving environmental laws or regulations anywhere in the world during 2018.

The Monte San Pietro location

The location in Monte San Pietro (Bologna) was built in 1986; while originally established as a production plant, its offices and research and development area have become increasingly important over time.

Like at all the Group's production sites, the production activities consist of automatic and manual electronic equipment assembly operations.

Within the context of the ISO14001 certified management system, the management of the environmental aspects is based on thorough and continuous monitoring, and the execution of targeted interventions aimed at limiting any impacts and preventing potential risks. The environmental analysis of the site identified energy consumption as the most significant environmental aspect, and did not show any significant risks (no materials hazardous to the environment are used in significant quantities, no waste water from run-off due to atmospheric precipitation is produced, and the only risk situation linked to soil contamination would be possible accidents during the handling of drums containing liquid substances or waste, although the quantities utilised are extremely low, and the possibility of contamination is therefore minimal).

In order to limit energy consumption, interventions aimed at introducing improved technologies are periodically carried out (e.g. the replacement of the thermal plant with a next-generation methane fuelled plant, which took place in 2016; the systematic replacement of incandescent lamps with LED lamps, which was carried out during the renovation of the various departments).

The site has three emission points covered by the Unified Environmental Authorisation, which are periodically sampled in order to monitor the particulate material present in the fumes and the volatile organic substances; the company has established its own cautionary thresholds, which are significantly lower than the maximum limits permitted by law, and even these levels are never reached by the emissions actually produced.

A new building dedicated to research and development was completed in 2017, and became effectively operational in January of 2018. Technologies useful for the reducing energy consumption and emissions were adopted for this new building, such as a glass wall built with low-emission characteristics (capable of

guaranteeing an optimal internal climate under various weather conditions), and other walls equipped with adequate insulation.

The new building has also been equipped with a summer-winter air conditioning system with a heat pump (and therefore without a gas burner), and a 30 kW photovoltaic system, which will become operational in 2019, has been installed on the roof.

7.2 Consumption and emissions

Datalogic constantly monitors its own energy consumption values and is dedicated to reducing them, even if the activities carried out do not have any particularly significant impacts.

As far as energy consumption is concerned, electricity is consumed in the greatest quantities, while natural gas and, to a lesser extent, LPG, are only used in Europe.

The energy consumption is broken down into direct and indirect consumption. Direct consumption takes the following into account:

- Natural Gas;
- Diesel;
- LPG.

Indirect consumption, on the other hand, regards consumption resulting from the use of electricity.

	2016		2017		2018	
	GJ	%	GJ	%	GJ	%
Direct Energy Consumption	16,419	100.0%	15,741	100.0%	14,661	100.0%
Italy	12,661	77.1%	12,169	77.3%	11,395	77.7%
Slovakia	1,096	6.7%	1,102	7.0%	821	5.6%
Hungary	2,226	13.6%	1,915	12.2%	1,725	11.8%
Vietnam	22	0.1%	140	0.9%	394	2.7%
USA (Eugene)	414	2.5%	415	2.6%	326	2.2%
Brazil (Jundiaí)	-	0.0%	-	0.0%	-	0.0%
Indirect Energy Consumption	45,432	100.0%	45,296	100.0%	49,502	100.0%
Italy	14,299	31.5%	14,396	31.8%	14,888	30.1%
Slovakia	3,591	7.9%	3,832	8.5%	3,793	7.7%
Hungary	3,264	7.2%	3,680	8.1%	4,500	9.1%
Vietnam	14,610	32.2%	13,805	30.4%	16,721	33.8%
USA (Eugene)	9,245	20.3%	9,143	20.2%	9,130	18.4%
Brazil (Jundiaí)	423	0.9%	440	1.0%	470	0.9%
Total Consumption	61,851	100.0%	61,037	100.0%	64,163	100.0%
Italy	26,960	43.6%	26,565	43.5%	26,283	41.0%
Slovakia	4,687	7.6%	4,934	8.1%	4,614	7.2%
Hungary	5,490	8.8%	5,595	9.2%	6,225	9.7%
Vietnam	14,632	23.7%	13,945	22.8%	17,115	26.7%
USA (Eugene)	9,659	15.6%	9,558	15.7%	9,456	14.7%
Brazil (Jundiaí)	423	0.7%	440	0.7%	470	0.7%

