



REMUNERATION POLICY AND REPORT

in accordance with Article 123-*ter* of the CFA and 84-*quater* of the Consob
Issuers' Regulation

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CONTENTS

INTRODUCTION..... 5

EXECUTIVE SUMMARY 6

SECTION I..... 12

1. GOVERNANCE - PROCEDURES FOR THE ADOPTION AND IMPLEMENTATION OF THE REMUNERATION POLICY..... 12

2. INDEPENDENT EXPERTS INVOLVED IN PREPARING THE REMUNERATION POLICY 16

3. REMUNERATION POLICY..... 16

4. POLICY UPON BENEFITS ON CONCLUSION OF OFFICE 27

SECTION II..... 28

PART 1 28

PART 2 – TABLES 35

Letter of the Chairperson of the Appointments and Remuneration Committee

Dear Shareholders,

In my capacity as Chairperson of the Appointments and Remuneration Committee, and also on behalf of the Committee and the Board, I am proud to present you Avio the "*Report on the remuneration policy and compensation paid*" of Avio S.p.A. (hereinafter "**Avio**" or the "**Company**").

On May 6, 2020, the Shareholders' Meeting appointed Avio's new Board of Directors, which will be in office until the date of the Shareholders' Meeting called to approve the 2022 Annual Accounts. The Appointments and Remuneration Committee is now composed, in addition to myself, of Monica Auteri and Donatella Isaia.

One of this Report's aims is help increase the awareness of Stakeholders (shareholders, employees and customers) of how the Company's remuneration policies correlate with business strategies, in an increasingly complex context and in the face of new challenges that Avio faces, through its committed management.

Remuneration is an effective tool to align the interests of top management to those of the shareholders, contributing to the pursuit of corporate strategy and long-term interests, as well as to the sustainability of the Company. The ability to attract, retain and motivate management is a key factor for any company which, like Avio, operates in a highly-specialised sector requiring constant and rapid alignment to the requirements imposed by the market and technological development.

In this perspective, the Committee prepared and submitted for the approval of the Board of Directors a remuneration policy for 2022 (illustrated in the first section of this Report), in line with the corporate context of Avio and with the objectives set out by the Company. The remuneration policy for 2022 defined by Avio aims at pursuing the sustainable success of the business. The intent is to design a corporate strategy that is not only focused on economic, financial and equity results, but that is also able to make the most of human, social, relational and environmental capital, inspiring its corporate policies to sustainability, neutrality, inclusiveness and encouragement of equal opportunities.

As discussed in more detail below, the new policy differs from the previous year's policy in some ways. The most significant change stems from the Company's desire to maintain the purpose of the remuneration system of motivating management through challenging but achievable targets and ensuring that they remain with the Company. At its meeting of March 28, 2022, Avio's Board of Directors therefore resolved to cancel the 2020-22 and 2021-23 cycles of the existing 2020-24 long-term monetary incentive plan, as the changes in the changed circumstances following the exceptional events of the last years and months compromised its effectiveness, making it extremely difficult to achieve the expected economic-financial targets. At the same time, the Appointments and Remuneration Committee developed a proposal for a new extraordinary performance share plan to replace the two cancelled cycles, which would provide for the allocation of shares in connection with the achievement of performance targets measured over the 2022-24 period and significantly reduced award opportunities compared to the two cancelled cycles. On March 28, 2022, the plan was approved by the Board of Directors, which resolved to submit it for approval to the Shareholders' Meeting called for April 28, 2022.

The additional changes made to the Policies are the result of an analysis of national and international best practices and the vote cast by shareholders at the Shareholders' Meeting of April 29, 2021, in addition to ongoing dialogue with investors and stakeholders. Specifically, a change was introduced in the mechanism for calculating the incentives of Senior Executives, in line with the changes already made in 2021 to the annual variable system for managers and office workers, while keeping the maximum caps on awards unchanged.

The Appointments and Remuneration Committee considers that the remuneration policy described in this Report takes into consideration the recommendations of Company stakeholders in order to incentivise the achievement of strategic targets by the Company and to align the interests of the members of corporate boards

and top management to the overriding target of creating sustainable value for shareholders in the long-term. To this end, it should be recalled that top management is directly involved in business risk by means of holdings in the share capital of Avio S.p.A. These are held through the investment vehicle In Orbit S.p.A. which, to date, represents 4.1% of share capital at December 31, 2021, and is the third largest shareholder of the Company. Moreover, this equity investment has increased over time from 3.7% at the time of listing to the current 4.1%, demonstrating the alignment of interests between management and shareholders in relation to business risk.

INTRODUCTION

This Report was prepared by Avio in accordance with Article 123-ter of the CFA, Article 84-quater of the Issuers' Regulation and Annex 3, Schedule 7-bis - recently updated - in addition to, on the basis of self-regulation, Article 5 of the Corporate Governance Code, with which Avio complies.

Pursuant to Article 123-ter of the CFA, the Report comprises two sections.

Section I outlines the Remuneration Policy adopted by the Company for Financial Year 2022, with regards to the following parties:

- (i) Members of the Board of Directors, distinguishing between Executive and non-Executive Directors;
- (ii) Members of the Board of Statutory Auditors;
- (iii) Group Senior Executives.

Section I of the Report also outlines the procedures utilised for the preparation and adoption of the Remuneration Policy, in addition to the bodies and parties responsible for the Policy's correct implementation.

The Remuneration Policy was approved by the Board of Directors on March 28, 2022, with the favourable opinion of the Appointments and Remuneration Committee. As resolved, the Remuneration Policy will be updated on an annual basis.

The drafting of the Remuneration Policy as regards the comparisons of the remuneration of the Chief Executive Officer/General Manager, the members of the Board of Directors and Company Committees, was supported by Willis Towers Watson, a leading human resources development and organisation consultancy firm, with reference made to the remuneration policies of 35 Italian and European companies which are overall comparable to Avio and, particularly, to the following more significant peers belonging to the STAR segment, Italian Stock Exchange of Borsa Italiana: Bologna Airport, Brembo, Fiera di Milano, Cairo Communication, Interpump Group, IMA, Mondadori, Elica, ERG, Cementir, Datalogic, Gefran, BIESSE, Exprivia, Unieuro, OpenJobMetis and Prima Industrie.

As regards the assessments in relation to the remuneration of Senior Executives, the Company was supported by the Korn Ferry consultancy firm and utilised the Top Executive Italia market as a reference. This includes people in Top Management positions in Italian companies operating in comparable sectors to Avio.

Section II of the Report for the year 2021 outlines each of the items comprising the remuneration of the individuals listed at points (i), (ii) and (iii), as well as an analysis (in a specific table) of the remuneration paid to these parties, in any regard and in any form by the Company or by its subsidiaries in 2021, in addition to remuneration not yet paid at the Report approval date, although relating to 2021. In addition, a comparison for the years 2019-2021 between the change in compensation for members of the Board of Directors and the Board of Statutory Auditors, employee compensation and the Company's performance is shown.

A relative table, as per Article 84-quater, paragraph 4 of the Issuers' Regulation, presents holdings in the Company or its subsidiaries by these parties and by parties related to them.

This Report is sent to Borsa Italiana and is made available to the public at the registered office of Avio (in Rome, via Leonida Bissolati 76, Rome) and on the Company's website www.avio.com "Corporate Governance" section, at least twenty-one days before the Shareholders' Meeting called to approve the 2021 Annual Accounts.

On March 28, 2022, Avio's Board of Directors resolved to submit: (i) Section I of the Report on the 2022 Remuneration Policy to a binding vote of the Shareholders' Meeting; and (ii) Section II on compensation paid in 2021 to an advisory vote.

EXECUTIVE SUMMARY

Introduction

The Remuneration Policy and Report represents the liaison between the Company's strategic development targets and management action. The structure and rationale for the policies are designed to be consistent with the Company's goals of growth and long-term shareholder value creation. In particular, the selection of economic and financial indicators and the processes for defining and monitoring targets are designed to support and incentivise management to achieve the Group's targets.

Avio's business model and long-term sustainability is based on its capacity for development and technological innovation, and therefore on its ability to attract and develop highly qualified resources at both managerial and technical-scientific level. For this, the remuneration policy is a key tool. The criteria and tools adopted in the policy incorporate the most advanced elements of national and international best market practices. In this context, long-term sustainability, a structural characteristic of the Group's long history, is a priority target that led in 2020 to the inclusion of specific parameters, complementary to the economic and financial targets, against which to measure management performance. These sustainability targets reinforce the active role that Avio has always played in collaboration with the main institutional stakeholders at an international level (such as the European Space Agency, the European Union and the European Commission),- at a national level (such as the Italian Space Agency and the Presidency of the Council of Ministers), and at a local level (such as the Municipal Administration of Colleferro).

In confirmation of the strategic nature of the Group's sustainability targets, it should be noted that a specific internal Board Committee was set up in 2020 to guarantee alignment between the Group's strategic and sustainability targets. Management has also expressed its continuing commitment to transparently communicating sustainability performance through the preparation of the Non-Financial Statement, which Avio has published since 2018.

Principles of Avio's remuneration

Avio's Remuneration Policy for Executive Directors and Senior Executives is based on the following principles and criteria:

- this policy seeks to attract, retain and motivate individuals of high professional standing, with particular regard to key positions for the development and management of the business;
- a link with Company's performance and risk profile;
- the alignment of the interests of Company Management with the pursuit of the target to contribute to the corporate strategy, to create value for shareholders over the long-term and to achieve sustainable performance over time.

