



CONSOLIDATED NON-FINANCIAL STATEMENT 2021

Pursuant to Italian Legislative Decree 254/2016

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Letter to Stakeholders

Dear Stakeholders,

We present You the fifth edition of Avio Group's Consolidated Non-Financial Statement, a document that describes the integration path of Environmental, Social and Governance issues within our business model.

2021 was along a difficult year due to the complex situation that arose as a consequence of the SARS – Cov 2 pandemic broke out in 2020 and, to date, not yet been eradicated.

By maintaining a high level of alert, Avio prosecuted to guarantee the health protection of its collaborators, suppliers and customers, activating, in compliance with the regulatory provisions gradually issued by the Government, protection measures aimed at limiting the infection by viruses as much as possible and to mitigate the potential risks associated with the safe pursuance of production activities. COVID-19 Committee continued with the precise definition of the risk assessment, becoming necessary by virtue of the repeated spread of COVID-19 on the national territory.

Nevertheless, in 2021, we achieved three successful launches in six months with Vega, putting different types of satellites into orbit, all with high safety applications.

With Flight VV20, we demonstrated that Vega has get back on a regular launch cadence after the anomaly suffered a year ago. The launcher still has some missions to accomplish in future flights, but the one we are strongly polarizing is the maiden flight of our next-generation Vega C, a launcher that will debut in the second quarter of 2022.

2021 also marked an important start to a new phase in the development of the Vega E, an enhanced version of Vega C.

An important occurrence in 2021 has been also inauguration of Perdasdefogu center in Sardinia. The new SPTF, a pole of technological excellence unique in Europe, will enable the development of new technologies, essential for space transport chain in the coming decades.

In the light of these successes, an increase in the number of our employees has been recorded during the year, aimed to create a larger and more prosperous company; in addition, at the beginning of June 2021, the new company organization was issued, where the primary objective was to multiply the number of opportunities for each of our employees.

Courage, determination and collaboration with the best part of production activities, a desire for redemption and reconstruction led Colleferro, in 2021, to be named "European Capital of Space in 2022". Colleferro is the first Italian city to obtain the prestigious recognition of European Capital of Space.

Avio Group pursued on its path of continuous improvement relating to the areas of Sustainability, drawing up a Sustainability Policy, approved by the Board of Directors on July 22nd, 2021, tracing a concrete route for integration of Sustainability into the business, identifying a primary link between market competitiveness, productivity and sustainability.

The sustainability objectives have been defined in accordance with the Sustainable Development Goals, established by the UN General Assembly which provide for environmental, social and governance targets to be finalized in the medium and long term and which are therefore confirmed today.

The Company has set itself the aim of starting in 2021 the definition of an Industrial Plan integrated with a Sustainability Plan. In particular, an integration process has begun between the industrial part and the sustainability part, in which the latter will be developed according to an impact logic.

Attention is focused on the issues on which Avio can make a concrete and significant contribution to sustainable development in order to define specific lines of action useful for supporting and enhancing the business, as well as raising Avio's basic sustainability standards.

Distinguishing attention has been paid to issues in those areas of relevance to our stakeholders such as policies and codes to safeguard business ethics, transparency and fairness, the fight against corruption, cybersecurity and respect for the communities where we are constantly present.

Our responsibility towards the community and the environment is expressed through concrete actions and initiatives to support the community and protect the environment in which the Group operates.

In fact, we have kept on a proficient collaboration with international bodies for the realization of projects in favor of the development of the local and international communities in which we operate, through the grant of 250,000 euros for the procurement of materials useful for the health of employees and the whole

community of Kourou (French Guiana) and to the donation of 250,000 euros to Colleferro hospital, for the creation of a new sub-intensive care unit.

Thanks to the positive performances obtained in these three areas, social, environmental and business, we confirmed our presence in the main international sustainability indices, such as "LC Sustainability Awards 2021" in the Sustainability Aerospace & Aviation category, "Top 5 extra 100 at Integrated Governance Index (IGI)", as well as the inclusion of Avio in the ranking of the 200 most sustainable Italian companies of the partner La Repubblica Affari & Finanza.

During 2021, AVIO confirmed its adhesion to the Business Integrity Forum (BIF), an initiative of Transparency International Italia which brings together large Italian companies already active on the issues of integrity and transparency and which through the BIF, undertake to prevent and fight corruption in business practices by adopting and disseminating anti-corruption tools and practices and a greater culture of legality.

In addition, the Company cooperates assiduously with the Italian Transparency and Anti-Corruption Association (AITRA).

The results achieved with enthusiasm form the basis for operating a transformation consistent with the paradigm of sustainable development.

Strengthened by these important goals, we will work hard, always having the United Nations Sustainable Development Goals as a reference model, testifying to a path that we will continue to follow with ever greater firmness in order to pursue the growth of the company in harmony with the social and environmental context, respecting the values and needs of all, for a decisive contribution to the growth of the Company.

We are confident in what Avio will do in the coming years, thanks also to the new initiatives and investments that we'll expect in the future, to contribute to the great challenges of global sustainable development.

Thanks to all of you, dear Stakeholders, for the trust and solid support you continue to give us.

CEO
Giulio Ranzo



Chairman
Roberto Italia





NOTE ON METHODOLOGY

Standards applied

The consolidated non-financial statement 2021 of Avio Group (hereinafter also the "Declaration" or "NFS"), now in its fifth edition, reports on the Group's performance for the year ended December 31st, 2021, as required by Legislative Decree 254/2016 and, pursuant to art. 5 of the same Decree, constitutes a separate report marked with a specific wording in order to bring it back to the NFS required by law. The document contains information relating to the issues deemed relevant and envisaged by art. 3 of the decree, to ensure understanding of the activities carried out by the Group, its performance, its results, and the impact produced.

This Declaration, published annually, is drawn up pursuant to Legislative Decree 254/2016 and according to the GRI Standards (option "in accordance – Core"), published in 2016 by the Global Reporting Initiative, which currently constitute the most widespread and internationally recognized in the field of non-financial reporting. The data and information included in this Statement derive from the Group's corporate information systems and from a non-financial reporting system specifically implemented to meet the requirements of Legislative Decree 254/2016 and the GRI Sustainability Reporting Standards. In order to facilitate the reader in tracing the information within the document, the GRI Content Index is shown on pages 91-98. Any references to other company documents are indicated in the same index and within this document.

The non-financial reporting presented in the Declaration reflects the principle of materiality or relevance, element envisaged by the reference legislation and characterizing the GRI Standards: the issues dealt with in the Declaration are those which, following a materiality analysis and assessment, described on pages 15-17 of this document, were considered relevant to reflect the social and environmental impacts of the Group's activities or to influence the decisions of its stakeholders.

This document therefore describes the main policies practiced by the company, the management models and the results achieved by the Group during 2021 in relation to the issues expressly referred to by Legislative Decree 254/2016 (environmental, social, personnel, respect for human rights, fight against active and passive corruption), as well as the main risks identified, generated, or suffered, connected to the aforementioned issues and the related management methods. In order to allow the comparability of the data over time, a comparison was made with the data relating to 2019 and 2020. In addition, for a correct representation of performance and to ensure the reliability of the data, the use of estimates has been limited as much as possible which, if any, are appropriately reported in the document. Any restatements of previously published comparative data are clearly indicated as such.

Downstream of the materiality analysis, the aspects related to "Governance" and in general those related to regulatory compliance and economic performance were considered as prerequisites and therefore find their reporting in this document although they are not made explicit in any material topic.

The Company had set itself the objective of starting in 2021 the definition of a Sustainability Policy and a Sustainability Plan to be integrated into the Business and Audit Plan in line with the SDGs with the aim of integrating the sustainability issues to the Group's strategies also thanks to the activity that will be carried out by the Sustainability Committee and the Board of Directors. To date, both Sustainability Policy and Integrated Sustainability Plan as well as the Audit Plan, with targeted interventions in ESG areas, have been approved by the Board of Directors at the meetings of July 22nd, 2021 and March 14th, 2022, respectively. In the paragraph "2.1. *The sustainable development goals and priorities for Avio*" in this document show the results of a mapping of the SDGs to which the Group could contribute with its activities.

For the status of the objectives and commitments declared in the 2021 NFS, please refer to the relevant chapters contained in this DNF.

Scope of the Statement

As required by Legislative Decree 254/2016, art. 4, this Consolidated Non-Financial Statement includes the data of the parent company (Avio S.p.A.) and its fully consolidated subsidiaries. In particular, for reporting purposes, the scope of consolidation of non-financial information regards the perimeter applied to financial information according to the global integration method, except for the companies ASPropulsion International B.V. and Avio India Aviation Aerospace Private Limited. ASPropulsion International B.V. was excluded from the scope because, although fully consolidated, given the nature of the company (financial holding) it does not contribute to the understanding of the Group's primary activity (aerospace sector) and to the impact produced by the Group in the areas envisaged by the Decree and in the topics identified materials. Avio India Aviation Aerospace Private Limited results also in liquidation in 2021. The data relating to environmental impacts do not include Avio France S.a.S. as it is not a plant manager to date, but starting from 2020 includes Avio Guyane S.a.S.. The energy consumption of the SPTF experimental pole in Sardinia is not currently reportable, as the site was inaugurated on 5 October 2021 and is currently undergoing testing. It should also be noted that, starting from 2021, the perimeter of the indicator "Ratio between basic salary and remuneration by gender and employee category" - GRI 405-2 also includes the companies Avio Guyane and Avio France, previously excluded for reasons of confidentiality. Starting from the reporting year 2022, Avio Group undertakes to include in the

environmental indicators also information relating to the Airola plant, so far excluded for reasons of materiality of the data, with the exception of the information relating to waste (GRI 306). Any boundary limitation is expressly indicated in the text and do not compromise the correct understanding of the business activity.

For further information on the relevant events that occurred during the year 2021, please refer to the Consolidated Financial Statements.

Reporting process

The process for the non-financial reporting of Avio Group, illustrated below, is based on a structured reporting process, described in the specific "Procedure for the drafting of the Consolidated Non-financial Statement" updated in September 2021, with the aim of ensure the high quality of reporting and guide the definition of the contents with accuracy, balance, clarity and reliability.

It takes place annually and is subject to verification, analysis and approval by several actors.

The data collection and its processing is managed by Legal, Compliance & Corporate Affairs Department, through the arrangement of data collection forms sent to the Managers of the Departments involved and of the subsidiaries within the scope of consolidation.

The Legal, Compliance & Corporate Affairs Department deals with the coordination of all the phases required for the drafting the DNF:

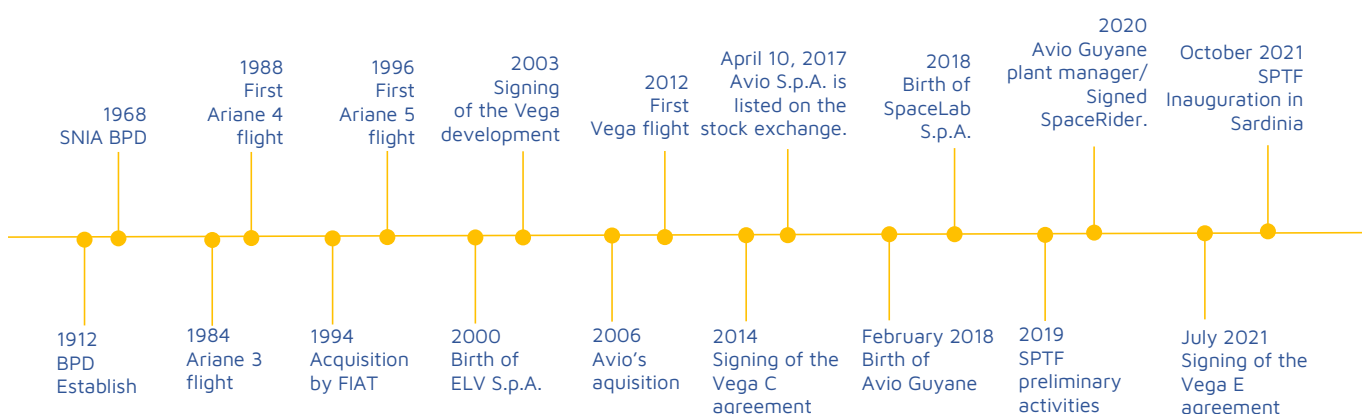
- define the work plan, making sure that the timing for the drafting of the NFS is aligned with the financial reporting process;
- prepare the material useful for materiality analysis updating, carry out stakeholder engagement activities and update the materiality matrix based on the data collected;
- approval of the Materiality Matrix by the Board of Directors, subject to prior opinion of the Sustainability Committee;
- Initiate the process of collecting data and non-financial information, based on what is detailed in the sheet data collection;
- prepare the draft of the NFS;
- support the auditor in the correct performance of the NFS verification activities, getting available, with the support of the Data Owners and Data Specialists, to ensure that any documentary evidence is provided where required;
- approval of the NFS by the Board of Directors, subject to prior opinion of the Sustainability Committee;
- Publish the NFS on the corporate website and deposit it in the register of companies, to make it accessible and easily available to all the stakeholders of the organization.

The designated subject, authorized to carry out the review of a limited examination ("limited assurance engagement" according to the criteria indicated by the ISAE 3000 Revised standard) of this NFS, is the Company Deloitte & Touche S.p.A. which, at the end of the work carried out, expresses with a specific separate report a certification regarding the compliance of the information provided in the Consolidated Non-financial Statement pursuant to art. 3, paragraph 10, of Legislative Decree 254/2016.

1. AVIO GROUP



Avio Group (hereinafter also “Avio” or “Group”) is a world leader in the field of Launch Systems for space transport and related disciplines, namely propulsion (solid and liquid), structures, avionics and pre-launch operations. Its history has its roots in the historic BDP - Defense and Space of Colleferro (Rome). The experience and know-how acquired over more than 100 years of activity allow Avio to have the role of sub-contractor¹ and prime contractor² respectively for the Ariane and Vega space programs, both financed by the European Space Agency (ESA) in the delicate stages of development up to flight qualification. Avio is also prime contractor of Arianespace for the supply of Vega Launch Systems for the institutional and commercial market.



¹ Responsible for the development and/or production of components or subsystems of space launchers, to which the Group is generally also design authority

² Responsible for the development and/or production of a launch system.

1912 BPD establishment by the entrepreneurs Bomprini and Parodi Delfino, a company with a focus exclusively on defense products.

1968 SNIA BPD. The focus extends to the products of the chemical selector and, to a much lesser extent, to space products. At the turn of the 70-80s, the Group decides to have a role in the Ariane Program.

1984 Ariane 3 flight.

1988 First Ariane 4 flight.

1994 Acquisition by FIAT. The FIAT Group acquires BPD Difesa e Spazio, a company founded in 1912 to carry out the development and production of ammunition for the Italian military administrations (about 4,000 people).

1996 First Ariane 5 flight Module still operating today.

2000 Birth of ELV S.p.A. 70% controlled by Avio in collaboration with the Italian Space Agency (ASI), assumes the relevant role of project manager for the European launcher Vega.

2003 Signing of the Vega development contract.

2006 Avio's acquisition. The Group is bought by BCV Investments, a company belonging to the Private Equity Fund Cinven (81%), as well as to the Finmeccanica Group (14%) and other investors (5%).

2012 First Vega flight. In the meantime, Avio's aviation sector changes to GE and Avio's Space Division becomes a separate company.

2014 Signing of the Vega C agreement a more flexible version of the current Vega.

2017 On April 10, Avio is listed on the stock exchange.

2018 On February Avio Guyane was born with the purpose of managing the Vega launch site at the Space Center.

2018 Birth of SpaceLab S.p.A. on 1 March 2018 the subsidiary ELV S.p.A. sold to Avio S.p.A. the business unit relating to the development, production and marketing of launchers, leading to the birth of SpaceLab S.p.A. dedicating itself to research and development of new technologies and experimentation of products for space transport.

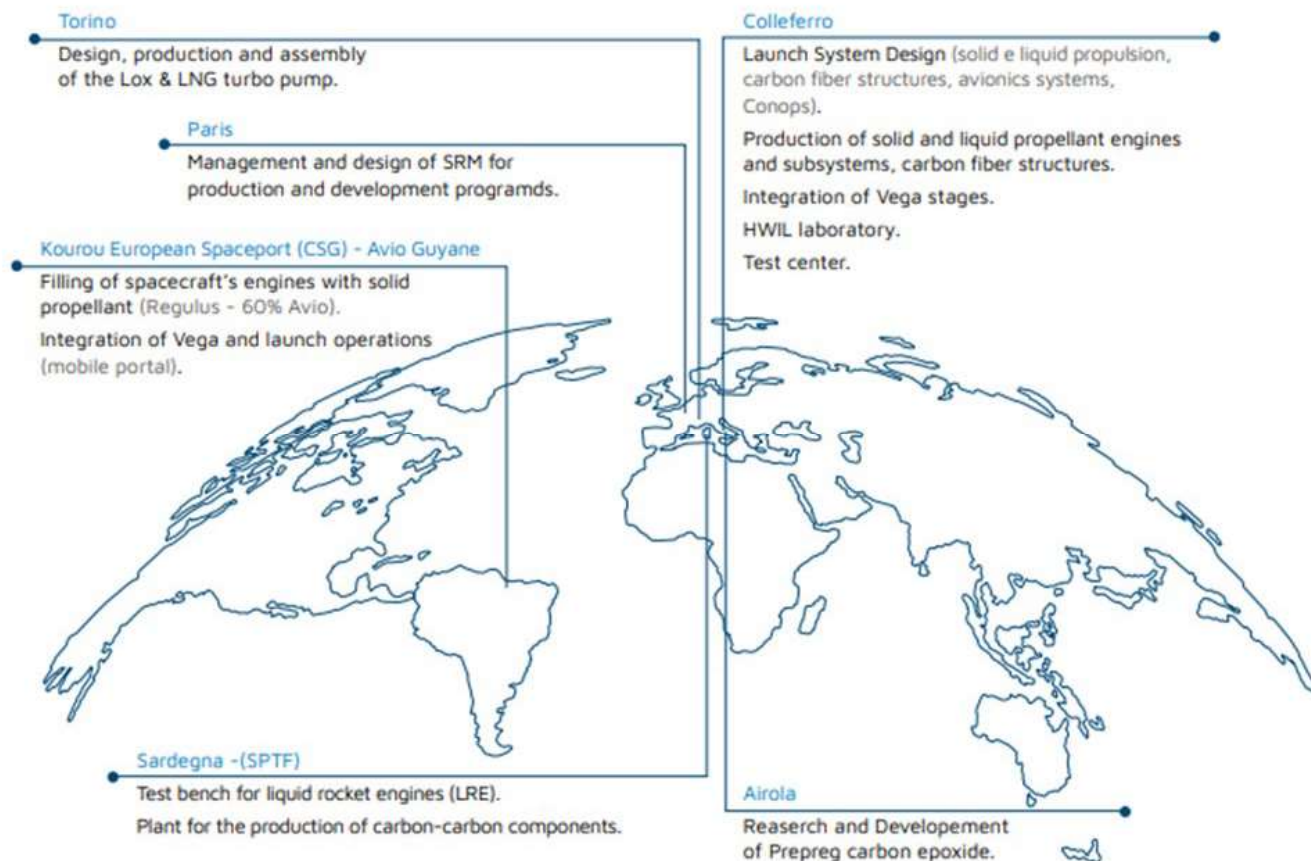
2019 Launch of SPTF preparatory activities "Space Propulsion Test Facility" and start of works for the new industrial site for space activities and financed by Avio in collaboration with MISE and the Sardinia Region.

2020 Avio Guyane acquired responsibility for the VEGA launch production site at CSG in French Guiana in 2020 becoming plant manager.

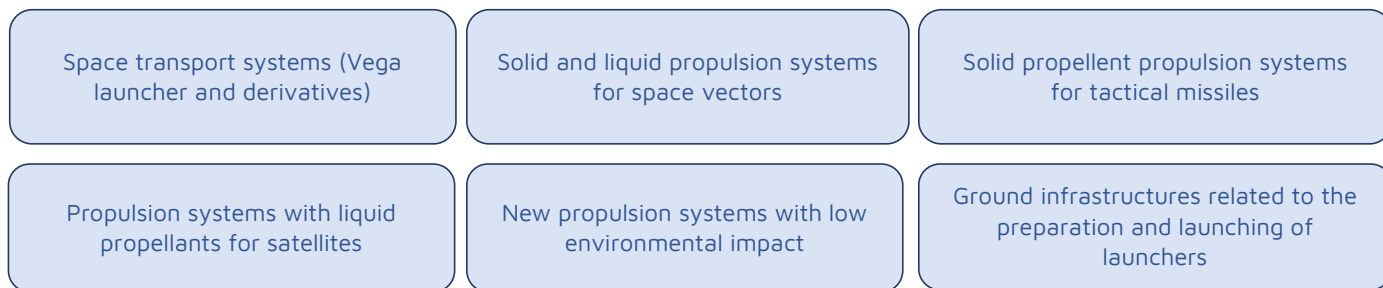
2020 Avio S.p.A signed Space Rider contract. Thales Alenia Space (Thales 67%, Leonardo 33%) and Avio S.p.A., as co-Prime contractors, sign a contract with the European Space Agency (ESA) for the development of the Space Rider automated and reusable transport system, which it will be deployed in low earth orbit (LEO) by the new light launcher Vega C. Space Rider is the European solution for integrated space transport at low cost.

2021 Signing of the contract for the continuation of the development of VEGA E (Evolution), which marks the beginning of a new phase in the development of the Vega E, an enhanced version of the Vega C.

2021 Space Propulsion Test Facility (SPTF) inauguration in Perdasdefogu in Sardinia. On 5 October 2021 the new SPTF (Space Propulsion Test Facility) was inaugurated in Perdasdefogu, a center of technological excellence unique in Europe that enables the development of new technologies essential for the space transport supply chain in the coming decades, making Sardinia a protagonist of the Italian aerospace sector.



More specifically, The Group currently operates in the field of Launch Systems and space propulsion, with a focus on design, development, production and integration of:



With regard to launch systems with Avio content, the Group is an important player in space programs oriented to the development and production of space launchers for civil use designed and built for positioning satellites.

Specifically, Vega is a space launcher designed and built for positioning satellites in low orbit (Low Earth Orbit, LEO - between 300 and 2,000 km altitude). The project in which it takes part is supported by seven European nations, even though about 60% of the launcher is produced in Italy. Avio has developed and produced the solid propellant engines of the first 3 stages of the Vega launcher and the liquid propulsion module of the fourth; it is also responsible for the integration of the launcher as well as for the development, operations and maintenance of the ZLV ground segment (Zone de Lancement Vega).

Vega C, an evolution of the current Vega, is a launcher under development within the space program of the European Space Agency. Vega C is designed for a higher payload than Vega and at the same time optimizes production costs by sharing the new first stage (P120C) with Ariane 6.

The development of Vega E, (a three-stage launcher, P120, Z40 and Upper Stage LOx-Methane) in addition to further reducing the introductory price compared to Vega C, will increase (i) the performance of Vega-C and (ii) the range and flexibility of satellite services, making it possible, among other things, to change orbital parameters that are more important than those that Vega and Vega-C can achieve.

Ariane 5 is a space launcher designed and built for positioning satellites in geostationary orbit (Geostationary Transfer Orbit, GTO - approximately 36,000 km in height after circularization). As previously specified, Avio operates as sub-contractor, having

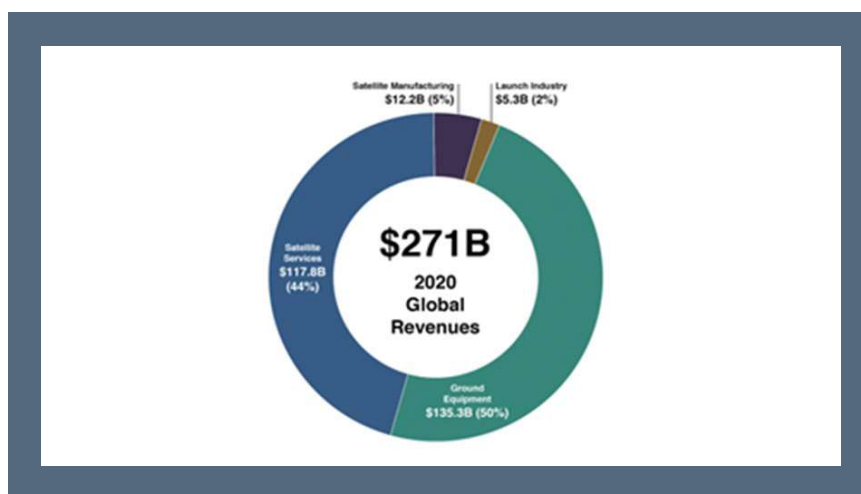
developed and produced the liquid oxygen turbopump (LOX) for the Vulcain 2 engine and the P230 solid propellant engine, which in double configuration provide the initial thrust to the launcher.

Ariane 6, currently in its development phase, is a launcher that has two distinct configurations according to its possible missions in order to ensure greater flexibility in terms of possible payloads. In particular, A62 (with two solid propulsion P120C boosters) and A64 (with four solid propulsion P120C boosters) will be used both for the positioning of satellites in geostationary orbit GEO (altitude 36,000 km) confirming the capabilities of Ariane 5 to cover other types of missions, such as the launch in LEO orbit, in helium-synchronous polar orbit (SSO), in medium earth orbit (MEO), for the insertion of satellites that can range between 4.5 tons of mass towards GEO orbits and 20 tons towards LEO orbit. In this context, Avio supplies solid boosters for both Ariane 6 configurations as well as the two oxygen turbopumps of the Vulcain 2 and Vinci engines of the liquid stages. Arianespace, of which Avio holds a minority shareholding of approximately 3%, as launch service provider (LSP), purchases the Ariane and Vega launchers from the prime contractors of the respective programs and sells the launch service to institutional and commercial end customers who intend to position their satellites in orbit.

The Group is also active in the business of propulsion systems for military tactical missiles, producing in particular the components for the propulsion (*booster*³ and *sustainer*⁴), the thrust orientation system (TVC) and the aerodynamics (wings) of Aster 30, considered one of the most powerful and technologically advanced tactical solid propellant engines in the world. These propulsion systems are sold to the prime contractor Matra BAE Dynamics Alenia ("MBDA"), the leading European manufacturer of missiles and defense technologies, operating on the European and international market. Avio also develops and manufactures the propulsion for Aspide and Mars missiles and implemented the engine development for CMM-ER anti-aircraft missile with extended range and high performance that will equip future terrestrial, maritime and air defense systems. In November 2019, the CMM-ER engine passed the first operational tests brilliantly.

Lastly, in the field of satellite propulsion, Avio has created and supplied ESA and ASI with propulsion subsystems for launching and controlling various satellites, including the SICRAL, Small GEO and EDRS-C.

In 2020, the launcher sector, to which the Group belongs, generated global revenues of 5.3 billion dollars, equal to 2% of the value of the space industry (271 billion dollars, steady compared to the previous year).

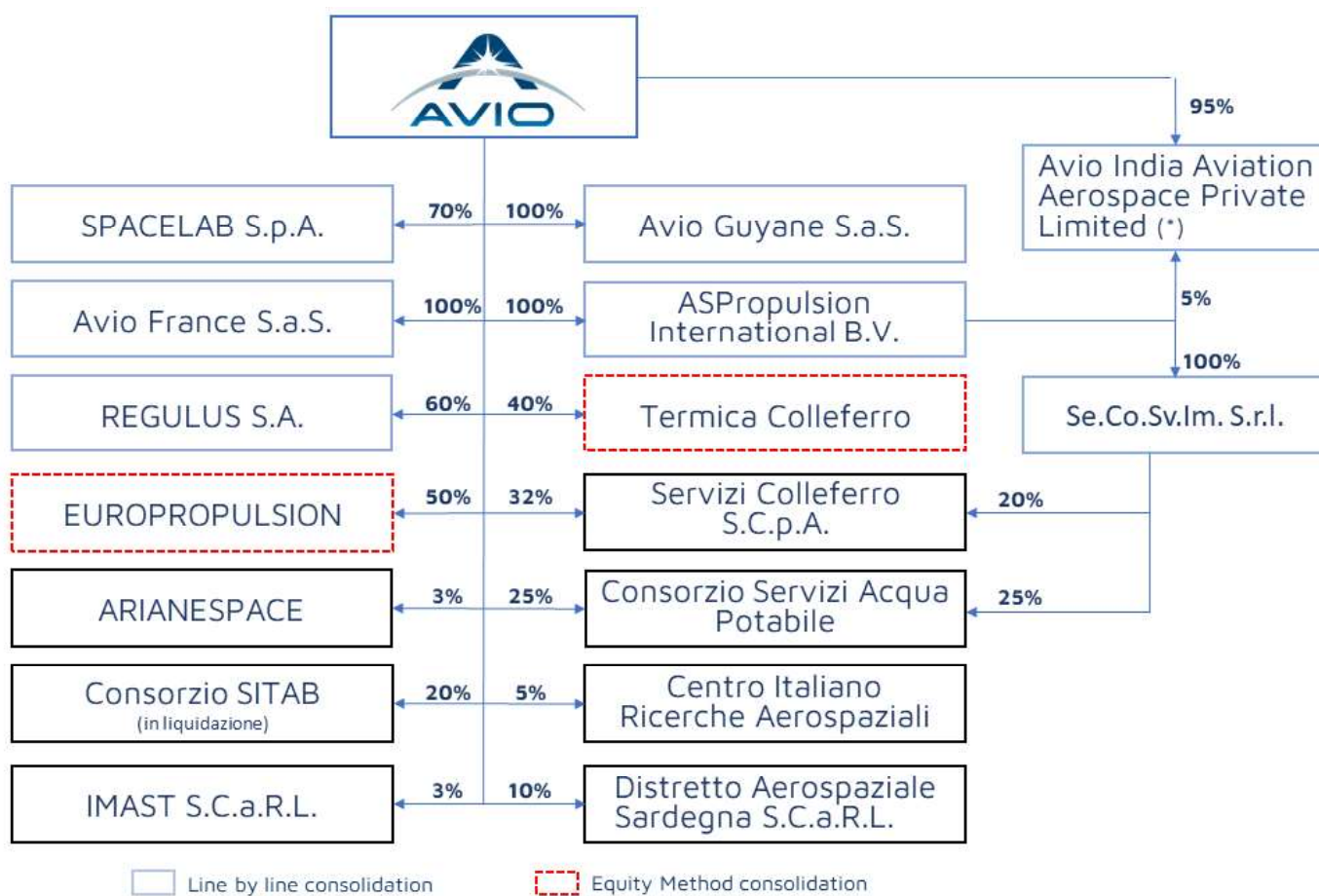


Avio has three historical reference markets: the European institutional market, for the transport of satellites financed by ESA, by the European Community; the institutional market of governments linked to the European Community or which have privileged relations with Member States of the European Community; the world commercial market (specifically, the Middle Eastern, Asian, South American and, recently, North American) and which also includes the institutional market of states that do not have the necessary technology to launch satellites into orbit.