Table 21 Direct and indirect energy consumption (GJ) in 2016, 2017 and 2018²⁴

²⁴ The figures for the 2016 and 2017 years, as published in the 2017 NFS, represent a broader scope for the data on “Italy”, since, in addition to the plants considered for 2018, the Quinto di Treviso (TV), Cologno Monzese (MI) and Donnas (AO) plants were also

In 2018 the total consumption amounted to 64,163 GJ, 41.0% of which was consumed by the Plants in Italy.

Drawing a comparison to 2017 with the same scope, in 2018 there was an increase in total consumption (+8.8%), and this was attributable to the new building in Monte San Pietro becoming operational, the restyling and expansion of the R&D and canteen area in Vietnam, and the increased work shifts at the plant in Hungary.

	2016		2017		2018	
	GJ	%	GJ	%	GJ	%
Natural Gas	14,713	100.0%	14,054	100.0%	12,719	100.0%
Italy	11,027	74.9%	10,679	76.0%	9,846	77.4%
Slovakia	1,096	7.5%	1,102	7.8%	821	6.5%
Hungary	2,226	15.1%	1,915	13.7%	1,725	13.5%
Vietnam	-	0.0%	-	0.0%	-	0.0%
USA (Eugene)	363	2.5%	358	2.5%	326	2.6%
Brazil (Jundiaí)	-	0.0%	-	0.0%	-	0.0%
Diesel	73	100.0%	79	100.0%	25	100.0%
Italy	-	0.0%	-	0.0%	-	0.0%
Slovakia	-	0.0%	-	0.0%	-	0.0%
Hungary	-	0.0%	-	0.0%	-	0.0%
Vietnam	22	30.1%	22	27.8%	25	100.0%
USA (Eugene)	51	69.9%	57	72.2%	-	0.0%
Brazil (Jundiaí)	-	0.0%	-	0.0%	-	0.0%
LPG	1,634	100.0%	1,608	100.0%	1,917	100.0%
Italy	1,634	100.0%	1,490	92.7%	1,548	80.8%
Slovakia	-	0.0%	-	0.0%	-	0.0%
Hungary	-	0.0%	-	0.0%	-	0.0%
Vietnam	-	0.0%	118	7.3%	369	19.2%
USA (Eugene)	-	0.0%	-	0.0%	-	0.0%
Brazil (Jundiaí)	-	0.0%	-	0.0%	-	0.0%

Table 22 Direct consumption by type in 2016, 2017 and 2018²⁵

All of the direct energy consumption comes from non-renewable sources (for 2016, 2017 and 2018).

taken into account. The source of the conversion factors for the energy consumption calculation is the “Table of national standard parameters of the Ministry of the Environment”, which was used in the 2016 version for the 2016-2017 data, and in the 2018 version for data regarding the 2018 year. Considering the same scope and the same conversion factor source as the 2018 data, in 2016-2017 the energy consumption values would have respectively amounted to 15,764 GJ and 14,885 GJ for direct energy consumption, and 44,064 GJ and 44,075 GJ for indirect energy consumption. Not including the consumption values attributable to the company's vehicle fleet.

²⁵ The figures for the 2016 and 2017 years, as published in the 2017 NFS, represent a broader scope for the data on “Italy”, since, in addition to the plants considered for 2018, the Quinto di Treviso (TV), Cologno Monzese (MI) and Donnas (AO) plants were also taken into account. The source of the conversion factors for the energy consumption calculation is the “Table of national standard parameters of the Ministry of the Environment”, which was used in the 2016 version for the 2016-2017 data, and in the 2018 version for data regarding the 2018 year. Considering the same scope and the same conversion factor source as the 2018 data, in 2016-2017 the direct energy consumption values would have respectively amounted to 13,903 GJ and 13,061 GJ for natural gas, 73 GJ and 79 GJ for Diesel, and finally 1,788 GJ and 1,745 GJ for LPG. Not including the consumption values attributable to the company's vehicle fleet.