Key performance drivers

Our incentive systems reflect Avio's performance drivers, closely linked to the key priorities of the Company's strategy:

		Profitability and value for shareholders	Financial Solidity	Value for stakeholders
Our Objectives		Ability to obtain results in the short and medium-term, enhancing return on investment	Maintain adequate liquidity for ongoing management and adequate cash flows	Enact Avio's sustainability strategy
indicators used in the incentive system	short	• Adjusted EBITDA	• Net Financial Position	
	long	• Reported EBITDA	• Return on Capital • Order intake	<i>KPI</i> • Waste Management • Employee training <i>ESG:</i> • Gender Diversity • Gender Pay Gap

Main changes in the 2022 Remuneration Policies

The key changes introduced in the 2022 Policies include:

- updating of the mechanisms in the annual incentive system for Senior Executives, to provide more clarity in the process of calculating targets, in line with the changes to the annual incentive system already in place from 2021 for Avio's middle management and other employees. The update involved removing the corporate "multiplier" and adjusting the reward/performance correlation accordingly. The theoretical maximum levels have not changed. The change did not affect the Chief Executive Officer/General Manager, in his third year of office;
- introduction of a new extraordinary long-term incentive plan to replace the 2020-22 and 2021-23 cycles of the monetary LTI plan:
 - in fact, Avio's Board of Directors, at its meeting of March 28, 2022, resolved to cancel the 2020-22 and 2021-23 cycles of the existing 2020-24 long-term monetary incentive plan, whose retention and incentive purposes for management have ceased to exist in consideration of the changed circumstances caused by the exceptional events of the last few years. The COVID-19 pandemic and the Russian-Ukrainian crisis are the main factors that have eroded the currency of the economic-financial targets to which these cycles were linked;
 - at the same time, the Board of Directors resolved to submit for approval to the Shareholders' Meeting of April 28, 2022 an extraordinary performance share plan that provides for a single allocation of company shares at the end of the 2022-24 performance period, depending on the degree to which a target reflecting the Company's economic and financial sustainability is achieved. The beneficiaries of the plan are the Chief Executive Officer/General Manager and managers who are recipients of the two cancelled cycles (2020-22 and 2021-23) of the monetary plan. The nominal value of the award at the start of the extraordinary plan, which will only occur if approved by the Shareholders' Meeting, corresponds to a reduced portion equal to 60% of the target awards of the cancelled 2020-22 and 2021-23 cycles
- in the context of the recurring multi-year monetary plan, for the third allocation cycle 2022-2024, the weighting of ESG metrics in determining the premium is increased from 10% to 16%; the overall

weighting of the economic-financial indicators is therefore 84% compared to the original 90% of the previous cycles;

- improved *ex-ante* disclosure of the ESG metrics used in incentive plans.

2022 Remuneration Policy at a glance

The following table outlines the key elements regarding the remuneration of the Chief Executive Officer/General Manager and Senior Executives explored subsequently in the Report.

Member	Features and parameters
<p>Fixed remuneration component</p> <p><i>This is the fixed component, determined by taking into account the breadth and strategic nature of the role held.</i></p>	<p>This is determined in consideration of the role - measured through the application of an independent evaluation methodology of the roles (Hay Method) - its characteristics, individual expertise, and market practices for comparable positions.</p> <ul style="list-style-type: none"> ▪ CEO/GM: gross fixed remuneration of Euro 448,000, in line with the median of the benchmark considered ▪ Senior Executives: determined based on pre-established criteria, in line with market median
<p>Short-term variable component</p> <p><i>Annual monetary incentive plan, which provides for the payment of a monetary bonus on the reaching of the pre-set annual targets.</i></p>	<p><u>Beneficiaries:</u></p> <ul style="list-style-type: none"> ▪ Chief Executive Officer/General Manager ▪ Senior Executives ▪ <i>Managers</i> and key professionals <p><u>Size</u></p> <ul style="list-style-type: none"> ▪ CEO/GM: 75% of fixed remuneration for target performance; 100% of fixed remuneration for maximum performance ▪ SE: 30% of fixed remuneration for target performance; 50% of fixed remuneration for maximum performance (average values) <p><u>Performance Targets</u></p> <ul style="list-style-type: none"> ▪ On/off conditions, valid for all beneficiaries: Adjusted EBITDA and Group Net Financial Position ▪ CEO/GM: Adjusted EBITDA, Net Financial Position, Safety [accident frequency rate] ▪ SE: <ul style="list-style-type: none"> - Group targets (Adjusted EBITDA, Net Financial Position, Safety) - targets that are primarily quantitative, economic/financial and operational. <p>Matured bonuses are subject to a clawback clause.</p>

<p>Medium/long-term variable component</p> <p><i>Three-year monetary incentive plan, which provides for cycles of awards with annual frequency, each lasting three years.</i></p> <p><i>The adoption of a rolling monetary plan was assessed, also considering the fact that management are already "shareholders" of Avio; in fact, through the Avio S.p.A. shareholding held through In Orbit S.p.A., management are considerably involved in business risk.</i></p>	<p><u>Beneficiaries:</u></p> <ul style="list-style-type: none"> ▪ Chief Executive Officer/General Manager ▪ Senior Executives ▪ other selected Managers with key roles within the Company. <p><u>Size</u></p> <ul style="list-style-type: none"> ▪ CEO/GM: 60% of fixed remuneration for target performance; 75% of fixed remuneration for maximum performance ▪ SE: 35% of fixed remuneration for target performance; 44% of fixed remuneration for maximum performance <p><u>Three-Year Performance Targets:</u></p> <ul style="list-style-type: none"> ▪ Cumulative Reported EBITDA ▪ Three-year average Return on Invested Capital ▪ ESG targets (Gender Diversity, Gender Pay Gap, Waste Management and Employee Training) <p>The plan includes a clawback clause.</p>
<p>2022-24 Performance Share Plan</p> <p><i>Extraordinary three-year 2022-24 incentive plan, which provides for a single award and is proposed to replace the two cycles of the 2020-22 and 2021-23 monetary plan, which the Board approved for cancellation on March 28, 2022.</i></p> <p><i>The initiation of the plan is subject to the approval of the Shareholders' Meeting on April 28, 2022.</i></p> <p><i>The plan provides for the allocation of shares at the end of a three-year performance period: the actual value of the bonus is linked to the achievement of a pre-determined economic and financial sustainability target and to the change in the value of the share, thus strengthening the alignment between management and shareholders. The choice of performance metrics was made considering the set of indicators to which the total variable remuneration of Avio's management is linked.</i></p>	<p><u>Beneficiaries:</u></p> <ul style="list-style-type: none"> ▪ Chief Executive Officer/General Manager ▪ Senior Executives ▪ other selected Managers with key roles within the Company. <p>The recipients are the same as in the two cancelled cycles (2020-22 and 2021-23) of the monetary plan</p> <p><u>Size</u></p> <ul style="list-style-type: none"> ▪ CEO/GM: 72% of fixed remuneration for target performance; 108% of fixed remuneration for maximum performance ▪ SE: 42% of fixed remuneration for target performance; 63% of fixed remuneration for maximum performance <p>The value of the awards is 60% of the sum of the target awards from the two cancelled cycles.</p> <p><u>Three-Year Performance Targets:</u></p> <ul style="list-style-type: none"> ▪ Order intake <p>The plan includes a clawback clause.</p>
<p>Benefits</p> <p><i>Non-monetary benefits in addition to those provided under the applicable contract defined in accordance with market practices</i></p>	<p>They include supplementary pensions, insurance coverage, mixed-use car</p>
<p>Compensation in the event of early termination of employment</p>	<ul style="list-style-type: none"> ▪ CEO/MD: with regard to benefits in the case of termination of employment contract by the Company for any reason other than just cause, an all-inclusive gross amount will be recognised equal to two years of the sum of fixed remuneration and the short-term variable bonus (calculated as 100%

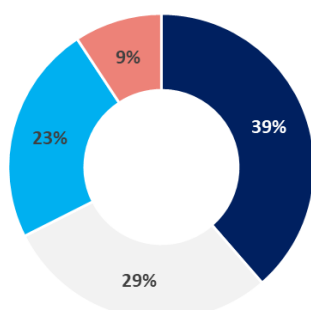
	<p>of fixed remuneration). This amount is inclusive of mandatory contractual provisions relating to notice¹</p> <ul style="list-style-type: none"> SEs: The provisions of the national contract for industry Executives apply.
Non-competition agreement	<ul style="list-style-type: none"> A 12-month non-competition agreement has been defined for the CEO/GM, which envisages payment of 6 months' fixed remuneration The Company in addition reserves the right to sign non-competition agreements involving specific roles requiring strategic knowledge, in compliance with the statutory provisions and limitations.

Pay-mix of the Chief Executive Officer/General Manager and Senior Executives

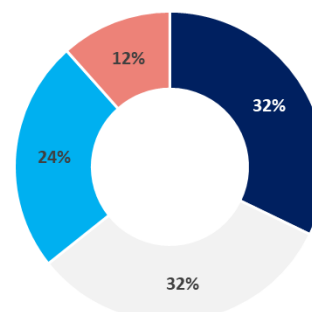
The make-up of the remuneration package of the Chief Executive Officer/General Manager and the Senior Executives, in the case of achieving the target and maximum performance levels, is as follows:

Chief Executive Officer/General Manager

Pay-mix - performance target



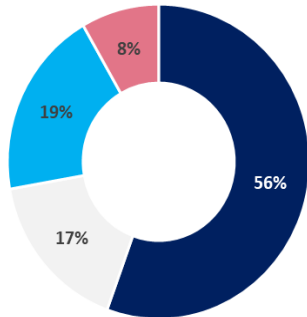
Pay-mix, maximum performance



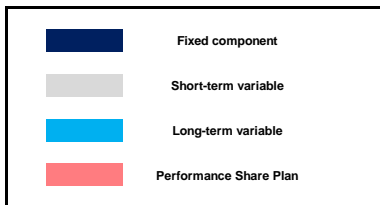
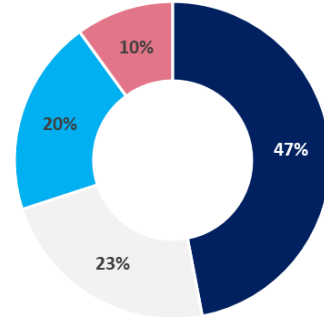
¹ As of the date of publication of this report, the number of months' pay provided by the national collective bargaining agreements for notice equals 8.

Senior Executives

Pay-mix - performance target



Pay-mix, maximum performance



Results of voting on 2021 Policies

Avio considers it fundamental to build and maintain an open dialogue with shareholders and stakeholders. The vote cast by shareholders is an element that is strongly considered in establishing the Policies.

The 2021 Shareholders’ Meeting cast a binding vote on Section I of the Report, expressing 93.72% favourable votes of the total votes cast, and an advisory vote on Section II of the Report, expressing 84.04% favourable votes of the total votes cast.

SECTION I

The Remuneration Policy defines the principles and guidelines adopted by Avio for the remuneration of the members of the Board of Directors and Senior Executives. The Remuneration Policy was approved by the Board of Directors on March 28, 2022, with the favourable opinion of the Appointments and Remuneration Committee. As resolved, the Remuneration Policy will be updated on an annual basis.

1. GOVERNANCE - PROCEDURES FOR THE ADOPTION AND IMPLEMENTATION OF THE REMUNERATION POLICY

1.1. Parties involved in the preparation, approval and any revision, as well as implementation of the Remuneration Policy

The principal parties and boards involved in the preparation, approval and any revision of the Remuneration Policy are the Shareholders' Meeting, the Board of Directors, the Appointments and Remuneration Committee and the Board of Statutory Auditors. The Board of Directors, the Board of Statutory Auditors and the Appointments and Remuneration Committee are also responsible for the correct implementation of the Remuneration Policy and oversee its correct implementation. A brief description of the duties, which in accordance with the applicable regulation and the By-Laws are required of these Boards with regards to the remuneration of the Directors, is provided below.