³ Propeller that generates an additional thrust to that provided by the main stage of a space launcher, allowing the launcher to achieve the acceleration necessary to overcome the force of gravity.

⁴ Solid cruise propellant engine of the Aster missile.

1.1. Avio's Structure and Its Companies



*The company is in liquidation. No financial commitments are envisaged for the Group as a result of the liquidation

Spacelab is company established in 2000 by Avio and ASI with the name "ELV S.p.A." until 9 May 2018, when it was renamed "Spacelab S.p.A."

Objective: development of innovative technologies in the segment of space access, which are not available in Italy, with the aim of creating a competitive advantage for Italy in general, as well as for Avio. The company mainly operates on behalf of Avio S.p.A. and the Italian Space Agency (ASI) and it takes part in projects financed by ASI and the European Union. The company's mission includes, among others, (i) research and development activities on new technologies and infrastructures in the space transport sector; (ii) the creation and management of research structures, for development and testing; (iii) participation to research, development and testing programs financed by private and public commitments and contractual agreements; (iv) consulting services..

SpaceLab S.p.A. is 70% owned by Avio and 30% owned by ASI.

Regulus is a French company with registered offices in Kourou, French Guiana created in 1989 by the Italian BPD from Colleferro and from SNPE («Société National des Poudres et Explosifs»), property of the French State.

Objective: being a global leader in the production of solid propellant and for the loading of large rocket engines.

Regulus is owned by Avio S.p.A (60%) and by Ariane Group (for the remaining 40%).

Se.Co.Sv.Im is the real-estate company of the Avio Group that owns about 910 hectares of land in the municipalities of Colleferro, Segni and Artena (Rome), with hundreds of properties, most of them are rented by the Group for industrial purposes (about 450 hectares) and by other companies which are present in the area: Simmel Difesa S.p.A. (occupies about 45 hectares), Italcementi (occupies about 65 hectares for the right-of-access to a power line) and Servizi Colleferro (occupies about 2.5 hectares). Se.Co.Sv.Im. directly manages the remaining unrented properties of about 350 hectares.

Se.Co.Sv.Im. is indirectly owned by Avio via its controlled entity AS Propulsion, which fully owns Se.Co.Sv.Im.

Avio Guyane S.a.S., was established on February 7, 2018. The company is incorporated under French law and is wholly owned by Avio S.p.A. and operating in French Guiana. The company deals with the coordination of the launch campaigns and the management of the ground infrastructure with a focus on the production activities for the assembly and preparation of the Vega launches, with the aim of optimizing industrial processes and increasing productivity in perspective of a future increase in the number of Vega launches.

Objective: optimize industrial processes and increase productivity with a view to a future increase in the number of Vega launches.

Avio France S.a.S. wholly owned by Avio S.p.A., established in 2019 has as corporate purpose, the engineering activities for studies and design of systems and subsystems in the space transport sector.

2. AVIO'S MATERIALITY MATRIX

For the identification of strategic sustainability priorities, as well as for the definition of the contents of the Consolidated Non-Financial Statement, Avio Group, also in 2021, updated the materiality analysis, aimed at identifying, in application of the reporting Standard issued from the Global Sustainability Standard Board of the Global Reporting Initiative (GRI), the material issues, i.e. those issues relevant from an economic, social and environmental point of view for the Group and its stakeholders that have a significant impact on economic and social performance and environmental aspects of the Company.

The identification and updating of the material issues took place involving directly external and internal stakeholders through a structured process of Stakeholder Engagement, with the submission of a specific online survey, allowing to analyze both the internal and external perception of the topics.

Stakeholder engagement: a continuous and steady dialogue.

Avio Group is engaged to creating, strengthening and expanding its relationships with stakeholders to guarantee them the widest space for listening and dialogue, giving primary importance to representative voices from different realities.

Listening to their interests and expectations, through a proactive and multi-channel approach, has allowed the Group to develop long-term relationships based on mutual competitive advantage as a direct expression of the responsibility that it has towards the social context with which the Group interacts.

The criteria for involving stakeholders are oriented towards inclusion, transparency, fairness, attention to ethical, environmental and social aspects and coherence with the Group's activities.

We consider the involvement of our stakeholders one of the founding pillars of the company.

The Group indeed, through dedicated personnel, pursues a proactive approach towards its interlocutors with whom it constantly relates in the world, acknowledging their needs and adopting diversified and flexible engagement practices, in response to the different requirements and various characteristics.

As a listed company, for Avio, the dialogue with shareholder assumed a role of fundamental importance over the years and it is its primary objective to guarantee the investor community full access to the business information necessary to evaluate the corporate reality.

The categories of stakeholders and engagement activities carried out in 2021 are shown below, in addition to the stakeholder engagement activities specifically carried out for updating the materiality analysis, presented in the next paragraph.

Stakeholder categories	Engagement activities and communication
Employees and trade unions	Diffusion of the Code of Ethics, Anti-corruption Code, whistleblowing procedure, Model 231, training sessions, company intranet, dedicated meetings, newsletters
Shareholders/Investors/Financial Analysts	Periodic financial reports, Corporate Governance report, Shareholders' meeting, Road show, Annual results presentation event, Participation in Investor Conferences all over the world, Site visit to the Kourou plant for financial analysts who follow the stock exchange, Organization of events, workshops
Government institutions	Conferences, dedicated meetings
Supervisory and control authorities	Technical panels, specific meetings, inspections
Customers and Business Partners	Company website, dedicated meetings, brochures
Suppliers and sub-suppliers	Company website, dedicated meetings
Media	Social network, press releases, interviews
Academia	Collaborations, conferences, dedicated meetings
Local communities	Events, partnership

Stakeholder engagement

The stakeholder engagement activity carried out expressly for updating the materiality matrix, therefore represents an opportunity for a bidirectional dialogue useful for understanding the level of satisfaction and for catching improvement ideas of services and operational management models.

The joint esteem of internal and external significance, through this tool, also allowed the identification of material themes, their correct prioritization, and the definition of 2021 materiality matrix.

The materiality analysis process is a dynamic process that, also in 2021, is divided into four phases:

- validation of all potential material aspects, identified in the previous years, through the analysis of company documentation (Code of Ethics, Annual Financial Report, Business Plan, Strategic Plan, Model pursuant to Legislative Decree 231 etc.), external documents on changes scenario, evaluation questionnaires of sustainability rating companies, comparison with the reference sector and dialogue with stakeholders, including investors;
- prioritization of the aspects by the internal and external Group contacts, through involvement activities aimed at analyzing the perception of the issues from the point of view of the company and from the point of view of the stakeholders through a vote on a scale of 1 to 5;
- approval by the Sustainability Committee on November 5th, 2021;
- presentation of the analysis to the Board of Directors on November 8th, 2021 and subsequent approval.

Specifically, in addition to 20 internal stakeholders, including representatives of company management, over 60 stakeholders were involved via questionnaire with a response rate of around 60%, an increase compared to 2020 (+ 37%). A questionnaire was sent to both Avio Group's management and external stakeholders. Through the survey, each stakeholder was able to assign a value between 1 and 5 (where 1 is equivalent to "negligible" and 5 is equivalent to "very relevant") to each material topic.

Below are represented the list of categories of stakeholders involved into the engagement:

- Shareholders / Investors / Financial Analysts;
- Supervisory and control authority;
- Government institutions;
- Employees and Trade Unions;
- Customers and Business Partners;
- Suppliers and subcontractors;
- Academic world;
- Local Communities.

The collected data were analyzed, and the outcomes made it possible to elaborate the new materiality matrix, schematized in the following two-dimensional graph.



Material Topic	Definition
Environmental remediation	Measures taken to remedy environmental pollution, by securing, removing and disposing of any polluting substances (such as, by way of example but not limited to, chemicals deliberately released or accidentally spilled into the soil and waters of rivers and sea, municipal waste and industrial waste), to restore the environmental conditions for the population and to achieve beneficial effects also for the productive, social and economic rebirth of degraded territories.
Energy consumption and emissions	Activities to further improve energy efficiency and reduce direct and indirect CO2 emissions and other emissions in production processes, building management and maintenance, logistics processes and in the development of new products also considering the <i>climate change</i> .
Waste management	Activities aimed at managing hazardous and non-hazardous waste and its recovery in production processes.
Management of water resources	Activities to manage water efficiency, discharges and water availability in production processes.
Dialogue with trade unions	Activities aimed at promoting a constant relationship with trade unions based on information sharing on issues of common interest, with the aim of ensuring compliance with the law and ensuring the wellbeing and protection of workers' rights
Training and skills development	Training and development activities for the consolidation and transfer of an increasingly broader set of skills in order to guarantee a continuous process of valorization and growth of human capital.
Management and retention of talents	Activities and initiatives aimed at increasing the company's ability to implement strategies and policies to attract talented employees and keep them for a long time in the Group, guaranteeing a workplace made up of competent, motivated and satisfied employees.
Equal opportunities	Adoption of a remuneration and performance evaluation system aimed at enhancing the employees' contribution and commitment.
Staff remuneration	Adoption of a compensation and performance evaluation system aimed at enhancing the contribution and commitment shown by employees.
Health, safety and wellbeing of employees and human rights	Management of health and safety initiatives and training and prevention programs, as well as monitoring of accident rates, occupational diseases and accidents. Commitment to protect the human rights and working conditions of the people involved in various capacities in the Group's activities.
Relationship with the community	Involvement of communities and local authorities through targeted initiatives and corporate donations to support community development.
Safety in industrial management	Maintenance of high standards of compliance with law requirements in order to guarantee the careful handling of hazardous substances, processes, plants and access to sites.
Cybersecurity	Initiatives aimed at ensuring the security of the IT infrastructure, preventing illegal attempts of physical or remote access to sensitive information that could compromise the competitiveness of the company - which derives from the research and development of intellectual property - or that could make the products and services offered obsolete ahead of time.
Responsible relationship with suppliers	Transparent management of the supply chain by promoting constant dialogue with suppliers and carrying out engagement initiatives.
Innovation	Activities aimed at maintaining and developing the Group's ability to foster a culture of innovation and the development of new products, technologies, materials and services that increase the Group's competitiveness on the market.
Quality of industrial processes	Maintaining high standards of all business processes that contribute to the design, development and implementation of the Group's products or services.
Prevention of corruption	Compliance with the corruption prevention and transparency plan, enhancement, development and implementation of an effective corruption risk management process; promotion of a culture of risk assessment within the organization, encouraging the implementation of training and awareness courses for the entire staff, as well as the dissemination of an organizational culture based on integrity.

The 18 themes identified as materials find timely reporting within the various chapters of the present document.

2021 matrix, although with some different declination, basically confirms 2020 trend. Quality and safety of products and services, Quality in business processes, Innovation and Retention of talents issues are confirmed as the most relevant both for the Group and for the stakeholders.

Compared to the previous year, prevention of corruption has acquired greater relevance both from the point of view of the internal perspective and for the external stakeholders. For more information about the Group's commitment and the tools adopted in the fight against corruption, including the implementation of a specific whistleblowing platform, please refer to paragraph 5.4. "Business Ethics and fight against corruption".

Together with these forementioned themes, cybersecurity plays an important role in the management of Avio's business to ensure the tightness of IT infrastructures and strengthen the ability to prevent and manage cyber-attacks.

The attention to IT security has been progressively intensified in response to the increasing complexity and frequency with which cyber-attacks are conducted against companies of national and international strategic value, making it necessary to constantly adapt corporate defences and the processes for safeguarding IT assets.

In the analysis, aspects related to governance, regulatory compliance, economic performance and brand reputation are considered as prerequisites and therefore have not been included individually within the process but have nevertheless been reported within the document.

2.1. The Sustainable Development Goals and Avio's priorities

Avio is committed every day to ensure the sustainability of its production processes and the protection of the environment. Avio works alongside local communities to ensure the protection of the territories in which operates and the safety at work. For Avio, a company is sustainable when it generates value for the future generations. To this end, Avio works daily to ensure that the fundamental principles of social responsibility become the common language, constantly striving to meet the expectations of its stakeholders, creating a virtuous circle that generates continuous synergies and activates a shared and proactive path.

Being sustainable for the Group means constantly improving health and safety in the workplace, developing technological innovation, promoting a responsible supply chain, maintaining high customer satisfaction and trust, communicating with local communities by supporting and bonding them to reduce the environmental impact by contributing to the fight against climate change.

All this, with the aim of creating a better tomorrow, more sustainable for future generations.

In the awareness of this responsibility, Avio has decided to embrace the 17 Global Goals for sustainable development of the United Nations, carrying on its route towards sustainable progress through the adoption of an integrated strategy, able to combine environmental protection and a healthy economic growth.



The potential of the Space Sector in supporting the SDGs is very broad: starting from the countless satellite applications in the management of environmental resources and the local effects of climate change, to the facilitation of telecommunications and logistics management, to the satellites used to monitor crops, making production and consumption more efficient. In this path, also in 2021, a plan was launched to gradually increase the protection of the environment provided by the research and development activity, which has seen Avio engaged to implementing new products for the space sector, continuing its commitment in the development of innovative products.

2.2. Policy and Sustainability Objectives

Technology and innovation are the core business of Avio Group. This proudly Italian company has been internationally recognized since its foundation in 1912 as an industrial leader in the technological and scientific sector, operating for fifty years in the field of launch systems for space transport.

AVIO Group has carried on its journey of continuous improvement relating to the areas of Sustainability, drafting a Sustainability Policy, approved by the Board of Directors on 22 July 2021, which has traced a concrete path for the integration of Sustainability into the business, identifying a fundamental link between market competitiveness, productivity and sustainability.

This paragraph presents the main objectives on which the Sustainability Policy is based, related to the main areas of action of AVIO's Industrial Strategy and in line with the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda.

The Company had set itself the goal of starting in 2021 the definition of an Industrial Plan integrated with a Sustainability Plan. In particular, an integration process has been started between the industrial and the sustainability part, in which the latter will be developed according to an impact logic. The Sustainability Policy and Sustainability Plan integrated into the Business Plan were approved by the Board of Directors at the meetings of July 22nd, 2021 and March 14th, 2022, respectively.

The attention is focused on the issues on which Avio can make a concrete and significant contribution to sustainable development to define specific lines of action useful for supporting and enhancing the business, as well as raising Avio's basic sustainability standards.

The industrial plan will be further broken down into objectives, actions, times, responsibilities and assigned resources.

SUSTAINABLE DEVELOPMENT GOALS



Sustainability Policy

Technology and innovation are the core business of the Avio Group. The proudly Italian company has been internationally recognized since its foundation in 1912 as an industrial leader in the technological and scientific sector, operating for fifty years in the field of launch systems for space transport. Avio's Sustainability Policy expresses the strategic directions on which Avio is building its business model in a sustainable key, based on the significance of its impacts. The text of the Policy is illustrated below.

Leader in technological innovation

To ensure the safety, reliability and convenience of space missions, the search for new technologies and architectures for increasingly efficient launchers and the development of alloys innovative, are crucial for the production of components in ALM Additive Layer Manufacturing, in order to make the launch system the first pillar of the sustainability of space industry. Avio intends to stand out as a leader in technological development and innovation, also through cutting-edge products and services.

Technological development also intends to accompany and maximize the positive influence of the Group's activities on three dimensions defined within the Policy that are impactful and related to the SDGs, as detailed below.

1. For a clean space [SDG 9]



The increase in space missions has increased the presence of space junk as a result of the separation of spacecraft from launchers or of explosions or collisions. The presence of debris is potentially dangerous as it increases the probability of collisions with operational satellites and for those to be launched in the future. Therefore, over the years, the sector has encouraged the development of technologies for de-orbiting and post mission disposal for the removal or repositioning of space debris in other orbits. Since the start of satellite launches, 11.139 have been launched, of which 33% are inactive but still orbiting and therefore classified as debris, another third is active while the remaining are burned in the atmosphere or returned to Earth, not representing a problem of space cleaning.

Avio, in line with target 5 "increasing scientific research" of Sustainable Development Goal number 9, aims to become one of the major international contributors to space debris removal missions, also through the development and use of modules (equipped with debris collection devices such as robotic arms) which, once brought into orbit by the launcher, approach and grab the debris for de-orbiting.

2. For earth observation and sustainable development [SDGs 13 and 15]



Satellite technology is crucial for planet Earth observation activities. Of the satellites currently in geostationary orbit, 27% collect necessary data for a variety of purposes, including food safety in risk areas, monitoring the physical and biological coverage of the earth's surface, observing changes in ecosystems and the loss of biodiversity, the mapping of the effects of climate change with data on ocean level and acidification and on the melting of ice and the location of migratory flows to provide basic necessities and support.

Avio aspires to become a reference interlocutor in international networks for the promotion of an open innovation paradigm aimed at maximizing synergies with satellite manufacturers and research centers for the development of Earth observation technologies. Avio intends to offer its contribution through the launch of mini-satellites, favoring developing countries and organizations such as Universities and Research Centers to carry out scientific experiments. This commitment has a direct impact on Sustainable Development Goal 17, through which the company also indirectly contributes to Goals 13 and 15.

3. In support of life in space [SDG 17]



The future horizon of humanity could be configured as that of a multi-planetary species. The technological progress achieved so far allows to outline a preliminary vision of how women and men will be able to live permanently outside the Earth, spending periods prolonged in orbit or settling on the Moon or Mars. This view opens the door to activities conducted in zero gravity, such as medical research, which would offer the opportunity to discover new treatments for conditions previously not possible.

Avio fits into this framework, in line with SDG 17, with the aim of becoming a partner of reference for the number of launches of space missions necessary to ensure prolonged human stay in orbit and missions to reach the Moon.

Our 360-degree sustainability

Avio intends to contribute to specific ESG - Environmental, Social and Governance objectives through a progressive improvement of its performance, related to the business objectives.

In this direction, Avio undertakes to:

for *Environmental* dimension:

- Improve environmental performance to help achieve climate neutrality;
- Promote an overall plan to reduce waste and minimize its environmental impact;
- Protect the natural resources of the territories in which the Group operates.

for Social dimension:

- Become a European reference point for talents in the aerospace sector through the enhancement of the growth of skills and corporate welfare;
- Promote the highest health and safety standards in full compliance with local and international regulations, both internally and along its value chain;
- Promote company growth oriented towards diversity and the people valorization.

for Governance dimension:

- Adopt an integrated compliance system through the collaboration of the different functions (risk management, internal audit, legal department, supervisory body identified pursuant to Legislative Decree 231/2001, etc.) to develop their own management methodologies risk in accordance with corporate strategies and operations;
- Implement a corporate organizational model for cybersecurity pursuant to Legislative Decree 105/2019 on the National Cyber Security Perimeter;
- Spreading the culture of anti-corruption through the adoption of prevention measures also through the adoption of a model compliant with the ISO 37001 Certification standards and cooperation with the various associations in the sector, including Transparency International and AITRA (Italian Transparency Association).

2.3. Avio's commitment to sustainability

In 2021, from 17 to 23 October, Avio supported innovation also through its participation in Expo 2020 in Dubai as Gold Sponsor of the Italian Pavilion at the Universal Exposition, where the declination in the aerospace industry of innovation and sustainability, a key theme of Expo 2020 Dubai, was the driving force for a constant excursion into the culture of innovation, within the framework of a fervent incubator that has fostered knowledge and interaction between industrial realities in the sector for a flourishing opportunity of development and mutual exchange.

"BEAUTY CONNECTS PEOPLE "

This is the claim chosen to guide Avio's participation in Expo 2020. Beauty as a strategic resource for planning the future around a model of active dialogue and collaboration between peoples and nations, respecting the values of self-determination, competition, rights, innovation and sustainable development. Space proves to have an economic, diplomatic and technological value equal to no other sector today.



Avio brought to the Italian Pavilion a Vega launcher model that recalls, in shape, a monumental monolithic, representing the space explorations within the Innovation Observatory.

With the participation in this key event, the company has promoted the same values of sustainable development expressed by the Italian Pavilion at Expo Dubai.



AVIO

ITALIA
LA BELLEZZA UNISCE LE PERSONE
BEAUTY CONNECTS PEOPLE
الجمال يجمع الناس

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SPACE 4 SUSTAINABILITY
Research, design and technologies to and from space

As evidence of the strong effort made during 2021, this page shows some of the awards received by Avio in the sustainability field.

In 2021 Avio was ranked 4th, as Top 5 extra 100, in the Integrated Governance Index (IGI), a quantitative index developed by the Research Department of Eticanews (the reference newspaper for responsible finance and corporate sustainability) on the positioning of companies in relation to sustainability governance, which analyzes the degree of integration of ESG factors in business management models.



100 large Italian companies, listed on the stock exchange, have joined the project. In addition to tracing the trends on governance, the Index aims to identify the group of companies able to accept the challenge of ESG governance: a group of companies that invests time and energy in a dialogue / discussion on the issue of governance of sustainability, under the banner of that capacity for engagement with the stakeholders which sees interaction as one of the most constructive aspects of sustainability

On November 11st, 2021, Avio was awarded at **the LC Sustainability Awards 2021 in the Sustainability Aerospace & Aviation category.**



Avio was awarded at the LC Sustainability Awards 2021 in the Sustainability Aerospace & Aviation category.

Lc Sustainability Awards is an event dedicated to sustainability in various fields: financial, economic, governance, innovation, balance relationships between men and women in companies, environment, diversity, rights guarantee.

During the ceremony, held on November 11st, 2021, the awards were given to 30 companies, including companies and law firms which, according to ESG (Environmental Social and Governance) principles, have distinguished themselves for their commitment to all-round sustainability.

Award to Avio of the ESG Identity - IGI COMPANY 2021 label: recognition to companies that have accepted the challenge of the Integrated Governance Index 2021.



The ESG Identity label certifies the company's ability to expose itself in terms of:

- 1) Sustainability as a priority;
- 2) Governance as an enabling factor;
- 3) Transversal awareness.

It signals the activation of a serious path of transformation and evolution of one's identity in an ESG key. It is not a result stamp, but an indicator of consistency, commitment and vision.

THE GREEN STAR QUALITY SEAL TO AVIO - SUSTAINABILITY



Avio, on March 4th, 2021, was included in the ranking of the 200 most sustainable Italian companies of the partner La Repubblica Affari & Finanza.

The ranking was filled in on the basis of an in-depth analysis of over one million relevant citations on the web, social media, blogs and news sites in relation to the issues of environmental, economic, social responsibility and innovation.

In its business model, therefore, Avio considers sustainability a fundamental principle that contributes to the definition of the strategic and operational choices of the Group and guarantees, in the long term, a growth coherent with the principles of respect for the environment, the development of people and the positive interaction with the territories and communities in which it operates.

The Group, through a series of activities, has become the direct promoter of initiatives in the area linked to sustainability issues.

In 2021 Avio financed the construction of a new sub-intensive care unit at the 'Parodi Delfino' hospital in Colleferro.

As evidence of the engagement to the creation and ever more widespread dissemination of the sustainability culture, Avio's commitment is tangible internally, through the creation of communication tools to spread sustainability issues in training induction.

During 2021, training activities for the development of skills intensified strongly and a series of training / information actions were launched which focused on the topic of inclusion and diversity with the aim of making a concrete contribution to Group strategies in response to the 2030 Global Agenda.

These meetings were a moment of exchange useful for understanding which are the shared values within Avio and which are the ones on which more attention must be paid to build together a Charter of Values that adheres to the working reality, with increasing constancy, on the topic of values, gender diversity and parenting.

Avio is aware to be part of an ecosystem that contributes to an economic and social development of the Country, and, for this reason, is committed every day to promoting a solid and increasingly diffused culture of sustainability, creating value which, starting from its inside, can reach the whole territory.

Sustainable development is the challenge of the last years and it's easy to imagine that it is not a challenge to win alone, without the whole Space sector integration.

In recalling this challenge Avio, together with the main Italian and international agencies and industries in the European Space sector, under the aegis of ESA, has joined the participation in the "ESA Working Groups for a Responsible Space" aimed at serving the entire space sector in its effort to increase its contribution to sustainable development.

Therefore, Avio shares and supports the common principles and values for long-term sustainable development of the space sector.

These working groups, in which Avio participates with keen commitment, have a common interest in developing synergies and actions in the various sectors of space activities, to increase awareness in monitoring environmental issues on Earth, fight climate change, protect the biodiversity and restore ecosystems, while ensuring lasting and equitable access to natural resources.

In carrying out this initiative, ESA sets itself as, a challenging objective, the definition of common criteria on which orient new research and development programs, support new qualifications, monitor space missions and the procurement of analysis and data increasingly reliable for an evaluation system shared by the entire sector on spatial sustainability.

To this end, Space Debris, one of the projects of these working groups, will increasingly become a topic of global interest to quantify the risk of space debris associated with a mission, favorizing its control and minimize its scope.

Space Debris

Objects defined as Space Junk or space debris (Source: ESA, www.esa.int) are potentially dangerous for operational satellites and for those to be launched in the future. They are mainly concentrated in low orbit, and more precisely in a range between 600 and 1,000 km of altitude, which is the destination of almost all the launches made or future of the Vega launcher. As a result of approximately 10,000 satellites positioned in orbit thanks to approximately 5,500 launches since the beginning of the space age (of which just over 2,000 are still operational), approximately 500 collisions / explosions have occurred which have generated:

- + 34k "objects" with dimensions > 10 cm;
- + 1M "objects" of size 1 cm > d > 10 cm;
- + 128M "objects" with dimensions < 1cm.

To date, the American organization SSN (Space Surveillance Network) constantly monitors only about 25k of such "objects", currently defined as Space Junk (space junk or space debris).

Avio's strategy in this sector is based on 2 axes:

(i) exploit the potential of the Space Rider, currently under development within ESA and financed upon completion at the 2019 Ministerial Conference. Space Rider, by its nature, can be adapted to future Debris Removal missions after the development of appropriate robotic arms, sensors and Avionics and

(ii) (ii) exploit the funds of the PNRR on the "In Orbit Economy" to propose the VIS (Vega InOrbit Service) concept at national level which is based on the use of (a) an AOM (Avum Orbital Module) derived from the developed under the Space Rider program and (b) a Service Module (SM). The AOM module, once in orbit via the Vega launcher, has the task of providing the propulsion, avionics and interface to the SM module, up to rendez-vous with the debris to be removed. The SM module has the task of approaching the debris and grabbing it by means of a robotic arm. At this point the AOM module returns to action and, in coordination with the ground stations, performs the de-orbiting maneuver. This maneuver may consist of a controlled return to earth or parking the debris in a cemetery orbit.

The United Nations Office for Space Affairs (UNOOSA) and Avio have announced an opportunity for educational or research institutions, specifically, in developing countries, to put 1 CubeSat or aggregates up to 3U into orbit for free.

The opportunity is part of the UNOOSA "Access to Space 4 All" initiative, which aims to bridge the gap between countries in their ability to access and benefit from Space and its applications, particularly for sustainable development purposes. In this sense, organizations from countries that do not have the means to transport satellites into space and put them into orbit, are particularly encouraged to participate in this opportunity. Although it is possible to form partnerships with organizations from developed countries, the lead organization of the proposed project must come from a developing country.

With this collaboration, UNOOSA and AVIO will raise awareness of the role played by small satellites in sustainable development and will help build space science and technology know-how in countries without a developed space sector.

A commission composed of experts from UNOOSA and Avio will examine the applications and select the winner, who will be granted costs coverage of the launch service.

3. THE GOVERNANCE OF AVIO GROUP

As a reference model for its Corporate Governance, Avio adopts the Corporate Governance Code provisions promoted by Borsa Italiana as last approved and published on January 31ST, 2020. As indicated in the Report on Corporate Governance and ownership structures, which can be consulted on the Group's website at the "Corporate Governance" section to which refer for more details, Avio's corporate governance system is structured according to the traditional model of administration and control, characterized by the presence of the following corporate bodies:

- Shareholders' Meeting;
- Board of Directors;
- Board of Statutory Auditors.