In particular, the main consumption is that of natural gas.

The direct (Scope 1) and indirect (Scope 2) emissions listed below are those relating to direct and indirect energy consumption²⁶.

	2016		2017		2018	
	Tonnes of CO ₂ equivalent	%	Tonnes of CO ₂ equivalent	%	Tonnes of CO ₂ equivalent	%
Direct CO₂ Emissions	905	100.0%	865	100.0%	862	100.0%
Italy	704	77.7%	675	78.1%	670	77.7%
Slovakia	59	6.5%	59	6.9%	48	5.6%
Hungary	120	13.3%	103	11.9%	100	11.6%
Vietnam	2	0.2%	6	0.7%	25	2.9%
USA (Eugene)	21	2.3%	21	2.4%	19	2.2%
Brazil (Jundiaí)	-	0.0%	-	0.0%	-	0.00%

Indirect Emissions CO₂	4,431	100.0%	4,401	100.0%	6,898	100.0%
Italy	1,529	34.5%	1,540	35.0%	1,489	21.6%
Slovakia	194	4.4%	207	4.7%	174	2.5%
Hungary	285	6.4%	321	7.3%	360	5.2%
Vietnam	1,425	32.2%	1,347	30.5%	3,787	54.9%
USA (Eugene)	986	22.2%	975	22.2%	1,068	15.5%
Brazil (Jundiaí)	12	0.3%	12	0.3%	20	0.3%

Total Direct and Indirect Emissions CO₂	5,336	100.0%	5,266	100.0%	7,760	100.0%
Italy	2,233	41.8%	2,215	42.1%	2,159	27.8%
Slovakia	252	4.7%	266	5.1%	221	2.9%
Hungary	404	7.6%	424	8.1%	460	5.9%
Vietnam	1,427	26.8%	1,353	25.7%	3,813	49.1%
USA (Eugene)	1,007	18.9%	997	18.8%	1,087	14.0%
Brazil (Jundiaí)	12	0.2%	12	0.2%	20	0.3%

Table 23 Emissions linked to energy consumption (tonnes CO₂eq) for 2016, 2017 and 2018

²⁶ The figures for the 2016 and 2017 years, as published in the previous NFS, represent a broader scope for the data on “Italy”, since, in addition to the plants considered for 2018, the Quinto di Treviso (TV), Cologno Monzese (MI) and Donnas (AO) locations were also included. With regard to the Scope 1 and 2 data for 2016-2017, the source of the emission factors and global warming potential (GWP) are respectively the “GHG Protocol tool for stationary combustion” (Version 4.1, World Resources Institute (WRI), 2015) and the “GHG Protocol tool from purchased electricity” (Version 4.8, World Resources Institute (WRI), 2017) both rendered available by the GHG Protocol. The Gases included in the calculation - and specified respectively within the “GHG Protocol tool for stationary combustion” and the “GHG Protocol tool from purchased electricity” - are CO₂, CH₄, and N₂O. For the 2018 data, on the other hand, the emission factors from DEFRA 2018 were used for Scope 1, while the Terna 2017 international comparison factors were used for Scope 2 emissions (with the exception of Vietnam, where the values estimated by IGES were taken into account). In 2018, the Scope 2 emissions, calculated using the “Market based” criterion, amounted to 7,201 tonnes of CO₂ equivalent. The conversion factors were the following: Italy, Hungary and Slovakia: “AIB – residual mix 2018” guidelines; USA: “eGrid 2016”; Brazil and Vietnam: in line with those used for the “Location based” calculation (Terna and IGES). Considering the same scope and the same emission factor source as the 2018 data, the Scope 1 emissions for the 2016-2017 years would respectively amount to 922 and 896 tonnes of CO₂ equivalent, while the Scope 2 emissions would respectively amount to 6,287 and 6,002 tonnes of CO₂ equivalent. The calculation does not include the consumption values attributable to the company’s vehicle fleet.

