



SHAREHOLDERS' MEETING
APRIL 28, 2022 - 3PM IN SINGLE CALL

REPORT OF THE BOARD OF DIRECTORS ON THE MATTERS ON THE AGENDA
*(in accordance with Article 125-ter, Legislative Decree No. 58/1998 and
Article 84-ter of Consob Regulation No. 11971/1999)*

Dear Shareholders,

this report (the “**Report**”) was prepared by the Board of Directors of Avio S.p.A. (“**Avio**” or the “**Company**”) in accordance with Article 125-*ter* of Legislative Decree No. 58 of February 24, 1998, as subsequently amended and supplemented (the “**CFA**”) and Article 84-*ter* of the Regulation adopted with Consob Resolution No. 11971 of May 14, 1999, as subsequently amended and supplemented (the “**Issuers’ Regulation**”), to outline the matters on the Agenda of the Shareholders’ Meeting called for April 28, 2022 in single call.

In particular, you are called to consider the following Agenda:

1. Separate Financial Statements at December 31, 2021.
 - 1.1 Approval of the Financial Statements at December 31, 2021. Presentation of the Consolidated Financial Statements at December 31, 2021. Reports of the Board of Directors, Board of Statutory Auditors and of the Independent Audit Firm.
 - 1.2 Allocation of the net profit. Resolutions thereon.
2. Remuneration Policy and Report pursuant to Article 123-*ter*, paragraph 3-*bis* and 6 of Legislative Decree No. 58/98:
 - 2.1. First Section: remuneration policy. Binding motion;
 - 2.2. Second Section: report on remuneration paid. Non-binding motion.
3. Appointment pursuant to Article 2386, paragraph 1, of the Civil Code (confirmation or replacement of the Director co-opted by the Board of Directors on December 21, 2021).
4. 2022-2024 “Performance Share Plan”, pursuant to Article 114-bis of the CFA: assignment of powers, resolutions thereon.

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Proposals on the matters on the Agenda:

1. **Separate Financial Statements at December 31, 2021.**
 - 1.1 **Approval of the Separate Financial Statements at December 31, 2021. Presentation of the Consolidated Financial Statements at December 31, 2021. Reports of the Board of Directors, Board of Statutory Auditors and of the independent audit firm.**
 - 1.2 **Allocation of the net profit. Resolutions thereon.**

Dear Shareholders,

The Shareholders’ Meeting will be called to approve the separate financial statements at December 31, 2021 of the Company, accompanied by the Directors’ Report.

All the documentation concerning this matter will be made available to the public, within the terms required by applicable provisions and regulations, at the registered office of the Company, on the website www.avio.com, “Investors - Financial documents” section, on the website of Borsa Italiana S.p.A. and on the authorised storage mechanism “eMarket STORAGE”, together with the Board of

Statutory Auditors' Report and the Independent Auditors' Report on the Statutory Financial Statements for the year ended December 31, 2021. The shareholders have the right to obtain a copy.

Considering the Directors' Report, we invite you to approve the statutory financial statements at December 31, 2021, prepared as per IFRS, together with the accompanying reports, which present a net profit of Euro 4,836 thousand.

In this regard, meeting on March 14, 2022, the Board of Directors of Avio S.p.A. deemed it appropriate to approve a motion proposal to the Shareholders' Meeting related to the allocation of the 2021 net profit of Euro 4,836 thousand, proposing that Euro 4,500 thousand be distributed as dividends and Euro 336 thousand allocated to retained earnings.