Pursuant to the By-laws, this model envisages distinct roles and responsibilities of the various corporate bodies: the Shareholders' Meeting, as an expression of the interest of the generality of the shareholders, expresses, through its resolutions, the corporate will; the Board of Directors is the body with the widest powers for ordinary and extraordinary Company management, with the power to carry out all the acts deemed appropriate for the achievement of the corporate purpose, except for those reserved to the Shareholders' Meeting by law ; the Board of Statutory Auditors oversees financial disclosure and legal audit process, in particular as regards the provision of non-auditing services. The Board of Directors of the Parent Company currently in office (appointed by the Shareholders' Meeting on May 6th, 2020), as the highest governing body, is made up of eleven members⁵, of which seven independents pursuant to art. 148 of the TUF and art. 3 of the Corporate Governance Code. As reported below, its composition complies with the gender balance provisions.

The Board of Directors of Avio S.p.A.

Name	Role
Roberto Italia	Chairman
Giulio Ranzo	CEO
Monica Autieri	Independent Director
Raffaele Cappiello	Independent Director
Giovanni Gorno Tempini	Independent Director
Donatella Isaia	Independent Director
Marcello Logli⁶	Independent Director
Elena Pisonero	Independent Director
Donatella Sciuto	Independent Director
Letizia Colucci	Director
Luigi Pasquali	Director

The Directors are appointed by the Shareholders' Meeting and remain in office for three years, through the list voting mechanism aimed at ensuring the presence on the Board of Directors of three directors elected by the minority, as well as compliance with the provisions on gender balance. All directors must meet the requirements of eligibility, professionalism, integrity and, at least, two of them must meet the independence requirement.

⁵ Among them, as of December 31, 2021, three members of the Board of Directors are less than 50 years old, while the remaining eight members are over 50 years old. The council members are five men and six women.

⁶ The independent director Stefano Pareglio resigned on 23 August 2021. The co-option procedure has been started pursuant to art. 2386 of the Italian Civil Code, with the support of a head hunting company. On 21 December 2021, Dr. Marcella Logli was appointed as the new Independent Director of the Board of Directors.

The Board of Directors has the power to delegate part of its powers to an Executive Committee, determining the limits of the delegation, the number of members and the relative operating methods, as well as appointing one or more Chief Executive Officers, assigning powers and establishing one or more internal committees.

Considering that the Company is subject to Golden Power regulations, (I) it has been foreseen, in the By-laws, that the matters and activities in relation to which the Italian Government has a right of opposition pursuant to the Golden Power regulations applicable to companies operating in the defense and national security sectors, are the exclusive competence of the Board of Directors and cannot be delegated; (II) an ad hoc Committee, called the Strategic Activities Committee, has been set up to deal with issues related to Golden Power regulations; (III) a supervisor executive has been appointed to manage the strategic activities of the Company, with particular regard to Golden Power regulations.

The Board of Statutory Auditors is made up of three standing auditors and two alternate auditors. Shareholders who, at the time of presentation of the list, hold shares amount, at least equal to that determined by Consob pursuant to the applicable laws and regulations, can present a list for the auditors' appointment.

On March 28, 2022, the Board of Directors approved the Report on the Remuneration Policy and on the remuneration paid pursuant to art. 123-ter TUF and 84-quater Consob Issuers' Regulation, which acknowledges - among other things - that the administrative body on the same date approved the 2022-2024 Incentive Plan, defining the cancellation of the 2020-22 cycles and 2021-23 of the 2020-24 long-term monetary incentive plan in place, the retention and incentive purposes of which have ceased in consideration of the evolution of the context determined by the exceptional events of recent years. The recipients of the Plan are the Chief Executive Officer / General Manager, Executives with Strategic Responsibilities and other Managers with strategic impact roles for the Company. The Plan represents a valid tool to incentivize and retain the Beneficiaries, as subjects who play a key role in achieving Avio's objectives, as well as to align their interests with those of the shareholders. The incentive and loyalty of the Beneficiaries through the attribution of instruments representative of the Company's value based on the achievement of certain Performance Objectives constitutes, in fact, an indispensable tool for the Company to continue its path in line with the objectives it has set itself. fixed.

The Allocation of the Shares is subject to the achievement of the Performance Objectives for the three-year period 2022/2024. The Performance Objective identified by the Board of Directors consists of "Order Intake": an indicator that reflects the sustainability and growth of the business in the medium term and corresponds to the cumulative value of the acquisitions of new contracts in the three-year period 2022/2024.

In particular, through the adoption of the Plan, the Company intends to:

- align the interests of the Beneficiaries with those of the shareholders and with Avio's strategic plan;
- link the remuneration of the Beneficiaries, as subjects who play a key role in achieving Avio's objectives, also with the attainment of specific long-term objectives set in line with the indications of the Code;
- supporting and rewarding the achievement of long-term objectives, making it possible to pursue the priority objective of creating value in a long-term horizon, while at the same time orienting the Beneficiaries towards decisions that pursue the creation of value of the Company in the medium-long term;
- supporting attraction, retention and engagement of key resources in line with the corporate culture, while pursuing an efficient choice in relation to the costs generated by the Plan;

For further details, please refer to the Report on the Remuneration Policy and remuneration paid approved on 28 March 2022 by the Board of Directors of AVIO S.p.A. and published on its website.

In accordance with the Corporate Governance Code, the Board of Directors has established¹⁷:

- the Appointments and Compensation Committee: delegated to consultative and proposing functions regarding the professional figures whose presence is deemed appropriate within the Board and to define the remuneration policy for directors and employees with strategic responsibilities;
- the Risk Control Committee, responsible for supporting the Board of Directors in assessments and decisions relating to the internal control and risk management system, as well as in those relating to the approval of periodic financial reports;
- The Sustainability Committee, appointed on May 14, 2020, as an independent committee compared to 2019, in which sustainability issues were managed by the Control, Risk and Sustainability Committee; it is in charge of supporting the Board of Directors in supervising activities in the field of sustainability. The Committee is also intentionally composed by members who have consolidated backgrounds on sustainability issues and for greater integration among the various issues, the chairman of the Board of Directors himself is also a member of the aforementioned Committee.

In particular, the following responsibilities on Environmental, Social and Governance (ESG) issues are assigned to the Risk Control and Sustainability Committee:

- examine and evaluate (i) the sustainability policies aimed at ensuring the creation of value over time for the majority of shareholders and for all stakeholders in a medium-long term, in compliance with the principles of sustainable development; (ii) the sustainability guidelines, objectives, and consequent processes and sustainability reporting submitted annually to the Board of Directors;
- monitor international initiatives on sustainability and the Company participation in such initiatives, aimed at consolidating its reputation on the international front;
- monitor the positioning of the Company with financial markets on sustainability issues, with particular reference to the Company positioning in the ethical sustainability indices;
- examine the Company's profit and non-profit strategies;
- expressing an opinion on other sustainability issues at the request of the Board;
- performs the additional tasks assigned to it by the Corporate Governance Code.

Set up by the Company on a voluntary basis, however, the Planning and Scenarios Committee plays an advisory role with reference to the approval or modification of the annual budget, business plan, strategic plans and investment operations.

Within these control and administration bodies, the gender, cultural and professional diversity of people represents a key value and one of the greatest resources that gives value to the company system.

As expressly indicated in the Group's Code of Ethics, also resumed in the Charte étique of the French subsidiary Regulus and, starting from 2019, also by the diversity policies of the administrative and Control Bodies, Avio supports and promotes the diversity of race, sex, age, nationality, religion and personal beliefs. This commitment is reinforced by the condemnation of any form of discrimination in every aspect of the employment relationship, starting from the activities of taking on and assigning duties, responsibilities and objectives, providing training and remuneration, until the termination of the relationship itself.

The Company, aware of the need and importance of creating value in the medium-long term and with a view to increasing its socially responsible corporate footprint, has substantially updated its Code of Ethics, adapting it to a system inspired by the highest standards of transparency, fairness and sustainability in the company management and with specific objectives on ESG matters, in accordance with the provisions of the relevant laws and regulations and also in line with both the principles expressed in the Corporate Governance Code of listed companies and international best practices.

The review and updating of the Code of Ethics started from its name, from "Code of Conduct" to "Code of Ethics", pursuing a spontaneous adaptation to the Group's values; the review also involved the use of the term "Person" to replace the formula "Employee", just to demonstrate the inclusion prosecuted by the Group; as well as the integration of business conduct policies on "Environmental", "Social", "Governance", "Human Rights", "Confidentiality" and "Health, Safety and Hygiene". Last but not least, the Code of Ethics has been updated in line with the progressive maturation and growth path that the Company is implementing in cybersecurity area, with the aim of maintaining compliance with management standards and application of the regulatory changes intervened.

The Group companies adopt business management, organization and control models based on a system of principles (Vision, Mission, Values, Policies, Code of Conduct, Model 231) and management and control tools (risk management, procedures,

¹⁷ For further details on the composition of the Committees, please refer to the Report on Operations.

controls) aspiring at monitoring relevant non-financial issues, in line with the regulations applicable in the various countries in which they operate, as well as the main international standards and guidelines.

In particular, Avio SpA, Se.Co.Sv.Im. Srl and SpaceLab SpA adopted their own Management Organization and Control Models pursuant to Legislative Decree 231/2001 and have appointed their own Supervisory Body, responsible to supervise the functioning and observance of the Model.

Following the additional regulatory changes that took place on 11 May 2021, Avio Model was updated in the General Part; in addition, a new Special Section was introduced (Special Section 9-bis), aimed, specifically, at regulating the types of offenses committed in violation of the rules on Cybersecurity; it was introduced a new Special Section (Special Section 13) dedicated to monitoring the risk of committing smuggling offenses; a Special Part 1 of the Model, dedicated to offenses in relations with the Public Administration, was updated in order to adapt it to the inclusion in the catalog of predicate offenses of fraud crime in public supplies as well as to the extension of relevance of some predicate offenses with respect to the harm to the financial interests of the European Union.

Similarly, SpaceLab and Se.Co.Sv.Im., equipped with their own Model 231, carry out their appropriate controls and monitoring in order to guarantee the adaptation and effectiveness of the Model itself both with respect to legislative and organizational changes intervened. In particular, the Model of Se.Co.Sv.Im. is being revised to implement the structure change: from a structure for crimes to a structure for processes. The updating of the Model will be completed in the first half of 2022.

As always, regulatory changes have a significant impact on corporate Procedures with relevance 231 which, in 2021, were updated to implement the principles contained in Model 231 and subsequently diffused to the corporate workforce through MyGovernance platform.

3.1. Approach to taxation and tax governance

In line with the principles of responsibility, as better explained in the Code of Ethics, Avio Group adopts conduct inspired by legality and integrity principles in compliance with the tax legislation of the countries in which it operates, ensuring the timely fulfillment of tax obligations and adopting maximum transparency and loyal collaboration in the relations management with the tax authorities.

Avio Group's approach, in observance of the tax legislation, is expressed, among other things:

- in the creation of a specific internal structure of the Group organization, identified in the Tax Office, which is entrusted with the task of overseeing compliance with tax legislation;
- in the constant monitoring by the Tax Office, of the evolution of tax legislation and the related official interpretations provided by the tax authorities, with immediate assessment of the potential effects on the Group's current operations and the adoption of any adaptation actions;
- in the preventive analysis, by the Tax Office, with the support of external consultants if necessary, of the tax profiles relating to any extraordinary transactions that may affect the entities of the Group;
- in the preventive analysis, by the Tax Office, with the support of external consultants, if necessary, of the tax profiles relating to the main active and passive transactions, carried out as part of the Group's core activities with suppliers and customers outside the Group itself;
- in the constant review, by the Tax Office, with the possible support of external consultants, of the tax profiles relating to the processes and contracts already in progress;
- in the adoption of internal procedures aimed at regulating the involvement of the Tax Office in business processes aimed at governing the current operations of the Group;
- in the adoption of internal procedures aimed at coordinating the activities of the various company departments, preparatory to the timely fulfillment of tax obligations. In particular, the Group has already adopted a specific procedure for the preparatory activities for the drafting of the declaration of tax substitutes and a similar procedure for preparatory activities to the drafting of the tax return;
- in the adoption of the documentation required by national legislation for the verification of the adequacy, with respect to the market, of intra-group transactions.

With regard to the tax aspects related to its core business, Avio Group is attentive to compliance with tax legislation, also in the awareness of the importance that the taxation role plays in the services financing in favor of the community in which the Group operates. To this end, the action of the corporate function, responsible for overseeing compliance with tax legislation and aimed at ensuring the formal and substantial compliance with all laws, regulations and official interpretations, in line with the risk profile of the Group and with its institutional values, excluding the use of aggressive tax planning and tax avoidance schemes.

Although a specific internal policy has not yet been formalized, the Group intends to strengthen the tax risk management process by implementing a risk identification and measurement system, with the subsequent assignment of a «target» risk level. To this end, a global analysis of the activities that generate the identified risks will be carried out, to assess the effectiveness of the organizational safeguards already in place to govern them and, where necessary, evaluate the adoption of more efficient strategies or any corrective measures, in order to mitigate the risk. In this context, with respect to the above process - the control system adopted by the Avio Group for the purposes of the regulations pursuant to Legislative Decree no. 231/2001 is synergistic. As regards the reporting mechanisms for possible tax offenses, please refer to what is fully illustrated on the whistleblowing mechanism adopted by the Group.

The tax aspects relating to the Group's operations are handled and managed by a specific internal division of the organization which reports directly to the Group's CFO.

Avio Group is careful to ensure maximum transparency towards third parties as regards tax matters.

This attention is first directed towards the tax authorities of the countries in which the Group operates, always guaranteeing the timely and exhaustive fulfillment of any requests for information or tax audits, addressed by the aforementioned activities towards the Group.

Furthermore, through its periodic financial documents, specially certified by the independent auditors, the Group takes care to provide investors and the market with all the most relevant information relating to any tax liabilities, as well as those relating to any tax benefits enjoyed.

For the protection of investors interests, Avio Group's attention should be noted in the constant monitoring and analysis of tax legislation, in order to reap any tax benefits, mainly in the form of tax credits, linked to the performance of its own characteristic activities and, in particular, those of research and development.

Under the same profile, over the years, the Group has significantly reduced the amount of VAT credits, with an important positive impact in terms of financial benefits, on one hand, preventing the upstream of the VAT credit through a widespread use of VAT ceiling deriving from the fact the parent company Avio S.p.A. is a regular exporter, on the other hand, by strengthening the activities in support of the reimbursement requests presented to the tax authorities. During 2021, the Group received VAT refunds from the tax authorities for a total amount of approximately 18.7 million euros.

In relation to the management of customs aspects, Avio S.p.A. has obtained the status of AEO (Authorized Economic Operator) according to European legislation, demonstrating to possess the reliability requirements, including fiscal ones, required by law.

The Avio Group operates:

- in Italy, where the Parent Company Avio S.p.A. is resident for tax purposes. and the subsidiaries Se.Co.Sv.Im. S.r.l. and SpaceLab S.p.A.;
- in French Guiana, overseas territory of the French Republic, where the subsidiaries Regulus S.A. and Avio Guyana S.a.S are fiscally resident;
- in France, where the subsidiary Avio France S.A.S. is fiscally resident.

The fees related to intra-group relations are established at market conditions, in compliance with the guidelines established by the OECD. To this end, a Master file and a national document are prepared describing the main intra-group transactions between entities established in different countries and the related criteria of adequacy.

Below is a summary information on the tax impacts, broken down by country, of the Group's entities, prepared on the basis of the data contained in the Group's Annual Financial Report for the year 2021. Corporate income taxes accrued on profits/ losses for the year are reported below.

	Italy	France	French Guiana	Aggregate
Company	Avio S.p.A. Secosvim S.r.l. Spacelab S.p.A.	Avio France S.A	Regulus S.A Avio Guyana S.A	
Number of employees	887	5	99	991
Revenue from sales to third parties	313,832.243	-	6,655.400	320,487.643
Revenue from intragroup transaction with other tax jurisdiction Profit		781.527	19,003.045	19,784.572
Profit / loss before taxes	5,811.858	51.040	2,168.981	8,013.879
Income taxes of companies accrued on profits / losses	995.670	-13.549	-471.743	510.378

3.2. Recall of CONSOB information

Due to Covid-19 pandemic persistence, many countries have imposed, maintained or strengthened restrictions or suspensions of certain commercial activities and adopted travel restrictions and quarantine measures. The disruptions were more immediate and pronounced in some sectors such as tourism, hospitality, transport, retail trade and entertainment, but also generated indirect effects in other sectors such as manufacturing.

In this context, Avio has always acted and worked to cope with the epidemiological emergency from COVID-19 by immediately implementing all government provisions, as well as putting into practice all the national protocols envisaged.

During the second half of 2021, Avio's industrial activities were impacted by the exogenous effect of the surge in energy costs.

The acquisitions of new contracts supported the order book, with expectations from the PNRR and the ESA Ministerial Conference of 2022 on the horizon.

For more information, see the section "Other significant events" of the 2021 Annual Financial Report.

3.3. EU Taxonomy

The European Union has developed an ambitious strategy on sustainable finance pointing to reorienting capital flows to boost sustainable and inclusive growth. In this context, it was established Regulation (EU) 2020/852 (also "EU Taxonomy Regulation" or "Taxonomy" or "Regulation") with the aims to provide investors, companies and public institutions with reliable and uniform criteria and methods for identify the economic activities that can be considered environmentally sustainable, to improve the transparency and consistency of the classification of these activities.

The Regulation defines the framework for EU taxonomy by establishing the four conditions that an economic activity must comply with, to be considered environmentally sustainable, and therefore aligned with the Taxonomy Regulation, that is:

- Contribute substantially to the achievement of at least one of the six environmental objectives defined in art. 9 of the same Regulation:
 - mitigation of climate change;
 - adaptation to climate change;
 - sustainable use and protection of water and marine resources;
 - the transition to a circular economy;
 - the prevention and reduction of pollution;
 - the protection and restoration of biodiversity and ecosystems.
- Do not cause significant damage (Do No Significant Harm - DNSH) to any of the aforementioned environmental objectives;
- Be carried out in compliance with minimum social guarantees, recognizing the importance of international rights and standards;
- Comply with the technical screening criteria, which, based on scientific grounds, specify the minimum conditions that must be met for the contribution of an economic activity to be recognized as substantial to one of the defined environmental objectives. The legislation identifies, for each activity, specific technical screening criteria for each of the environmental objectives. An activity can be defined as aligned when it meets the reference technical screening criteria.

For the first year of application, companies subject to the reporting obligation pursuant to the Taxonomy⁸ are required to publish within the NFS the share of turnover, CapEx, OpEx relating to taxonomy-eligible ("eligible") and non-taxonomy activities-eligible ("not eligible"), accompanied by the relevant Qualitative disclosures, with reference to the first two objectives (Adaptation to climate change and Mitigation of climate change) for which the legislation has currently defined technical screening criteria.

In particular, for taxonomy-eligible activities are understood those activities included within Annexes 1 and 2 of the Delegated Act 2139/2021, without verifying compliance with all the technical screening criteria, the "Do No Significant Harm" and minimum social guarantees.

Avio Group, in order to align itself with the legislation requirements, performed an analysis of the activities carried out by each Group company in order to identify those admissible, or potentially capable of contributing to the objectives of mitigation and adaptation to climate change according to the of eligibility.

Downstream this analysis, the Group has not identified any eligible assets pursuant to the applicable legislation for FY 2021, therefore finding the absence of eligible Turnover, Capex and OpEx linked to the business activities and of significant Capex and Opex linked to purchase of output from economic activities eligible for taxonomy and individual measures that make it possible to reduce the emission profile of the activities carried out by the Group.

The information presented here is based on the information and methodologies available to date and which will be subject to possible updates in line with the evolution of the reference regulatory context.

⁸ The publication of the information pursuant to the Taxonomy within the Consolidated Non-financial Statement is an obligation, starting from January 2022, for companies that are already subject to the obligations expressed by Directive 2014/95 / EU on non-financial reporting

4. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The qualifying and essential element of the Corporate Governance of the companies of Avio Group (Avio SpA and its subsidiaries) is the Internal Control and Risk Management System (hereinafter "SCIGR"), inspired by the best practices in force and, in particular, by the international standard Enterprise Risk Management-Integrated Framework (ERM Integrated Framework).

The definition and functioning of the ICRMS are described within the Guidelines of the Internal Control and Risk Management System issued by Avio S.p.A. The Guidelines summarize all the different aspects of the ICRMS to which the subsidiaries of Avio S.p.A. are required to adapt, limitedly to what is applicable to their business and company organization, without prejudice to compliance with the rules applicable in the countries in which these companies are based.

Avio S.p.A. has a transversal Risk Management structure dedicated specifically to the management of the Group's general strategic risks. Various forms of collaboration and coordination are envisaged between the functions of Avio's internal control system:

- the activities are regularly carried out in an integrated and coordinated manner, between the various control bodies such as the Control and Risks Committee, the Sustainability Committee, the Board of Statutory Auditors, the Supervisory Body and Internal Audit;
- information flows and coordination activities are envisaged between the functions of the Group's internal control system, between the Board of Statutory Auditors of AVIO and those of the subsidiaries;
- the functions that taking part of the "first / second / third control level" are formally defined.

The Group adopts an integrated risk management model (Enterprise Risk Management - ERM) which involves, due to specific skills, the whole company organization. The main objective of ERM activities is to ensure optimal identification, measurement, management and monitoring of business risks.

The ERM model considers all the types of risk that can jeopardize the achievement of the corporate strategic objectives.

Risks are classified into different categories according to the type of impact on the activities of AVIO S.p.A. .:

- Strategic Risks - risks linked to the strategies adopted for the pursuit of business objectives;
- Operational Risks - risks linked to the implementation and support processes the company has defined to make functional the organizational structure, to implement corporate strategies or to manage the process changes;
- Financial Risks - Risks linked to the company's ability to properly fulfill its financial obligations.
- Compliance risks - risks linked to possible judicial or administrative sanctions or reputational damage as a result of the violation of interpretative rules (of law or regulations) or of self-regulations;
- Context Risks - risks linked to changes occurrence in the context external to the company (regulatory changes at national or European level, changes to the criteria for access to EU funding sources, etc.);
- Information Systems Risks - risks inherent the malfunctioning of information systems, as well as tampering to obtain a private economic advantage.
- Cyber Risks: risk that the information processed through the company information system may be violated, stolen or deleted or tampered due to accidental events or malicious actions.

During the risk assessment activity in 2021, which also includes ESG and climate change risks, all the risks have been identified as well as the managers of the related business sectors (risk owners), who are entrusted with the management of the risk, the related control system and the implementation and improvement of mitigation actions.

Area	Risk	Mitigation actions
<p>Social Safety in products, plants and classified information</p>	<p>Design flaws that can induce the occurrence of events that undermine safety</p>	<p>Avio has delegated the supervision of the risks of non-compliance of the product as design with the requirements to the Engineering and Product Development Department, which signs its qualification status together with the head of the Product Quality Department.</p>
	<p>Negative impacts due to the use of explosive material in plants</p>	<p>The quality and safety of the products as well as the prevention of major accidents are managed by the Group companies through their respective management systems and in line with the principles of the policies adopted on the matter and the related organizational structure.</p>
	<p>Loss of classified data and information</p>	<p>With specific reference to the risk of data loss, there are procedures and regulations in place which describe roles and responsibilities regarding classified information. In particular, Avio S.p.A carries out training sessions on the correct handling of classified information. Furthermore, ICT Area is responsible for monitoring the risk of loss of electronic data and undertakes to ensure that classified information is treated according to current legislation, as certified by the approval granted following the 2018 inspection visit by the Presidency of the Council of Ministers Department for Information and Security.</p>
	<p>Risk that unauthorized external or internal entities fraudulently access strategic areas, steal strategic information / material, generating damage to structures, equipment, products and people.</p>	<p>The Company has equipped itself with advanced security systems (including CCTV cameras, security staff, alarm systems), has defined a system of procedures that describe roles and responsibilities in security matters.</p>
<p>Social Supply chain</p>	<p>Lack of transparency in supplier selection processes</p>	<p>For Avio S.p.A., SpaceLab S.p.A., Se.Co.Sv.Im S.r.l. and Avio France S.a.S., purchasing management is centralized under the responsibility of the Purchasing Department. The selection process is formalized in internal qualification and performance evaluation procedures</p> <p>Regulus independently manages its suppliers by adopting the principles and guidelines issued by the parent companies (Avio S.p.A. and Ariane Group).</p>
<p>Governance Ethics and integrity, corruption prevention and regulatory compliance</p>	<p>Corruption events in the Group's processes and activities</p>	<p>The Company has adopted the Group's Code of Ethics, which defines the prevention principles in this matter, as well as the Organization and Management Model pursuant to Legislative Decree 231/2001, which defines the control standards in the field of corruption, both active and passive. Furthermore, the Anti-Corruption Code was introduced in 2018.</p> <p>The Group also disseminates anti-corruption policies to all staff through communication and training.</p>

Environment	Environmental pollution liability	Analysis of technical and operational risks and analysis of the environmental context.
		Environmental management system certified in accordance with ISO 14001 certification.
	Environmental pollution liability	The Group Companies operate for the management of remediation activities by virtue of Program Agreements signed with the Competent Authorities, permits and authorizations issued by the latter.
		The Group Companies also apply the procedures provided by the management systems in compliance with international principles and standards.
Personnel	Risk of contagion	The Group has always activated and worked in order to deal with the emergency epidemiological of Covid-19 by immediately implementing all provisions governmental, as well as putting into practice all national protocols provided with continuous updating of both the DVR document and sending communications to employees relating to the containment measures of Covid-19 in order to educate them on the behaviors to adopt. In this regard, Avio has set up for this purpose an internal Covid-19 Committee that has taken immediate action risk mitigation and has drawn up a document called "Management of the Covid-19 Crisis ", containing a series of provisions gradually more stringent for the contrast and containment of the spread of the virus in accordance with the Protocol signed between the Government and the Social Partners.
	Occupational Health and Safety Risks	The Group has adopted an Occupational Safety Management System pursuant to UNI 45001. In addition, the Group has implemented safety management systems defined in compliance with the Seveso III Directive and the national transposition standards (Legislative Decree 105/2015).
	Compliance with Legislative Decree 81/08	Analysis of technical and operational risks and analysis of the environmental context. Health and safety management system certified according to the "worker health and safety" certification, in compliance with the UNI 45001 standard
	Work-related Accidents	Analysis of technical and operational risks carried out through risk assessment pursuant to Legislative Decree 81/2008. Occupational health and safety management system certified according to UNI 45001.
	Risks associated with the use of explosive materials	The process appears to be managed and formalized. Impossibility of untraceable changes to the systems. Obtained certifications regarding plant safety. Insurance policies have been taken out.
	Work-related Accidents (Avio subcontractors)	Procedures that describe roles and responsibilities are in place.
		A health and safety management system is in place. Training and auditing of external companies regarding health and safety.
		The internal control system is formalized and structured on current legislation (Legislative Decree 81/08 - health and safety at work).

Personnel	Loss of strategic and technical know-how	The Company has progressively established a series of retention mechanisms consisting of various benefits. The monitoring of skills and the attribution of a variable bonus based on merit is envisaged. In addition, wage increases are planned. With respect to the adoption of succession plans, the Company has developed a structured delegation mechanism for the management of potential key personnel losses and has completed the process of "mapping" potential successors. A salary analysis was carried out (market benchmark) and a weighting of the executives-officials-cadres on the total workforce.
	Bad management of relations with unions	Avio constantly strives to forge profitable and positive relationships with unions. In this regard, Avio plans frequent meetings, both formal and informal, between the various Group companies and the unions. During such meetings, for example, changes to company regulations are discussed. The CEO meets union representatives once a year.
	Personnel selection process inadequate for attraction and talent input	Avio has defined a system of personnel selection procedures that describe roles and responsibilities. In addition, Avio promotes brand awareness, underlining the Group's importance for Italy in the aerospace market, as a lever to attract new talent. The recruiting process is managed in collaboration with head hunting companies, in order to carry out targeted research in light of the technical skills that the Group needs.
	Risk related to the person and safety of Avio employees abroad (or business travelers) caused by episodes of violence (acts of terrorism, riots, accidents, etc.) or by weather emergencies (earthquakes, typhoons, floods, etc.)	The Group has put in place formalized procedures that describe roles and responsibilities in relation to the safety of Avio personnel abroad or on business trips.
	Human rights violations	The Group recalled the ethical principles related to human rights within the corporate organizational model and the 231 guidelines.
Climate Change	Risk related to higher energy consumption due to external climate changes	Avio has equipped itself with measurement systems that allow continuous monitoring of consumption and assess the economic impacts due to any sudden increases in absorption linked to external climatic conditions.

The risks and the assessment of the internal control system and the related mitigation actions are included in the Risk Register, which is periodically updated with the risk owners and risk specialists based on an annual plan approved by the Board of Directors with the support of the Control and Risks Committee.

Once the risk assessment activity has been completed, the file register is made available to the Internal Audit function for the preparation of its audit plan from a risk-based perspective including also the ESG scopes.

The Internal Audit structure, on the other hand, has the task of providing independent assurance on the ICRMS, aimed at improving the effectiveness and efficiency of the organization and is responsible for verifying that the ICRMS is functioning and adequate in relation to the size and the operativity of the Group. The Internal Audit also verifies that the risks are managed consistently with the resolutions of the Board of Directors, the external and the internal rules of the Group.

Furthermore, Avio is equipped with a Quality Management System adopted voluntarily and in compliance with the international standard ISO 9001 / EN9100.

In relation to the management of specific risks, however, the other Company Management Systems (Health and Safety in the workplace and Prevention of Major Accidents and the Environment), respectively compliant with UNI ISO 45001 and UNI EN ISO 14001, have management procedures and dedicated operating instructions, in compliance with the requirements of the reference standards. The analysis of specific risks relating to the Environment, health, safety and Seveso is coherent with what established at the company level by the Risk Management structure.