In 2020, the Sustainability Committee was set up, a new internal Board Committee composed only of Independent Directors whose task is to assist the Board of Directors with investigative functions, of a propositional and consultative nature, in the evaluations and decisions relative to sustainability issues falling within the remit of the Board, and whose work will constitute an important contribution to strengthening the link between the Remuneration Policies and Avio's sustainability strategy.

Shareholders' Meeting

The Shareholders' Meeting:

- (i) establishes the total remuneration of the members of the Board of Directors in accordance with Article 2364, paragraph 1, No. 3) of the Civil Code, also in accordance with Article 2389, paragraph 3 of the Civil Code and Article 15 of the By-Laws;
- (ii) resolves, with a binding vote, as regards Section I of the Report, in accordance with Article 123-ter, paragraph 3-ter of the CFA;
- (iii) resolves, with a non-binding vote, as regards Section II of the Report, in accordance with Article 123-ter, paragraph 6 of the CFA;
- (iv) establishes any share-based remuneration plans or other financial instruments for Directors, employees or collaborators, including Senior Executives, where existing, in accordance with Article 114-bis of the CFA.

Board of Directors

The Board of Directors:

- (i) establishes internally an Appointments and Remuneration Committee;
- (ii) establishes the remuneration of the Executive Directors on the proposal of the Appointments and Remuneration Committee (and, where established, of the Related Parties Committee), with prior opinion from the Board of Statutory Auditors, within any remuneration established by the Shareholders' Meeting in accordance with Article 2389, paragraph 3 of the Civil Code and breaks

down the fixed annual remuneration for execution of office, established in totality by the Shareholders' Meeting for Non-Executive Directors, as set out by Article 15 of the By-Laws;

- (iii) defines and reviews, on the proposal of the Appointments and Remuneration Committee, the Remuneration Policy;
- (iv) approves the Report in accordance with Articles 123-ter of the CFA and 84-quater of the Issuers' Regulation;
- (v) prepares any remuneration plans based on shares or other financial instruments for Directors, employees and collaborators, including Senior Executives, where existing, submitting such for the approval of the Shareholders' Meeting in accordance with Article 114-bis of the CFA and oversees their implementation.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee provides consultation and proposals, and in terms of remuneration:

- a. assists the Board of Directors in developing and revising the Remuneration Policy;
- b. periodically evaluates the adequacy, the overall consistency and the concrete application of the remuneration policy of Senior Directors and Executives of the Company, utilising for this latter the information provided by the Chief Executive Officer/ General Manager and draws up for the Board of Directors related proposals;
- c. presents proposals or expresses opinions to the Board of Directors on the remuneration of Executive Directors and other senior Directors in office, as well as establishing the performance targets related to the variable component of this remuneration and monitors the application of the decisions adopted by the Board verifying, in particular, the achievement of the performance targets;
- d. reviews in advance the annual remuneration report to be made available to the public as per the applicable regulation;
- e. reports to the Shareholders' Meeting called to approve the financial statements - through the Chairperson of the Committee or another member appointed by the latter - upon the means to perform their duties, with respect to remuneration-related tasks attributed to the Committee.

The Committee is also assigned, with respect to remuneration issues alone, the duties allocated to the committee responsible for related party transactions as per the Related Party Transactions Policy adopted by the Company. For transactions with significant related parties, where the Committee does not include at least three Independent Directors, the controls at Article 14 of the stated Policy apply.

This committee guarantees the broadest scope of information and transparency on the remuneration of the Executive Directors, as well as the manner for determining their remuneration. In any case, as per Article 2389, paragraph 3 of the Civil Code, the Appointments and Remuneration Committee has solely the function of presenting proposals, while the power of determining the remuneration of Executive Directors remains with the Board of Directors, having consulted with the Board of Statutory Auditors and in any case with the abstention of the interested Directors regarding decisions upon their own remuneration.

The Appointments and Remuneration Committee consists of three Non-Executive Directors, independently appointed by Board of Directors' motion of April 14, 2020, namely:

- Giovanni Gorno Tempini (Chairperson);
- Monica Auteri;
- Donatella Isaia.

At the time of their appointment, the Board of Directors positively assessed the Independent Directors Giovanni Gorno Tempini, Monica Auteri and Donatella Isaia as having adequate knowledge and expertise in financial matters and experience in the field of remuneration policies.

The composition, tasks and procedures of the Appointments and Remuneration Committee are governed by the Corporate Governance Code and the regulation adopted by the Committee.

The meetings of the Appointments and Remuneration Committee are chaired by the Chairperson or, in his/her absence or impediment, the eldest member of the Committee. The meetings are held as a collective and are appropriately minuted.

The Directors do not take part in meetings of the Appointments and Remuneration Committee at which proposals upon their specific remuneration of the Board of Directors are drawn up.

Meetings of the Appointments and Remuneration Committee are attended by the Chairperson of the Board of Statutory Auditors and its members and, on invitation, by representatives of company departments and independent experts and/or other parties, whose participation is considered beneficial for the discussion of the matters at issue.

Where considered necessary or beneficial for the execution of its duties, the Appointments and Remuneration Committee may utilise outside remuneration policy consultants. In 2021, the Appointments and Remuneration Committee met on eight occasions. The meeting attendance of Committee members is reported in the table at the bottom of Section 4.2.1 of the Corporate Governance and Ownership Structure Report, available on the Company's website [www.avio](http://www.avio.com) "Corporate Governance" section.

The Chairperson of the Board of Statutory Auditors, the Chief Executive Officer/General Manager, the Human Resources Director, the General Counsel, the Legal Department collaborators, in addition to consultants supporting the Company on specific projects reviewed by the Committee, usually attended the Appointments and Remuneration Committee meetings, on its invitation. The Chief Executive Officer/General Manager did not take part in the Committee's discussions concerning decisions upon his remuneration or which would put him in a conflict of interest situation.

In 2021 and, in any event, up to the date of this Report, the Committee's activities were primarily concerned with:

- the assessment and the monitoring of the adequacy, overall consistency and concrete application of the remuneration policy for Directors and Senior Executives, with reference to 2021;
- taking a fresh decision on the number of Senior Executives following the retirement of a Senior Executive and the review of the organisation. In any event the number is always equal to four;
- as regards the annual incentive system, assessment of the degree of annual performance target achievement for 2021 and the setting of the targets for 2022 for the Chief Executive Officer/General Manager and the Senior Executives;
- as regards the long-term incentive system, assessment of the degree to which the performance targets for the 2019-2021 cycle have been achieved and the establishment of performance targets for the 2022-2024 award cycle;
- the drawing up of the proposal to the Board with regards to the 2022 Remuneration Policy;
- the formulation of a proposal to the Board regarding the cancellation of the 2020-22 and 2021-23

cycles of the existing monetary long-term incentive plan and the introduction of a new extraordinary performance share plan, to be submitted to the Shareholders' Meeting for approval;

- review of the outcomes of the Board of Directors' self-assessment process;
- examination and updating of the *Diversity Policy of the Administrative, Management and Control Boards* and the *Related Party Transactions Policy*;
- the co-opting of a new Director following the resignation of an Independent Director;
- the Policy on qualitative and quantitative criteria for assessing the independence requirements of Directors and Statutory Auditors, pursuant to Recommendation 7, first sentence, points (c) and (d), in Article 2 of the Corporate Governance Code;
- updating of the calculation methodology and determination of the 2021 annual variable remuneration for Avio employees, except the Chief Executive Officer/General Manager and Executives;
- the final accounting for short-term variable compensation related to the year 2021 and the final accounting for Long-Term Incentives related to the years 2019-2021;
- the proposal regarding the short-term incentive plans for the Chief Executive Officer and Senior Executives for 2022 and the long-term plans for 2022-2024

Executive Director

The Executive Director is tasked with:

- providing the Appointments and Remuneration Committee, with the support of the Group Human Resources Department, with any useful information for this latter to assess the adequacy and concrete implementation of the Policy, with specific regard to the remuneration of Senior Executives;
- submitting to the Appointments and Remuneration Committee the draft share-based incentive plans, stock option plans, stock ownership plans and incentive and loyalty plans established for the management of Group companies or, where appropriate, assists the Committee in drafting such, also with the support of the Group Human Resources Department;
- implementing the Remuneration Policy of the Company in accordance with this document.

Board of Statutory Auditors

The Board of Statutory Auditors expresses an opinion upon the remuneration proposals of the Executive Directors, in accordance with Article 2389, paragraph 3 of the Civil Code, verifying the consistency of such with the Remuneration Policy adopted by the Company.

Independent Audit Firm

The independent audit firm of Avio verifies that the Directors have prepared the second section of the Report, as required by Article 123-ter, paragraph 8-bis of the CFA.

2. INDEPENDENT EXPERTS INVOLVED IN PREPARING THE REMUNERATION POLICY

In preparing the Remuneration Policy, the Company was assisted in salary benchmarking by the independent experts Willis Towers Watson and Korn Ferry, leading consultancy firms in the area of human resources development and organisation, and by PricewaterhouseCoopers S.p.A.

3. REMUNERATION POLICY

3.1. TARGETS AND PRINCIPLES OF THE REMUNERATION POLICY

Avio's Remuneration Policy is based on the following key principles and is defined according to the following criteria:

- this policy seeks to attract, retain and motivate individuals of high professional standing, with particular regard to key positions for the development and management of the business, through a remuneration structure which recognises the value of the individual and their contribution to company growth.
- the link with the Company's performance and strategy: the remuneration recognises the achievement of individual and corporate performance targets, referring to quantitative economic-financial indicators consistent with the targets set by the Company's industrial, business and sustainability plan. Targets are set and measurable, and rewards are attributed according to the level of performance achieved.
- the alignment of the interests of Company management with the pursuit of the target to create value for the shareholders and stakeholders of Avio over the long-term through an appropriately balanced system of fixed and variable components, on the basis of the strategic targets and the risk management policy of the Company, and the setting of limits for the variable components which also reward results which exceed the assigned targets, the integration of targets with the sustainability strategy of the Company.

Avio's Remuneration Policy contributes to the attainment of the Company's mission, values and strategies, taking into account the remuneration and conditions of Group employees, through:

- a fair and inclusive approach to all Company employees, to promote equal opportunities and recognise skills;
- a reward system that recognises individual contributions and the responsibilities of the role covered, and takes into account market benchmarks, in line with the "weighting" of positions within the organisation;
- a structured compensation package that takes into account employees' needs and the annual remuneration benchmarks prepared by the Company.

In line with the above principles, the Company shall present this document for the approval of the Shareholders' Meeting of April 28, 2022.

3.2. OUTLINE OF THE REMUNERATION POLICY

The Remuneration Policy provides that the fixed and variable components (this latter in turn split between short and medium/long-term) are established on the basis of principles and processes according to the beneficiary category.