Considering that stated above, we present the following proposal:

“The ordinary session of the Shareholders' Meeting of Avio S.p.A.:

having examined the Financial Statements of Avio S.p.A. at and for the year ended December 31, 2021, accompanied by the Directors' Report, Board of Statutory Auditors' Report, Independent Auditors' Report and additional documentation required by law,

RESOLVES

- *to approve the 2021 Separate Financial Statements of Avio S.p.A.;*
- *to allocate the net profit of Avio S.p.A. for 2021 of Euro 4,836 thousand as follows:*
 - *Euro 4,500 thousand as dividend;*
 - *Euro 336 thousand to retained earnings.*

2. Remuneration Policy and Report pursuant to Article 123-ter, paragraph 3-bis and 6 of Legislative Decree No. 58/98.

2.1 First Section: remuneration policy Binding motion.

2.2 Second Section: report on remuneration paid. Non-binding motion.

Dear Shareholders,

the Shareholders' Meeting will be called to approve, as per Article 123-ter, paragraphs 3-bis and 6, of the CFA, the Remuneration Policy and Report of the company, prepared pursuant to the aforementioned article of the CFA and Article 84-quater of the Issuers' Regulation, which illustrates (i) in the First Section, the remuneration policy regarding the members of the Board of Directors, the General Managers and the Senior Executives, in addition to the procedures utilised for the adoption and implementation of this policy and (ii) in the Second Section, for members of Boards of Directors and Boards of Statutory Auditors, General Managers and, in collective form, Senior Executives, an adequate, clear and comprehensible representation of the items making up their remuneration, including the treatments provided for in the event of termination of office or termination of employment, highlighting their compliance with the Remuneration Policy and the way in which the remuneration contributes to the long-term results of the Company, and the compensation paid during the reporting year in any capacity and in any form by the Company and

by its associates and subsidiaries, together with an illustration of the compensation to be paid in one or more subsequent years for service rendered during the reporting year.

For further information, reference should be made to the text made available to the public at the registered office of the company, on the Company website at www.avio.com, “Corporate Governance” section, on the website of Borsa Italiana S.p.A. and on the authorised storage mechanism “eMarket STORAGE”, at least 21 days before the date fixed for the Shareholders’ Meeting.

The shareholders are reminded that:

- pursuant to Article 123-ter, paragraph 3-ter, of the CFA, will be called to vote on Section I of the Remuneration Policy and Report (in favour or against). The motion is binding;
- pursuant to Article 123-ter, paragraph 6 of the CFA, will be called to vote on Section II of the “Remuneration Policy and Report” (in favour or against). The motion is not binding. The results of the vote will be made available to the public in accordance with Article 125-quater, paragraph 2 of the CFA.

Considering that stated above, we present the following proposal:

“The ordinary session of the Shareholders’ Meeting of Avio S.p.A.:

*having examined the Remuneration Policy and Report pursuant to Article 123-ter of the CFA, made available to the public on **March 31, 2022**,*

RESOLVES

- *to approve Section I, drawn up as per Article 123-ter of the CFA, paragraph 3, containing the remuneration policies of Avio S.p.A.;*
- *to resolve in favour, pursuant to Article 123-ter of the CFA, paragraph 6 (consultative, non-binding vote), of Section II, drawn up as per Article 123-ter of the CFA, paragraph 4.”*

3. Appointment pursuant to Article 2386, paragraph 1, of the Civil Code (confirmation or replacement of the Director co-opted by the Board of Directors on December 21, 2021).

Dear Shareholders,

the Shareholders' Meeting will be called upon to approve the proposal for the confirmation of Marcella Logli as Director, pursuant to Article 2386, paragraph 1 of the Civil Code, in addition to Article 11.15 of the By-Laws.

As previously communicated, on August 23, 2021 Director Stefano Pareglio, appointed by the Shareholders' Meeting of May 6, 2020 and taken from the slate submitted by the outgoing Board of Directors, resigned. As there were no other candidates remaining on the aforementioned slate, on December 21, 2021, the Board of Directors of the Company, having obtained the opinion of the Appointments and Remuneration Committee and with the approval of the Board of Statutory Auditors, resolved to appoint by co-option, pursuant to Article 2386, paragraph 1, of the Civil Code

and Article 11.15 of the By-Laws, Ms. Marcella Logli as a Non-Executive and Independent Director of the Company to replace the resigning Director.