The current year saw the entire Group face again the contagion risk emergency given from the evolution of the pandemic, which led, in addition to the updating of the risk mapping, also to the immediate preparation of a series of contrast measures, in compliance with the Government-Trade Unions shared Health and Safety Protocol in the Workplaces, also adopting additional precautions to the protocol itself and including the travel management for the Launch campaigns.

5. AVIO'S RESPONSIBLE BUSINESS MANAGEMENT

A management and organization model based on ethics, quality, innovation and safety is Avio's common heritage shared, on one side, with the Code of Ethics and with the various company policies and on the other with management and control tools, which include Risk management and the adoption of procedures that monitor the conduct of company activities, in the awareness to operate in the interest of all stakeholders and the community in general, as sanctioned by the Group's Code of Ethics.

5.1. Pillars of Identity and Values

Avio aims to build a growth strategy that makes the design and innovative services offer its strategic business approach. The principles of responsibility, at the basis of this approach, are concretized in a management model that enhances the relationship of solid trust with all the actors and contacts, prevents the risks of a constantly evolving scenario, identifies and interprets the business emerging needs in line with investment needs and sustainable growth.

Avio therefore pursues a strategy focused on creating value, based on choices at increasing maximum customer satisfaction, through the supply of innovative products and services, in constant compliance with the principles of fairness and correctness in management of employment relationships, the worker safety rules and applicable laws, in line with ethical standards and transparency, professional development, well-being and quality of work, defense of equal opportunities and promotion of a corporate culture favorable to diversity.

To keep alive this objective, Avio Group requires its employees, in carrying out their duties, to comply with the highest standards of conduct as established by the new Code of Ethics.

The new Code of Ethics is in line with the purpose and values of Integrity, Trust, Responsibility, Transparency, Respect for diversity, Commitment, Professionalism and Confidentiality of the previous Code of Conduct, principles that have been promptly taken up and more specifically set out in the text of the Code.

5.2. Code of Ethics

The Company, aware of the need for and importance of creating value from the medium to long term, has updated its Code of Ethics, in order to adapt it to the evolution of civil sensitivity and relevant regulations.

The revision and updating of the Code started from its name, from "Code of Conduct" to "Code of Ethics", pursuing a spontaneous adaptation to the Group's values; the review also involved the use of the term "Person" to replace the formula "Employee", just to demonstrate the inclusion pursued by the Group; as well as the integration of business conduct policies on "Environmental", "Social", "Governance", "Human Rights", "Confidentiality" and "Health, Safety and Hygiene".

Last but not least, the Code of Ethics has been updated in line with the progressive maturation and growth path that the Company is implementing in the area of cybersecurity, with the aim of maintaining compliance with management standards and application of the regulatory changes that have taken place.

The corporate governance system, aligned with the provisions of the Code of Ethics, has the objective of contributing to the achievement of sustainable success, maximizing value for Stakeholders, ensuring the highest levels of transparency and integrity in the conduct of business activities and the corporate risk control system.

The Group's Code of Ethics, therefore, updated in 2021, aims to define and communicate to its recipients the values and principles of conduct which they must abide by in carrying out company activities and in relations with all the subjects the Group works and relates (stakeholders, customers and suppliers).

The Code of Ethics is applicable to the entire Avio Group and defines the principles of conduct that constitute the practical declination of the ethical principles, which all recipients of the Code of Ethics must comply and define, together with the policies, the company controls in charge of supervising the application of the principles of conduct as well as the commitments and responsibilities of employees and constitutes the program to ensure effective prevention also in terms of health, safety, hygiene and the environment.

The recipients of the Code of Ethics are also the corporate bodies of Avio S.p.A. and its subsidiaries, all employees of companies belonging to the Group and all other subjects or companies acting in the name and on behalf of one or more companies of the Group or with which, it has business relationships on a lasting basis (suppliers, consultants, experts, agents and dealers). All recipients undertake to respect the values set out in the Code of Ethics and certify this commitment by accepting and signing it.

Everyone must comply with the laws and regulations applicable in the various geographical contexts in which Avio operates and base own its behavior on the provisions of the Code of Ethics.

The Code of Ethics is the guide to follow and strengthen the sense of belonging to the company and compete fairly on the market, improve customer satisfaction, increase shareholder value and develop skills, human and professional growth of their own resources.

It constitutes a fundamental element of the internal control organizational model, which Avio Group undertakes to constantly strengthen and implement

The Code of Ethics is based on the following guiding values:

- Ethical principles of correctness, transparency, honesty and integrity which both internal staff and collaborators, suppliers and those to whom Avio is linked, must comply from close commercial relationships, These are ethical principles to which Avio is inspired in order to compete effectively and fairly on the market, meet the expectations of the territories community in which it operates, improve the satisfaction of its customers, increase the value for shareholders and develop the skills and professional growth of their resources.
- Conduct rules: define the guidelines and rules which all recipients of the Code of Ethics are required to comply with to respect the general principles and to prevent the risk of unethical behavior; conduct rules present in the Code of Ethics cover the non-financial issues dealt with in this Declaration.
- Implementation and control methods: define the company controls responsible for supervising the application of the Code of Ethics, as well as the reporting systems that can be used by the recipients, the monitoring system for the implementation of the principles and for the observance of the Code of Ethics and for its continuous improvement.

Avio attention to human rights

Avio has always recognized the centrality of human rights and, the respect for the integrity of each employee, represents an essential priority for Avio in the conduct of its business and a fundamental requirement for the development of a collaborative and reliable work environment inspired by loyalty, correctness, compliance with company principles and current legal obligations.

To this end, moreover, the Group undertakes not to entertain relationships with suppliers, partners and customers who employ practices attributable to violations or abuses of Human Rights. In fact, Avio requires its suppliers and subcontractors to contractually accept the company Code of Ethics, in order to ensure compliance with the same principles in the conduct of their activities.

To disseminate these principles and update people on policies and procedures relating to respect for Human Rights, Avio promotes structured and constant training courses.

Within the Code of Ethics and Regulus Ethics Charter, the Group expresses its responsibility to combat and protect workers from any form of harassment or unwanted behavior, such as those related to race, sex, religion or other personal characteristics, which have the purpose and effect of violating the dignity of the person. Avio also condemns the irregular employment relationship, the use of child labor and any form of exploitation and undue advantage.

These ethical principles are promptly referred to in the corporate Organizational Model and the 231 Guidelines, where the failure to comply, could expose the Group to sanctions and proceedings related to the crimes that fall within the scope of Decree 231. With regard to this latter risk, also in 2021, a specific course was provided to all employees through e-learning methods and to the top management through an ad-hoc meeting with a specialized teacher.

The Group also operates in compliance with the dignity of its Employees, fostering a system of relationships and constructive dialogue with the staff that nourish their motivation and sense of belonging and encourages their direct involvement.

During the year, no episode of actual or even alleged discrimination or violation of human rights was detected or reported.

Following the example of the Parent Company and in line with the high standards adopted by the same, Regulus has drawn up the Charte Etique (hereinafter also the "Ethics Charter") which, divided into three themes - protection and respect for employees, compliance with laws, regulations and partner regulations and requirements - applies to all employees of the company, both internally and externally, insofar as an external commitment may be affected by a clause in the Charter.

5.3. Policies for the management of Environmental, Social and Governance aspects

Together with the Code of Ethics, the Group has adopted company Policies aimed at the main operating areas, briefly described below, which express corporate commitment to ensure socially responsible conduct and to manage the most relevant corporate processes.

The Quality Policy, in application of the activities carried out at the Colleferro and Airola sites, defines the fundamental guiding values that drive the conduct of Avio S.p.A., such as respect, people's motivation, customer satisfaction, in order to exceed their expectations, and the creation of value aimed at maintaining over time the highest levels of excellence in terms of Quality, product performance, competitiveness and level of service, in compliance with mandatory regulations. The quality management system operates in compliance with the requirements dictated by the international standard UNI EN ISO 9001: 2015, certified by an independent external body and subject to periodic updates, as required by the standard itself.

The Group considers quality a fundamental element of the corporate strategy and promotes compliance with it at all levels of the organization by disseminating and supporting the commitment to meet the requirements of the Quality Management System.



On 24 September 2021, Avio won "the Leonardo Quality Italy Award" from Leonardo - Italian Quality Committee for the excellence of Made in Italy, which sees our company stand out as a company at the cutting edge of technology in the world. The Award was handed to our CEO Giulio Ranzo during a ceremony held in the presence of the President of the Republic Sergio Mattarella.

The Health and Safety at Work and Prevention of Relevant Accidents Policy, applied to the activities that take place in all the Company's sites, sets out the priority aspects for Avio S.p.A. in the conduct of its activities, namely the protection of the health and safety of workers and the community, the safety of plants, the control and minimization of risks, the prevention of accidents and occupational diseases, in full compliance with applicable legislation and other requirements regarding workers health and safety. It is Integrated Management in the System for Health and Safety Management and the Prevention of Relevant Hazards, certified in accordance with the ISO14001 standard by an independent external body, and is subject to periodic updates, as required by the standard itself.

In addition to pursuing the improvement of safety and health in the workplace and towards internal resources, Avio invests in the safety of the environment in which it operates, to allow people to work in a safe and comfortable environment.

The Environmental Policy contains the principles that the Company is committed to respecting in rigorously carrying out its activities, in all corporate units, to mitigate possible negative effects on the environment, safeguard the ecosystem and increase its beneficial impacts, contributing through its projects to address the main global environmental challenges. It is based on the

Integrated Management System for Health and Safety and the Prevention of Relevant Hazards, certified in accordance with the ISO14001 standard, by an independent external body, and is subject to periodic updates, as required by the standard itself.

The Product Safety Policy is based on compliance with company procedures, customer needs and current legislation, and is guaranteed by the continuous training and information of personnel on safety during maintenance activities and by the analysis and assessment of the Human Factor risk.

Since 2014, in line with the aforementioned policies, Regulus has adopted a Politique en matière de Qualité, de Santé et Sécurité au travail et de respect de l'Environnement (hereinafter also "Policy on Quality, Health and Safety at work and respect for the environment") in which are specified the objectives at the basis of its corporate conduct - human health and safety, respect for the environment and customer satisfaction - declined in a series of commitments aimed at achieving the highest levels of environmental, health and workers safety protection.

5.4. Business ethics and fight against corruption

Integrity and the fight against Corruption are fundamental values for the Group, which are expressed in a Corporate Governance and policy model built on ethical principles and on the commitment to correct and transparent management of the business, addressed to counteracting any risk of corruption in compliance with regulatory framework and the company Code of Ethics.

In this context, the following risks are particularly relevant:

- To fraudulent behavior by employees such as corruption or donations towards a public official and / or third parties;
- To not-compliance with the rules governing relations between States in the field of import / export, with consequent loss of the licenses necessary to operate the business.

Based on the provisions of the Group Code of Ethics as well as the Regulus Ethical Charter:

- The directors, managers, employees and other addressees of the Code and the Ethical Charter must comply with the standards of integrity, honesty and fairness in all relations within and outside the Group;
- Any kind of corruption is prohibited, both towards public officials and private citizens.

"Active" crime prevention is guaranteed by the Organizational Model adopted and implemented in Italy by the Board of Directors pursuant to Legislative Decree 231/2001 (hereinafter also "Decree 231"), as well as by the Supervisory Body (hereinafter "SB"), which carries out, among other things, the task of supervising the effectiveness and observance of the Model as well as overseeing its updating. The system provides suitable policies and measures to ensure that activities are carried out in compliance with the law and that crime-related risk situations are identified and eliminated. In fact, the Group, as mentioned in the Code of Ethics, scrupulously observes current legislation and the provisions issued by the SB, promptly complying with all their requests and avoiding obstructionist behavior.

The Code of Ethics and Model 231, as previously highlighted, are subject to periodic reviews and updates over time, which ensure compliance with both legislative and organizational changes in the meantime intervened.

Moreover, Anti-Corruption Code drawn up in 2019 aims to:

- Express Avio's commitment to the fight against corruption and to comply with provisions;
- Define the principles for identifying and preventing potential episodes of corruption, in order to protect the Group's integrity and reputation;
- Clearly communicate anti-corruption principles to interested parties inside and outside the Group.

Anti-Corruption Code applies to all Group employees and, more generally, to all those with whom Avio comes into contact during its business.

Model 231 represents an opportunity to improve the Corporate Governance and, at the same time, sensitize and guide all the resources who work in the name and on behalf the Company with respect to the issues of corporate process control. In particular, following the business integration of Avio with Space2 S.p.A. Company listing on the STAR segment of the Stock Exchange as well as the subsequent corporate reorganization, it was necessary to update the 231 Model in relation to corruption between individuals, as well as the inclusion of the new Special Section dedicated to administrative offenses and abuses of abuse market.

Following the additional regulatory changes that took place, on 11 May 2021, the Avio MOGC was (i) updated with reference to (i) the General Part; (ii) introduced a new Special Section (Special Section 9-bis), aimed at specifically regulating the types of offenses committed in violation of the rules on Cybersecurity; (iii) introduced a new Special Section (Special Section 13) dedicated to monitoring the risk of committing smuggling offenses; and (iv) the Special Part 1 of the Model, dedicated to crimes in relations

with the Public Administration, was updated in order to adapt it to the inclusion in the catalog of predicate crimes of the type of crime of fraud in public supplies as well as the extension of the relevance of some predicate offenses with respect to the harm to the financial interests of the European Union.

Similarly, SpaceLab and Se.Co.Sv.Im. have equipped themselves with a 231 Model, subject to periodic reviews and updates over time.

Avio Board of Directors, already in 2018, approved the Whistleblowing procedure, referred to in the updated Model 231, aimed at regulating the management of the process of receiving, analyzing and processing reports relating to possible crimes, unlawful conduct and, in kind, of any conduct that is irregular or contrary to company procedures. To this end, the Group has prepared an e-mail address of the Supervisory Body which guarantees the confidentiality of the whistleblower and protection from any form of retaliation. This is a channel to strengthen the collection of reports of any malfunctions of the organizational structure or of the internal control system as well as any other irregularities in the management or violation of the rules governing Avio's activities.

Model 231 is disseminated and communicated through continuous information and staff training activities which are provided both in e-learning mode and through participation in classroom courses.

In line with the previous years, also in 2021, one-to-one training was provided to the top managers, who report directly to the CEO, on the principles inherent to the Code of Ethics and the Model 231.

In addition to the training addressed at individuals at risk, the Code of Ethics and its periodic updates are submitted for signature and acceptance by all employees of the Italian companies, including the new hires.

Regulus, on the other hand, despite not having provided specific training courses on these issues, also in 2021 communicated its Ethics Charter to all employees and, also, to all the new hires.

With reference to the subsidiary Regulus, it should be noted that the latter already in 2018 adopted its own Anti-Corruption Code in line with the provisions of the Sapin 2 Law.

During 2021, Avio confirmed its adhesion for the next two years to the Business Integrity Forum (BIF), an initiative of Transparency International Italy which brings together large Italian companies already active on the issues of integrity and transparency that, through it, undertakes to prevent and fight corruption in business practices by adopting and spreading anti-corruption tools, practices and a greater culture of legality.

Joining the Forum, for Avio, has the objective of continuing to raise awareness of the issues that characterize the Company, relating to transparency, integrity and corporate social responsibility, showing its support for the fight against corruption in order to achieve a system-wide impact.

In 2021 Avio also continued to make its contribution in the various events organized by Trasparenza Italia, such as:

- On June 16th, 23rd and 30th, 2021 Avio attended to the BID Integrity and Technology event, organized by Transparency International Italy, concerning innovation and new approaches to the fight against corruption;
- On October 15th, 2021 Avio attended to the event "INVITATION BIF Talks in Pisa, which had, as its principal theme, the use of technologies in the prevention of crimes and in support of integrity.

Also, in 2021, Avio attended to the opening meeting reserved for BIF members and some other companies invited online, where the activities planned for 2021 were presented and discussed on various topics.

Moreover, the company cooperates assiduously with the Italian Transparency and Anti-Corruption Association (AITRA) which has recently developed, in synergy with the National Council of Chartered Accountants and Accounting Experts and the National Foundation of Accountants, a position paper concerning "whistleblowing". In particular, an analysis was conducted on the similarities and differences that the whistleblowing discipline presents in the public and private spheres. In addition, the aspects of the discipline that impact the functions of the control bodies mainly concerned, the person responsible for the prevention of corruption and the Supervisory Body, whose roles in some circumstances tend to overlap, were examined.

In 2021, AITRA has also stipulated a memorandum of understanding with the Privacy Guarantor. The Authority and the Association, under their respective profiles of competence, are engaged in the development of activities to prevent and combat corruption and illegality in the public administration, with particular focus on the issues of transparency and accessibility to information, data, and documents.

In this regard, AITRA organized, during 2021, several webinars on anti-corruption issues, on the evolution of anti-corruption compliance systems between business integrity and sustainability, some of them listed below:

In this regard, AITRA organized, during 2021, several webinars on anti-corruption issues, on the evolution of anti-corruption compliance systems between business integrity and sustainability, some of them listed below:



With reference to the foreign companies of the Group, Avio Avio has, during last years, planned specific "Guidelines 231"⁹, in line with the Model adopted, pursuant to Legislative Decree 231/2001, which report the general and specific behaviors to be implemented in the conduct of activities considered sensitive, in compliance with the rules applicable in the countries in which they operate. The Guidelines represent a point of reference for the foreign companies of the Group.

Finally, it should be emphasized that all Group companies also provide for periodic assessment and audit activities on company processes, planned in the various audit plans, including those areas that may have an impact on the risk of corruption (e.g. purchases, transactions financial, relations with public entities and / or entities).

[GRI 205-1] Number and percentage of Group processes assessed for risks related to corruption. ¹⁰

Processes assessed for risks related to corruption	u.m.	2019	2020	2021
Processes assessed for risk related to corruption	N.	20	20	20
Total processes		31	34	33
Percentage of processes assessed for risk related to corruption	%	65	59	60

Avio's commitment to integrity, corruption prevention and regulatory compliance is rewarded by the absence, in 2021, of competition and antitrust lawsuits as well as the absence of monetary and non-monetary sanctions received for the violation of economic and social laws and regulations and for the violation of regulations.

Furthermore, no corruption episodes were recorded in 2021.

⁹ The document was approved by the Board of Directors on 13 September 2018.

¹⁰ The figure refers to the total number of processes subjected to an assessment of the corruption risk during 2021 by Avio and SpaceLab. However, it is noted that the studies also conducted on other companies that do not fall within the scope of consolidation for the purposes of the NFS, such as Servizi Colleferro for example. In 2020, the figure refers to the total number of processes subjected to an assessment of the corruption risk of Avio and Regulus.

6. AVIO PEOPLE



Attention and steady commitment to human capital are the founding pillars on which Avio has defined a development plan aimed at enhancing quality and skills, based on specific selection, training, management and remuneration policies.

Human resources are an "essential business asset" and the "real driving force of the Group"¹¹ whose development is a fundamental factor for achieving the set objectives, strictly anchored to the sustainability objectives, where the full engagement of personnel in adopting the concept of sustainability is not limited to the company's internal activities, but spreads as a verb within its community, creating essential value in promoting and diffusing a culture based on the values of sustainability and supporting conscious and responsible behavior.

In this outlined framework, at 31 December 2021, the total number of Group employees was 991, an increase of 41 units. The increase reflects the implementation of a new hiring plan that will continue into 2022.

In order to promote stable employment and long-term relationships, a high percentage of the Group's employees has a permanent employment contract (97%).

In relation to Avio¹², at 31 December 2021, there are 27 temporary workers and 61 consultants. During 2021, to further strengthen the stabilization of skills within the organization, Avio hired additional 13 consultants and 20 employees / workers on permanent contracts (staff leasing).

With regard to Regulus, generally, external personnel are used mainly for two activities: temporary reinforcements in peak periods of activity and maintenance of technical services.

The geographical area where most of the company population is concentrated is essentially Italy. The professional categories with the highest number of employees are those of white-collar workers and blue-collar workers, as a direct consequence of Avio's business model

The majority of employees (71%) are in an age group between 30 and 50; the average age of employees is 42 for the Italian companies of the Group, 34 for Avio France, 46 for Regulus and 43 years for Avio Guyane.

¹¹ Group refers to all the fully consolidated companies (Avio S.p.A., SpaceLab S.p.A., Se.Co.Sv.Im. S.r.l., Regulus, Avio France, Avio Guyane),

¹² The data refer to the Italian companies Avio S.p.A., Spaceab S.p.A and Se.Co.Sv.Im. S.r.l.

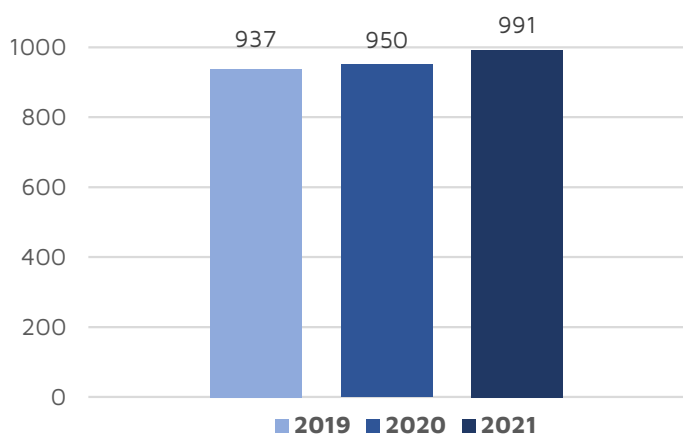
Regarding company seniority, there is a greater concentration in the "0-5 years" and "11-20 years" bands (respectively equal to approximately 36% and 26% of the population), a figure which confirms, in 2021, the growth of the Group and the strong sense of belonging to it.

The table below shows the data relating to the breakdown of employees by professional category, age group and gender :

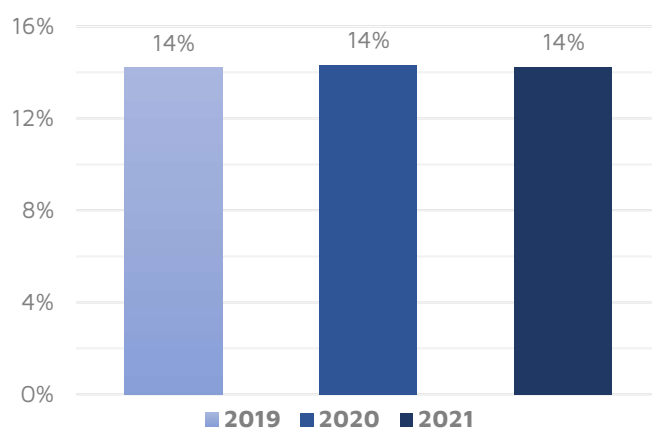
[GRI 405-1] Composition of employees by category, gender, age group and region.

Employee category	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executives	25	1	26	25	1	26	28	1	29
Under 30 year	0	0	0	0	0	0	0	0	0
Between 30 and 50 years	8	0	8	8	0	8	9	0	9
Over 50 years	17	1	18	17	1	18	19	1	20
Managers	192	28	220	199	34	233	208	45	253
Under 30 year	0	1	1	3	2	5	3	1	4
Between 30 and 50 years	124	21	145	125	25	150	137	36	173
Over 50 years	68	6	74	71	7	78	68	8	76
White Collars	251	83	334	253	78	331	273	73	346
Under 30 year	23	10	33	21	5	26	48	8	56
Between 30 and 50 years	182	61	243	187	63	250	183	57	240
Over 50 years	46	12	58	45	10	55	42	8	50
Blue Collars	336	21	357	338	22	360	341	22	363
Under 30 year	27	1	28	24	0	24	16	0	16
Between 30 and 50 years	242	16	258	250	18	268	262	19	281
Over 50 years	67	4	71	64	4	68	63	3	66
Total	804	133	937	815	135	950	850	141	991

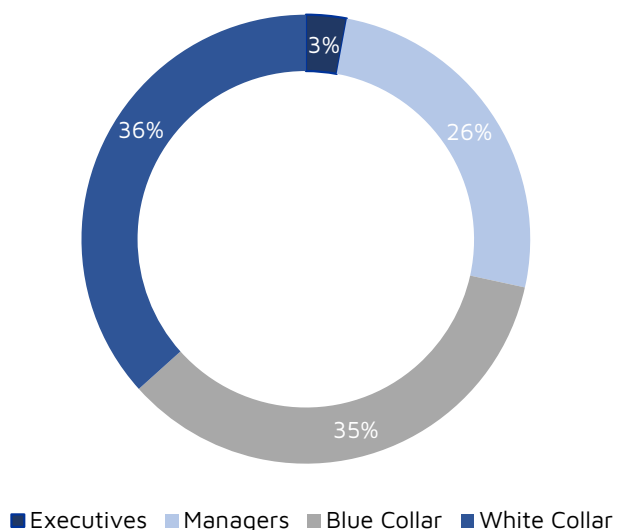
Number of Group employees



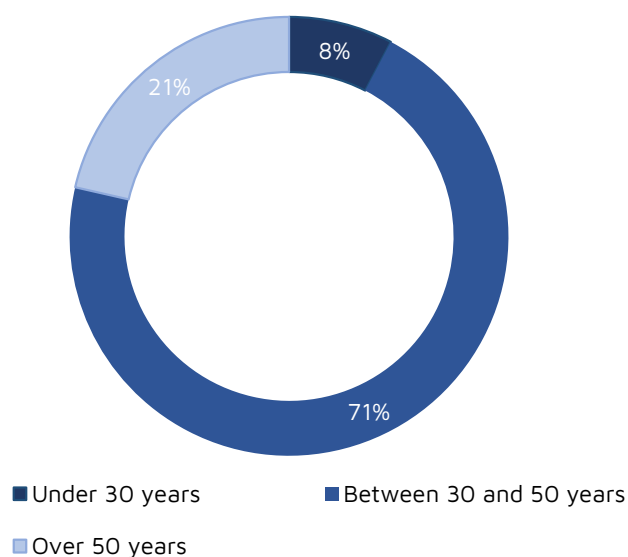
Percentage of women among Group's employees



Employees by category - 2021



Employees by age - 2021



The following tables show the employee composition of the Group distributed by type of contract and employment, broken down by gender and region¹³:

[GRI 102-8] Total number of employees by employment contract type (permanent or temporary), gender and region

Contract type	2019		2020		2021	
	Italy*	French Guiana	Italy*	French Guiana	Italy*	French Guiana
Temporary contract	19	7	19	4	25	6
Permanent contract	812	99	824	103	867	93
Total	831	106	843	107	892	99

* The figure for Italy also includes the employees of the company Avio France (5)

Contract type	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Temporary contract	21	5	26	20	3	23	23	8	31
Permanent contract	783	128	911	795	132	927	827	133	960
Total	804	133	937	815	135	950	850	141	991

[GRI 102-8] Total number of employees by employment type (full-time e part-time) and gender¹⁴

Employment type	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Full-time	803	131	934	814	134	948	849	140	989
Part-time	1	2	3	1	1	2	1	1	2
Total	804	133	937	815	135	950	850	141	991

The inclusion of people with disabilities is also a topic on which the Company has focused its attention. Avio manages diversity in accordance with the rules and practices established by applicable laws and encourages departments to include disabled resources which, as of December 31, 2021, are 21 in Italy (19 men and 2 women) and 1 (woman) in French Guiana.

6.1. Human capital management and talents retention

Human Resources Department (hereinafter also "HR" or "Human Resources"), which reports directly to the Chief Executive Officer, lead all aspects related to people management in Avio. This department is supported by corporate departments active in the definition of the needs and, if necessary, by external companies specialized in the selection and evaluation processes with the purpose to strengthen the scouting activity aligned with established processes and national and international best practices, even in the absence of formalized policies.

The Group bases its management policy on the principles highlighted in the Group's Code of Ethics and the Regulus' Charte Etique, such as respect for moral integrity in all its aspects, worker protection within a framework of constant attention to human capital, in compliance with national laws and the fundamental Conventions of the International Labor Organization (ILO) at each stage of personnel management.

¹³ The operating personnel in French Guiana includes personnel from the Avio Guyane and from the Regulus Company including seconded employees of the Avio S.p.A and and the seconded employees of the Ariane Group). A specific Site Agreement, drawn up in the interests of the various social partners, defines the details of the Agreements governing the employment relationship of seconded staff ". By "seconded" we mean the staff who are placed on leave at the Avio company and who are simultaneously contracted by the French company of reference (EUP, Regulus, Avio Guyane).

¹⁴ As of 2019, the data relating to Italy include Avio France

In December 2021, Avio Board of Directors approved a new edition of the Code of Conduct, redefined as the “Code of Ethics”, to implement the highest ethical standards in accordance with internal policies and reference regulations. The revision and updating of the Code are also attributable to the adaptation necessity to evolutions in terms of cybersecurity. In consideration of the relevance of the cybersecurity issue in the digital sphere and of the business in which the company operates, starting from September 2021, Avio Human Resources Department has provided all new hires with a regulation on the correct use of IT tools and social media to increase awareness of the associated risks and the safeguards adopted.

The Group operates in a highly specialized sector where the finding of highly qualified resources is essential; for this reason, Avio is careful to attract and identify talented people, who are characterized by both high technical-professional and managerial skills, difficult to replace and is determined to develop and retain the best talents, as well as to ensure a varied, inclusive work environment and innovative.

The personnel management model pursued by Avio is based on continuous professional development which is achieved through the constant acquisition of new skills and accompanied by a generational change, creating a reorganization process aimed at making the corporate structure efficient and producing an operating model. able to sustainably accompany the growth of the business.

