

## BOARD OF STATUTORY AUDITORS' REPORT

in accordance with Article 153 of Legislative Decree No. 58/1998 and of  
Article 2429 of the Civil Code

Dear Shareholders,

this report, drawn up as per Article 153 of Legislative Decree No. 58/1998 ("CFA") and Article 2429 of the Civil Code refers to the activities carried out by the Board of Statutory Auditors of Avio S.p.A. ("Avio" or also the "Company") in the year ending December 31, 2021, in compliance with the applicable regulation, taking account also of the conduct rules for the Board of Statutory Auditors, recommended by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), of Consob's provisions concerning corporate controls and the indications contained in the Corporate Governance Code promoted by Borsa Italiana.

In addition, as Avio has adopted a traditional governance model, the Board of Statutory Auditors acts as the "Audit Committee" upon which additional specific financial disclosure and monitoring functions fall, as per Article 19 of Legislative Decree No. 39 of January 27, 2010, as amended by Legislative Decree No. 135 of July 17, 2016.

The current Board of Statutory Auditors was appointed on May 6, 2020 by the Shareholders' Meeting of Avio, with its mandate concluding on the approval of the 2022 Annual Accounts. In 2021, the Board of Statutory Auditors undertook the activities within its scope, holding fourteen meetings. In the same year, the Chairperson of the Board of Statutory Auditors and its members, in addition, participated at seven meetings of the Board of Directors, seven meetings of the Control and Risks Committee, eight meetings of the Appointments and Remuneration Committee, in addition to eight meetings of the Sustainability Committee.

During the year, the Board of Statutory Auditors also met the Supervisory Body 231 to reciprocally exchange information.

### 1. SUPERVISORY ACTIVITY

#### 1.1 Oversight upon legal, regulatory and By-Law compliance



The supervisory duties of the Board of Statutory Auditors are governed by Article 2403 of the Civil Code, by Legislative Decree No. 58/1998 and by Legislative Decree No. 39/2010. The Board took account of the amendments made to Legislative Decree No. 39/2010, by Legislative Decree No. 135/2016, in transposing Directive 2014/56/EC and European Regulation No. 537/2014.

On the activities undertaken during the year, as per Consob's indications of Communication of April 6, 2001, as amended and supplemented by Communication DEM/3021582 of April 4, 2003, and subsequently by Communication DEM/6031329 of April 7, 2006, the Board undertook the duties outlined below.

The Board of Statutory Auditors periodically received from the Directors, also through attending the meetings of the Board of Directors and of the internal board committees, information on the activities carried out and on the main economic, financial and equity transactions approved and executed in the year, in addition to, in accordance with Article 150 of the CFA, paragraph 1, those undertaken by the subsidiaries. Based on the information available, the Board can reasonably state that these transactions were in compliance with law and the corporate objectives and were not imprudent, reckless, contrary to resolutions of the Shareholders' Meetings or such as to compromise the integrity of the company's assets.

In addition, the transactions potentially presenting a conflict of interests were approved in compliance with law, the regulatory provisions and the By-Laws.

The main events in the year, which the Board of Statutory Auditors highlight in view of their significance, include:

- on November 17, 2020, as communicated at the time, the Vega VV17 mission encountered an anomaly that caused the launcher's trajectory to deviate, resulting in the premature termination of the mission. The Commission of Inquiry chaired by Arianespace and the ESA, in January 2021, identified the cause and prescribed corrective actions to authorize the resumption of flight activities. The Company, after implementing corrective actions, obtained the flight authorization and during the year 2021 carried out 3 missions of the Vega launcher, all fully successful. During the same year 2021, 3 successful flights of the Ariane 5 launcher were also carried out;
- with reference to the COVID-19 pandemic, the Company has continued to strengthen the measures to combat the spread of the virus, through the publication of internal procedures and the implementation of the safeguards required by national applicable regulations and protocols.