The Director Marcella Logli ceased to be a Director with the Shareholders' Meeting to which this report refers. The Board of Directors therefore proposes that you confirm her as a Director of the Company until the expiry of the term of office of the other Directors currently in office and, therefore, until the date of the Shareholders' Meeting called to approve the financial statements for the year ending on December 31 2022. Since this is simply a supplementation of the Board of Directors, the Shareholders' Meeting shall pass the related motion with the majorities required by law, without slate voting.

We note that the appointment by the Shareholders' Meeting of Ms. Marcella Logli, would satisfy the minimum requirements relating to the number of Independent Directors imposed by law and also provided for by the Corporate Governance Code, to which the Company adheres; it would also satisfy the provisions on gender balance set out by the legislation currently in force.

The professional profile of the Director Marcella Logli ensures an adequate balance of skills within the Board and efficient functioning of the administrative body.

In compliance with the provisions of current legislation and in adherence to the recommendations of the Corporate Governance Code, the Board of Directors invites you to examine the curriculum vitae of Ms. Marcella Logli and the declaration in which she accepts her candidacy and attests, under her own responsibility, to the absence of causes of ineligibility or incompatibility, and the possession of the requirements of integrity and independence as per the combined provisions of Articles 147-*quinquies*, paragraph 1, and 148, paragraph 4, of the CFA. The above documents - which are attached to this Report - are made available to the public within the terms of the law on the Company's website <https://investors.avio.com/ShareholdersMeeting/2021/>.

Each shareholder may submit, with reference to matter 3 of the Agenda, proposals for the replacement of the Director co-opted by the Board of Directors on December 21, 2021 - accompanied by the necessary documentation - within the deadline and according to the terms set out in the call notice made available to the public within the terms of the law on the Company's website <https://investors.avio.com/ShareholdersMeeting/2022/>

Considering that stated above, we present the following proposal:

“The ordinary session of the Shareholders' Meeting of Avio S.p.A.:

- having acknowledged the termination of office, on today's date, of the Director Marcella Logli, appointed by co-option pursuant to Article 2386, paragraph 1, of the Civil Code and Article 11.15 of the By-Laws, at the meeting of the Board of Directors on December 21, 2021 to replace the Director Stefano Pareglio;

- having reviewed the Board of Directors' Illustrative Report;

- having noted the proposed motion and application submitted;

RESOLVES

- *to appoint as member of the Board of Directors of the Company Ms. Marcella Logli, born in Milan on October 14, 1964, C.F. LGLMCL64R54F205C, until the expiry of the term of office of the other Directors currently in office and, therefore, until the date of the Shareholders' Meeting called to approve the financial statements for the year ending on December 31, 2022;*
- *to grant her the all-inclusive gross base remuneration of Euro 35,000 (thirty-five thousand/00), as previously determined by the Shareholders' Meeting of May 6, 2020 for each Director.*

4. **2022-2024 “Performance Share Plan”, pursuant to Article 114-bis of the CFA: assignment of powers, resolutions thereon.**

Dear Shareholders,

the Shareholders' Meeting will be called upon to approve, pursuant to Article 114-*bis* of the CFA, the motion proposal illustrated below deriving from the adoption of an extraordinary long-term incentive plan for Avio's management, which provides for the assignment of rights to receive, free of charge, a maximum number of 105,460 shares.

For the purpose of adopting an incentive tool based on the Company's financial instruments in favour of Executives, Senior Executives and/or Executive Directors who hold key positions and have a significant impact on the creation of value for the Company and its stakeholders, the Board of Directors has prepared, subject to the opinion of the Appointments and Remuneration Committee, a plan (the "**2022-2024 Performance Share Plan**" or the "**2022-2024 Performance Share**") with the characteristics described below.

The information document relating to the 2022-2024 Performance Share Plan, drawn up pursuant to Article 84-*bis* and Annex 3A, Schedule 7 of the Issuers' Regulation, will be made available at the Company's registered office, on its website at www.avio.com, in the *Corporate Governance/Shareholders' Meeting 2022* section, on the website of Borsa Italiana S.p.A. and through the authorised storage mechanism "*eMarket STORAGE*", together with the Report.