From this point of view, the selection of personnel plays a decisive role in the ability to discover highly qualified skills and professionalism, recognize and enhance them in a long-term path and effectively contribute to the achievement of business objectives, leveraging the professionalism of new talents and motivating the most qualified resources, already present in the company.

In line with this strategy, the Group has implemented the methods of managing the personnel selection and hiring processes, in compliance with company principles, in order to have competent personnel to cover corporate roles. This procedure applies to the entire Group, compatibly with the internal laws and regulations of the foreign companies, and defines the operating procedures necessary to:

- define and validate the needs (ie the criteria in terms of responsibility, planned activities, technical and managerial skills, education, professional experience), monitoring the results in correlation with the requests expressed;
- define the process of recruiting and selecting people;
- manage the reception and therefore the induction of each new employee.

The Group recognizes the importance of developing and training its resources, so that they become the added value necessary for achieving a leadership position in the market in which it operates, and in continuing to strengthen its positive reputation.

Following this criterion, the Group undertakes to constantly ensure the personal growth of its people by promoting a stimulating and constructive work environment through investments in training and development, targeted strategies to enhance talents, their diversity and cultivating initiatives aimed at fostering a strong sense of inclusion and belonging to the Group.

The selection phase is as crucial as the actual placement in the company. For this reason, a structured induction process has been created, aimed at helping those who arrive in the company to integrate quickly, creating a relationships network s and becoming familiar with the organizational culture of the Group.

Get on Board Day is an event completely dedicated to the new hires whose goal is to offer a warm welcome, illustrate the group's activities, prospects and future objectives. For further details, see next paragraph.

During the year, in line with the launch of the new corporate organization and in particular the assignment of new tasks / responsibilities with respect to the various corporate programs in place, Avio implemented a substantial Merit and Development Plan which involved a total of 35% of the white-collar population. Furthermore, in the last quarter of 2021, an enhancement and development project was launched that will be completed in 2022.

In terms of welfare, given the persistent state of epidemiological emergency from COVID-19 and in accordance with art. 90 of the “Relaunch” Decree, working parents with at least one child under the age of 14, continued to take advantage of the smart working as well as ad hoc smart working measures were studied for other categories of workers.

Despite the business commitments the Group had to face, combined with the corporate reorganization policies implemented, it has been tenaciously engaged in maintaining the Group's attractiveness as Employer.

In order to avoid repercussions on its business, Avio undertakes to manage its workforce and in particular corporate changes. During 2021, 124 people were hired in Italy and France and 11 people in French Guiana, recording a Group rate of 13.90. Among the hires, in Italy, 34% is represented by young people under the age of 30, demonstrating the Group's commitment to investing in new generations. During the year, the negative turnover was 8.41% in Italy and 19.19% in French Guiana and is linked to a total of 94 people who left the Group due to retirements, resignations and layoffs.

Below is a breakdown of the hires and employees who left the Group¹⁵:

[GRI 401-1] Total number and rate of new employee hires by age, gender and region

Employee category	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
	Italia*								
Under 30 years	25	9	34	17	0	17	34	8	42
Between 30 and 50 years	75	16	91	35	5	40	63	14	77
Over 50 years	9	0	9	2	0	2	3	2	5
Total Italy (n.)	109	25	134	54	5	59	100	24	124
Total Italy (%)	15.31	21.01	16.13	7.51	4.20	7.04	13.07	18.90	13.90
	French Guiana								
Under 30 years	2	0	2	2	1	3	1	0	1
Between 30 and 50 years	7	1	8	4	2	6	7	2	9
Over 50 years	1	0	1	5	0	5	1	0	1
Total French Guiana (n.)	10	1	11	11	3	14	9	2	11
Total French Guiana (%)	10.87	7.14	10.38	11.96	20.00	13.08	10.59	14.29	11.11

* The figure for Italy also includes the employees of the company Avio France (5)

[GRI 401-1] Total number of ceased and rate of turnover by age, gender and region.

Employee category	2019			2020			2021		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
	Italia*								
Under 30 years	3	2	5	5	1	6	4	1	5
Between 30 and 50 years	14	4	18	22	1	23	30	12	42
Over 50 years	18	0	18	16	2	18	24	4	28
Total Italy (n.)	35	6	41	43	4	47	58	17	75
Total Italy (%)	4.92	5.04	4.93	5.98	3.36	5.61	7.58	13.39	8.41
	French Guiana								
Under 30 years	1	0	1	1	0	1	1	0	1
Between 30 and 50 years	4	0	0	7	0	7	9	3	12
Over 50 years	2	0	2	3	1	4	1	0	1
Total French Guiana (n.)	3	0	3	11	1	12	16	3	19
Total French Guiana (%)	9.78	0.00	8.49	11.96	13.33	12.15	18.82	21.43	19.19

* The figure for Italy also includes the employees of the company Avio France (5)

¹⁵ Early retirement (so-called "outgoing conciliations") concerned the following categories: 1) Quota 100 (62 years of age and 38 of contributions); 2) Retirement due to seniority or early (42 years and 10 months of contributions); 3) Retirement for old age (age limit of 67). In addition, the expansion contract tool was also activated which allowed the early exit of 5 Group employees.

6.2. Training and skills development

Avio considers the training an essential tool for achieving professional growth objectives and for the satisfaction of its human resources.

Primary objective of Human Resources function is to implement a strategy that allows individual employee to develop and consolidate professional and personal skills.

in this perspective, the Group pays particular attention to the provision of training and professional growth systems in order to achieve long-term results, promoting talents attraction and affecting the Group's ability to retain and motivate key resources, reducing turnover, as well as guaranteeing stability and management continuity.

In a rapidly changing and highly competitive labor market, the main risks to which the organization is exposed, in terms of retention, are linked to remuneration and professional development policies of competitors, most attractive.

To avoid repercussions on its business, referring to the Code of Ethics and Regulus Charte Etique, the Group is committed to offering equal opportunities at work and professional advancement to all its employees, encouraging their continuous engagement.

In this regard, Avio S.p.A. adopted a specific staff training procedure which aims to establish the process and criteria for preserving knowledge as well as providing support for the acquisition and development of skills and awareness of staff. Based on the guidelines defined by the Group's HR Department, the companies define and implement an annual Training Plan at local level, to develop and extend the knowledge of the organization and ensure a business experience adapting it to the local reality.

In light of the new businesses and changes emerged in the corporate context, starting from an analysis of training needs and, in collaboration with Human Resources Department and within the assigned budget, the Companies of the Group planned useful training activities for updating knowledge and skills, identifying the appropriate training method to fill the gaps.

In support of the needs analysis, the first catalog of company training activities was established, the Training Path.

The main types of training used by Avio are classroom training, synchronous distance training (virtual classroom), seminars or webinars, e-learning (asynchronous) training and finally on-the-job training in entry and / or in support of a duties change. Furthermore, periodic evaluations are carried out through questionnaires to ascertain both the achievement of the required competence and satisfaction of the resources.

Given the persistent critical situation due to the Covid-19 pandemic, in order to have a more widespread participation, e-learning platform was improved during 2021, favoring further training in synchronous and asynchronous remote mode, guaranteeing a better visibility of the programming of training activities and feeding the virtual library with the course material making them available to all employees.

Also, in 2021, one of the training priorities for the Group's Italian companies was related to the regulatory and legal updates, provided for by the State-Regions Agreement in the health, safety and environment fields.

Avio guarantees technical and specialist updates for Group employees split by engineering, manufacturing, laboratories areas and pays attention to the improvement of language skills and soft skills strengthening.

In 2021, to support incoming training, in addition to the creation of e-learning platform training catalog thus standardizing the Welcome path for new hires, the Get on Board Day was established.

The "Get on Board Day" aims to stimulate the engagement, satisfaction and motivation of its employees and in particular, new hires detecting their opinions, through an exchange in the classroom and the filling in of an anonymous questionnaire. The purpose is to work, through the analysis of objective data, on any improvement actions. To date, two editions of it have been organized seeing the participation of 103 new hires.

Also, for Regulus, the delivery of a welcome booklet and a specific and stimulating integration path for new hires has been instituted.

A further initiative for overseas companies was the "Junior Project Guyana" which allowed participants to work on improvement projects, to experience part of the launch campaign activities and to visit other Avio Group realities, such as Regulus plant. Two editions of Junior Project were organized, one in July 2021 and one in October 2021, involving 4 people who developed 4 Individual Action Plans shared with the Company Management.

With regard to internal training, a significant project was that on Avio Quality System produced internally in Avio.

Furthermore, to support people development, specific assessments were activated aimed at identifying profiles compatible with the assigned role and in the event of any gaps, targeted coaching paths were assigned.

Soft skills for business

2021 can be considered both a year of continuity with respect to the initiatives proposed in the previous year in terms of developing soft skills and a year of new projects and initiatives. 8,460 hours of training were provided in soft skills area, involving the company population through the planning of specific courses. The "VALUE A" path was created, which goal was to work on the topic of Inclusion and on how transform this Value into acted out behaviour, involving managers, employees and workers. On this occasion, a social cooperative was chosen and part of the training activity had a beneficial purpose.

In support of professional growth, the catalog of Institutional training was expanded designing a new path in support of the new appointment as a "manager" with the aim of addressing issues relating to time management, people management and stress management. Transversely to the "Institutional" activities, individual courses were organized on various topics: Emotional Intelligence, Decision Making, Negotiation, Time Management, Effective Communication, Public Speaking, Recruiting and Training of Trainers. During 2021, the Company Management also focused on the provision of methodological courses such as 8D, Project Management and Yellow Belt (with relative certification exam). A training course on Awareness of Human Error was also designed for the staff involved in launch campaigns.

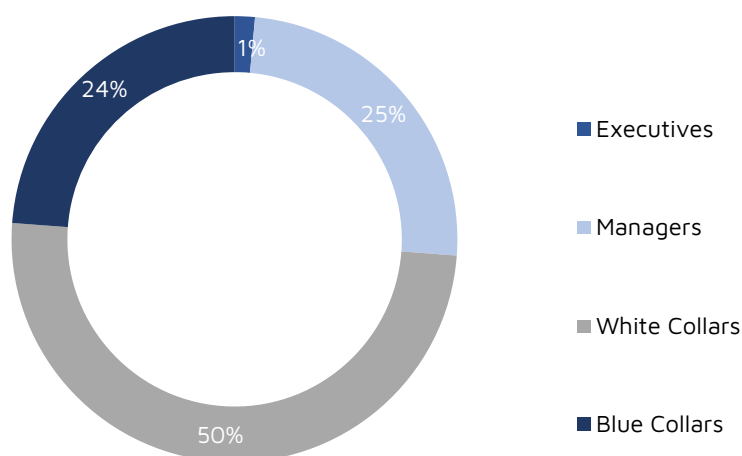
Based on the different professional contributions, the Group favors various training courses in a structured way: "general", relevant to the concepts of quality management; "targeted", for individual specialist activities; "technical training", for personnel whose operational ability has influence on quality product, including qualifications in accordance with the provisions of the applicable legislation.

In 2021, a total of 25.431 hours of training were provided, distributed as follows: 1% executives; 25% managers; 50% white collars; 24% blue collars.

Total training hours by employee category.

Employee category	U.m.	2019			2020			2021		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
Executives	N.	447	13	460	757	5	762	316	52	368
Managers		3,852	763	4,615	3,758	1,011	4,769	4,775	1,390	6,165
White collars		4,770	1,766	6,536	5,558	1,749	7,307	9,178	3,775	12,953
Blue collars		5,160	190	5,350	4,028	356	4,384	5,607	338	5,945
Total	N.	14,229	2,732	16,961	14,101	3,121	17,222	19,877	5,544	25,431

Percentage of training hours by employee category - 2021



[GRI 404-1] Average training hours by employee category and gender

Employee category	U.m.	2019			2020			2021		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
Executives	N.	18	13	18	30	5	29	11	52	13
Managers		20	27	21	19	30	22	23	31	24
White Collars		19	21	20	22	22	22	34	32	37
Blue Collars		15	9	15	12	16	12	16	15	16
Total	N.	18	21	18	17	23	18	23	39	26

The Group has also active collaboration with the best Italian and European universities to launch and promote research projects on aerospace activities. To date, Avio actively collaborates with various Italian and European universities, promoting research projects on aerospace activities. In particular, in 2021, an event was organized in collaboration with Luiss rugby, directed to the students of Liceo G. Marconi in Colleferro called "A goal against bullying" to raise awareness among young people on this topic.

Eventually, with a view to enhancing and developing its people, Avio defines the framework for the evaluation and development of personnel within the Company Quality Policy. The Group is especially committed to enhancing and respecting its people, with an approach based on the mobilization of knowledge, motivation and personal satisfaction.

The Group has developed two specific evaluation systems:

- The Performance Assessment System, which annually provides a performance evaluation of a segment of the company's employees (professionals and managers), with respect to the individual and company objectives set for the year. The assessment is carried out by the managers, who are responsible for assigning and sharing yearly work objectives with their collaborators. The Assessment System is communicated in writing to the interested persons, while the objectives and the assessments are tracked on a company software;
- The Skills Assessment System, updated in 2018 by HR Department, consists of a project to refocus the management competencies' framework, with the aim of adapting it to future challenges. In 2021, a Working group was established on mapping the skills related to the roles of the staff involved in the launch campaign.

In continuity with 2020, also in 2021 this model was used in personnel evaluations, in particular in the preparatory evaluations for the various promotions.

Human Resources Department, along with Industrial Operations and Quality Department, retained appropriate to implement the performance evaluation system using a mixed system, capable of measuring both the quantitative component (Role Objectives or Performance), and the qualitative component (Skills or soft skills) with the aim of maximizing the value and efficiency of performance by starting a virtuous process of improvement of business processes through the development of people's individual skills. The project, which initially was aimed only at some departments, in 2021, was extended to all blue-collar and white-collar personnel of the Industrial Operations and Quality / CDQ Department. In March 2021, after training the managers and evaluators, the evaluation forms were assigned. In November 2021, the observation phase was completed, and training was provided on the return of the feed-back addressed to the Department Managers and the assessors, with relative viewing of the evaluation forms. In December 2021 the process was concluded with the return of feedback to each worker / employee.

The project, which initially was addressed only to some departments, in 2021, was extended to all the blue-collar and white-collar personnel of the Industrial Operations and Quality / CDQ Department. In March 2021, after managers and evaluators training, evaluation forms were assigned. In November 2021, the observation phase was completed, and training was provided on feed-back restitution, addressed to the Department Managers and the evaluators with relative viewing of the evaluation forms. In December 2021 the process was concluded with feedback restitution to each worker / employee.

In 2021, regarding Regulus, a career committee was established to examine all personnel. The career committee received the outputs of the annual individual interviews and the main information collected feeds a monitoring table.

Within "VALORE A" Project, to promote gender equality, inspired by the International "Day of Women and Girls in Science" aware of the importance of gender prejudice in hindering women from pursuing a scientific career, Human Resources Department has also decided to create a webinar aimed at the female population in Avio on the Women's Day.

The purpose of the meeting was to give relevance to the Gender Equality theme and to provide training pills on Female Leadership and Stress Management. The path will continue in 2022 with other training initiatives.

6.3. Staff Remuneration

The Group updates its remuneration policies in line with the constant evolution of the regulatory framework and with the principles of its Code of Ethics and social responsibility of its corporate action. Through a merit-based remuneration policy, Avio prosecutes the goal of attracting and retaining professionally qualified people, developing their skills and abilities, supporting their affiliation through professional development and the enhancement of merit.

In this regard, the Group has adopted a Remuneration Policy in line with the best market practices, based on the principles of fairness, equal opportunities and meritocracy. This Policy expresses Avio's commitment to building a development path for employees, professionals and workers, on the basis of an annual dedicated budget. Defined by the Human Resources Department at a central level, the Policy is subsequently shared and validated by the General Management, which is responsible for the final approval of the awards and the responsibility of establishing the overall reference thresholds in advance.

The compensation packages are structured to ensure the balance between the fixed and variable component. The fixed remuneration is related to the value of the role and / or the skills of the resource for the organization, within the reference values of the National Collective Labor Agreement (CCNL) and thanks to periodic remuneration analyzes, carried out by external specialized companies. These packages are integrated by a variable share, linked to the achievement of general corporate performance objectives. In French Guyana, the Variable Remuneration is also related to the treatments due to staff as workers of the Space base.

The share is assessed collectively with the Participation Bonus (PdP) and individually, for some categories of employees, on the achievement of the annual objectives established with Variable Bonus. The performance evaluation with respect to the defined objectives is carried out by the employee's direct Manager, in compliance with the principles of correctness, consistency and objectivity of judgment.

On annual basis, the Company Management issues a Merit and Development Policy, inspired by differentiation, in which qualitative and quantitative selectivity criteria are defined, consistent with the role and responsibilities of the employees, for salary or categorical adjustments. It should also be noted that, in addition to the variable remuneration elements paid to employees since the achievement of individual and company objectives, the Group has implemented a long-term incentive plan for managerial figures with a top role within the Group, based on both economic-financial indicators and ESG indicators.

During 2021, the Group undertook to promote greater involvement of the different Departments in positions assessment, to increase the organization awareness on the attribution of levels linked to objective parameters, measured according to an internationally recognized methodology (Hay Method).

The following tables show the ratio of basic salary and average remuneration broken down by gender, category of workers and by geographic area. The table shows the high impact of variable remuneration in French Guiana which, for all staff, exceeds 50%

of total remuneration. This impact is due to the peculiarities of activities of the production site and to the related indemnities provided by local legislation equal to 65% of the base salary, which guarantee adequate benefits to the staff, as established by the Site Agreement.

[GRI 405-2] Ratio of basic salary and breakdown for employee category and region.¹⁶

Employee category	2019		2020		2021	
	Italy*	French Guiana	Italy*	French Guiana	Italy*	French Guiana
	Female/male ratio					
Executives	78%	-	78%	-	95%	
Managers	98%	80%	99%	86%	105%	72%
White Collars	99%	98%	102%	100%	96%	98%
Blue Collars	95%	-	95%	-	95	

* The figure for Italy also includes the employees of the company Avio France (5)

[GRI 405-2] Ratio of remuneration and breakdown for employee category and gender.¹⁷

Employee category	2019		2020		2021	
	Italy*	French Guiana	Italy*	French Guiana	Italy*	French Guiana
	Female/male ratio					
Executives	76%	-	72%	-	101%	-
Managers	99%	69%	99%	56%	103%	52%
White Collars	99%	82%	99%	93%	93%	89%
Blue Collars	86%	-	86%	-	88	-

* The figure for Italy also includes the employees of the company Avio France (5)

The average remuneration includes, for Italy, in addition to the basic salary, also the Participation Prize (PdP), the variable (VRL) and overtime while for French Guyana it includes, in addition to the basic salary, the variable bonuses regulated by the Space Center Convention.

6.4. Health, safety and wellbeing of employees

In Avio, health and safety theme play an important role; worker well-being is indeed not only a moral principle, but also the key to a successful performance at individual and company level. For this reason, the Group focuses and invests a great deal of energy in the management of issues related to health and safety at work, to limit, as much as possible, accidents in its offices and production plants.

The Group, in compliance with the provisions of the legislation, adopts a preventive approach, which consists in a continuous improvement of general measures for protection of Health and Safety in the Workplace, in activities involving its employees so that they are consulted, informed, trained and sensitized on the issue and in the development of research and technological innovation for the promotion of substances, products and processes increasingly compatible with the safety and protection of workers' health. In addition, Avio is aware of the importance on one way, informing and sensitizing suppliers and contractors, and on the other way, verifying that the latter adopt behaviors, practices and procedures consistent with the principles of the SSL-PIR Policy ("Policy for Health and Safety in the Workplace and for the Prevention of Major Accidents").

The main risks assessed by the organization are related to the use of explosive material and other dangerous materials used for propulsion systems of launchers and missiles and related regulatory changes. Although different and specific activities are carried out in accordance with the regulations in force, the use and production of dangerous material could cause accidents which, in

¹⁶ From 2021, the data also includes the companies Avio Guyane and Avio France. It should also be noted that starting from 2021 the data are reported rounded to the nearest unit.

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The main risks assessed by the organization are related to the use of explosive material and other dangerous materials used for propulsion systems of launchers and missiles and related regulatory changes. Although different and specific activities are carried out in accordance with the regulations in force, the use and production of dangerous material could cause accidents which, in addition to personal injury, would be able to procure delays or interruptions in industrial activities, with possible negative effects in reputational terms as well as on the Group's economic and financial conditions.

In order to fully protect and guarantee the health and safety of workers and the prevention of major accidents in all its activities, the Group has adopted policies and procedures that guarantee correct and uniform management of these issues

The Group declares its commitment to ensuring effective management of workers' health, safety and hygiene in the Code of Ethics and Regulus Charte Etique and considers these factors decisive for its success. For this reason, in compliance with corporate values, the Group is committed to promoting the application of the highest standards in terms of health and safety and the prevention of major accidents, as well as preserving the physical and moral integrity of people, starting from prevention and continuous monitoring of risks in the workplace, up to the preparation of specific mitigation measures, consolidating a culture of safety, promoting communication, involvement and awareness of all people.

Specifically, Avio S.p.A. has implemented a workplace health and safety management system (SSL), in compliance with UNI 45001 and certified by an external body, and a safety management system for the prevention of major accident hazards (PIR), complying with the Seveso III Directive on major accident risks ex. Legislative Decree 105/2015 and the Consolidated Law 18/06/1931 and subsequent amendments of the public safety laws -TULPS.

During 2021, the external certifying body carried out an integrated surveillance audit to maintain the certification, in order to verify the correctness of the application, in continuity with 2020 year which saw the health and safety system pass from the standard OHSAS 18001 to the new international standard UNI EN ISO 45001.

The Organizational Unit for Materials and Process Engineering and Health, Safety and Environment is entrusted with the overall responsibility for the implementation and control of the integrated management system SSL-PIR.

In line with this system, Avio S.p.A. has adopted the Occupational Safety and Health Policy for the Prevention of Relevant Accidents, which describes the Group's objectives in the field of occupational health and safety and prevention and control of accidents relevant to the protection of workers, the community and the environment. Moreover, the Company has adopted an SSL-PIR Integrated Management System Manual and has defined a series of procedures which regulate the activities of the various Bodies and Functions aimed at coordinating their actions, identifying potential accidents and emergency situations and define suitable response plans in order to prevent and mitigate the related risks. In particular, the response to emergency situations is defined with the preparation of an "Internal Emergency Plan" (PEI). The PEI is subject of education and training for the plant personnel, and its procedures are tested to verify and improve their effectiveness, involving the interested parties whenever possible. Intending to maintain the highest levels of excellence in the field of health and safety in the workplace over time, Avio S.p.A. has set itself the objectives of "zero accidents at work and zero occupational diseases" and "zero potentially at-risk events of a major accident".

The French company Regulus adopted the Manuel Qualité, Sécurité, Environnement (hereafter also the "Quality, Safety, Environment Manual") in which it describes the integrated management system. In terms of safety, the manual is mainly based on the international standard standard ISO 45001. The special attention paid to the protection of health and safety of workers is also expressed in the Policy on Quality, Health and Safety at and respect for the Environment, through which Regulus presents a series of commitments. The company commits to favoring continuous improvement thanks to the adoption of an adequate and effective organizational model, ensuring a rigorous management of dangerous chemical agents, and adopting practices and processes that minimize risks and reduce the probability of accidents occurring. The health and safety aspects related to workers are entrusted to the Head of the Safety and Environmental Service and the ACACIA database - Analyse des Causes et Conséquences d'Incidents et d'Accidents (Analysis of the Causes and Consequences of the Incidents and Accidents) - through which it is possible to report incidents, accidents or potentially dangerous situations in terms of safety. Regulus company has also formally adopted a Policy for Health and Safety in the Workplace and for the Prevention of Major Accidents in accordance with Directive 2012/18 / EU of 04/07/2012 (called Seveso 3).

Avio Guyane was established in 2018 and acquired responsibility for the VEGA launch production site at the CSG (Center Spatial Guyanais) in French Guiana in 2020.

The well-being of workers for Avio Guyane is not only a moral principle, but also the key to successful individual and company performance. With reference to the management of health and safety in the workplace and the prevention of major accidents, the main risks assessed by the company are related to the use of explosive-pyrotechnic material (solid and liquid propellants). Although there are specific risk reduction obligations (planning and implementation of activities in accordance with the planning, risk analysis carried out for each activity, each operation refers to a written and validated procedure), the use of explosive-pyrotechnic materials in significant tonnages, could give rise to accidents which, in a first place, could cause significant damage to people, and which would cause delays or interruptions of industrial activities with possible negative effects in reputational terms as well as on the economic, equity and financial situation of the Avio Group

Specifically, Avio Guyane has implemented a Safety management system for the Prevention of the Hazards of Major Accidents (PIR), in compliance with the Seveso III Directive on the risks of major accidents and, in 2021, passing inspections (audits) by the 'French Ministerial Body.

The participation and consultation activities of Avio Guyane workers until 2021 take place through direct contact between them. Avio Guyane will equip itself with an Economic Social Committee for the year 2022.

All necessary training activities, regulated by the French labor code, are carried out. Specifically, first training activities are provided in terms of General and Specific Training for workers and qualifications in terms of electrical qualifications, work at height, third category devices, pyro 2, emergency plan. Deadlines are correctly managed and related updates are scheduled and carried out. Upon specific needs, further training activities, in the field of Health and Safety and / or strictly related to the topic are planned and delivered.

Finally, the Company stipulated a voluntary supplementary health insurance contract for each employee.

In 2021 there was only 1 injury to an employee of Colleferro plant; the injury occurred on the journey from home to work and, therefore, can only be counted as an accident in progress. No injuries with prognosis were recorded in French Guiana in 2021.

Globally, no fatal accidents were recorded, neither among employees nor among staff with an administration contract and no cases of occupational disease were recorded. There were, also, no accidents for the Group's collaborators.¹⁸

In addition, also in 2021, initiatives aimed at prevention have been implemented, such as:

- 1) Sharing the results of the analysis of the causes with both the managers and the workers through their representatives;
- 2) References to the observance of safety rules with a vigilant and proactive spirit, with awareness of the reporting of near accidents;
- 3) Progress for monitoring the fortnightly briefings on the department DVR

¹⁸ The hours worked for the Group's collaborators in Italy amounted to 40,225 in 2019 and 38,838 in 2020 and 47,754 in 2021, consequently the injury rates for the two years are equal to 0. The hours worked for the Group's collaborators in French Guiana were estimated at 8,600 in 2019 and 9,400 in 2020 and 5,488 in 2021, consequently the injury rates for the two years are equal to 0.

[403-9 403-10] Work-related injuries¹⁹

Employees and non-employees	2019	2020	2021
	Italy*		
Total number of recordable injuries²⁰	8	4	0
Total number of deaths due to accidents at work		-	-
Total number of serious accidents at work (excluding fatalities)		-	-
Cases of occupational diseases		-	-
of which "which resulted in fatalities"		-	-
Total number of hours worked (estimated)	1,417,166	1,479,466	1,517,488
Overall recordable injury rate²¹	5.65	2.70	0.00
Rate of fatalities from injuries at work²²		-	-
Injury rate with high-consequences²³	0.70	-	-
	French Guiana		
Total number of recordable injuries	1	1	0
Total number of deaths due to accidents at work		-	-
Total number of serious accidents at work (excluding fatalities)		-	-
Cases of occupational diseases		-	-
of which "which resulted in fatalities"		-	-
Total number of hours worked (estimated)	139,428	135,743	135,630
Overall recordable injury rate	7.17	7.37	0.00
Rate of fatalities from injuries at work		-	-
Injury rate with high-consequences		-	-

* The figure for Italy also includes the employees of the company Avio France (5)

¹⁹ Starting from 2020, we proceeded with the reporting of data relating to accidents using the new Standard GRI 403, published by the Global Reporting Initiative (GRI) in 2018 to replace the version published in 2016. For this reason, the data for 2019 have been shown compared to what is required by the new indicator.

²⁰ Injuries at work or occupational diseases that cause any of the following: death, days off work, restriction of work duties or transfer to another job, medical care beyond first aid or unconsciousness, major injury or illness diagnosed by a doctor or other licensed health care practitioner, even if it is not the cause of death, days off work, restriction of work duties or transfer to another job, medical care beyond first aid or unconsciousness

²¹ Recordable work-related injury rate: no. recordable work injuries / hours worked * 1,000,000

²² Death rate: no. total deaths due to accidents at work / hours worked * 1,000,000

²³ Accident rate with serious consequences (excluding deaths): no. accidents with serious consequences (excluding deaths) / hours worked * 1,000,000.

6.5. Dialogue with Trade unions

The Group undertakes to promote a constant relationship of information and consultation with Trade Unions on issues of common interest to ensure the well-being and protection of its workers' rights.

Dialogue is achieved through a constant connection in order to promote a participatory corporate culture, ensuring a constructive dialogue, aimed at continuous understanding of the needs of the organization.

The principles of transparency, independence and integrity are the basis of the relationships maintained by the competent corporate functions with the trade unions.

With the aim of ensuring scrupulous compliance with the legislation, Avio stipulates employment contracts with its employees in line with the applicable national and international standards.

It should be noted that all Group's employees both in Italy and in French Guiana are covered by collective bargaining agreements.

Nonetheless, the Group is potentially exposed to the risk of conflicts occurring in the workplace (for example strikes, petitions) linked to situations of disagreement on certain company choices (for example negotiation of contractual conditions that are not really advantageous towards individual workers or specific categories of these.) or external factors (e.g. national and / or industry protests against government actions). The occurrence of these conditions and the presence of strikes or work interruptions in the Group's structures can expose it to the risk of a worsening of the working climate, resulting in lower productivity, greater staff turnover and potentially, also a worsening of the corporate reputation.