In this regard, on May 11, 2021, the Board of Directors of the Company, on the proposal of the Appointments and Remuneration Committee, identified, updated the scope of the Senior Executives, in light of the positions and respective roles held within the Group. This consists of four Executives, two of whom were identified as Senior Executives in 2021.

The Company in any case considered it appropriate to create a remuneration system based on the Executive/managerial responsibilities of the parties concerned and therefore independently set the criteria for determining the remuneration of:

- (i) Directors, and more specifically:
 - (a) Non-Executive Directors; and
 - (b) Executive Director;
- (ii) Board of Statutory Auditors;
- (iii) Senior Executives.

(i) DIRECTORS

All directors receive a fixed remuneration which appropriately compensates the work and commitment provided by the Directors to the Company.

On May 6, 2020, the Ordinary Shareholders' Meeting resolved to award each Director a gross annual remuneration of Euro 35,000 and a gross annual remuneration of Euro 120,000 to the Chairperson of the Board of Directors, in continuity with the amount of fees established for the members of the Board of Directors in the previous three-year period and in line with market practices.

On July 28, 2020, the Board of Directors also resolved to award the members of the internal Board Committees the following fees, in line with market practices:

- i) to the members of the Control and Risks Committee, a gross annual fee for the Chairperson of Euro 30,000.00 and for the other members of Euro 15,000.00 each;
- ii) to the members of the Appointments and Remuneration Committee and the Sustainability Committee - a gross annual fee for the Chairperson of Euro 25,000.00 each and for the other members of Euro 10,000.00 each.

(a) NON-EXECUTIVE DIRECTORS

The Non-Executive Directors (whether independent or not) are granted a fixed remuneration, the overall amount of which is established by the Shareholders' Meeting, allocated on an individual basis by the Board of Directors pursuant to Article 2389 of the Civil Code.

The remuneration of these Directors is not based on any financial results or specific targets of the Company and is commensurate with the commitment required, also in relation to participation on internal Board Committees, for which specific remuneration is allocated.

(b) EXECUTIVE DIRECTORS

The remuneration of the Executive Director (Chief Executive Officer/General Manager) is adequately balanced between short-term development targets and the sustainable creation of value for Shareholders over the long-term period.

Specifically, the Executive Director's remuneration structure is made up of:

- a *fixed component*: this component takes into account the breadth and strategic relevance of the role played and the distinctive subjective characteristics and strategic skills of the managers assigned to the

role. The amount is sufficient to remunerate the service also in the case of the partial reaching of the performance targets upon which the variable remuneration component is based, and therefore - among other issues - discourages the undertaking of conduct not consistent with the risk propensity of the company. More specifically, the fixed component is calculated according to the size of the managed business, the various areas of responsibility covered, the Avio Group's complex corporate structure, including internationally, also taking account of market practice for similar positions at industrial sector companies (benchmark by Willis Towers Watson).

- a short-term variable component: the purpose of this component is to encourage management to work towards the achievement of annual targets that maximize the Avio Group's value, in line with shareholders' interests. This component is conditional upon reaching a minimum performance threshold with respect to the annual targets set by the Board of Directors, upon proposal by the Appointments and Remuneration Committee. The indicators used to define the annual business performance targets (and to calculate the actual amount of the short-term variable component) are the Group's financial and earning parameters, as described below.

The value of the annual variable component for the Chief Executive Officer/General Manager of Avio is 75% of the fixed remuneration on achievement of the target, with a maximum of 100% of the fixed remuneration. The payment of discretionary bonuses is not envisaged;

- a long-term variable component: this component seeks to incentivise Executive Directors to maximise the value of the Group and to align their interests with those of the shareholders. The payment of this remuneration may be deferred to the conclusion of a three-year timeframe, subject to the achievement of the performance conditions (as per the following paragraphs) measured over a multi-year period.

For the Chief Executive Officer/General Manager, the value of the target bonus, with reference to the 2022-2024 allocation cycle within the scope of the 2020-24 Plan, is equal to 60% of fixed remuneration, with a maximum value of 75%.

We note on March 28, 2022, Avio's Board of Directors resolved to cancel the 2020-2022 and 2021-2023 cycles of the 2020-24 Multi-Year Plan, of which the Chief Executive Officer/General Manager was a beneficiary, with a target bonus value equal to 60% of fixed remuneration and a maximum value equal to 75%.

Subject to the approval of the extraordinary 2022-24 performance share plan by the Shareholders' Meeting on April 28, 2022, the Chief Executive Officer/General Manager will also be the beneficiary of a one-time grant of rights to receive shares of the Company at the end of the 2022-24 performance period, depending on the degree to which a target reflecting the Company's financial viability is achieved. The initial nominal value of the award - which corresponds to a reduced portion of the sum of the awards related to the cancelled 2020-22 and 2021-23 cycles - for the Chief Executive Officer/General Manager is equal to 72% of fixed compensation upon achievement of targets and 108% in the event of maximum performance.

- fringe benefits: fringe benefits provide for the provisions of goods and/or services in line with market practice and applicable regulations. In particular, the Chief Executive Officer of Avio, in addition to the benefits under the Industry Executives Collective Bargaining Agreement, is assigned two company cars and supplementary life and total and permanent invalidity accident insurance.

For a description of the short-term variable component and of the long term component of the remuneration of the Chief Executive Officer/General Manager, reference should be made to Paragraph 3.3.

(ii) BOARD OF STATUTORY AUDITORS

All the members of the Board of Statutory Auditors receive a fixed remuneration which appropriately compensates the work and commitment provided by the Statutory Auditors to the Company.

The Shareholders' Meeting held on May 6, 2020 resolved, for the 2020-2022 three-year period, to attribute to the Chairperson of the Board of Statutory Auditors a remuneration of Euro 50,000 per year and to the Statutory

Auditors a remuneration of Euro 35,000 per year, in line with the remuneration attributed to the Board of Statutory Auditors for the 2017-2020 three-year period and with the practices of the listed companies of the STAR segment with levels of capitalisation comparable to Avio.

(iii) SENIOR EXECUTIVES

The remuneration of Senior Executives is structured so as to focus management on company results and the creation of value.

The remuneration of Senior Executives is composed of:

- a fixed component: this component takes into account the breadth and strategic relevance of the role played and the distinctive subjective characteristics and strategic skills of the beneficiary, in addition to market practice for comparable positions. The amount is sufficient to remunerate the service also in the case of the non-reaching of the performance targets upon which the variable remuneration component is based;
- a short-term variable component: the purpose of this component is to encourage management to work towards the achievement of annual targets that maximize the Avio Group's value, in line with shareholders' interests. This component is conditional upon reaching a minimum performance threshold with respect to the annual targets set by the Board of Directors, upon proposal by the Appointments and Remuneration Committee. The indicators used to define the annual business performance targets (and to calculate the actual amount of the short-term variable component) are the Group's financial and earning parameters. Each Executive is also assigned individual targets specifically related to specific areas of responsibility, measured according to predominantly quantitative, financial and earnings indicators, or operating indicators. In determining the short-term variable component, the achievement of business results and individual/area/function results are therefore combined.

The average value of the annual variable component for Avio Senior Executives is 30% of the fixed remuneration on achievement of targets, with a maximum amount (capped) of 50% of the fixed remuneration.

No forms of discretionary variable remuneration are envisaged.

- a long-term variable component: this component seeks to incentivise Senior Executives to maximise the value of the Group and to align their interests with those of the shareholders. The payment of this remuneration may be deferred to the conclusion of a three-year timeframe, subject to the achievement of the long-year performance conditions.

The value of the target bonus is 35% of fixed remuneration with respect to the three allocation cycles under the 2020-24 Plan, with a maximum value of 44%.

On March 28, 2022, Avio's Board of Directors approved the cancellation of the 2020-2022 and 2021-2023 cycles of the 2020-24 Multi-Year Plan.

Subject to the approval of the extraordinary 2022-24 performance share plan by the Shareholders' Meeting on April 28, 2022, the Senior Executives will also be the beneficiaries of a one-time grant of rights to receive shares of the Company at the end of the 2022-24 performance period, depending on the degree to which a target reflecting the Company's financial viability is achieved. The initial nominal value of the award - which corresponds to a reduced portion of the sum of the awards related to the cancelled 2020-22 and 2021-23 cycles - for Senior Executives is equal to an average of 42% of fixed compensation upon achievement of targets and 63% in the event of maximum performance.

- fringe benefits: fringe benefits provide for the provisions of goods and/or services in line with market practice and applicable regulations. In particular, the Senior Executives of Avio, in addition to the benefits under the Industry Executives Collective Bargaining Agreement, are assigned—a company car and

supplementary life and total and permanent invalidity accident insurance.

For the description of the short-term variable component and the long-term variable component for Senior Executives, reference should be made to Paragraph 3.3.

3.3. VARIABLE REMUNERATION COMPONENT

The variable remuneration system of Avio includes a short-term variable component and a medium/long-term variable component.

3.3.1 SHORT-TERM VARIABLE COMPONENT

The annual incentive system provides for the payment of a monetary bonus on the reaching of the pre-set annual targets. This system is reviewed every year by the Appointments and Remuneration Committee, which proposes to the Board of Directors the targets for the Chief Executive Officer/General Manager and the Senior Executives, identifying the metrics.

The beneficiaries of the system are, in addition to the Chief Executive Officer/General Manager and the Senior Executives, Avio's managers and professionals. The value of the target bonus is based also on the level of responsibility of the role, according to pre-set "brackets"; each beneficiary, depending on their bracket, is assigned a variable target bonus expressed as a percentage of the fixed remuneration on achieving the pre-set targets; a maximum amount is established where the targets are exceeded.

The right to a variable bonus is subject to achieving a minimum level of results relating to the company's pre-established economic and financial targets. These are measured in terms of Adjusted EBITDA and Net Financial Position, each with equivalent weight.

The Group's Adjusted EBITDA (50%) and Net Financial Position (50%) are used as performance indicators. Business targets are set with respect to the budget approved by the Board of Directors.

The choice of the two economic-financial indicators allows for a balanced reflection of the Company's economic and financial performance, in line with the practices of the benchmark (Korn Ferry). In particular, the Adjusted EBITDA expresses the capacity to generate profits independently of any non-recurring effects attributable to a single year; the Net Financial Position expresses the ability to maintain the net cash position within the value pre-set for the reference year.

For the **Chief Executive Officer/General Manager**, the bonus is exclusively linked to company targets in terms of Adjusted EBITDA and Net Financial Position, establishing:

- a level of **performance minimum** level (threshold), on reaching which **40% of fixed remuneration** is paid; no bonus is paid below the threshold level. The minimum is 74.1% of the target value for Group Adjusted EBITDA and 74.4% for the Group Net Financial Position parameter;
- a **target performance** level, on the achievement of which the target bonus of 75% of the fixed remuneration is recognised;
- a **maximum performance level**, on achievement of which the maximum value of the relative bonus, equal to **100% of the fixed remuneration (cap)**, is recognised. The maximum performance level is 105.7% of the target value for Group Adjusted EBITDA and 114.2% for the Group Net Financial Position.