With reference to the call for attention published by Consob on March 18, 2022, addressed to listed issuers and concerning the impact of the war in Ukraine on inside information and financial reporting, the Board of Statutory Auditors highlights the following:

- on February 25, 2022, the Company issued a press release regarding the events taking place in Ukraine, reporting that there are no impacts on the continuity of Vega's operations and that the situation is continuously monitored;
- in the Annual Financial Report, which was approved by the Board of Directors on March 14, 2022, under the note "Principal risks and uncertainties-Risks relating to the war in Ukraine," the Company, among others:
  - highlights the situation of ongoing conflict in Ukraine among the main risks and uncertainties to which the Group is exposed, as the Group's strategic suppliers, by virtue of the skills and know-how developed, as well as the qualification processes that have certified their compliance with the specific requirements, include three Ukrainian suppliers and, with two of these, has entered into technical-engineering collaboration;
  - underlines that, currently, there is no direct procurement from Russian suppliers;
  - on the basis of the investigations carried out, believes that the state of supplies allows the continuation of industrial activities without interruption with regard to the VEGA and VEGA C programs;
  - considers, however, that a worsening of the Ukrainian crisis may not be excluded, or the continuation of the current situation, could have possible future impacts on the Group's production activities with reference to the Vega and Vega C programmes;
  - affirms that the risks of effects arising from dependence on such Ukrainian strategic suppliers are qualified as possible, and that the analyses for the identification of possible alternative suppliers are underway, with the support of the European Space Agency, also analysing the process and the necessary modalities for the certification of such solutions in the qualification dossier of the Vega and Vega C launchers.

### *1.2 Oversight upon compliance with the principles of correct administration and on the adequacy of the organisational structure*

The Board of Statutory Auditors obtained information and verified the adequacy of the organisational structure, compliance with correct administrative principles, the adequacy of the Company's instructions to its subsidiaries in accordance with Article 114, paragraph 2 of the CFA, through the obtaining of information from the Boards of Statutory Auditors of the Italian



subsidiaries, from the persons responsible for the various departments and meetings with the auditing firm for the reciprocal exchange of data and relevant information.

During the year, the company introduced various provisions to implement measures introduced by Regulations, the Oversight Authorities, in addition to the Corporate Governance Code.

The Annual Reports on the financial statements of the Board of Statutory Auditors of the Italian registered subsidiaries did not highlight any critical aspects. Similarly, no criticalities are indicated with regards to the information flows received from the Boards of Statutory Auditors of these subsidiaries.

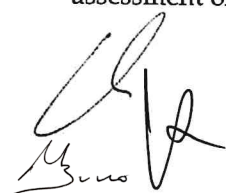
The Directors' Report, the information received during the meetings of the Board of Directors and that received from the Chief Executive Officer, senior management, the Boards of Statutory Auditors of the subsidiaries and from the independent audit firm do not indicate the existence of atypical and/or unusual transactions with Group companies, with third parties or with related parties.

The Board of Statutory Auditors verified the company processes undertaken to establish the remuneration policies of the company, with particular regards to the remuneration criteria of the Chief Executive Officer and of the Senior Executives.

### *1.3 Oversight of the internal control and risk management system*

The Board of Statutory Auditors monitored the adequacy of the internal control and risk management systems through:

- the acknowledgement of the assessment, expressed by the Board of Directors, of the adequacy of the organisational, administrative and accounting structure of Avio and of the strategically significant subsidiaries;
- the review of the report of the Control and Risks Committee on the activities carried out and on the adequacy of the internal control and risk management system;
- the review of the Annual Report of the head of the internal audit function;
- the review of the reports of the Supervisory Body as per Legislative Decree No. 231/2001;
- meetings with the Chief Executive Officer of Avio to review the internal control and risk management system;
- the periodic meetings, also attending the meetings of the Control and Risks Committee and of the Sustainability Committee, undertaking the internal audit function and the legal and compliance function to assess the work planning methods, based on the identification and assessment of the main process and organisational unit risks;



- the meetings with the risk management function to analyse Avio's and the Group's strategic risks;
- the meetings with senior positions regarding the organisational and operating impacts of Avio's activities;
- review of the periodic Reports of the Internal Audit Function, in coordination with the Control and Risks Committee of the company;
- the meetings with the Manager responsible for the corporate financial documents;
- the acquisition as per paragraphs 1 and 2 of Article 151 of the CFA of information from the control boards of the Italian registered subsidiaries on events considered significant involving the Group companies and on the internal control system;
- joint meetings with the Control and Risks Committee and the company's Supervisory Board;
- the discussion of the results of the work carried out by the independent audit firm;
- regular participation at the Control and Risks Committee, the Appointments and Remuneration Committee and the Sustainability Committee of the company, covering jointly the issues of the former Committee when deemed appropriate.