In this context, the periodic relations with Trade Unions are of particular importance, to constantly and preventively communicate the problems related to the business that may impact on workers.

In particular, during 2021, RSU was informed and involved on the evolution of the industrial structure and on the contraction of production hours that occurred in the first two months of the year. The closures of August 2021 and January 2022 were also successfully managed with the Trade Unions and the new regulation on availability was drawn up, as well as periodically shared company policies relating to the development and grading of workers.

At the beginning of September 2021 with the trade union OOSS, the so-called "Exit for expansion" agreement was undersigned, which allowed 5 employees of the Avio Group to access their pension earlier than the ordinary window.

In terms of conflict, it should be noted that only one employee in Italy joined the national strike proclaimed by the national federations CGIL and UIL on December 16th, 2021, while in Regulus a single strike day recorded a 25% participation in the company.

During 2021, the foreign company Regulus also signed three agreements with Trade Union representatives, one on professional equality between men and women, one on APLD and one on NAO. The "professional gender equality" agreement, signed in 2015, was renegotiated in 2021, and is the subject of monitoring indicators in the Economic and Social Database (BDES). Unfortunately, other factors entered into the psychosocial risk assessment: decrease in activity, reduction of the variable part, strong psychosocial incidence from COVID, and this was the reason APLD agreement was signed. A follow-up committee was created for COVID and an RPS committee, with working groups, for the improvement of working conditions. In addition, a QVT assessment method was launched: on the Quality of life at work with a survey that was carried out quarterly. In this context, is worth mentioning the activation of a free psychological support phone desk.

In the event of significant operational changes, it is important to note how the Group companies manage the notice period provided to employees. For this aspect, each company of the Group refers to the legislation in force in the area. With reference to Italy, the notice period depends on current legislation. With regard to the foreign company Regulus, it should be noted that in French Guiana, the notice is governed by the "Convention Collective Nationale des Industries Chimiques (CCNIC)" and provides for an information and consultation meeting that must be held at least two months before the organizational change.

COVID-19

2021 was characterized by the persistent impacts deriving from the pandemic of the Sars-Cov-2 virus (so-called COVID-19). By maintaining a high level of alert, Avio continued to guarantee the health protection of its collaborators, suppliers and customers, activating, in compliance with the regulatory provisions gradually issued by the Government, protection measures aimed at limiting the infection as much as possible by viruses and to mitigate the potential risks associated with the safe continuation of production activities.

In particular, the following actions taken by the Group are listed, by way of non-exhaustive example:

- limitation of travel to and from work and access to facilities, with the obligation of self-certification also extended to suppliers, consultants and external contractors and control of the staff's body temperature at the entrance in the Company plant;
- methods of conducting corporate meetings / meetings as much as remotely and, where in person, in compliance with the minimum interpersonal distances required by law;
- management of common places such as canteens / toilets / smoking areas / break areas whose use has been partially forbidden or suspended or in any case largely limited in compliance with the ban on gathering;
- methods of continuing work in the production departments through the use of additional specific PPE, where necessary;
- internal communication methods through timely dissemination of COVID-19 notices, issued by the specific Committee, to all employees using the existing IT platform in the Company and activation of a specific e-mail box (Emergenza@avio.com) to be used for all the needs inherent to the COVID-19 emergency and to report the presence of suspected and / or confirmed cases of contagion;
- procedures and protocols for the sanitation and extraordinary cleaning activities of the production departments and offices;
- use methods and facilitation of smart working and so-called "agile work" for activities that can be carried out remotely with the incentive of any form of flexibility such as holidays, paid leaves, as well as the other tools provided in collective bargaining.

In addition, some initiatives were launched to support all employees, such as:

- activation of additional health insurance coverage to financially support the worker in the event of COVID-19 infection;
- activation of a free online psychological support desk for all workers to guarantee health care.

COVID-19 Committee continued with precise definition of the risk assessment that became necessary due to the repeated spread of COVID-19 on the national territory.

There have been numerous new provisions addressed to defining methods of access to the company, also clarifying the cases in which access could not be allowed and the criteria for timely communication of any contact with people who have tested positive or are subjected to quarantine. Appropriate procedures have also been prepared to manage the entry and control methods of internal and external personnel:

- control of green pass, the temperature upon entering the company and delivery of a surgical mask or FFP2, depending on the risk category declared at the local government level;
- positioning in passageways and common areas of dispensers for hand sanitizing with hydroalcoholic solutions;
- periodic sanitization of offices, shuttles and company vehicles;
- collaboration of the Employer, in agreement with the Committee, for any additional Measures;
- continuous support of a "medical specialist in infectious and tropical diseases", to collaborate in the health control of the company population and psychological support;
- organization of various dynamic protocols for screening against the spread of COVID-19 contagion. Screening is implemented on the entire working population and on a voluntary basis;
- dedicated information and training (video tutorials) to all employees through official platforms as well as the company intranet, organization of dedicated webinars with the CEO and infectious disease expert;
- reorganization of travel (transport with own means, execution of tampons to and from, respect for any quarantines ...).

In June 2021, the Company activated a vaccination HUB at the Colleferro site. The HUB, requested from the competent authorities and authorized after a preventive inspection, was created with the collaboration of an external specialist medical facility with the support of a mobile resuscitation unit present on site. The vaccination HUB allowed the vaccination, on a voluntary basis, of employees who did not have one and of resident external collaborators.

Regulus, as well as Avio Guyane company, has introduced various containment measures, including:

- Establishment of a Covid Committee for enforcement;
- integration of the COVID-19 type health risk in DUER (Document Unique d'Evaluation des Risques);
- issue of a specific General Safety Instructions for COVID-19;
- specific training for employees;
- distribution of specific PPE and hydroalcoholic gel for hand washing;
- risk analysis of workstations focused on social distancing and "barrier" behaviors.

7. INNOVATION

Identifying, interpreting and promoting change are three key components in the creation of an innovation-oriented culture that ensures the development of new products and the competitiveness of Avio in a constantly evolving market.

Since its foundation, Avio has demonstrated its ability to guide and direct innovation through technologies that know no borders, projects that constantly look to the future and a strong commitment to continuous improvement.

The aerospace sector is characterized by the rapid evolution of technologies and the high level of competitiveness. It is a unique economic sector and requires, to the companies operating in this market, to carry out significant research and development activities, in order to create cutting-edge technologies and products. In this context and in line with the company's mission, Avio considers research and products and services innovation as basis for its competitive advantage.

In 2021, the Group continued its technological development activities in the following areas:

- development of new materials and processes for the construction of structures and components for liquid propulsion systems, including the study of innovative alloys for the production of ALM (Additive Layer Manufacturing) components and the optimization of the related manufacturing with the design of an intelligent manufacturing center for the production of space engine components;
- study of new ceramic matrix composites and polymer matrix thermal protections for solid propellant engines;
- extension in the cryogenic field of the production chain relating to "High Performance Composite Materials", for the creation of large cryogenic composite tanks; the development and construction of these tanks on a 1m scale;
- search for new propulsion systems, based on "green" propellants, not only for launch applications, where Avio LOx-LNG technology has reached a level of maturity consistent with industrial development, but also for orbital applications, for which the possibility of storing propellants for a long time is fundamental. In particular, the study of new generations of green energy molecules for applications in solid propulsion;
- inauguration in October 2021 of a test bench for cryogenic liquid engines test, currently aimed at the needs of the M10 engine, but which will be implemented for the testing of engines of higher thrust class (M60). Architectural studies and the feasibility phase of a specific high impulse LOx-LNG engine of the 60ton thrust class (M60);
- study of future applications and versions of the Vega launcher, as a starting point for new research and exploration opportunities, such as: accessible projects for the exploration of the solar system on the routes of NEO (Near-Earth Objects), missions service in orbit (In-Orbit Servicing), the conduct of low-cost experiments for educational and scientific purposes and the recovery of payloads with return and landing on airport runways;
- continuous development activities for a paraffin-based hybrid propulsion system whose possible application is identified in the last stage of a future evolution of the VEGA launcher. The accompanying studies for future generations of space transport services for small and medium payloads.

The rapid evolution of technologies and the high level of competition currently characterize the economy linked to the space sector. Therefore, companies operating in this reference market, are required to carry out significant activities in the field of research and development, to create the cutting-edge technologies necessary to offer competitive products.

To this end, Avio extends its scientific exchange network and partnership for the development of new products also through collaboration, in the field of research, with prestigious Italian and foreign universities and research institutes. In addition, Avio supports technical and operational collaboration with the main European Space Agencies, in particular the Italian Space Agency (ASI), the Center National d'Études Spatiales (CNES) and the European Space Agency (ESA).

The reliance of research and development activities on public clients, (e.g. ESA, ASI, ministries of the Member States, etc.) and / or the granting of public subsidies from government funds, EU funds and other entities funds, exposes the Group at the risk of not being able to find the necessary resources to perform such activities so far as the Italian government or other national and EU public authorities permanently stopping the disbursements.

Avio plans research and development activities in a competitive and pre-competitive environment, through the revision of its Research Plan on an annual and five-year basis, in line with the company's mission and vision, including self-financed or partially co-financed activities. Every activity in the Research Plan is managed through the classic corporate program development methodology, whose recordings are reported on the EPM (Enterprise Project Management) system which monitors the relative progress. In addition, three formal reviews of the activities are performed during the year.

Self-financed activities in 2021 include € 10.0 million relating to development costs capitalized as intangible assets with a finite life (€ 10.4 million in 2020) and € 2.7 million relating to research costs or costs not having the requisites for capitalization, directly charged to the income statement (2.0 million euros in 2020)²⁴.

Compared to the previous year, it was registered a significant boost to self-financed and co-financed research activities due to a push towards the evolution objectives of technologies to adapt Avio products to a rapidly evolving and extremely competitive market, preparing the transition to lower environmental impact, also through infrastructural investments.

Avio, to ensure high levels of research and innovation and increase its role in the aerospace sector, is committed to expanding the scientific interchange network and partnerships for the development of new products with various players on the international scene, as well as having joined associations categories such as the Union of Industrialists of Rome (of the Confindustria circuit) and Assonime.

Avio has established collaborations in the field of research with prestigious Italian and foreign universities and research institutes. The Group supports technical and operational collaboration with the main European Space Agencies, in particular the Italian Space Agency (ASI), the Center National d'Études Spatiales (CNES) and the European Space Agency (ESA).

Along in this direction, with the aim of giving value to the link with the territory and the local community, the Group in Italy has promoted various involvement and sponsorship initiatives addressed to incubating technical skills in the space sector.

The company is active in the environment and territory and social inclusion also through various initiatives promoted in the context of development processes:

- sponsorship of the Master in Space Transport Systems organized by the University of Rome "La Sapienza";
- granting of scholarships for doctorates in technical disciplines;
- provision of internships / curricular internships for theses on technical disciplines through agreements with Italian and foreign universities;
- sponsorship of events (national and international congresses and workshops);
- sponsorship of educational visits for students in the degree course for technical disciplines;
- identification and implementation of investments in the field of research, innovation or new technologies on the national territory, with the involvement of SMEs, Universities and Research Bodies.

Furthermore, in this field, there are active collaboration with the University of Rome La Sapienza, with the Polytechnic of Milan and with the University of Bologna – Forlì. During 2021 AVIO organized, in collaboration with CTNA and DASS, the Workshop "Space propulsion: future scenarios for access to space" simultaneously to the inauguration of the SPTF bench for the testing of cryogenic liquid engines.

The effects on the territory and on the local communities of all these activities carried out, have various benefits on the creation of an induced in innovative and critical technologies with opening on the value chains of PMI in the territory, on the creation and incubation of skills to the state of art in the technical field for the space sector, with opportunities for internalizing exchanges and spin-offs to other industrial sectors and services on the awareness for the community and for the territory of the opportunities provided by the availability of access systems to space, such as for example space missions proposed by Italian universities or Italian Research Institutions, including those for demonstration in orbit or for training purposes, based on access to space through Vega.

Avio's ability to innovate and to make its know-how a strategic lever to maintain its technological and commercial competitiveness, can also be measured by the patents filed over time. In fact, in order to protect intellectual rights, at the end of 2021, 18 patents have been filed (already recognized or awaiting confirmation by the competent Offices) mainly focused on products and technologies integrated in the manufacturing processes.

²⁴ In order to ensure the comparability of the data with what was published in the previous NFS, it is reported that the costs for pre-competitive research activities incurred by Avio in 2021 increased by 18% compared to the previous year, reaching a total of € 7,987,720. of which about 21% self-financed and 79% co-financed. Research and development activities also required the important contribution of Avio people who dedicated over 47,551 hours in these activities.

8. QUALITY AND SAFETY IN AVIO

8.1. The quality of the company's processes as a safeguard for the quality and safety of products and services

The quality and reliability of a product or a service are directly related to the ability of the Group in creating the right conditions to enable the discovery of new applications and technologies. Technologies represent the necessary tool to optimize the working processes, guaranteeing products with excellent quality standards compatibly with the protection of the health and safety of workers and respect for the environment.

As evidence of the primary importance of quality within the corporate development strategies, all the Group's processes that contribute to the design, development and realization of a product or service, as well as the transversal processes, are subject to mapping in the context of quality management systems, respectively the ISO 9001: 2015 and EN 9100: 2016 standards for Avio S.p.A., and ISO 9001: 2015 for Regulus.

Due to the certification maintenance rules until the three-year expiry (March 2023) of the Avio certification, in January 2022, a certification maintenance audit will be carried out by the certifying body RINA.

These systems, documented and active, are aimed at ensuring that the products and services provided meet customer expectations and the applicable mandatory requirements, as well as allowing continuous improvement of performance, in order to increase the Group's competitive position on the market. They represent a fundamental tool for defining the rules and limits applicable to quality control at all levels. The main processes are therefore regulated by procedures and practices that implement contractual rules and regulations, aspiring to maximize the quality levels of each product and process.

The Group's commitment to the quality and safety of its products and services is underlined both in the corporate Quality Policy of Avio S.p.A. and in the Regulus' Quality, Health and Safety at work and respect for the Environment Policy. In fact, both policies express a commitment to achieve and maintain over time the highest objectives of excellence in terms of quality, product performance, competitiveness and service level, always in compliance with mandatory standards. The Quality Policy of Avio S.p.A., reported in the Quality Manual and disseminated to all staff, is expressed in the following key principles and objectives:

- Proactivity: anticipate customers' expectations in terms of product and service provided;
- Compliance: meeting customer needs and expectations promptly;
- Improvement: maintaining a process of continuous improvement, extended to all business processes;
- Competitiveness: conceiving and implementing products and services in a competitive way;
- Integration: establishing relationships of mutual benefit with suppliers;
- Communication: facilitating transparent access to information.

The product safety policy, adopted by the Parent Company, identifies as guiding principles: compliance with the regulations issued by the Supervisory Authority, company procedures and requirements set by customers, as well as continuous training and information of personnel on the subject and Human Factor risk analysis and assessment, which was the subject of a specific training campaign, extended to a large number of people, and whose analysis will become an integral part of Avio's business processes from 2022.

Noteworthy, during 2021, was the change in the corporate organizational structure, also in response to the events that occurred in previous years, in particular the accidents recorded on the Vega launcher.

The new organization implemented represents a further improvement of product safety in the space transport systems.

In the process of introducing a new product (defined in the Quality System Procedures), the requirements related to aspects of safety, the environment, availability, maintainability and reliability are identified in the initial stages of development and are already traced in the high specifications level.

Most of the safety requirements are mandatory and are therefore incorporated in national and international laws, or in laws of the country in which the operational life of the product will take place. During the development and qualification process, consistently with the issue of the project baseline, the state of justification, verification, validation of the requirements is subjected to a design review, and any remaining critical points are examined and judged in the state of implementation.

For operational applications, the review is normally carried out by government agencies through a process of delegation that enables or disables operations on the product and / or its operation. The responsible for product compliance with the requirements is the Product Engineering, which signs its qualification status in conjunction with the Product Quality Manager.

The process of establishing product compliance with the requirements is articulated on the chain of technical responsibilities that corresponds to the technical organization chart of the product.

In accordance with the contractual requirements, for products sale (components, assemblies or integrated launchers) The Group is required to certify, through the Register of Individual Controls (RCI), their compliance with the requirements and to highlight any deviations. The compliance status of a product being developed to its own requirements (including safety ones) is identified in correspondence with the main design review events, through the compliance status traced in the compliance matrixes, often collected in the Verification Control Document or in the Supporting dossier. The status of the critical points (in particular, regarding to operational safety) is traced in the critical item booklet (Critical Item List). These registers, potentially subject to revision during the development phases, become definitive in the qualification and / or certification phase. In consideration of the use of chemical products in its industrial activities, the use of which is subject to legal requirements for both personnel and environmental safety, any regulatory changes in this area may require industrial adaptation measures to protect the environment and the employees, with economic and business continuity impacts.

The Quality Management is responsible for monitoring the quality of the product and company processes and for certifying that the product manufactured complies with the requirements expressed by the project. This Department works in close coordination with the Technical Bodies which are responsible for the preparation and validation of the technical files that certify the conformity of the components manufactured to the acceptance specifications. The role of these functions is fundamental for a Group like Avio, where the quality and safety of products and services must be guaranteed right from the product design phase. For Avio, designing unsafe and unreliable products would mean risking the loss of missions in space with an impact of an economic nature not only for the company, but also for customers and in some areas (for example in the case of the unavailability of surveillance systems and / or telecommunications) for national security. For this reason, a total of 41 audits were carried out in 2021, of which 4 on the product, 14 on the process, 14 on suppliers and 9 on subcontractors.

Regarding the assessment of the risks associated with the health and safety of products, all the qualified products are subject to a hazard analysis carried out by Avio S.p.A. (which owns the "design authority" of the products). For products under development, the process is linked to the level of maturity reached.

To date, of 22 final products in the portfolio, 19 products have been analyzed for health and safety risks.

Avio Group considers essential that relations with its customers are based on searching for maximum transparency and fairness, in the constant commitment to satisfying their expectations. Therefore, also in the Corporate Code of Ethics, it is emphasized that Group companies are required to establish honest, fair, professional and transparent relationships with customers, in order to be able to count on profitable and lasting relationships, offering safety, assistance, quality and value, through continuous innovation. In this regard, Avio as envisaged by the quality management system, is subject to the evaluation of customer ("customer satisfaction"), once the metrics for evaluating its performance have been agreed with them. Thanks to this survey, the Group understands the customer's expectations in terms of quality (absence of defects) of the delivered product and service offered, as well as in terms of compliance with contractual deadlines (punctuality). The results of these investigations are periodically analyzed and compared to any critical issues that emerge during the execution phase, they allow the actions of the improvement plans to be identified.

As regards the environmental aspects, the orientation for the development of products to "green" propulsion technologies represents one of the objectives with the highest value in the medium-long term, with the development of the further evolution of the Vega-E launcher, equipped of a single stage with methane / oxygen liquid propellant engine replacing the motors of the last two stages of the current configuration of Vega with solid propellant and storable liquid propellant.

In this context in 2021:

- The development phase of the methane / oxygen cryogenic liquid propellant engine continued with the creation of full-scale prototypes of all components, the combustion chamber test and the development of the Vega-E launcher with the preparation of the System Requirement Review ended successfully;
- the construction of the full scale DM1 model of the complete M10 engine was successfully completed for the fire tests, scheduled for the first half of 2022 at the new SPTF test bench in Sardinia;
- In addition, the construction of the SPTF test bench was completed in Sardinia on which the DM1 M10 engine was integrated at the beginning of January 2022 and which will allow the complete test engine.

The LOx-LNG propulsion is considered, thanks to its non-toxicity and reduced emissions, a promising option for future evolutions of VEGA and the M10 engine, in particular is expected to provide the last stage of the VEGA-E launcher. During the year, studies were also carried out at a national and European level for the development of a trim control system based on "green" monopropellant technology and the development of a last-stage engine with storable "green" liquid propellants.

Furthermore, 2021 was characterized by the return in flight of the Vega Launcher after the accident of VV17 flight (which occurred during the Vega flight of 17 November 2020), thanks to the implementation of corrective actions following the causes analysis of the accident. The recommendations of the independent Commission of Inquiry composed of ESA and Arianespace and supported by Avio, were implemented to ensure a safe and prompt return to flight which took place in April 2021. The

lessons learned through the cause analysis activities of the VV17 accident and their implementation, in addition to allowing the return to flight, are configured as a further improvement in the safety of products in the field of space transport systems, as also confirmed by the subsequent two Vega flights successfully carried out in 2021.

In 2021 ground qualification activity of the new Vega-C launcher was also completed, an evolution of the current Vega with a performance increase of 50%, which implements the actions deriving from the lessons learned from Vega, configuring itself as a product in which security has been improved. The "Ground Qualification Review" began in 2021 and the first Qualification flight is expected in the first half of 2022.

As regards the development of products with a view to greater environmental sustainability, Avio has as its future objective the finalization of the developments of the LOX / LNG cryogenic liquid propellant engines which will have to reach maturity for use in flight in 2026. By that date, the development of a new generation of "green" storable mono-propellant engines for attitude control must also be finalized. This generation of thrusters will define a new "green" standard for space applications of chemical propulsion. The main Corporate Functions involved in the development processes will contribute to the achievement of this objective, with the technical management of the Engineering Department and the participation of various national and international partners.

8.2. Safety in industrial management

The Group ensures that the health and safety requirements of the structure are taken into consideration from the beginning of each phase of new project activities, as to guarantee its commitment to have an appropriate and effective industrial and plant model.

The responsibility for compliance with workplace health and safety policies lies with the individual employers of the various organizational units, who make use of regularly trained supervisors. Employers receive support from SPP (Prevention and Protection Service) and HSE, for the assessment of specific risks and the definition of prevention and protection measures to be implemented.

In order to adequately support its technical, industrial and management processes, Avio uses a series of applications that constitute the Information and Communications Technology (ICT) platform. The Group has foreseen significant investments for the construction and implementation of safety equipment and the creation of means of protection in the infrastructure. All anomalies are duly recorded and reported, thanks to the implementation of periodic audits and checks.

The activities of Avio Colleferro plant that involve the use of substances and preparations classified as explosive and / or oxidizing, are authorized and controlled by the Ministry of the Interior so that they are designed and carried out in compliance with the safety criteria established by the Implementing Regulations of the Consolidated Law 06/18/1931 of the Laws of Public Safety (Royal Decree 06/05/40 n ° 635). Avio Colleferro plant falls within the obligations established by Legislative Decree 105/2015 (upper threshold) for the possession of substances classified as Oxidizing and Explosive. Consequently, the Group has adopted a series of corporate procedures to guarantee its use and controlled management in line with the laws and regulations in force. Specifically, it refers to the adoption of the Integrated Management System for Health and Safety in the workplace and prevention of major Accident Hazards, which includes all the procedures relating to safety management and which has been certified by an external competent authority since 2010, then passing in 2020 from the OHSAS 18001 standard to the current ISO45001.

In addition, the activities of Avio Colleferro plant that involve the use of X-ray machines for X-Ray checks on propulsion system components, are subject to the requirements of Legislative Decree 101/20 and subsequent amendments which governs the possession and use of radiogenic sources.

With the specific objective of establishing the rules of conduct and defining the operating procedures for both individuals and the various company functions involved in emergency management, the Internal Emergency Plan (IEP) was prepared for the Avio S.p.A. of Colleferro, pursuant to art. 20 of Legislative Decree 105/2015. In particular, this document provides for accidents control and containment, implementing the necessary measures to protect human health and the environment from the consequences of major accidents, adequately inform workers and services or the competent local authorities and provide for the restoration and to clean up the environment following a major accident. The IEP is subject to information, and training for plant personnel, whose procedures are tested to verify and improve their effectiveness by involving the interested parties. Avio, intends to maintain the highest levels of excellence in the field of health and safety in the workplace over time, has set itself the objectives of "zero accidents at work and zero occupational diseases" and "zero events potentially at risk of a major accident".

In relation to the processing of industrial operations and explosive / chemical materials, the most influential risks are those reported in Legislative Decree 81/2008 such as, for example, explosion risk, chemical and carcinogenic risk, electrical risk, fire risk, handling and transport of active materials. Any industrial events caused by human error or by the failure of a safety body or linked to a natural disaster, which can be mitigated through an adequate assessment of the related risks, could in fact negatively affect the production management.

The Group recognizes and is aware that the use of dangerous, explosive or comburant substances represents an operation with a potential impact that could also go beyond the relevance of the plant. This impact, in fact, is suitably mentioned by the Industrial Area of Colleferro which evaluates the risks both in the risk assessment document (DVR) pursuant to Legislative Decree 81/08 both in the safety report pursuant to Legislative Decree 105 / 2015, in which the different areas of impact, reversibility and probability of occurrence are promptly reported for each possible event. Similarly, all buildings within the French Guyana plant comply with the local French legislation and located for adequate distance from the city center of the city, are punctually monitored in terms of impacts of its activities on local communities. At the date of document creation, no significant residual risks for the external population related to these issues, had been identified.

The management system implemented by the companies of the Group with regard to Health and Safety in the Workplace and the Prevention of Hazards from major accidents, in line with the aforementioned international standard ISO 45001 and with local regulations for the prevention of major accidents, foresee the presence of resources that certify adequate management of health and safety and prevention of related risks in the workplace. In particular, with regard to Colleferro Avio plant, the head of the Industrial Operations Department, as the holder of the licenses for the possession, manufacture, transport, sale of explosives and explosive products pursuant to the implementing regulation of the Consolidated Law on Public Safety (TULPS), is responsible for the application and compliance of the TULPS and its implementing regulation with regard to the manufacture of explosives. The Head of the Production Department, as PIR Manager (Prevention of Major Accidents) pursuant to Legislative Decree 105/2015, as plant maintenance manager, is delegated the operational powers to manage plants at risk of major accidents.

Avio S.p.A. has also identified, among the organizational functions involved, the Materials and Process Engineering and Health, Safety and Environment department which has overall responsibility for the implementation and control of the Health and Safety Management System in the Workplace and for the Prevention of Major Incidents (SG SSL-PIR). The manager of this Department assumes the role of Representative for the General Management of the Occupational Health and Safety Management System (SG SSL) and of the Environmental Management System (EMS), as well as the Manager's Representative for the Management System for the Prevention of Major Accidents (RDGS).

Within Regulus, the Industrial Management and Safety and Environment service have the task of implementing and maintaining an adequate management system, in line with the international reference standard, an adequate safety system with the purpose of evaluating the importance of the impacts and risks associated with production activities, as well as ensuring the protection of industrial sites and the people who are inside them (workers or visitors). In addition, information and training programs on safety for workers and updating programs for safety operators are defined and implemented.

8.3. Security of access to the premises

Given the nature of Avio's business, the issue of the physical safety of people and things, including premises, documentation, and any other asset necessary for the operation of the company, play a particular importance. For this reason, Avio has equipped itself with an internal corporate security structure, which deals with problems relating to physical security and the management of classified documentation. This structure, for the protection of the Site, is supported by a Supervisory Institute.

The latter, with a Prefectural License, issued by the Prefect of Rome in addition to carrying out armed surveillance activities in the concierge, contributes to the protection of information, materials and sensitive and classified premises through a whole series of activities in implementation of the provisions reported in the Prefectural License.

The Security & Facility & Risk Management function carries out its activity according to the guidelines contained in the various operating instructions it has adopted and, to the extent of its competence, the provisions set out in the HSE procedures. All this in accordance with strict compliance with the regulations in force, among which, by importance, the Law 124 of 2007 and the Prime Ministerial Decree of October 2, 2017, n° 3 ("Provisions for the administrative protection of state secrets and classified and disseminated information exclusive ") and subsequent amendments.

In this regard, it is worth mentioning the effective collaboration relationship with the competent national safety authorities established by the function, in order to maximize the benefits of the country system.

In addition to implementing the measures in 2020, in 2021 the function strengthened the video surveillance system and built a gate to limit access to unauthorized vehicles from the provincial municipal road.

The list of strategic premises for the Company has been expanded, within which seals are to be affixed to all possible accesses that normally must remain closed (e.g. emergency exits).

To this is added a function of monitoring compliance with the requirements both internally and at the level of customers and suppliers, to ensure that all the actors involved adopt the appropriate safety measures.

8.4. Cybersecurity

The holistic approach for security, adopted by Avio, is heavily focused on safeguarding the organization's information assets. Indeed, the Group has access to sensitive and confidential information. For this reason, as described in its Code of Ethics, Avio has undertaken to process this information in compliance with all the laws regarding confidentiality, in order to prevent critical situations that could occur in the event of unauthorized access and disclosure not authorized. The occurrence of data breach events could - for example - compromise the competitiveness linked to research and development activities, make the products and services offered potentially obsolete or incur contractual penalties, generating negative effects on the business and its perspective.

By carrying out public contracts for the construction of classified material which therefore require the treatment of confidential information covered by state secrets or classified, in the framework of the North Atlantic Treaty, the European Union or international agreements, as governed by Law no. 124 of August 3, 2007, ("Information system for the security of the Republic and new regulations on secrecy") and subsequent amendments, Avio guarantees that its classified activities are carried out in compliance with current legislation on the protection of classified information (DPCM n. 5/2015 - "Provisions for the administrative protection of state secrets and classified information and exclusive dissemination" as amended and supplemented by DPCM 3/2017) and is authorized to process such information on the basis of specific authorization (Security Clearance - NOS and Industrial Security Clearance - NOSI). All classified information is processed in dedicated areas, created according to the criteria provided for by the relevant legislation; access to classified information is regulated according to the security criteria and the procedures envisaged for processing and consulting the classified material; and the IT management of classified level information within the designated areas respects and applies all the security policies described in Prime Ministerial Decree 3/2017 (controlled access to classified areas by enabling a badge, access to workstations with password required at first access and every 60 days with password logging, use of USB keys with encryption system, etc.).