The following diagram shows the **link between targets and the bonus** for achieving the minimum, target and maximum targets for the Chief Executive Officer/General Manager (the value of the bonus is expressed as a % of fixed remuneration)

Target	Description	Weighting	Performance scenarios		Bonus (% Gross Ann. Rem.)
Adjusted EBITDA	Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortisation) is a measure of the Company's profitability that is not affected by non-recurring items	50%	Minimum	<i>Budget target -25.9%</i>	40%
			Target	<i>Budget target</i>	75%
			Maximum	<i>Budget target + 5.7%</i>	100%
Net Financial Position	The indicator meets the need to measure management's ability to maintain a level of liquidity adequate for current operations during the reporting period	50%	Minimum	<i>Budget target -25.6%</i>	40%
			Target	<i>Budget target</i>	75%
			Maximum	<i>Budget target + 14.2%</i>	100%

Given the confidential nature of the strategic targets, it is not possible to provide more *ex-ante* detail; instead, Section II of the Report sets out details of the results achieved.

For **Senior Executives**, the bonus is linked for 50% to company targets (Adjusted EBITDA, Net Financial Position, Injury frequency rate) and for 50% to individual targets: between four and five specific management targets, to which economic-financial indicators are linked, or rather annual operating indicators. In determining the overall individual performance, each target is assigned a differing weight.

The **annual target** for the theoretical bonus for Senior Executives is **30% of the fixed remuneration on achieving the target targets**; the maximum amount (capped) is **50%** while the **minimum** amount is **8%** (corresponding to the individual and corporate threshold value below which no bonus is earned).

The following diagram shows the **link between targets and the bonus** expected upon achievement of the minimum target, target, maximum for Senior Executives (the value of the bonus is expressed as a % of fixed remuneration) for 2022:

Target	Description	Weighting	Performance scenarios		Bonus (% Gross Ann. Rem.)
Adjusted EBITDA	Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortisation) is a measure of the Company's profitability that is not affected by non-recurring items	25%	Minimum	<i>Budget target -25.9%</i>	8%
			Target	<i>Budget target</i>	30%
			Maximum	<i>Budget target + 5.7%</i>	50%
Net Financial Position	The indicator meets the need to measure management's ability to maintain a level of liquidity adequate for current operations during the reporting period	25%	Minimum	<i>Budget target -25.6%</i>	8%
			Target	<i>Budget target</i>	30%
			Maximum	<i>Budget target + 14.2%</i>	50%
Specific function targets	Quantitative targets linked to economic-financial (e.g., costs) and/or operational and/or project indicators (e.g., project milestones). There are two or three targets that fall into this category.	35-40%	Minimum		8%
			Target		30%
			Maximum		50%
Individual targets	Qualitative targets, e.g., assessment of managerial qualities, team management. There are one/two targets that fall into this category.	10-15%	Minimum		8%
			Target		30%
			Maximum		50%

In the event of failure to achieve the economic-financial targets, no bonuses are paid, not even for the part relating to the specific function or individual targets.

In the case of particularly challenging annual goals, the Board has the discretion to define a (de)multiplier that may increase or decrease the value of the final bonus paid. The demultiplier is defined consistently with the level of achievement of the annual targets in terms of Adjusted EBITDA and Net Financial Position of the Group, as represented below. As from the 2022 Policies, this (de)multiplier is not applied to Senior Executives, for whom the same calculation method is adopted as applies to the other employees receiving annual variable remuneration from 2021. This decision has involved readjusting the bonus levels planned for target results and adjusting the bonus/performance correlation accordingly, while keeping the maximum theoretical value of the bonus unchanged. The (de)multiplier continues to be applied to the annual bonus for the Chief Executive Officer/General Manager. Unlike the position for Senior Executives, it is linked solely to the Company's economic and financial parameters, and the bonus levels planned for target results have not been adjusted.

The adoption of the (de)multiplier does not in any case change the maximum value of the bonus payable to the Chief Executive Officer/General Manager, equal to 100% of fixed remuneration.

For the Chief Executive Officer/General Manager for 2022, the performance scenarios and (de)multiplier are:

Indicator	Description	Weighting	Performance scenarios	(de)multiplier
Adjusted EBITDA	Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortisation) is a measure of the Company's profitability that is not affected by non-recurring items	50%	Minimum <i>Budget target -25.9%</i>	0.9
			Target <i>Budget target</i>	1
			Maximum <i>Budget target + 5.7%</i>	1.35
Net Financial Position	The indicator meets the need to measure management's ability to maintain a level of liquidity adequate for current operations during the reporting period	50%	Minimum <i>Budget target -25.6%</i>	0.9
			Target <i>Budget target</i>	1
			Maximum <i>Budget target + 14.2%</i>	1.35

3.3.2 LONG-TERM VARIABLE COMPONENT

2020-2024 Incentive plan

On March 25, 2020, the Board of Directors adopted the new 2020-2024 incentive Plan, whose beneficiaries are the Chief Executive Officer/General Manager, Senior Executives and other Senior Managers.

The Plan is divided into three allocation cycles, starting in 2020, 2021 and 2022 respectively, and provides for the payment of a monetary bonus at the end of a three-year performance period, based on the degree of achievement of predetermined targets. The choice of a cash plan was also considering the fact that Avio's top management is already directly involved in the business risk through their participation in the capital of Avio, held through the investment vehicle In Orbit S.p.A., which today represents 4.1% of the share capital.

The long-term incentive plan is linked to two three-year cumulative economic and financial performance indicators of the business plan and to ESG indicators: the economic and financial indicators are the three-year

cumulative Reported EBITDA and the Return on Invested Capital²; there are four ESG indicators as indicated below: (i) Gender diversity³; (ii) Gender pay gap⁴; (iii) Waste Management⁵; (iv) Employee Training⁶.

For the 2022-2024 third cycle of the plan, economic and financial indicators weigh 84% overall and ESG metrics weigh 16% (4% for each of the four indicators). The weighting of the ESG component has increased compared from the previous 2020-2022 and 2021-2023 cycles, which envisaged a total weighting for the economic-financial indicators of 90% (45% for cumulative three-year reported EBITDA and 45% for Average Return on Invested Capital) and a 10% weighting for the ESG metrics (2.5% for each of the four indicators).

There are a total of 12 beneficiaries of the first cycle of the 2020-2022 long-term incentive plan, including the Chief Executive Officer/General Manager and Senior Executives.

There are a total of 13 beneficiaries of the second cycle of the 2021-2023 long-term incentive plan, including the Chief Executive Officer/General Manager and Senior Executives.

There are a total of 13 beneficiaries of the third cycle of the 2022-2024 long-term incentive plan, including the Chief Executive Officer/General Manager and Senior Executives.

With regard to the financial performance levels linked to the indicators outlined, it was decided to utilise the three-year target values of the Business Plan. For ESG metrics, please refer to the performance levels approved by the Board of Directors as currently applicable, for each cycle at the time of allocation. The performance targets of ESG indicators are defined as a three-year average value.

For each of the selected indicators, there is:

- a **minimum performance** level (threshold) of 90% of the target value for the cumulative three-year Reported EBITDA, 85% for the average three-year Return on Invested Capital, 90% for Gender Diversity, 96% for the Gender Pay Gap, 90% for Waste Management and 90% for Employee Training; no bonus is recognised below the threshold level;
- a **target performance** level, on the achievement of which the target bonus is recognised for each of the two indicators considered;
- a **maximum performance** level, equal to 110% of the target value for the cumulative three-year Reported EBITDA and 115% for the average three-year Return on Invested Capital, 110% for Gender Diversity, 102% for the Gender Pay Gap, 110% for Waste Management and 110% for Employee Training, on achievement of which the maximum relative bonus value (capped) is recognised.

On achieving the intermediary performance levels, the bonus value is calculated for the linear interpolation.

The performance levels are in line with that established by the Group's Business Plan.

The value of the **bonus** is:

- For the **Chief Executive Officer/General Manager** at **60% of fixed remuneration** for target results, **75% in the event of maximum performance, 45% in the event of minimum performance**;
- **Senior Executives** at **35% of fixed remuneration** for target results, **44% in the event of maximum**

²Defined as the Reported EBIT/Net Invested Capital.

³Defined as the ratio between female employees / male employees.

⁴Defined as the ratio between the remuneration of female employees / male employees in the same grade

⁵Defined as the % of waste recovery.

⁶Defined as the total number of hours of training performed.

performance, 26% in the event of minimum performance.

The following table shows the link between targets and the bonus for the achievement of the minimum, target and maximum target for the Chief Executive Officer/General Manager (the value of the bonus is expressed as a % of the fixed remuneration) for each of the indicators set, each valid independently of the others, with reference to its relative weight:

Indicator	Description	Weighting	Performance scenarios		Bonus
Cumulative three-year Reported EBITDA	EBITDA (Earnings before interest, taxes, depreciation, and amortisation) Reported allows for a measurement of medium term profitability that does not take into account non-recurring components	42%	Minimum	<i>Budget target - 20%</i>	45%
			Target	<i>Budget target</i>	60%
			Maximum	<i>Budget target + 20%</i>	75%
Average Return on Invested Capital	Defined as the Reported EBIT/Net Invested Capital	42%	Minimum	<i>Budget target – 25%</i>	45%
			Target	<i>Budget target</i>	60%
			Maximum	<i>Budget target + 25%</i>	75%
ESG Indicators⁷	Gender diversity: the ratio between female employees/male employees.	4%	Minimum	<i>Budget target – 10%</i>	45%
			Target	<i>16.6%</i>	60%
			Maximum	<i>Budget target + 10%</i>	75%
	Gender pay gap⁶: the ratio between the remuneration of female employees / male employees in the same grade	4%	Minimum	<i>Budget target – 4%</i>	45%
			Target	<i>98%</i>	60%
			Maximum	<i>Budget target + 2%</i>	75%
	Waste management % of waste recovered	4%	Minimum	<i>Budget target – 10%</i>	45%
			Target	<i>60%</i>	60%
			Maximum	<i>Budget target + 10%</i>	75%
	Employee training: total number of hours of training carried out.	4%	Minimum	<i>Budget target – 10%</i>	45%
			Target	<i>23,000</i>	60%
			Maximum	<i>Budget target + 10%</i>	75%

Given the confidential nature of the strategic targets, it is not possible to provide more *ex-ante* detail; instead, Section II of the Report sets out details of the results achieved.