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1. **Reasons for the adoption of the Plan**

The Company believes that the 2022-2024 Performance Shares Plan, in line with the best market practices adopted by listed companies both nationally and internationally, represents an effective incentive and retention tool for individuals identified by the Board of Directors, after consulting with the Appointments and Remuneration Committee, from among the Company's Executives, Senior Executives and/or Executive Directors who hold key positions for the achievement of objectives and who have a significant impact on the creation of value for the Company and its stakeholders (the "**Beneficiaries**").

The Plan was approved by Avio's Board of Directors at the same time as the motion that defined the cancellation of the 2020-22 and 2021-23 cycles of the existing 2020-24 monetary long-term incentive plan, whose retention and incentive purposes had ceased to exist in light of the changed

circumstances following the extraordinary events of the last few years. The Plan is therefore extraordinary in nature and provides for a single Grant, the amount of which was determined based on the Grants for the two cycles of the incentive plan being cancelled, applying a significant reduction to the original value. The Beneficiaries of the Plan are the recipients of the 2020-22 and 2021-23 cycles of the Avio monetary incentive plan, the cancellation of which was approved by the Board of Directors.

Specifically, by adopting the Plan the Company intends to:

- align the interests of the Beneficiaries with those of the shareholders and Avio's strategic plan;
- link the remuneration of the Beneficiaries, as subjects who play a key role in the achievement of Avio's objectives, to the achievement of specific pre-set long-term objectives in line with the indications of the Code;
- support and reward the achievement of long-term objectives, allowing the priority objective of value creation to be pursued over a long-term horizon while directing Beneficiaries towards decisions that pursue the creation of value for the Company in the medium to long term;
- support the attraction, retention and engagement of key staff in line with the corporate culture, while pursuing an efficient choice in terms of the costs generated by the Plan.

The Plan is part of a remuneration policy strategy that seeks to balance the fixed and variable components that form the remuneration of Avio's top management, considering the advisability of offering an incentive able to drive long-term results according to certain performance targets, in line with market best practices.

The Board of Directors believes that an incentive plan based on the vesting of the right to the free allocation of shares deferred over the medium term and based on performance targets is the incentive tool that most effectively responds to the Company's interests.

2. Beneficiaries of the “2022-2024 Performance Shares Plan”

The Beneficiaries of the "2022-2024 Performance Shares Plan" will be identified at the sole discretion of the Board of Directors, having consulted with the Appointments and Remuneration Committee, from among the Executives, Senior Executives and/or Executive Directors of the Company who hold key positions in the achievement of the objectives and who have a significant impact on the creation of value for the Company and its stakeholders.

The report will be supplemented according to the methods and within the terms indicated in Article 84-*bis*, paragraph 5, letter a) of the Issuers' Regulation.

3. Enactment and clauses of the “2022-2024 Performance Shares Plan”

The purpose of the Plan is to grant and consequently allocate to the Beneficiaries a maximum total of 105,460 Shares based on the achievement of predetermined Performance Targets and following a vesting period.

The purpose of the Plan is to grant rights to receive free Shares. There is therefore no subscription or purchase price for the Shares.

The Shares granted will be made available using only treasury shares held by the Company.

Specifically, the Plan provides for:

- the Grant of a certain number of Rights to Beneficiaries;
- a three-year performance period;
- the allocation of shares subject to the Board of Directors' verification of the Performance Targets achieved in the reference year.

For the purposes of retention, the Allocation of the Shares is subject to the verification by the Board of Directors, *inter alia*, that on the Date of Allocation of the Shares the Beneficiary's relationship with the Company or with the relevant Subsidiary is still in force and that, with reference to the role held, he/she is still a Beneficiary within the Company or the relevant Subsidiary.

The performance indicator identified by the Board of Directors is the Order Intake, which reflects the sustainability and growth of the business in the medium term and corresponds to the cumulative value of new contracts acquired in the three-year period 2022/2024.

Performance Targets will be measured relative to the specific three-year span 2022/2024.