In undertaking its control activities, the Board of Statutory Auditors continued the analysis on the operating, accounting, economic and financial effects from the above premature conclusion of the Vega VV17 launch mission and on the management by the company of the consequent economic-financial, reputational and operative impacts.

In general, although particularly for these analyses, the Board of Statutory Auditor coordinated its activities through ongoing liaising, also at the meetings on the issue of the Control and Risks Committee at which it took part, with the internal audit and risk management functions and the top management of the operative sector.

The Company's internal audit function which, with the favourable opinion of the Board of Statutory Auditors, is outsourced to a specialised company, operates on the basis of a multi-year plan, reviewed annually, which defines activities and processes to be audited with a view to a risk-based approach. The plan is approved by the Board of Directors, following the positive opinion of the Control and Risks Committee and consultation with the Board of Statutory Auditors.

The activities carried out by Internal Audit during the year substantially covered the planned scope of activities. These activities did not indicate significant criticalities, although highlighting areas for improvement, carefully monitored, to be implemented in the current year.



The Board of Statutory Auditors acknowledges that the annual report of the internal audit concludes with an opinion on the reliability of the internal controls in place and that the Control and Risk Committee has assessed the internal control and risk management system as adequate with respect to the company's size and characteristics.

On the basis of the activities carried out, the information acquired and the content of the Internal Control Function's report, the Board of Statutory Auditors considers that no criticalities exists which may affect the control and risk management systems structure.

#### *1.4 Oversight on the administrative-accounting system and on the financial disclosure process*

The Board of Statutory Auditors monitored the process and controlled the efficacy of the internal control and risk management systems as regarding financial disclosure.

The Board of Statutory Auditors periodically met the Manager responsible for the corporate financial documents to exchange information on the administrative-accounting system, while also considering the reliability of this latter to correctly present operating events.

The Board of Statutory Auditors also reviewed the declarations of the Chief Executive Officer and of the Manager responsible for the corporate financial documents in accordance with the provisions of Article 154-bis, paragraphs 3 and 4, of the CFA presented on March 14, 2022.

The Board of Directors on March 3, 2022 approved the impairment test procedure drawn up according to IAS 36, governing the methods to verify the recoverability of Avio Group's assets and on March 14, 2022 approved the results of applying the same procedure to the relative accounts in the 2021 financial statements, also with the support of an independent advisor.

The Board supervised (i) on the adoption by the Board of Directors of the procedure and, subsequently (ii) the outcome of the checks made by management, with the support of an independent advisor, which confirms the recoverability of the assets subject to the impairment test.

The Board of Statutory Auditors does not highlight any deficiencies which may affect the opinion of adequacy and effective application of the administrative-accounting procedures.

The Independent Audit Firm managers, in the periodic meetings with the Board of Statutory Auditors, did not indicate critical situations which may affect the internal control system in terms of administrative and accounting procedures.

#### *1.5 Oversight on related party transactions*



The inter-company and related party transactions are indicated in Note 6 Related Party Transactions.

The related parties of the Companies are identified on the basis of IAS 24 - *Related Party Disclosures*, applicable from January 1, 2011, and are generally the parent companies, companies with a connection with the Avio Group and its subsidiaries as defined by the applicable rules, companies controlled but not consolidated within the Avio Group, associated and jointly-controlled companies of the Avio Group and other investee companies.

The Board of Statutory Auditors supervised the compliance of the Related Party Transactions Policy ("RPT Policy") with the applicable regulation and its continual adjustment to the relative rules.

## 2. AUDIT COMMITTEE

In accordance with Article 19 of Legislative Decree 39/2010, the Board of Statutory Auditors is identified as the Audit Committee and carried out the required oversight activities upon the legally required audit of the statutory annual accounts and of the consolidated accounts.

The Board of Statutory Auditors periodically met with the Independent Audit Firm Deloitte & Touche, also as per Article 150, paragraph 3, of the CFA for the exchange of reciprocal information. At these meetings, the Independent Audit Firm did not indicate any facts or events requiring indication or irregularities requiring specific reporting as per Article 155, paragraph 2 of the CFA.

For its supervision of the financial statements, the Board of Statutory Auditors periodically met with the independent audit firm to review the results from the auditing of the proper maintenance of accounting records, to review Avio and Group 2021 Audit Plan and for the state of advancement of the Audit Plan.