In the event of a change of control, the incentive plan establishes an accelerated bonus assignment, with pro rata temporis reduction and on the basis of the degree to which the targets linked to the maturation of the bonus are achieved.

2022-2024 Performance Share Plan

On March 28, 2022, the Board of Directors, on the proposal of the Appointments and Remuneration Committee, resolved to submit for approval to the Shareholders' Meeting called for April 28, 2022 an incentive (performance share) plan that provides for the grant of rights to receive free Company shares, subject to the achievement of predetermined performance targets, at the end of a three-year performance period 2022-24.

The plan was approved by the Board of Directors at the same time as the cancellation of the 2020-22 and 2021-

⁷ The minimum and maximum performance range for the Gender Pay Gap, as an exception with respect to the other ESG indicators, is 96% at the minimum value and 102% at the maximum value

23 cycles of the 2020-24 Multi-Year Plan, whose retention and incentive targets for management had ceased to apply in view of changed circumstances. The exceptional events of recent years have, in fact, made it impossible to achieve the original economic and financial targets to which these cycles were linked.

As such, the new performance share plan is extraordinary and non-recurring in nature:

- the recipients of the plan are the Chief Executive Officer/General Manager, Senior Executives and other managers, all of whom were already beneficiaries of the 2020-22 and 2021-23 cycles of the cancelled 2020-24 Multi-Year Plan;
- the value of the grants related to the Plan is defined by applying a significant reduction to the original value of the grants related to the two cycles of the money plan subject to cancellation and corresponds to 60% of the sum of the target grants.

The extraordinary performance share plan is linked to the achievement of a single target, 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. In choosing the indicator, consideration was given to all the metrics linked to the variable remuneration of Avio’s management.

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 allocated and below which no bonus is granted;
- a **target performance** level, upon achievement of which the target number of Shares are allocated;
- 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 performance levels are in line with that established by the Group’s Business Plan.

The value of the **bonus** is:

- For the **Chief Executive Officer/General Manager** at **72% of fixed remuneration** for target results, **108% in the event of maximum performance, 54% in the event of minimum performance**;
- **Senior Executives** at **42% of fixed remuneration** for target results, **63% in the event of maximum performance, 32% in the event of minimum performance**.

The following diagram shows the link between targets and the bonus for achieving the minimum, target and maximum targets for the Chief Executive Officer/General Manager (the value of the bonus is expressed as a % of fixed remuneration and corresponds to the nominal value of the allocation):

Indicator	Description	Weighting	Performance scenarios	Bonus	
Order intake	Order intake 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	100%	Minimum	Budget target - 20%	54%
			Target	Budget target	72%
			Maximum	Budget target + 20%	108%

Given the confidential nature of the strategic targets, it will be not possible to provide more ex-ante detail; instead, Section II of the Report sets out details of the results achieved.

In the event of a change of control, a public tender offer or public exchange offer on Avio shares, the Board of Directors, at its sole discretion, shall have the power, subject to the opinion of the Appointments and Remuneration Committee, to grant the beneficiaries the right to receive all or some of the allocated Shares in advance, also in consideration of the actual achievement of the performance targets, and to provide for the early termination of the Plan.

For additional information regarding the plan, please refer to the related Prospectus (www.avio.com, *Governance/Shareholders' Meeting 2022* section).

3.4. CLAWBACK

Avio's incentive plans - both short- and long-term - include a clawback clause which permits the recovery of amounts issued on the basis of manifestly erroneous or false data in the 5 years subsequent to issue.

3.5. EXTRAORDINARY EVENTS

Upon the occurrence of extraordinary events that render the performance scenarios used to formulate the targets set in the plan essentially out of date, the Company's Board of Directors may, by proposal of the Appointments and Remuneration Committee, make the corrections to the targets set out in the incentive plan required to ensure that the plan's substantial and economic contents remain unchanged.

For the purposes of the above, "extraordinary events" are defined as: (i) events of an extraordinary and/or non-recurring nature and/or not attributable to the core business of the Avio Group (including, without limitation, acquisitions or disposals of equity investments or business units) considered of particular importance and/or currently not provided for in company planning that entail a significant change in the scope of the Company or the Avio Group; (ii) significant changes in the macroeconomic and/or competitive scenario or other extraordinary factors with a significant impact beyond the actions within the management's control; and/or (iii) significant events, not only of an economic or financial nature.

Any changes to performance targets must safeguard the principles and guidelines according to which the plan has been formulated by not introducing undue advantages or penalties for either the beneficiaries of the plan or the Company.

4. POLICY UPON BENEFITS ON CONCLUSION OF OFFICE

For the Chief Executive Officer/General Manager alone, in the case of resolution of contract by the Company or dismissal for just cause, the payment of an all-inclusive indemnity is envisaged equal to two gross annual remunerations, that is, the sum of the gross annual fixed remuneration and the short-term variable remuneration at 100% of the fixed remuneration. This value includes any component relating to compulsory contractual provisions - the value of which to date, on the basis of Company seniority, amounts to 8 months' pay -, which will not be paid in the event of termination of employment by the Company or resignation for just cause. The all-inclusive allowance was reduced during 2019 from twenty-eight to twenty-four monthly payments.

For Senior Executives, there are no similar agreements that make advance provision for financial aspects in the event of termination of office, or relating to the possible early termination of the relationship at the initiative of the Company or of the person concerned. Instead, the safeguards in law and those provided for under the national collective bargaining agreements for Industry Executives apply. These take into account the role and age of the Executive at the time the relationship is terminated, and the annual salary.

Regarding the effects of early termination on long-term incentive, it is provided that:

- For good leaver⁸ scenarios, with reference to the multi-year monetary plan, there is the possibility of paying the bonus on a pro-rata basis upon termination of employment; with reference to the performance share plan which is submitted for approval to the Shareholders' Meeting of April 28, 2022, the beneficiary may retain the right to receive a number of shares on a pro-rata basis, based on the level of achievement of the performance targets;
- In bad leaver scenarios, the beneficiary will permanently and fully forfeit the right to receive the allocations - monetary or in shares - under the plans.

The Company reserves the right to enter into consulting or collaboration agreements after the termination of the employment relationship, aimed at preserving the transfer of know-how and business continuity.

The Company in addition reserves the right to sign non-competition agreements involving specific roles requiring strategic knowledge, for whom this restriction is necessary in compliance with the statutory provisions and limitations. Currently, a non-compete agreement with the Chief Executive Officer and the General Manager is applicable for a total gross amount of six months of fixed remuneration. There are no specific insurance coverage, social security and pension payments for the Chief Executive Officer/General Manager following resolution of contract with the Company, except for those provided for by the National Collective Bargaining Agreement for Industrial Executives.

⁸ Good leaver scenarios include:

- removal from the office of Director prior to the conclusion of the term of office without cause;
- resignation from the office of Director if the beneficiary, without just cause, undergoes a revocation or non-confirmation of the proxies such that his or her relationship with the Company or the subsidiary is substantially altered;
- conclusion of the Company's Board of Directors not followed by renewal;
- with particular reference to Senior Executives and Managers, dismissal without just cause;
- death or disability of the beneficiary (due to illness or injury ascertained by a medical-legal expert report by a professional appointed by the Company) that entails the abstention from carrying out his or her duties for a period, continuous or non-continuous, of more than eight (8) months;
- voluntary resignation, only on the condition that the beneficiary fulfills the statutory retirement requirements and in the 30 subsequent days presents a request to access the relative benefits;

SECTION II

PART 1

In the first part of Section II of this Report, the following information is provided regarding the implementation of the 2021 Policies:

1. Avio 2021 performance and incentives
2. adequate, clear and understandable disclosure on each of the items comprising compensation matured for the financial year 2021 in favour:
 - (i) the members of the Board of Directors;
 - (ii) of the members of the Board of Statutory Auditors;
 - (iii) of the other Senior Executives (information provided at aggregate level);

highlighting its compliance with the 2021 Policies and how compensation contributes to the Company's long-term results.
3. the Chief Executive Officer/General Manager's pay mix in application of the 2021 Policies
4. the change in compensation for members of the Board of Directors and the Board of Statutory Auditors, employee compensation and the Company's performance is shown.

The remuneration policy in 2021, as verified by the Appointments and Remuneration Committee through the periodic assessment under the Corporate Governance Code, was implemented in line with the general standards approved by the Board of Directors and shared by the Appointments and Remuneration Committee.

The independent audit firm (Deloitte) has verified the preparation of Section II of the Policies.

Avio performance and incentives

The year 2021 saw Vega back in the skies in the early part of the year, as operations resumed in full, in compliance with the measures to contain the COVID-19 outbreak and with the known operational and logistical limitations and associated slowdowns. Avio's activities also focused preparing for the new Vega-C launcher, whose maiden flight is scheduled for May 2022.

Performance in 2021 was, on the whole, positive, but was impacted by the unexpected and significant increase in energy and gas costs in the fourth quarter.

With reference to the main corporate indicators in the annual incentive scheme, the results achieved are substantially in line with the targets for Adjusted EBITDA and exceed the maximum level for the Net Financial Position. A multiplier equal to 1.01 is applied to the bonus - as established by the Board of Directors - until the maximum value established at the time of allocation is reached. The actual values for the two indicators over the last three years and the target value for 2021 are set out below.

	2019 Actual	2020 Actual	2021	
			Actual	Target
Adjusted EBITDA (Euro millions)	44.0	43.3	37.7	40.1
Net Financial Position (Euro millions)	57.9	62.6	57.2	46.3

For the Executive Director, the value of the 2021 bonus is substantially in line with the target (76.3% of the fixed component). With respect to Senior Executives the 2021 bonus value averages 21.5% of the fixed component⁹.

Under the **long-term incentive plan**, the bonus for the **2019-2021 cycle** is linked to reaching two performance targets set in April 2019:

- the three-year cumulative reported EBITDA target was not achieved, primarily due to the results for 2020 caused by the start of the health emergency and the increase in energy and gas costs in the last quarter of 2021;
- the Operating Free Cash Flow target was met at the maximum level.

The amount of the bonuses that will be paid is 62.5% of the target opportunity: for the Chief Executive Officer this value is therefore equal to 33.75% of fixed remuneration, while for Senior Executives it is equal to 14.39%⁸ of the current fixed remuneration component. Fixed remuneration refers to those in effect at the time of assignment of the target.