The selected indicator involves:

- a minimum performance level (threshold), equal to 80% of the target value, upon achievement of which the minimum number of Shares, equal to 75% of the target, is granted and below which no bonus is granted;
- a target performance level, upon achievement of which the target number of Shares are granted;
- a maximum performance level, equal to 120% of the target value, upon achievement of which the maximum number of Shares (cap), equal to 150% of the target number, are granted.

Upon achievement of intermediate performance levels, the number of Shares to be granted will be calculated by linear interpolation.

The details of the Performance Target will be communicated to the Beneficiaries in the Grant Letter

4. Support to the Plan by the Special fund to incentivise worker involvement in enterprises, as per Article 4, paragraph 112 of Law No. 350 of December 24, 2003

The Plan does not receive support from the special fund for the incentivisation of the involvement of workers in enterprises, as per Article 4, paragraph 112 of Law No. 350 of December 24, 2003.

5. Methods for determining prices or criteria for determining prices for the subscription or purchase of shares.

The purpose of the Plan is to grant rights to receive free Shares. There is therefore no subscription or purchase price for the Shares.

The Shares granted will be made available using only treasury shares held by the Company.

6. Details of any restrictions on the availability of the shares or option rights granted, with particular reference to the periods within which the subsequent transfer to the company or to third parties is permitted or prohibited

The Rights granted are personal, non-transferable and not available *inter vivos* and may not be pledged or collateralised. The rights shall become null as a result of any attempted transfer or negotiation, including, without limitation, any attempted transfer by deed between living persons or in application of law, pledge or other real right, seizure or attachment.

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Considering that stated above, we present the following proposal:

“The ordinary session of the Shareholders’ Meeting of Avio S.p.A.

having heard and approved the explanations given by the Board of Directors and seen the Information Document of the “2022-2024 Performance Share Plan” made available to the public pursuant to the applicable regulations;

RESOLVES

- *to approve, pursuant to and for the purposes of Article 114-bis of Legislative Decree No. 58 of 24 February 1998, as amended, the “2022-2024 Performance Share Plan”, concerning the granting of the right to receive, free of charge, a maximum of 105,460 ordinary shares of the Company at the end of the vesting period and subject to the achievement of certain performance targets, and having the characteristics (including conditions and assumptions of implementation) described in detail in the Information Document prepared in accordance with Article 84-bis of Consob Regulation adopted by Resolution No. 11971/1999, as amended and supplemented;*
- *consequently, to attribute to the Board of Directors, with the right to sub-delegate, all the powers necessary for the concrete implementation of the above-mentioned “2022 - 2024 Performance Share Plan”, to be exercised in compliance with the application criteria described above, making any amendment and/or integration that may be necessary for the implementation of the motion. By way of non-exhaustive example, the Board of Directors, after consulting the Appointments and Remuneration Committee, with the power to sub-delegate, may: (i) implement the 2022-2024 Performance Share Plan; (ii) identify by name the beneficiaries of the plan and determine the number of rights to receive ordinary shares to be assigned to each of them, as well as the number of shares; (iii) verify the achievement of the performance targets and the vesting date for the allocation of the ordinary shares (iv) to proceed with the allocation to the beneficiaries of the ordinary shares; (v) to prepare, approve and amend the documentation related to the implementation of the “2022-2024 Performance Share Plan”, including the Rules of the Plan in order to make any changes and/or additions deemed necessary and/or appropriate in the event of corporate transactions and/or changes in the law or regulations affecting the Company and in order to keep the Plan unchanged, within the limits allowed by the applicable laws, the substantial and economic contents of the 2022-2024 Performance Share Plan, and (vi) to perform any act, fulfilment, formality, communication which is necessary or appropriate for the management and/or implementation of the plan;*
- *to assign to the Chairperson of the Board of Directors all powers, with the faculty to subdelegate, to execute the legislative and regulatory requirements relating to the motions adopted.”*

Rome, March 28, 2022

For the Board of Directors

The Chairperson of the Board of Directors

Mr. Roberto Italia