The Board of Statutory Auditors and the Independent Audit Firm also maintained continuous exchanges of information, also with regards to the operating difficulties emerging during the audit activity, due to the continued COVID health emergency. In particular, the Board of Statutory Auditors:

- i. noted an appropriate level of professional scepticism;
- ii. promoted effective and timely communication with the Auditors;
- iii. oversaw, without noting any criticalities, the impacts related to the "remote" working methods undertaken by the Auditor, with the support of the corporate structures.



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The Board of Statutory Auditors has (i) analysed the work carried out by the Independent Auditors, and in particular, the methodological framework, the audit approach used for the various significant areas of the financial statements and the planning of the audit work and (ii) shared with the Independent Auditors the issues related to corporate risks, thus being able to appreciate the adequacy of the response planned by the auditor with the structural and risk profiles of the Company and the Group; (iii) scheduled in-depth analysis of the Audit Quality Indicators.

The financial statements at December 31, 2021, accompanied by the Directors' Report prepared by the Directors, in addition to the statement of the Chief Executive Officer and of the Manager responsible for the corporate financial documents, were approved by the Board of Directors at the meeting of March 14, 2022 and simultaneously made available to the Board of Statutory Auditors in view of the Shareholders' Meeting called for April 28, 2022. On the same date of March 14, 2022, the Board of Directors of Avio also approved the consolidated financial statements, as prepared by the Manager responsible for the corporate financial documents, pursuant to Article 154-bis of the CFA.

On March 31, 2022, the independent auditors issued, pursuant to Article 14 of Legislative Decree No. 39/2010 and Article 10 of Regulation (EU) No. 537/2014, the audit reports on the financial statements and consolidated financial statements of the Avio Group for the year ended December 31, 2021, prepared in accordance with International Financial Reporting Standards - IFRS adopted by the European Union.

With regards to the opinions and statements, the Independent Audit Firm in the Auditor's Report:

- issued an opinion indicating that the financial statements of Avio and the consolidated financial statements of the Avio Group provide a true and fair view of the equity and financial situation of the company and of the Group at December 31, 2021, of the result for the year and of the cash flows for the year ending at that date, in compliance with the International Financial Reporting Standards, adopted by the European Union, in addition to the implementation provisions of Article 9 of Legislative Decree 38/2005;
- issued an opinion, which states that the Directors' Report and some specific information in the Corporate Governance and Ownership Structure Report indicated in Article 123 bis, paragraph 4 of the CFA, whose responsibility lies with the Directors of Avio, are consistent with the documentation of the financial statements and are legally compliant;
- issued an opinion on the compliance of the financial statements and of the consolidated financial statements in XHTML format with the provisions of Delegated Regulation (EU) 2019/815;





- declared, with regards to any significant errors in the Directors' Report, on the basis of its knowledge and understanding of the company and of the relative context acquired during the audit activities, to not having any matters to report;
- verified the approval by the Directors of the Non-Financial Report.

On March 31, 2022, the Independent Audit Firm also presented to the Board of Statutory Auditors the additional report required by Article 11 of Regulation EC No. 537/2014 and which did not indicate significant deficiencies in the internal control system with regards to the financial disclosure process requiring the attention of Audit Committee. The Board of Statutory Auditors will inform the Board of Directors on the results of the audit, transmitting for this purpose the additional report pursuant to Article 11 of the European Regulation 537/2014, accompanied by any observations, pursuant to Article 19 of Legislative Decree 39/2010.

The Independent Audit Firm presented to the Board of Statutory Auditors the statement regarding its independence, as required by Article 6 of Regulation (EC) 537/2014, indicating no situations which may have compromised it.

In 2021, the independent audit firm carried out the appointments described in point 8 of the 2021 Annual Financial Report, pursuant to the requirements of Article 149-duodecies of the Issuers' Regulations.

### 3. OTHER ACTIVITIES

#### *3.1 Method for the concrete application of the Corporate Governance rules*

In exercising its functions, the Board of Statutory Auditors, as required by Article 2403 of the Civil Code and Article 149 of the CFA, oversaw the methods for the concrete implementation of the corporate governance rules set out in the conduct codes with which Avio complies. The company complies with the Corporate Governance Code prepared by the Corporate Governance Committee of Borsa Italiana and in accordance with Article 123-bis of the CFA drew up the annual "Corporate Governance and Ownership Structure Report", in which information is provided upon:

- the effectively applied corporate governance practices;
- the main characteristics of the risk management and internal control systems;
- the mechanisms for the functioning of the Shareholders' Meetings, its main powers, the rights of Shareholders and the operating rules;
- the composition and functioning of the administration and control boards and of the internal committees.