2019-21 three-year targets cycle	Weighting	Performance scenarios	2019-21 Result	Performance level	Bonus vs target level	Bonus in % of fixed remun.						
Cumulative three-year Reported EBITDA	50%	<table border="1"> <tr><td><i>Minimum</i></td><td>125.5 €/m</td></tr> <tr><td><i>Target</i></td><td>139.4 €/m</td></tr> <tr><td><i>Maximum</i></td><td>153.3 €/m</td></tr> </table>	<i>Minimum</i>	125.5 €/m	<i>Target</i>	139.4 €/m	<i>Maximum</i>	153.3 €/m	107.8	Less than threshold minimum	--	33.75% Chief Executive Officer/General Manager; 14.39% Senior Executive
<i>Minimum</i>	125.5 €/m											
<i>Target</i>	139.4 €/m											
<i>Maximum</i>	153.3 €/m											
Operating Free Cash Flow	50%	<table border="1"> <tr><td><i>Minimum</i></td><td>33.3 €/m</td></tr> <tr><td><i>Target</i></td><td>39.2 €/m</td></tr> <tr><td><i>Maximum</i></td><td>45.1 €/m</td></tr> </table>	<i>Minimum</i>	33.3 €/m	<i>Target</i>	39.2 €/m	<i>Maximum</i>	45.1 €/m	49.3	Overperformance: 109% vs maximum	125% of the target	
<i>Minimum</i>	33.3 €/m											
<i>Target</i>	39.2 €/m											
<i>Maximum</i>	45.1 €/m											

⁹ Only includes bonus recipients, in light of the changes during the year

1. Items comprising 2021 remuneration

Chairperson of the Board of Directors, Non-Executive Directors and Board of Statutory Auditors

With reference to the **Chairperson** and the **Non-Executive Directors of the Board of Directors** and the **Chairperson and the members of the Board of Statutory Auditors** in office as at the date of this report, it is noted that:

- On May 6, 2020, the Ordinary Shareholders' Meeting resolved to award each **Director** a gross annual remuneration of Euro 35,000 and a gross annual remuneration of Euro 120,000 to the **Chairperson of the Board of Directors**, in continuity with the amount of fees established for the members of the Board of Directors in the previous three-year period and in line with market practices. On July 28, 2020, the Board of Directors also resolved to award the members of the internal Board Committees the following fees:
 - i) to the members of the Control and Risks Committee, a gross annual fee for the Chairperson of Euro 30,000.00 and for the other members of Euro 15,000.00 each;
 - ii) to the members of the other internal Board Committees - i.e., Appointments and Remuneration Committee and Sustainability Committee - a gross annual fee for the Chairperson of Euro 25,000.00 each and for the other members of Euro 10,000.00 each.
- The Shareholders' Meeting held on May 6, 2020 resolved, for the 2020-2022 three-year period, to attribute to the **Chairperson of the Board of Statutory Auditors** a remuneration of Euro 50,000 per year and to the **Statutory Auditors** a remuneration of Euro 35,000 per year, in line with the remuneration attributed to the Board of Statutory Auditors for the 2017-2020 three-year period and with the practices of the listed companies of the STAR segment with levels of capitalisation comparable to Avio.

The tables in Part 2 of this Section provide details of the compensation paid, consistent with the 2021 Policies and the Shareholders' Meeting motions noted above.

As of the date of this Report reversibility agreements are in place for the remuneration of some Directors. Specifically, Mr. Roberto Italia, Chairperson of Avio's Board of Directors, and Space Holding S.r.l. signed a reversionary agreement whereby the remuneration accrued for the position held by him is paid to Space Holding S.r.l. As regards the above, at December 31, 2020, the Company's payable towards Space Holding S.r.l. amounted to Euro 120,000.

For the 2020-2022 three-year period, the sole Executive Director (i.e. the Chief Executive Officer/General Manager) will not receive any additional remuneration for the positions taken on the Board of Directors and its internal Committees, as already receiving remuneration for the position of General Manager.

Finally, the Board of Directors of the Company in 2017 identified, further to the Executive Director of the company, an additional 4 Senior Executives. In 2021, the number of Senior Executives was reviewed: two managers were identified as Senior Executives and two managers ceased to be Senior Executives, one because of a change in role and the other because of retirement.

Chief Executive Officer/General Manager, Giulio Ranzo

The remuneration of **Giulio Ranzo** (Chief Executive Officer/General Manager) for 2021 includes the following components:

- (i) fixed remuneration as an Executive of the Company, amounting to Euro 448,000;
- (ii) annual variable remuneration relating to 2021, amounting to Euro 341,622.

The following table contains a comparison between the target values set by the annual incentive plan and actual results.

2021 Targets	Weighting	Performance scenarios	2021 Result	Performance level	Bonus vs target	Multiplier	Target bonus €	Actual bonus €
Adjusted EBITDA	50%	Min	37.6 €/m	37.7	Between minimum and target	94% of the target	Euro 322,153	Euro 341,622
		Target	40.1 €/m					
		Max	42.6 €/m					
Net Financial Position	50%	Min	41.3 €/m	57.2	Overperformance: 124% vs target (capped at 122% as the maximum value)	125% of the target (cap)	Euro 322,153	Euro 341,622
		Target	46.3 €/m					
		Max	51.3 €/m					
						1.01		

(iii) Long-term variable remuneration, relative to the 2019-2021 cycle;

The following table provides a comparison of the target values set by the long-term incentive plan, the actual results and the actual bonus value:

2019-21 Targets	Weighting	Performance scenarios	2019-21 Result	Performance level	Bonus vs target	Target bonus €	Actual bonus €	
Cumulative three-year Reported EBITDA	50%	Min	125.5 €/m	107.8	Less than threshold	--	Euro 241,920	Euro 151,200
		Target	139.4 €/m					
		Max	153.3 €/m					
Operating Free Cash Flow	50%	Min	33.3 €/m	49.3	Overperformance: 109% vs maximum	125% of the target (cap)	Euro 241,920	Euro 151,200
		Target	39.2 €/m					
		Max	45.1 €/m					

(iv) non-monetary benefit

In addition, Giulio Ranzo is covered by a non-competition agreement which establishes, against a restriction lasting 12 months from resolution of contract, the payment of six months of the fixed remuneration. In the case of resolution of contract by the Company or dismissal for just cause, the payment of an all-inclusive indemnity equal to two gross annual remunerations is also envisaged, that is, the sum of the gross annual fixed remuneration and the average short-term variable remuneration earned during the time in office. These values include any component concerning obligatory contractual provisions, which shall not be paid in the case of resolution of contract by the Company or dismissal for just cause.

Senior Executives

The remuneration of the Senior Executives employed by the Company, reported in aggregate, for 2021 includes the following components:

(i) fixed remuneration as Executives, amounting to Euro 569,849;

(ii) annual variable remuneration relating to 2021, amounting to Euro 109,984;

These values refer to the total number of six Senior Executives; for changes that occurred during the year, the values are considered *pro rata*.

The following table contains a comparison between the target values set by the annual incentive plan and actual results.

2021 Targets	Weighting	Performance scenarios	2021 Result	Performance level	Multiplier	Target bonus €	Actual bonus €
Adjusted EBITDA	25%	<i>Min</i> 38.8 €/m	37.7	Between minimum and target	1.01	Euro 75,584	Euro 109,984
		<i>Target</i> 41.8 €/m					
		<i>Max</i> 43.8 €/m					
Net Financial Position	25%	<i>Min</i> 41.3 €/m	57.2	Over-performance: 124% vs target	1.09	Euro 75,584	Euro 109,984
		<i>Target</i> 46.3 €/m					
		<i>Max</i> 51.3 €/m					
Individual/Union targets	50%	<i>Min</i> 1	2.5	Between target and maximum	1.09	Euro 75,584	Euro 109,984
		<i>Target</i> 2					
		<i>Max</i> 3					

(iii) the long-term variable remuneration, relative to the 2019-2021 cycle;

The following table provides a comparison of the target values set by the long-term incentive plan, the actual results and the actual bonus value:

2019-21 Targets	Weighting	Performance scenarios	2019-21 Result	Performance level	Bonus vs target	Target bonus €	Actual bonus €
Cumulative three-year Reported EBITDA	50%	<i>Min</i> 125.5 €/m	107.8	Less than threshold	--	Euro 119,688	73,750 Euro
		<i>Target</i> 139.4 €/m					
		<i>Max</i> 153.3 €/m					
Operating Free Cash Flow	50%	<i>Min</i> 33.3 €/m	49.3	Overperformance: 109% vs maximum	125% of the target (cap)	Euro 119,688	73,750 Euro
		<i>Target</i> 39.2 €/m					
		<i>Max</i> 45.1 €/m					

(iv) other non-monetary benefits.

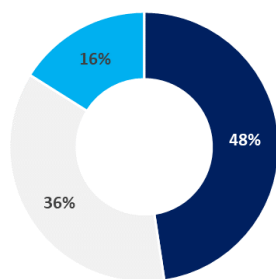
(v) The value of severance allowances is Euro 668,260.

2. Pay mix in application of 2021 Policies

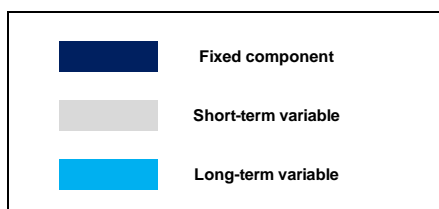
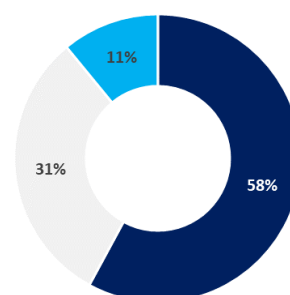
The pay mix of the Chief Executive Officer/General Manager and the Senior Executives is shown below with reference to the remuneration awarded during 2021, pursuant to the Policies described in Section I of the 2021 Report.

2021 pay mix

Chief Executive Officer/General Manager



Other Senior Executives



3. Changes in the Company's remuneration and performance

The following table shows, for the 2019-2021 period, the change in:

- Remuneration of the Chief Executive Officer/General Manager, the Chairperson, the Directors and the members of the Board of Statutory Auditors
- Remuneration of employees
- Company performance

	2019	2020	2021
Employees			
Average remuneration (€/000)	46,347	47,139	46,450
% Change		2%	-2%
Giulio Ranzo, Chief Executive Officer/General Manager			
Remuneration (€/000)	1,171,601	1,046,518	952,003
% Change		-11%	-9%
Roberto Italia Chairperson			
Remuneration (€/000)	120,000	126,329	130,000
% Change		5%	3%
Monica Auteri, Director			
Remuneration (€/000)	56,342	49,948	45,000
% Change		-11%	-10%
Donatella Sciuto, Director			
Remuneration (€/000)	55,000	60,822	65,000
% Change		11%	7%
Giovanni Gorno Tempini, Director			
Remuneration (€/000)	66,342	63,459	60,000
% Change		-4%	-5%
Avio Performance			
Net Financial Position (€ mln)	57.9	62.6	57.2
% Change		+8%	-9%
Adjusted EBITDA (€ mln)	44	43.3	37.7
% Change		-2%	-13%

Key:

- **Remuneration component considered:** the values shown refer to total remuneration (fixed + annual variable component + long-term incentive matured in the reference year). With reference to the annual variable remuneration, the figures used to calculate the total annual remuneration of employees are estimates, based on the information available at the date of this Report, in view of the fact that the actual value of the bonuses has not yet been determined on an individual basis for all the recipients of variable remuneration
- **Employee perimeter:** this refers to Avio employees at December 31, 2021; the values of remuneration are reported on a full-time equivalent basis. The following are not included in the analyses: the Chief Executive Officer/General Manager, as this is one of the persons for whom individual information is reported, and employees seconded to other Group companies.