The breakdown of the scope 1 emissions is as follows²⁷:

	2016		2017		2018	
	Tonnes of CO ₂ equivalent	%	Tonnes of CO ₂ equivalent	%	Tonnes of CO ₂ equivalent	%
Natural Gas Emissions	788	100.0%	753	100.0%	738	100.0%
Italy	592	75.1%	574	76.2%	572	77.4%
Slovakia	59	7.5%	59	7.8%	48	6.5%
Hungary	120	15.2%	103	13.7%	100	13.6%
Vietnam	-	0.0%	-	0.0%	-	0.0%
USA (Eugene)	17	2.2%	17	2.3%	19	2.5%
Brazil (Jundiaí)	-	0.0%	-	0.0%	-	0.0%
Diesel Emissions	5	100.0%	6	100.0%	2	100.0%
Italy	-	0.0%	-	0.0%	-	0.0%
Slovakia	-	0.0%	-	0.0%	-	0.0%
Hungary	-	0.0%	-	0.0%	-	0.0%
Vietnam	2	29.5%	2	27.3%	2	100.0%
USA (Eugene)	4	70.5%	4	72.7%	-	0.0%
Brazil (Jundiaí)	-	0.0%	-	0.0%	-	0.0%
LPG Emissions	112	100.0%	106	100.0%	122	100.0%
Italy	112	100.0%	102	95.8%	99	80.8%
Slovakia	-	0.0%	-	0.0%	-	0.0%
Hungary	-	0.0%	-	0.0%	-	0.0%
Vietnam	-	0.0%	5	4.2%	23	19.2%
USA (Eugene)	-	0.0%	-	0.0%	-	0.0%
Brazil (Jundiaí)	-	0.0%	-	0.0%	-	0.0%

Table 24 Breakdown of emissions linked to direct energy consumption (tonnes CO₂eq) for 2016, 2017 and 2018

With regard to the consumption values attributable to the company's vehicle fleets (Diesel and Petrol), the Group took into account the vehicles belonging to the company's fleet (excluding those under lease and for mixed use). Within the scope of the analysis, vehicles were only found to be present in Italy, Hungary and the USA, for a total diesel consumption of 1,600 GJ, equal to 117 tonnes of CO₂ equivalent²⁸.

²⁷ The figures for the 2016 and 2017 years, as published in the previous NFS, represent a broader scope for the data on "Italy", since, in addition to the plants considered for 2018, the Quinto di Treviso (TV), Cologno Monzese (MI) and Donnas (AO) locations were also included. With regard to the Scope 1 and 2 data for 2016-2017, the source of the emission factors and global warming potential (GWP) are respectively the "GHG Protocol tool for stationary combustion" (Version 4.1, World Resources Institute (WRI), 2015) and the "GHG Protocol tool from purchased electricity" (Version 4.8, World Resources Institute (WRI), 2017) both rendered available by the GHG Protocol. The Gases included in the calculation - and specified respectively within the "GHG Protocol tool for stationary combustion" and the "GHG Protocol tool from purchased electricity" - are CO₂, CH₄, and N₂O. For the 2018 data, on the other hand, the emission factors from DEFRA 2018 were taken into account for Scope 1, while the Terna 2017 international comparison factors were used for the calculation of the Scope 2 emissions (with the exception of Vietnam, where the values estimated by IGES were taken into account). Considering the same scope and the same emission factor source as the 2018 data, the emissions derived from natural gas for the 2016-2017 years would respectively amount to 803 and 779 tonnes of CO₂ equivalent, those from Diesel would amount to 5 and 6 tonnes of CO₂ equivalent, and those from LPG would amount to 114 and 111 tonnes of CO₂ equivalent. The calculation does not include the consumption values attributable to the company's vehicle fleet.

²⁸ In total, the Group's direct and indirect energy consumption in 2018 amounted to 65,763 GJ, equal to 7,877 tonnes of CO₂ equivalent

Appendix: GRI Content Index

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