After adopting, in the past years, a structured and systematic approach to the removal of obsolescence, after the infrastructural upgrades on the WAN network and after the introduction of data traffic encryption between the Colleferro-Rome-Kourou (French Guiana) offices, Avio has completed in 2021 the plan to strengthen the Office365 solution which provided for the activation of Microsoft best practices in the cybersecurity field (Conditional Access, Multi-factor Authentication, Antispam, Antispoofing, Safe Link, Safe Attachments, Antiphishing, CloudApp Discovery, etc.).

However, cybersecurity activity in 2021 was not limited to these interventions. In consideration of the significant increase in cyber-attacks detected worldwide, Avio has introduced new and further measures to mitigate the cyber risk.

To protect the confidentiality and confidentiality of corporate information assets, the Company has equipped itself with Kaspersky's "Anti-Cryptor" SW by installing it on the NAS with the aim of mitigating any ransomware attacks. Furthermore, always bearing in mind that cybercriminals tend to leverage the human element, the Company has (i) activated the mandatory encryption for the transfer of data to any USB storage device, (ii) invested in the acquisition of an EDR (Endpoint Detection & Response) software that has the mission of protecting devices and Internet connections from the most sophisticated attacks, while guaranteeing zero-trust access to corporate applications and (iii) starting the activities of creating a Proof Of Concept of a NAC (Network Access Control) software to identify, classify and continuously evaluate the devices that connect to the corporate network and at the same time apply and automate policy-based controls that aim to proactively reduce the surface area of attack and respond quickly to security events.

Moved by the awareness of approach cybersecurity issues in a proactive rather than reactive way, in 2021, Avio started an activity to improve the efficiency of the installation and distribution process of security patches: in this way it was able to prevent exposure risks to some of the cyber-attacks that have spread internationally because they exploit the vulnerabilities present in market-leading SW solutions (eg: Solarwind, FortiOS, MS Exchange and Windigo vulnerabilities). A significant technical effort was also made for the introduction of a software solution that optimizes the management of privileged accounts and helps to reduce the risk of exposure of administrative access credentials by deleting the "traces" that are left by their use in the context of the normal activities of IT Operations.

It is worthy of relevance, from an infrastructural point of view, the replacement campaign for switches and access points near the end of their life cycle and therefore at the end-of-support.

Finally, during 2021, the Company continued its path of maturation and growth in cybersecurity, with the aim of maintaining compliance with management standards and application of the regulatory changes that have taken place. In particular, an appropriate function of Chief Information Security Officer has been established, responsible for defining the strategic vision, implementing programs for the protection of information assets and defining processes to limit the risks associated with the adoption of digital technologies. Furthermore, the defined Cybersecurity Policy identifies strategic objectives in compliance with international standards (ISO 27001 and the NIST Cyber Security Framework) and, at the same time, the roles and responsibilities of all the main "Governance actors" of cybersecurity in Avio were defined.

The Policy has therefore been declined into an operational tactical level Policy which defines the management principles of as many aspects of cyber security. Accordingly, policies were mapped and, where necessary, integrated with the operating procedures aimed at guaranteeing the achievement of the desired result.

During 2021, no requests were received from the Guarantor Authority and no complaints relating to alleged violations of privacy obligations were received.

9. THE RESPONSIBLE RELATIONSHIP WITH SUPPLIERS

Responsible management of the supply chain plays a fundamental role in improving the competitiveness of the Group. In fact, Avio carries out a careful selection of its suppliers to ensure the sustainability and relative traceability of supplies.

As part of its business, the Group mainly uses suppliers and sub-contractors for the supply of components, semi-finished products, and raw materials. Some suppliers and sub-contractors are difficult to replace, or, in any case, their replacement is difficult and entails significant additional costs.

The production model of the Group requires, for the realization of its products (motors and launchers), raw materials and components, classifiable as Direct materials, attributable to the following macro-areas of goods:

- Commodity: chemical products / metallic materials;
- Flight components: solid and liquid propulsion engines / stage components / electronic components / structural components.

Furthermore, Avio supplies materials to guarantee the internal functioning and the realization of the products delivered to Customers so-called Indirect (plants, equipment, PPE, etc.) and Services (ICT, Security, etc.). The purchase policies of these Indirect materials and Services follow the same rules as Direct materials and are governed by common internal procedures.

The supplier system also plays a fundamental role in Avio Group. To constantly guarantee the highest level of customer satisfaction, the Group selects suppliers based on their capacity to offer in terms of quality, innovation, costs and services. As defined in the Corporate Code of Ethics and in the Regulus Ethics Charter, the performance indices that guide the Group in assigning supplies, are based on adequate and objective methods, taking into consideration, in addition to the quality, innovation, costs and services offered, the subjective requirements of integrity, integrity and professionalism.

In consideration of the business sector and the uniqueness of its supply chain, the absence of any past or present suspicion of involvement in terrorist or subversive public order activities is of importance in the selection of suppliers. Avio undertakes to verify the non-registration in the reference lists for subjects connected to international terrorism, i.e. in the so-called Black Lists issued by the European Community, the United States Department of the Treasury and the UN to support prevention and contrast money laundering and the financing of international terrorism.

In addition, Avio Group guarantees all suppliers equal opportunities and equal treatment in the negotiation, stipulation and execution of contracts relating to the availability of information, the terms and conditions of supplies and the technical decision-making criteria. In particular, as regards the phase of stipulation of the contract, the Italian companies of the Group require their suppliers and sub-contractors, both foreign and Italian, to sign, contextually to the contract, the company Code of Ethics, or if they have any one of them, the equivalence is verified; while suppliers, managed by companies in French Guiana, are required to sign the Group's Charter of Ethics.

Regulus independently manages its suppliers by adopting the principles and guidelines issued by the parent companies (Avio S.p.A. and Ariane Group). Even Regulus, in 2021, adopted a Supplier Ethics Charter (Charte Etique Fournisseur) to include, in contractual relations, also the clauses for the respect of human rights and the principles of the anti-corruption code, as well as the values of social responsibility and sustainable development.

Regulus company requires from its suppliers a Certificate of Tax and Social Regularity as well as the acceptance of the general conditions of purchase which refer to the Supplier Ethics Charter (Charte Etique Fournisseur).

Furthermore, the Group requires only Italian suppliers to deliver the Single Contribution Regularity Document (DURC).

During 2021, specific training courses were provided to the resources of the Purchasing Department on the issue of sustainability. Raising awareness on these issues led to the launch of a series of actions, some completed, others in progress, aimed at improving the environmental impact. As an example, the agreement with the company car supplier (long-term rental) was closed in 2020 with a car list including almost exclusively hybrid cars (and no diesel as per company policy).

The procedure for administering the survey connected to the MANF form (for entering the supplier in the registry) was consolidated, where the environmental and social data were collected through a checklist that suppliers must fill in and which is then taken into consideration by the Buyer in the phase of definition of the short list of suppliers for tenders (PR4.3.1-2 Issue of the request for offer).

The survey was forwarded to all suppliers entered in the database in 2021 (100%), 95% of suppliers responded to the survey (therefore, an increase in the sensitivity of suppliers in relation to non-financial issues is noted).

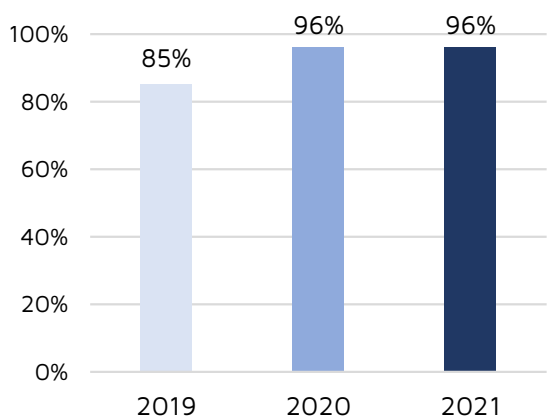
Purchasing Department still uses the process of verifying information relating to the suppliers' data using the Excel database managed by the Purchasing Department. The constant monitoring of the supplier base has allowed the Purchasing function to consolidate the percentage of suppliers handled that shares the values expressed in the company Code of Ethics.

In 2021:

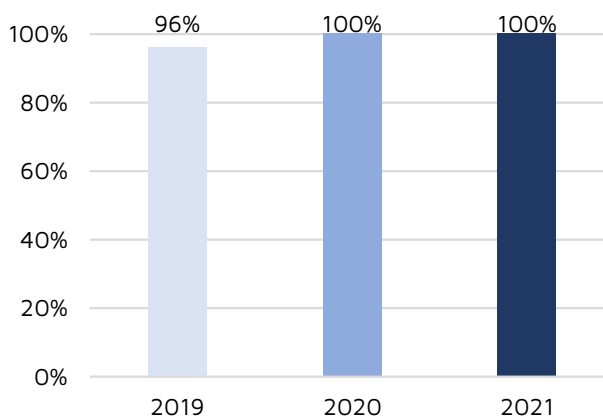
the number of suppliers handled, equal to 533 (587 in 2020) of which 435 (about 82%) signed the company Code of Ethics compared to 480 (82%) last year [GRI 412-3].

- 96% of the suppliers handled adopt a Code of Ethics with values shared with Avio;
- 82% of the suppliers handled signed Avio Code of Ethics;
- 14% have their own Code of Ethics with values shared with Avio²⁵;
- 100% of the new suppliers introduced and moved in 2021 adopt a Code of Ethics with values shared with Avio:

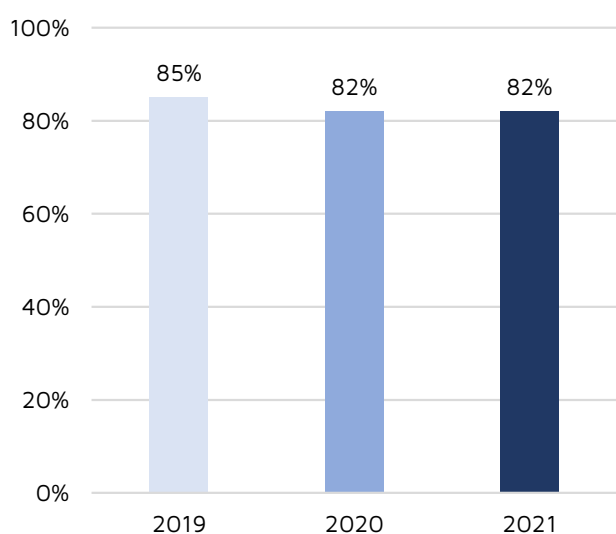
Percentage of suppliers in the year that shared the Corporate Code of Ethics



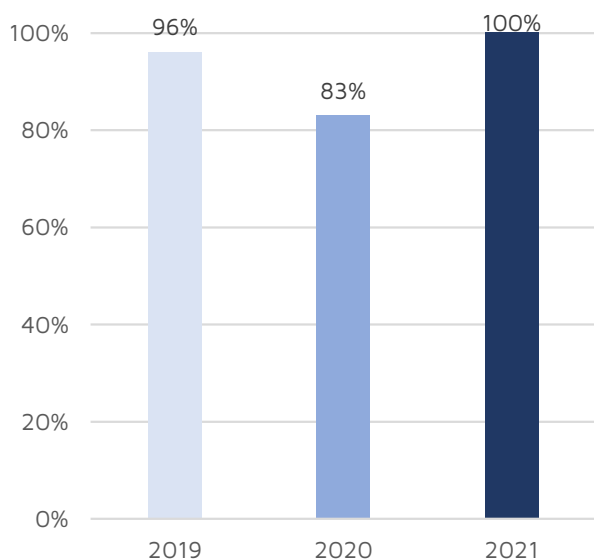
Percentage of suppliers introduced in the year that shared the Corporate Code of Ethics



Percentage of suppliers in the year that signed the Corporate Code of Ethics



Percentage of new suppliers introduced in the year that signed the Corporate Code of Ethics



²⁵ The data refers to large suppliers, with whom Avio, by sharing the Codes of Conduct, in any case verifies the adoption of the same principles.

The sub-contractors for flight components are selected during the development phase, from companies that have worked or work in similar areas on the other European launchers. The selection takes place in the development phase based on the contributions of individual ESA member states to the program. In this case, compliance with local ethical-legal, environmental social, health and safety at work and environment laws is guaranteed by the mechanisms activated through ESA for sub-contractors from a European member country.

The extra-European sub-contractors are an exception - selected based on their skills acquired through participation in the construction of extra-European launchers. However, since these are companies participating in the government programs of the respective countries, the same principle as European suppliers on compliance with national laws is applied.

Regarding commodities, suppliers are selected based on skills in the specific product class. In the pre-selection phase, suppliers are subjected to a verification process in relation to their compliance with the requirements of technical and industrial competence and, more generally, their compliance with ethical-legal, environmental, social and safety requirements is qualitatively verified, Health & Safety, for their inclusion in the supplier register, beyond a technical validation process, the signature of the Avio general purchase conditions and the declaration pursuant to Legislative Decree 231/2001 and the Code of Ethics are required to company with which they self-certify the adequacy of these requirements. The commodities are procured in Europe, United States and Japan.

The Group pursues a policy aimed at favoring suppliers with whom it has established consolidated relationships over time and who have participated with similar products in other launcher development programs. Indeed, given the nature of aerospace products, sub-contractors and major suppliers are subject to a certification process. Relations with these subjects are mainly managed with multi-year contracts to ensure, with them, production continuity. Following serious breaches or inefficiencies or the unavailability of strategic suppliers, the Group is called to replace them. To limit such occurrences, the Group has adopted, where technically and economically possible, a policy of selecting suppliers of the "dual sourcing" type, providing for the availability of two suppliers.

The subsequent purchase management of the Group companies is supervised by the relevant competent Management and formalized in internal qualification and performance evaluation procedures. Suppliers are constantly monitored on the indices relating to the quality and punctuality of supplies and through specific audits that make it possible to identify any critical issues and implement related corrective actions.

Avio has established a general policy oriented to the gradual minimization and, where possible, the elimination of raw materials that are hazardous to health under REACH and the consequent reduction of suppliers of these materials. The type and importance of the Group's supplies exclude the use of supplies from countries in a state of conflict, such as the so-called conflict minerals. The management of purchases in Group companies is supervised by the relevant competent functions and formalized in internal qualification and performance evaluation procedures

Avio also conducted a tender for the award of the Supplier Portal, leading to the choice of the Supplier and which will be implemented in 2022, allowing the Group Companies (Avio, Secosvim, Spacelab) a more transparent, referenced and effective communication with Suppliers.

During 2021 the Purchasing Department was able to consolidate the interventions of the two-year period 2019-2020: ESA Area CSR working group was rescheduled and Avio confirmed its participation; the procedures and operating instructions were revised to strengthen the aspects of Decree 231 and the Cyber Security legislation.

During the year Avio decided to attend an initiative of the CRIF company, proposing itself as Lead Partner, in order to invite the suppliers in the registry to obtain the CRIBIS ESG certificate, an internationally recognized certification of the degree of sustainability. This initiative will start in the first months of 2022.

10. AVIO GROUP'S ENVIRONMENTAL²⁶IMPACT

Avio Group has formalized its Environmental policy, which confirms its constant attention to follow all applicable legislative and normative requirements and formalizes the commitment to continuously improve its environmental performance, minimizing the impact of its production plant and its premises. For Avio, environmental protection means to avoid polluting, to constantly optimize the use of natural resources and develop products that are increasingly compatible with the environment.

Likewise, foreign company Regulus makes clear its commitment to promoting eco-efficiency in its Ethical Charter. As a matter of fact, the French company recognizes its responsibility towards the local community in terms of environmental protection and expresses its willingness to direct the choices towards reducing its environmental footprint, in compliance with the applicable environmental provisions and regulations.

In the context in which it operates, as well as the type of business activities the Group carries out, the main environmental risks may stem from uncertainties and changes in regulatory framework and in the interpretative practice, failure to obtain and renew the necessary environmental authorizations, from incomplete or inadequate assessment of the environmental impact of products, as well as from adverse environmental conditions (e.g. extreme natural or atmospheric events). Proper monitoring and assessment of risks and related management and mitigation actions are particularly relevant for the most efficient use of natural resources. These events could have potential negative impacts on operations and consequently on the economic, equity and financial situation of the Group, as well as repercussions in terms of image and reputation.

Therefore, in line with the sustainability management needs for all environmental aspects and, with international standards, Avio has adopted a certified Environmental Management System that meets the international standard UNI EN ISO 14001, which focuses more on new concepts such as context analysis, parameter recording with operational control procedures and systematic risk assessment. The system consists of internal rules for environmental management implemented in order to ensure the timely identification of the most significant environmental impacts and the adoption of the most effective management and mitigation measures, through a structured performance monitoring system.

The activities of Avio S.p.A, at Colleferro site, are subject to the Integrated Environmental Authorization obtained by the Province of Rome on 30 June 2010 with Executive Determination R.U. 4730 pursuant to Legislative Decree 59/2005, for the exercise of the activity related to chemical plants for the manufacture of explosives. Subsequent non-substantial changes related to the evolutions and improvements of the plants led to subsequent Resolutions, up to the one currently in place (DD 3991 of 01/10/2018). In 2019, in compliance with Legislative Decree 152/06 and subsequent amendments, Avio filed a request for review of the AIA, the investigation of which is underway at the date of issue of this document. With this authorization, Avio must comply with certain operating requirements and specific limit values for emissions. The authorization also requires the Group to ensure periodic monitoring of the environmental impacts resulting from the activities carried out within the plant on the basis of a Defined Control Monitoring Plan and the communication of the data obtained to the competent bodies.

As already expressed in the previous paragraphs, as part of the Environmental Management System (RDGA), Avio S.p.A. has adopted an Environmental Policy, which contains the principles that govern and guarantee correct management of the environmental performance of Avio S.p.A. in compliance with legal requirements on environmental matters; protection and prevention, in terms of optimizing the use of resources, minimizing environmental impacts and monitoring indicators; integration, with a view to sharing the Policy with interested parties.

Environmental policy places constant attention to environmental protection at the basis of its management and development strategies, maintains a specific commitment to the prevention of pollution and the pursuit of continuous improvement of its environmental performance. In fact, this document is aimed at guaranteeing:

- compliance with EU, national and regional legal provisions on environmental matters;
- rationalization of resources use, reducing their consumption and improving their use already in the process design phase;
- identification of the best available techniques aimed at minimizing the environmental impacts of production processes and manufactured products;
- continuous monitoring in order to prevent accidents;
- sharing the principles and commitments undertaken in the environmental field with suppliers;
- involvement of employees and external personnel, through awareness-raising, information and training actions;
- transparent communication of the environmental results achieved.

²⁶ Data relating to environmental impacts do not include Avio France SAS, as it is not a plant manager to date.

In accordance with these principles, the Company issues and adopts an Improvement Program which constitutes the reference framework for defining the organization's objectives and, therefore, the actions aimed at ensuring the continuous improvement of its environmental performance. Based on its production processes, the Company has defined a series of improvement objectives related to its main environmental impacts, with the purpose of governing and minimizing them. The defined goals were the following:

- improvement interventions on atmospheric emissions systems;
- improvement in the management of energy consumption;
- improvement of the effectiveness of the environmental management system;
- improvement of waste management;
- rationalization of the use of substances and preparations harmful and dangerous to the environment.

In order to achieve the aforementioned objectives, the Company pursued, during 2021, various actions, in continuity with the previous year, the monitoring of water consumption which led to further efficiency in consumption and some interventions oriented to improving waste management.

Top Management has identified the Head of HSE, Infrastructure and Services Department (HSEIS) as the Environmental Manager of the Plant, pursuant to Legislative Decree 152/2006 and subsequent amendments and as the Management Representative for the Environmental Management System.

This Department also has overall responsibility for the implementation and control of all the HSE management systems and, in particular, the Environmental Management System.

In support of the action of the Environment Manager / RDGA, Top Management has established a Health, Safety and Environment (HSE) Department which plays its role by coordinating a structure that includes:

- Health & Safety (HS);
- Environment and Management Systems;
- Adempimenti Legge Seveso.

The economic resources to be allocated to the environmental improvement program are defined in the Budget phase at the beginning of every year.

Se.Co.Sv.Im, on the contrary, entrusts the choice of operating methods for the treatment of environmental aspects to the company's Sole Director who, with the support of his collaborators, adopts management methods and practices in line with the management model of the Parent Company.

Regulus, in compliance with the general principles set out in the Group Code of Ethics, has adopted a Policy on Quality, Health and Safety at work and respect for the Environment and a Quality, Safety, Environment Manual which, with reference to the environmental management theme, is inspired by the provisions of the international standard UNI EN ISO 14000-. To this end, the Company has defined a dedicated structure of experts, responsible for the management and supervision of environmental areas. In accordance with local legislation, Regulus prepares and annually sends a report on the management of its environmental and energy aspects to the DGTM (Direction Générale des Territoires et de la MER, formerly DEAL), an authority that submits the French company to audit control on specific environmental areas. In this regard, Regulus has undertaken the commitment to intensify control indicators to further strengthen the monitoring system of its environmental performance. Regulus has set itself the objective, for the next few years, to acquire an ISO 14001 certification.

In carrying out its production process, the Group generates impacts mainly linked to polluting emissions into the atmosphere, to withdrawals management, discharges water and to the waste disposal.

The following chapters report the data and information relating to the performance linked to the most significant environmental aspects (energy consumption, water and waste generation) of the Group Companies (including Avio Guyane) in 2021.

10.1. Energy consumption and emission

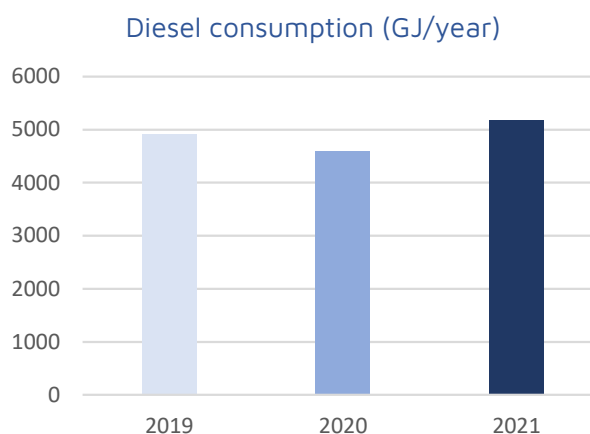
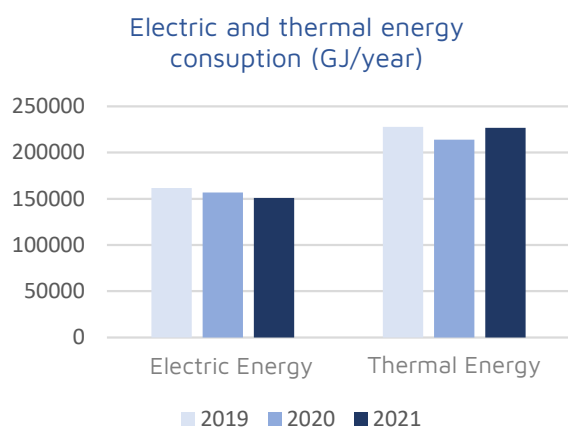
The energy vectors, entering to Colleferro site, comes from electricity and thermal energy, in addition to fuel consumption for the company car fleets. The electricity and the steam consumed are taken from the nearby cogeneration plant of Termica Colleferro. In compliance with the requirements of Legislative Decree 102/2014, in Italy in 2017 and by Law 10/91, the conducted energy audits highlighted some possible areas of intervention in order to improve the Company's energy performance.

Colleferro Thermal Power Plant works exclusively on methane combustion; therefore, it is coherent with the recent guidelines of the European Commission, which is evaluating the various options for including this fuel among the "green" sources.

The energy vectors in French Guiana refer only to electricity and diesel used for company fleets and for a generator.

[GRI 302-1] Energy consumption.²⁷

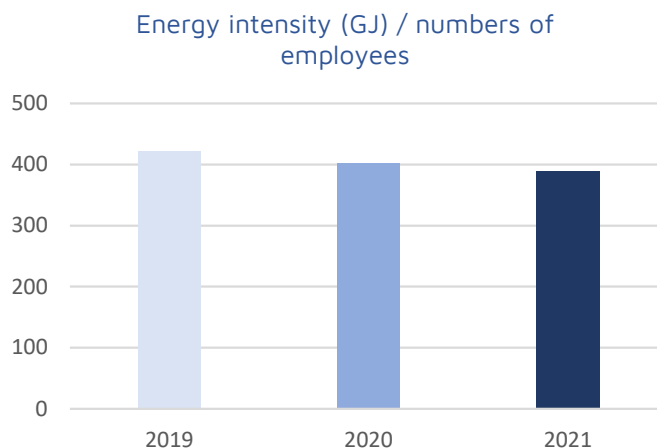
Type of energy consumption (expressed in GJ/anno)	2019			2020			2021		
	Italy	French Guiana	Total	Italy	French Guiana	Total	Italy	French Guiana	Total
Electric energy consumption	92,989.65	68,569.99	161,559.64	89,315.82	67,690.70	157,006.52	89,684.73	61,194.03	150,878.77
Non-renewable	92,989.65	68,569.99	161,559.64	89,315.82	67,690.70	157,006.52	89,684.73	61,194.03	150,878.77
Renewable	-	-	-	-	-	-	-	-	-
Thermal energy consumption	227,708.75	-	227,708.75	214,049.12	-	214,049.12	226,913.80	-	226,913.80
Non-renewable	227,708.75	-	227,708.75	214,049.12	-	214,049.12	226,913.80	-	226,913.80
Renewable	-	-	-	-	-	-	-	-	-
Diesel	2,174.47	2,737.12	4,911.59	2,079.10	2,498.46	4,574.89	2,365.94	2,824.13	5,190.07
Total			394,179.98	-	-	375,630.53			382,982.63



²⁷ For electricity and heat, the conversion coefficient used is 0.0036 GJ / kWh (Source: GRI Sustainability Reporting Guidelines, Version 3.1). For Diesel, the conversion coefficient has been updated: 1 L = 0.0382 GJ (Source: DEFRA 2021 -Diesel Average Biofuel Blend), which is slightly different, equal to the coefficient used for 2020 (1 L = 0.0381 GJ [Source: Defra 2020 - Diesel average biofuel blend).

[GRI 302-3] Energy intensity

Energy intensity	2019			2020			2021		
	Italy	French Guiana	Total	Italy	French Guiana	Total	Italy	French Guiana	Total
Total energy consumption (GJ) /number of employees	389.47	672.71	421.58	364.49	723.60	401.74	359.60	646.65	388.42



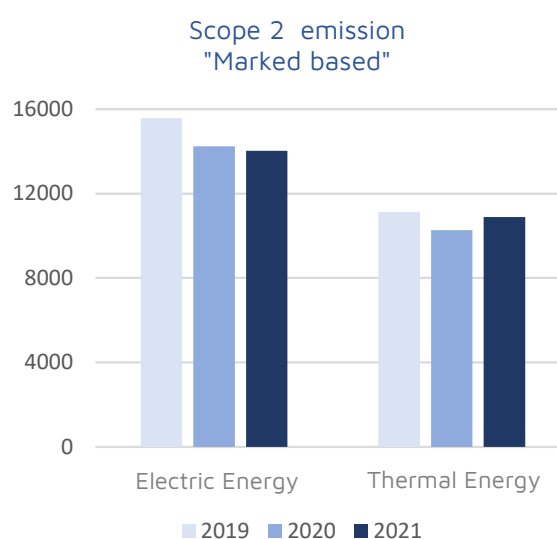
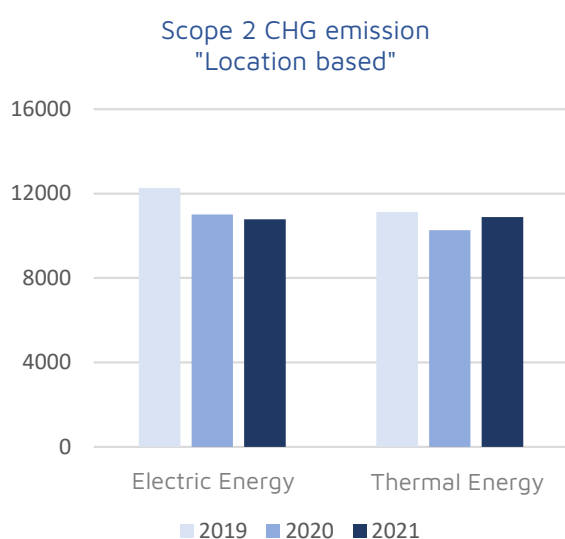
Energy consumption recorded during 2021, in general, are comparable with those of 2020.

Electricity consumption is lower than the previous year, thanks to the rationalization of a particularly energy-intensive room and the reduction in number of engine casting campaigns compared to previous years; as regards thermal energy, on the other hand, consumption was slightly higher than in 2020 due to a more rigid climate during the months of April and May. The main sources of energy consumption are the production rooms in which, for process reasons, it is necessary to maintain certain values of temperature and humidity. Therefore, the external climatic conditions, both winter and summer, can greatly affect the total absorption recorded during the year.

The consumption drop in French Guiana is coherent with the production planning carried out.