PART 2

**TABLE 1: REMUNERATION PAID TO THE MEMBERS OF THE MANAGEMENT AND CONTROL BOARDS, GENERAL MANAGERS AND SENIOR EXECUTIVES.
BOARD OF DIRECTORS**

Name	Office	Period of office	Concl. of office	Fixed Remun.	Remuneration for committee participation	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Termination and post-employment benefits
						Bonuses and other incentives	Profit sharing					
Roberto Italia (1)	Chairperson BoD	1/1/2021-31/12/2021	Approval 2022 Accounts	120,000						130,000		
	Member Sustainability Committee	01/01/2021 - 31/12/2021	Approval 2022 Accounts		10,000							
Giulio Ranzo	CEO and General Manager	01/1/2021-31/12/2021	Approval 2022 Accounts	448,000	-	492,822		11,181		952,003		
Monica Auteri	Director BoD	01/1/2021-31/12/2021	Approval 2022 Accounts	35,000						45,000		
	Member Appointments and Remuneration Committee	01/1/2021-31/12/2021	Approval 2022 Accounts		10,000							
Raffaele Capiello	Director BoD	01/1/2021-31/12/2021	Approval 2022 Accounts	26,250						41,250		
	Member Control and Risks Committee	01/1/2021-31/12/2021	Approval 2022 Accounts		15,000							
Letizia Colucci (2)	Director BoD	01/1/2021-31/12/2021	Approval 2022 Accounts	35,000						50,000		
	Member Control and Risks Committee	01/1/2021-31/12/2021	Approval 2022 Accounts		15,000							
Donatella Isaia	Director BoD	01/1/2021-31/12/2021	Approval 2022 Accounts	35,000						45,000		
	Member Appointments and Remuneration Committee	01/1/2021-31/12/2021	Approval 2022 Accounts		10,000							
Stefano Pareglio (3)	Director BoD	01/01/2021 - 23/08/2021	Resignation 23/08/2021	22,486						28,911		
	Member Sustainability Committee	01/01/2021 - 23/08/2021	Resignation 23/08/2021		6,425							

Name	Office	Period of office	Concl. of office	Fixed Remun.	Remuneration for committee participation	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Termination and post-employment benefits
						Bonuses and other incentives	Profit sharing					
Marcella Logli	Director BoD	21/12/2021 - 31/12/2021	Shareholders' Meeting 28/04/2022	1,055						1,356		
	Member Sustainability Committee	21/12/2021 - 31/12/2021	Shareholders' Meeting 28/04/2022		301							
Luigi Pasquali (4)	Director BoD	01/01/2021 - 31/12/2021	Approval 2022 Accounts	35,000						35,000		
Elena Pisonero	Director BoD	01/1/2021- 31/12/2021	Approval 2022 Accounts	35,000						60,000		
	Chairperson Sustainability Committee	01/1/2021- 31/12/2021	Approval 2022 Accounts		25,000							
Donatella Sciuto	Director BoD	01/1/2021- 31/12/2021	Approval 2022 Accounts	35,000						65,000		
	Chairperson Control and Risks Committee	01/1/2021- 31/12/2021	Approval 2022 Accounts		30,000							
Giovanni Gomo Tempini	Director BoD	01/1/2021- 31/12/2021	Approval 2022 Accounts	35,000						60,000		
	Chairperson Appointments and Remuneration Committee	01/1/2021- 31/12/2021	Approval 2022 Accounts		25,000							
Senior Executives				569,849		183,734		71,887		825,470		668,260

Note

(A) NON-EQUITY VARIABLE REMUNERATION: annual bonus value for the period considered (2021 short-term incentive plan) and the 2019-2021 LTI, which will be paid in financial year 2022.

(B) NON-MONETARY BENEFITS: Car benefit, life and invalidity insurance

(1) Roberto Italia reversed his remuneration to Space Holding S.r.l..

(2) Letizia Colucci's fees were paid to Leonardo S.p.A.

(3) Independent Director Stefano Pareglio resigned on August 23, 2021. Consequently, the co-option procedure pursuant to Article 2386 of the Civil Code was engaged, following which, on December 21, 2021, Ms. Marcella Logli was appointed as new Independent Director of the Board of Directors

(4) Luigi Pasquali's fees were paid to Leonardo S.p.A.

BOARD OF STATUTORY AUDITORS

Name	Office	Period of office	Concl. of office	Fixed Remun.	Remuneration for committee participation	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Termination and post-employment benefits
						Bonuses and other incentives	Profit sharing					
Vito Di Battista	Chairperson Board of Statutory Auditors	01/1/2021-31/12/2021	Approval 2022 Accounts	50,000						50,000		
Mario Matteo Busso	Statutory Auditor	01/1/2021-31/12/2021	Approval 2022 Accounts	35,000						35,000		
Michela Zeme	Statutory Auditor	01/1/2021-31/12/2021	Approval 2022 Accounts	35,000						35,000		

OTHER SENIOR EXECUTIVES*

Name	Office	Period of office	Concl. of office	Fixed Remun.	Remuneration for committee participation	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Termination and post-employment benefits
						Bonuses and other incentives	Profit sharing					
Senior Executives				569,849		183,734		71,887		825,470		668,260

(*) At December 31, 2021, further to the Chief Executive Officer/General Manager, an additional 4 Senior Executive employees of the Company and no other Senior Executives of the subsidiaries were in office. The values shown in the table refer to the total number of six Senior Executives; for changes that occurred during the year the values are considered pro-rata.

Note

(A) **NON-EQUITY VARIABLE REMUNERATION:** annual bonus value for the period considered (2021 short-term incentive plan) and the first tranche of the 2019-2021 LTI, which will be paid in financial year 2022.

(B) **NON-MONETARY BENEFITS:** Car benefit, supplementary life and invalidity insurance

TABLE 3B:

MONETARY INCENTIVE FOR DIRECTORS, GENERAL MANAGERS AND OTHER SENIOR EXECUTIVES

Name	Office	Plan	Bonus for the year			Prior year bonuses			Other Bonuses
			Issuable/Issued	Deferred	Deferred period	No longer issuable	Issuable/Issued	Still deferred	
Giulio Ranzo	Chief Executive Officer	2021 short-term variable incentive plan (March 19, 2021)	341,622						
		2019-2021 long-term variable incentive plan (approved May 8, 2019)					151,200		
		2020-2024 long-term variable incentive plan 1 st cycle 2020-2022 (approved March 25, 2020)				268,800			
		Long-term variable incentive plan 2020-2024 2 nd cycle 2021-2023 (approved March 19, 2021)		268,800	1/1/2021-31/12/2023				
Senior Executives		2021 short-term variable incentive plan (March 19, 2021)	109,984						
		2019-2021 long-term variable incentive plan (approved May 8, 2019)					73,750		
		2020-2024 long-term variable incentive plan 1 st cycle 2020-2022 (approved March 25, 2020)				153,512			
		Long-term variable incentive plan 2020-2024 2 nd cycle 2021-2023 (approved March 19, 2021)		166,057	1/1/2021-31/12/2023				

NOTE

(2B) Deferred Year Bonus: At its meeting of March 28, 2022, the Board of Directors approved the cancellation of the 2021-2023 cycle of the 2020-24 multi-year monetary plan. The reported value of the allocation made during 2021, therefore, as of the date of preparation of this document is "no longer payable".

(3A) Bonuses from prior years that are no longer payable: The values shown refer to the allocation for the 2020-2022 cycle of the 2020-24 multi-year monetary plan, the cancellation of which was approved by the Board of Directors at its meeting of March 28, 2022.

The value of the bonus under the 2017-2019 Long-Term Incentive Plan reported in Section II of the Report was adjusted during 2021 as a result of checks on calculation methods. Consequently, in January 2022, an additional amount of Euro 22,781 was paid to the Chief Executive Officer and an additional amount of Euro 8,970 was paid to Senior Executives under the Plan.

TABLE 4: HOLDINGS OF DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND OTHER SENIOR EXECUTIVES

BOARD OF DIRECTORS

Name	Office	Investee Avio/Subsidiaries	Number of shares held at 31.12.2020	No. of shares acquired in 2021	No. of shares sold in 2021	Number of shares held at 31.12.2021
Roberto Italia	Chairperson BoD	--	--	--	--	--
Giulio Ranzo	CEO and General Manager	--	--	--	--	--
Monica Auteri	Director BoD	--	--	--	--	--
Raffaele Cappiello	Director BoD	--	--	--	--	--
Letizia Colucci	Director BoD	--	--	--	--	--
Donatella Isaia	Director BoD	--	--	--	--	--
Stefano Pareglio	Director BoD	--	--	--	--	--
Marcella Logli	Director BoD	--	--	--	--	--

Name	Office	Investee Avio/Subsidiaries	Number of shares held at 31.12.2020	No. of shares acquired in 2021	No. of shares sold in 2021	Number of shares held at 31.12.2021
Luigi Pasquali	Director BoD	--	--	--	--	--
Elena Pisonero	Director BoD	--	--	--	--	--
Donatella Sciuto	Director BoD	--	--	--	--	--
Giovanni Gorno Tempini	Director BoD	--	--	--	--	--
Vito Di Battista	Chairperson Board of Statutory Auditors	--	--	--	--	--
Mario Matteo Busso	Statutory Auditor	--	--	--	--	--
Michela Zeme	Statutory Auditor	--	--	--	--	--
Senior Executives		--	--	--	--	--

BOARD OF STATUTORY AUDITORS

Name	Office	Investee Avio/Subsidiaries	Number of shares held at 31.12.2020	No. of shares acquired in 2021	No. of shares sold in 2021	Number of shares held at 31.12.2021
Vito Di Battista	Chairperson Board of Statutory Auditors	--	--	--	--	--
Mario Matteo Busso	Statutory Auditor	--	--	--	--	--
Michela Zeme	Statutory Auditor	--	--	--	--	--

SENIOR EXECUTIVES

Name	Office	Investee Avio/Subsidiaries	Number of shares held at 31.12.2020	No. of shares acquired in 2021	No. of shares sold in 2021	Number of shares held at 31.12.2021
Senior Executives		--	--	--	--	--