The Board of Directors approved the "Corporate Governance and Ownership Structure Report" on March 14, 2022.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members and acknowledged that, on March 14, 2022, the Board of Directors defined the qualitative and quantitative criteria on the basis of which the independence requirements of Directors and Auditors are assessed, pursuant to Recommendation 7, first paragraph, letters c) and d), of Article 2 of the Corporate Governance Code.

The Board of Directors conducted an evaluation of its functioning, the results of which were discussed during the meeting held on March 14, 2022 and are described in the corporate governance report of Avio.

### ***3.2 Remuneration policies***

The Board of Statutory Auditors verified the company processes undertaken to establish the remuneration policies of the company, with particular regards to the remuneration criteria of the Chief Executive Officer and of the Senior Executives providing, where required by law, their opinion.

### ***3.3 Omissions or reportable events, opinions provided and initiatives undertaken***

In 2021, the Board of Statutory Auditors did not receive any notices as per Article 2408 of the Civil Code, nor received petitions from third parties.

The Board of Statutory Auditors also issued the opinions required by current legislation.

In the course of the activities carried out and based on the information obtained, no significant omissions, matters, irregularities or circumstances that would require reporting to the Supervisory Authorities or mention in the present report were noted.

### ***3.4 Non-financial information report***

The Board of Statutory Auditors, in undertaking its duties, oversaw compliance with the provisions of Legislative Decree No. 254 of December 30, 2016 and of the Consob Regulation implementing the Decree adopted with motion No. 20267 of January 18, 2018, with particular regard to the preparation processing content of the Non-Financial Report ("NFR") prepared by Avio.



The NFR was approved by the Board of Directors on March 14, 2022, as a separate document to the Directors' Report at December 31, 2021.

The Independent Audit Firm appointed to carry out a review of the NFR in accordance with Article 3, paragraph 10 of Legislative Decree 254/2016, in its report issued on March 31, 2022 did not indicate any matters suggesting that the NFR of the Avio Group for the year ended December 31, 2021 had not been prepared, with regards to all significant aspects, in compliance with Articles 3 and 4 of Legislative Decree 254/2016 and with the Global Reporting Initiative Sustainability Reporting Standards.

The Board of Statutory Auditors has obtained, also by attending the meetings of the Sustainability Committee, periodic updates on the preparatory activities for drawing up the NFR and, within the scope of its activities, has not become aware of any violations of the related regulatory provisions.

### *3.5 Board of Statutory Auditors' Self-Assessment*

In accordance with Rule Q.1.1 of the Conduct Rules for Boards of Statutory Auditors of listed companies, the Board of Statutory Auditors assessed its composition, size and functioning, with the findings presented at the Board of Directors meeting of March 14, 2022. With regards to the requirements and personal and collective expertise, it emerged that:

- all statutory auditors, in addition to satisfying the standing and professionalism requirements and not finding themselves in situations of incompatibility as established by the applicable regulation, satisfy also the independence requirements of the Corporate Governance Code;
- the Board of Statutory Auditors guarantees gender and generational diversity among its membership;
- each statutory auditor has a good level of knowledge and experience in a range of fields;
- overall, the Board of Statutory Auditors presents adequate expertise.

## 4. CONCLUSIONS

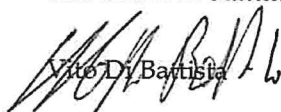
Taking account of that outlined above, the Board of Statutory Auditors, considering the content of the reports prepared by the Independent Audit Firm, noting the statements issued jointly by the Chief Executive Officer and by the Manager responsible for the corporate financial documents, expresses a favourable opinion on the approval of the statutory financial statements of Avio at December 31, 2021 and on the proposal to allocate the net profit for the year of Euro 4,836,213, drawn up by the Board of Directors, as follows:

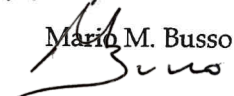


- Euro 4,500,000 as dividend;
- Euro 336,213 to retained earnings.

Rome, March 31, 2022

The Board of Statutory Auditors

 Vito Di Battista (Chairperson)

 Mario M. Busso (Statutory Auditor)

 Michela Zeme (Statutory Auditor)