[GRI 305-2] Indirect GHG emissions by type (Scope 2).²⁸

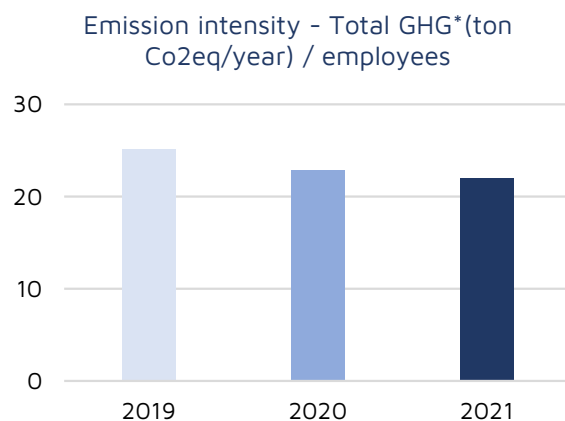
Indirect GHG Emissions* by type of energy consumption (expressed in tons CO2eq/year)	2019			2020			2021		
	Italy	French Guiana	Total	Italy	French Guiana	Total	Italy	French Guiana	Total
	Location based								
Electric energy	9,273.13	2,990.41	12,263.55	8,336.14	2,670.02	11,006.16	7,874.41	2,362.77	10,210.18
Thermal energy	11,136.22	-	11,136.22	10,263.06		10,263.06	10,761.39		10,761.39
Total	20,409.35	2,990.41	23,399.77	18,599.20	2,670.02	21,269.22	18,608.80	2,362.77	20,971.57
	Marked based								
Electric energy	12,579.43	2,990.41	15,569.85	11,561.44	2,670.02	14,231.46	11,434.80	2,362.77	13,797.57
Thermal energy	11,136.22	-	11,136.22	10,263.06		10,263.06	10,761.39		10,761.39
Total	23,715.65	2,990.41	26,706.07	21,824.50	2,670.02	24,494.52	22,196.19	2,362.77	24,558.96



²⁸ For Scope 2 emissions, the reporting standard used (GRI Sustainability Reporting Standards 2016) provides for two different calculation approaches: "Location-based" and "Market-based". The "Location-based" approach involves the use of average emission factors relating to the specific national energy mixes for the production of electricity. In particular, the emission factor used for electricity was updated for 2021 [for Italy: 315 gCO₂ / kWh. Source: Terna 2019 "International comparisons"; for French Guiana, in line with previous years, the coefficient relating to Brazil was used: 139 gCO₂ / kWh. Source: Terna 2019 "International comparisons"], compared to that used for 2020 [for Italy: 336 gCO₂ / kWh. Source: Terna 2018 "International comparisons"; for French Guiana, coefficient relating to Brazil: 142 gCO₂ / kWh. Source: Terna 2018 "International comparisons"] and to 2019 [for Italy: 359 gCO₂ / kWh. Source: Terna 2017 "International comparisons"; for French Guiana, the coefficient relating to Brazil was used: 157 gCO₂ / kWh. Source: Terna 2017 "International comparisons"]. For the thermal energy of Italy, in 2021 the emission coefficient was updated [170.73 gCO₂eq / kWh. Source: DEFRA 2021], compared to 2020 [172.61 gCO₂eq / kWh. Source: DEFRA 2020] and to 2019 [176.06 gCO₂eq / kWh. Source: DEFRA 2019]. The "Market-based" approach involves the use of emission factors defined on a contractual basis with the electricity supplier. In the absence of specific contractual agreements between the Group companies and the electricity supplier (eg purchase of Guarantees of Origin), the emission factor relating to the national "residual mix" was used for this approach [for Italy: in 2021 equal to 459 gCO₂eq / kWh. Source: European Residual Mixes 2021 (source: AIB 2021); in 2020 equal to 466 gCO₂eq / kWh. Source: European Residual Mixes 2019 (source: AIB 2020); in 2019: 487 gCO₂eq / kWh. Source: European Residual Mixes 2018). For 2021, in line with previous years, the Brazilian coefficient supplied by Terna was used for French Guiana: 139 gCO₂ / kWh (Source: Terna 2019 "International comparisons"; in 2020: 142 gCO₂ / kWh (Source: Terna 2017 "International comparisons" and in 2019: 157 gCO₂ / kWh. Source: Terna 2017 "International comparisons"). For thermal energy, the emission coefficient relating to Italy was updated in 2021: 170.73 gCO₂eq / kWh [Source: DEFRA 2021] compared to 2020 [172.61 gCO₂eq / kWh Source: DEFRA 2020] and 2019 [176.06 gCO₂eq / kWh. Source: DEFRA 2019]. Finally, it should be noted that the emissions of scope 2 Location -based are expressed in tons of CO₂, however the percentage of methane and nitrous oxide has a negligible effect on the total emissions of greenhouse gases (CO₂equivalent) as can be deduced from the reference technical literature.

[GRI 305-4] Emission intensity²⁹.

Emission intensity*	2019			2020			2021		
	Italy	French Guiana	Total	Italy	French Guiana	Total	Italy	French Guiana	Total
Total GHG Emissions (tCO₂ eq)/number of employees	24.62	28.21	25.03	22.19	27.53	22.75	20.90	23.87	21.27



The Group has also estimated the environmental impacts deriving from employee travel for professional reasons. The CO₂ emissions associated with employee travel with cars belonging to the company fleet amounted to 341.47 tCO₂ eq / l in 2021 (155.66 relating to Italy and 185.81 relating to French Guiana), a decrease of 24% compared to 2020 (467.42 tons CO₂ eq).

With reference to polluting emissions into the atmosphere, the company's production process does not produce nitrogen oxides (NO_x) or sulfur oxides (SO_x). The only sources of emissions are represented by the auxiliary engines of the site in which Regulus operates, for which monitoring is not envisaged and the responsibility lies with the site manager in French Guiana. The information relating to other emissions was provided by the companies in line with the units of measurement required by local regulations and communicated to the competent authorities (for Avio S.p.A. the average concentration in mg / Nm³ while for Regulus it is measured in kg / year).

[GRI 305-7] Significant air emissions.

Significant pollutants (expressed in mean concentration mg/Nm ³)	2019	2020	2021
	Italy		
Volatile organic compounds (VOC)	2.3	1.61	1.62
Particulates	0.62	0.34	0.74
Total	2.92	1.95	2.36

[GRI 305-7] Significant air emissions³⁰.

Significant pollutants (expressed in Kg/year)	2019	2020	2021
	Regulus – French Guiana		
Volatile organic compounds (VOC)	1,685	993	608
Total	1,685	993	608

²⁹ The emission intensity is calculated on the Location-Based Scope 2 emissions. The data relating to employees for Italy does not include Avio France.

³⁰ Data estimated on the basis of the quantities of material used and the product specifications.

The atmospheric emissions resulting from the plant's activities are equipped with suction and pollutant abatement systems, as reported in the AIA authorization and are analyzed annually, in accordance with the requirements of the Integrated Environmental Authorization.

The value of the average VOC concentration is in line with the requirements, significantly below the limits established by AIA. The figure is in line with what was recorded in previous years.

Regarding the emissions of relevant pollutants by Regulus, the quantities are lower than last year as there was a slightly lower production in 2021 than in 2020.

As regards Avio Guyane, the aspects relating to emissions into the atmosphere in the 2020 period of taking over the plant, no emissions into the atmosphere were produced.

10.2. Management of water resources

Water resources are mainly used by the Group for industrial and civil purposes. Specifically, in the context of managing water supplies, the Italian companies carry out three different water withdrawals based on use:

- industrial water: supplied by Società Consortile Servizi Colleferro (SC), through withdrawal from Sacco River and from the authorized wells for industrial water or recirculation from the emission of the purifier. The water leaving the consortium purifier is duly analyzed and if it complies with the legal limits, it is introduced into the industrial water network, allowing the reduction of natural water withdrawals;
- fire-fighting water: supplied by Società Consortile Servizi Colleferro (SC), and accumulated in water basins which constitute the emergency reserve;
- drinking water: supplied by the Consorzio delle Acque Potabili (CSAP), participated by Avio S.p.A. and Se.Co.Sv.Im, which manages the wells of drinking water from the deep aquifer, whose authorization belongs to Se.Co.Sv.Im.

At the foreign company Regulus, all water resource management activities are subject to regular checks by the Direction de l'Environnement, de l'Aménagement et du Logement (DEAL) in order to obtain and / or maintain the necessary authorizations to operate.

In 2021, consumed water amounted to 512.916 megaliters in Italy and 8.025 megaliters in French Guiana, respectively, for a total of 520.941 megaliters. Consumption is higher than in 2020 because it includes data from French Guiana. In Italy, on the other hand, thanks to the improvement activities of the water system carried out starting from 2019, consumption fell significantly. The special monitoring of water resource consumption will continue in order to consolidate the results and identify any future points for improvement.

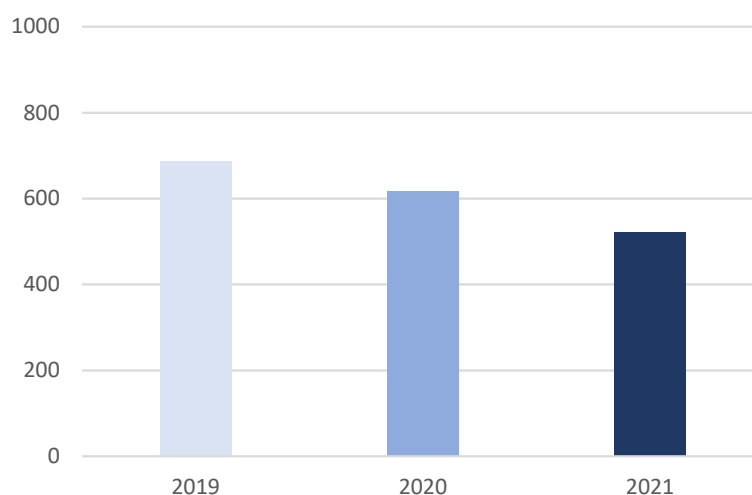
[GRI 303-1] Water³¹ withdrawal by source.³²

Water withdrawal - sources in Megaliters	2019			2020			2021		
	Italy	French Guiana	Total	Italy	French Guiana	Total	Italy	French Guiana	Total
Surface water	563.037	-	563.037	494.921	-	494.921	392.569	0.426	392.995
Ground water	116.278	-	116.278	119.24	-	119.24	120.347		120.347
Salt water	-	-	-	-	-	-			-
Water produced	-	8.427	8.427		3.618	3.618		6.621	6.621
Third party	-	-	-	-	-	-		0.978	0.978
Total	679.315	8.427	687.742	614.161	3.618	617.779	512.916	8.025	520.941

³¹ Soft water

³² Starting from this year, we proceeded with the reporting of data relating to water consumption using the new Standard GRI 303, published by the Global Reporting Initiative (GRI) in 2018 to replace the version published in 2016. For this reason, the data for 2019 and 2020 have been shown with respect to the requirements of the new indicator.

Group's Water Withdrawal



In Italy, the management of water discharges is directly linked to national legislation. Avio, in fact, follows the requirements of the Integrated Environmental Authorization (AIA) and the provisions of the Italian national legislation (Legislative Decree 152/2006). Wastewater discharges are conveyed and managed by the Consortium Company (SC). The Avio sewerage system inside the plant is of a mixed type and collects both industrial water and domestic wastewater, before reaching the purification plant.

After treatment, the wastewater, again by the Consortium Company, can be discharged into the surface water body of the Sacco River, or, as substantially implemented in 2020, sent back to the industrial water circuit entering the plant. In this way, in agreement with Avio and with the other consortium members, an effective circuit for the use of industrial waters was created, which maximizes their reuse after treatment by the SC Company, reducing the extraction from the Sacco River, with indirect benefit of reducing the consumption of water resources from natural sources.

10.3. Waste management

Waste management is a significant issue for the Group due to the presence of hazardous waste that requires specific management.

For Avio, waste management remains a subject of great attention to which the company continues to commit itself in order to pursue continuous improvement. In this context is the revision of the mapping of the waste produced which, to date, has led to the reduction of the volumes of hazardous waste, an activity began in 2021. The activity is in progress and provides for the verification of the analytical classifications and classifications ADR.

Measures were implemented in 2021 aimed at:

- guarantee the separate collection of waste strictly related to production;
- maximize the amount of waste sent for recovery.

In cases where the procurement contracts configure the contractor as a producer of waste resulting from its activities, the company, in accordance with the provisions of the management system procedures, applies the control measures appropriate to the verification of waste management by third parties.

The data relating to waste are collected as part of the monitoring activities required by the prescription of the Integrated Environmental Authorization and by the environmental management system. The specific processes for data collection are regulated by the management system procedures. The increase in waste³³, compared to last year, mainly concerned non-hazardous waste in Italy. It is attributable to a non-recurring activity of Avio Colleferro which generated a sharp increase in washing water relating to a new engine regeneration process. This process was the result of an analysis also based on environmental criteria, which prevented the propellant-laden casings from undergoing a disposal process, generating the

³³ For what said in the introduction and in line with what is also reported in the DNF 2020, the value of the washing water from engine regeneration is improperly counted among the waste destined for disposal, as it is not part of a nominal activity waste but constitutes a wastewater that only for configuration reasons of the SC Consortium Purifier must be treated in an external purifier.

To make the data comparable with 2019, in line with what is reported in note 37 on p. 77 of the 2020 NFS, the breakdowns by type are shown below:

In 2020 (note 37, page 77): 0.958 tons deriving from normal production activities, • 878.080 tons deriving from non-recurring envelope regeneration activities.

In 2021: 8.4 tons deriving from normal production activities, • 940.76 tons deriving from non-recurring wrapping regeneration activities.

problems associated with the transfer of explosive materials and producing carbon fiber waste that is impossible. to be reused, in addition to the need to manufacture new ones. Therefore, a non-ordinary supplementary process has been established, in which these loaded casings undergo an additional washing step, with resumption of the subsequent phases of the production cycle in a nominal manner. This process, qualified and authorized, made it possible to have as wastewater only washing water conferred as non-hazardous waste, to the contractor, instead of the other aforementioned other types that would have had greater impacts. The authorized contractor subjects these waters to treatment, and then eventually reintroduces them into the water circuit. Therefore, it is not a question of landfill disposal but, in the end, of water recovery after the aforementioned engine regeneration treatment.

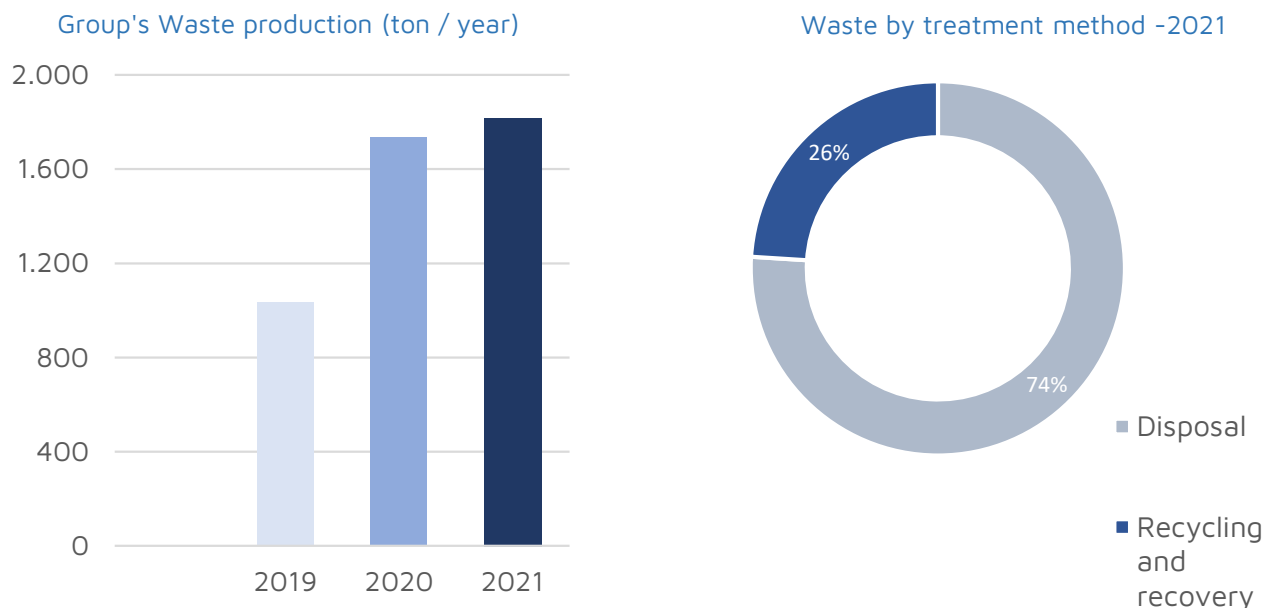
In 2021, Regulus company produced a total of 381.82 tons of waste, of which 209.98 hazardous waste (divided into 16.64 tons destined for recycling and recovery and 193.331 tons destined for disposal) and 171.84 non-hazardous waste (divided into 109.42 tons destined for recycling and 62.42 tons destined for disposal). Regulus, based on the type of waste, defines the specific treatment method with the collection body. For years, the French company has only had relations with two suppliers of these services, chosen since the reliability and efficiency of the treatment service, and regularly conducts awareness campaigns on the correct differentiation of waste.

In 2021, the Avio Guyane company produced a total of 111 tons of waste disposed of, of which 92.7 hazardous waste and 18.3 non-hazardous waste. Waste management in 2021 is entrusted to a company specialized in collection and disposal in compliance with current legislation. The company presents the final balance sheets of the materials collected and monthly disposed the forms provided for by French legislation.

[GRI 306-2] Hazardous and non-hazardous waste by type of disposal method³⁴

Total weight of waste (ton/year)*	2019			2020			2021		
	Italy	French Guiana	Total	Italy	French Guiana	Total	Italy	French Guiana	Total
	Hazardous waste								
Recycling and recovery	3.75	18.94	22.69	1.61	29.38	30.99	3.79	16.64	20.43
Disposal	205.61	240.24	445.85	152.89	172.49	325.38	146.68	286.03	432.71
Total hazardous waste	209.36	259.18	468.54	154.50	201.87	356.37	150.47	302.68	453.14
	Non-Hazardous waste								
Recycling and recovery	305.99	191.72	497.71	314.79	107.12	421.91	244.79	109.42	354.21
Disposal	12.96	53.12	66.08	879.04	76.27	955.31	949.16	80.72	1,029.88
Total hazardous waste	318.95	244.84	563.79	1,193.83	183.39	1,377.22	1,193.94	190.14	1,384.08
Total waste	528.31	504.02	1,032.33	1,348.33	385.26	1,733.59	1,344.41	492.82	1,837.22

³⁴ As from 2019 Airola plant is included in the calculation of the Group's waste.



10.4. Environmental remediation and management of areas subject to potential environmental issues

The territory of the industrial area of Avio in Colleferro is located in the area which, starting from November 2016, has been identified as the Site of National Interest "Sacco River Basin" and is managed, regarding to monitoring and soil, subsoil and groundwater remediation activities, by Se.co.sv.im, Avio Group real estate company. The company acquired the Colleferro industrial site only in the mid-1990s, having therefore inherited previous situations as the successor owner, not responsible of the pollution. These pollution events have been subject to final judgments to which Se.co.sv.im is obviously unrelated. Nevertheless, the company has taken charge, even with an important economic effort, of the remediation measures that are legally due to the owners even when they have not caused the pollution.

The structured collaboration of Se.co.sv.im with the Institutions consolidates the Group's strategy based on the great effort that has been invested on the territory for years for its complete requalification and highlights the objective of supporting policies that promote sustainable development through the reduction of environmental pressures and the relocation of areas in complete safety. We have offered our contribution, believing that these environmental remediation measures have not only a conservative or restoration value, but are an important precondition for the development and economic growth of the territory.

Se.Co.Sv.Im. is particularly integrated into the urban fabric of Colleferro for historical as well as topographical reasons, as it is the company that, at the beginning of the last century, determined the town development and which still holds an important portion of the municipal area. In this context, the company has already implemented social growth initiatives through the sale to the Municipality of Colleferro of a portion of the territory located near Via Ariana where a cycle path will be built. Further actions are envisaged for the benefit of urban development for which, in the course of 2022, Se.Co.Sv.Im. will work in concert with Avio for the arrangement of places with the necessary infrastructures (e.g. fences, etc.).

With reference to all the activities to complete the remediation and permanent safety measures of the territory, these are carried out in accordance with the Program Agreements signed with the Competent Authorities during the Commissioner Management (Valle del Sacco Regional Office), and / or with further provisions arising from specific Service Conferences, under the coordination of the Ministry of Ecological Transition. To facilitate the timing of interventions, Se.Co.Sv.Im. collaborates with the Public Administration through the execution of any additional and supplementary activities required, including the transmission of reports and monitoring data in line with the spirit of loyal collaboration.

The eventual issuance of new regulations that limit or further regulate the sectors in which Se.Co.Sv.Im. operates or changes in current legislation and / or interpretative practice could have economic impacts and repercussions on corporate reputation. It should be noted that in 2021 there were no monetary and non-monetary sanctions received for the violation of laws and regulations in the environmental field. [GRI 307-1]. In order to ensure the adoption of the most effective environmental management and control measures, the Company adopts, where applicable, the procedures in force at the Parent Company Avio SpA, with particular attention to the implementation and control of the progress of the remediation plan and territorial management. The integrated environment and safety management system is also being implemented.

In the context of the Remediation Plan, the main remediation works performed by Se.Co.Sv.Im. are represented by:

- securing the Cava di Pozzolana site;
- remediation of the ARPA site 1;
- construction of a permanent storage site for the remediation of the ARPA 1 and Benzoino sites;
- making the ARPA 2 site secure (by the Lazio Region, launched in 2019 to be completed);
- emergency safety measures and remediation of the aquifers carried out by means of hydraulic barrier systems, equipped with specific pre-treatment plants.

All the above activities, except for Arpa 2, have been operationally completed and activities are underway for the closure of the related administrative procedure by the competent bodies. The MISP ARPA 2 construction site was inaugurated in October 2019, in the presence of public institutions.

The programmatic objective of the Company is to obtain the certification of the interventions already achieved, the return to legitimate uses of the areas found not contaminated and an adequate post-operative management of the interventions carried out according to the agreed timescales and / or to be agreed with the Competent Bodies, as well as complete the remediation works of the residual hot spots, connected to the MISP of ARPA 2 for which the investigation by the Ministry of Ecological Transition is in progress.

By virtue of the size of the Industrial District, which is characterized by two large wooded areas (for a total of about 370 hectares), the Group guarantees the maintenance and protection of these areas in order to improve air quality also through the capacity of the tree essences present to fix the CO₂.

As a first approach, a preliminary study is underway to quantify the ability to fix and absorb CO₂; this study will be developed during the year by integrating it with the rest of the impacts (CO₂ emissions from plants, etc.) to arrive at an assessment of the compensation for the purposes of the general sustainability of the Group's activities. Following the conservation works of the areas that have continued incessantly for several decades, also the development of the fauna shows signs of territorial settlement and integration for which foxes, pheasants, porcupines, buzzards, etc. are observed. regularly present in the territory of the district. Also, cormorants and herons are regularly present in the basins of the Sacco River intake structure, evidently adapted to the protected territory.



11. RELATIONSHIP WITH THE COMMUNITY

Avio recognizes and considers the relationship with local communities as an opportunity: the development of the communities in which the Group is present, contributes to the creation and maintenance of an environment favorable for business and innovation, a fundamental element for its growth.

The Group, indeed, has always been active in supporting the Territory in which it operates.

By supporting local communities, the foundations are laid for a sustainable and lasting business, which is reflected in the numerous projects both nationally and internationally to which Avio adheres.

There are several initiatives through which, over time, the Group has intended to offer concrete help to the local community, strengthening the already strong bond, always marked by values, which continue to be a solid reference driver such as:

- the feeling of responsibility in giving back, through various initiatives aimed at the local community, resources, energy and skills;
- the commitment to actively participate in the promotion of Italian culture in the world.

The reinforcement of the Group's Leadership intends continuously to promote the social and cultural development of the community, building collaborative relationships with various stakeholders such as entities, institutions, and associations.

In addition to the renewed membership of the Civita Association which promotes the strategic role of the companies in the enhancement of the cultural and environmental heritage of our country, this year Avio has supported a new project in the name of "Made in Italy": the launch of the Dante Global platform for the promotion of the Italian language and culture in the world, seven hundred years after the death of the Supreme Poet.

Our CEO Giulio Ranzo also took part in the ceremony held on April 14th , 2021 at the presence of the President of the Republic Sergio Mattarella and the Minister of Foreign Affairs Luigi di Maio.

In parallel to this constant commitment, the Company dedicates particular attention to supporting the sports realities of the area in which operates and the promoting of the values of sport.

Among these projects, the promotion of sport stands out through sponsorships and agreements with the main sports associations in the area (Colleferro Sport Village, Pallacanestro Colleferro, Piscina Colleferro), charitable associations and foundations and Cultural Associations and Schools (Museum of science and technology of Milan; Civita Association; Summer School UniRoma).

Avio's research and development activities are strongly linked to the university world, and this is why Avio has cemented, among others, a collaboration with the Luiss Guido Carli University, becoming Official Partner of AS Luiss and Main Sponsor of the Rugby Section, demonstrating the company's desire to open up to a young and active group such as that of university students. Respect for each other, team play, fair play: these are the precious values that make up the ethics behind rugby. Values placed at the basis of the partnership as Official Partner "Luiss Sports Association" between the Luiss Sports Association and the Municipality of Colleferro, all united by the desire to launch the positive message written in this sport.



A Concrete support: The Sub Intensive Therapy Department in Colferferro opened on 12 May 2021



In the difficult, protracted moment of health emergency linked to the spread of Covid-19, the Company wanted to concretely support the local community through the construction of a new sub-intensive care unit at the 'Parodi Delfino' hospital in Colferferro, achieved thanks to the donation of 250,000 euros made by Avio at the beginning of the Covid emergency in 2020.

The inauguration of the new Sub Intensive Therapy ward of "Parodi Delfino" Hospital in Colferferro was held on May 12th, 2021 at the presence of the highest institutions in the area and was the tangible demonstration that, when a virtuous synergy is established between public and private, such as the one that has always seen the reality of Avio intertwined with Colferferro and its community on several levels, it is possible to create value and respond quickly and efficiently to the concrete needs of the entire local community.

During 2021, various initiatives were taken by the Company to support people in difficulty and to promote voluntary initiatives in favor of the most disadvantaged communities, providing them, with passion and concrete participation, the necessary support to carry on over time the initiatives undertaken, aimed at creating added value for society and people.

Avio, indeed, made substantial donations, contributing to the fight against the pandemic and demonstrating the attachment of its employees to the territory and the constant commitment to supporting social projects.

In line with previous years, through AVIO BPD Club, Avio organized the distribution of food packages to 50 families in the municipalities of the Colferferro area for Christmas.

In addition to the distribution of food packages, Avio made a generous donation of "La Chiocciola" Family House, with the collaboration of the parish priest of Colferferro, a point of reference for the area, an initiative addressed to the frail part of the population.

Avio employees also participated in fundraising in favor of the families of two colleagues who died prematurely. Avio organized a padel tournament at the "ASD Colferferro Padel" sports center, dedicated to their memory.

To reinforce the solidarity of the Group which is not limited to the local territory, despite its roots are here: in light of its strong internationalization, the Group cares about the well-being of people in a broader sense and, for this reason, is engaged to share the value generated over many years of history and excellence through collaboration in projects and initiatives with an international scope.

In this regard, at the Center Hospitalier Kourou, the Group donated a grant of 250,000 euros for the purchase of materials and equipment useful for the health of its employees and the entire Kourou community and to offer better quality care to patients.

In 2021 Avio Guyane made a significant payment to the "Institute Universitaire de Technologie" of Kourou in order to encourage the development of technological and professional training and to activate training internships in the related industries.

Similarly to Avio Guyane, Regulus has valorized the links with the territory in which it operates by financing an educational project for a school in the city of Kourou and supporting an association oriented towards cultural exchanges between people of all origins and nationalities.

Avio supports scientific research and innovation.

Avio promotes and supports multiple activities tended to spread a culture of innovation and research and the implementation of scientific projects with the contribution of scholars and experts.

In particular, in 2021, Avio perfected relations with University "La Sapienza" with the start of the lessons for the first level Master in "Management of the critically ill patient in catastrophic events", with the Politecnico di Milano through the contract of research for the study of technological opportunities and related business impacts called "Space Economy 2020 Observatory", with the Luiss University to promote self-learning paths for Avio employees, as well as with the Tor Vergata University and SDA Bocconi.

The company is active in the environment and territory and social inclusion also through various initiatives promoted in the context of development processes: sponsorship of the Master in Space Transport Systems organized by the University of Rome "La Sapienza" ; provision of scholarships for doctorates in technical disciplines; provision of internships / curricular internships for theses on technical disciplines through agreements with Italian and foreign universities; sponsorship of events (e.g. national and international conferences and workshops); sponsorship of educational visits for students in the degree course for technical disciplines; identification and implementation of investments in research, innovation or new technologies on the national territory, with the involvement of SMEs, Universities and Research Institution.

Moreover, collaboration agreements are also active at AVIO with the Politecnico di Milano, the University of Padua and the University of Bologna (Forli).

All these activities and initiatives in the area and on local communities involved important benefits including the creation and incubation of state-of-the-art skills in the technical field for the space sector, with opportunities for internalizing exchanges and spin-offs to other industrial and service sectors; the creation of an induced in innovative and critical technologies with opening on the value chains of SMEs in the territory; awareness for the community and the territory of the opportunities provided by the availability of space access systems as demonstrated by the space missions proposed by Italian universities or research bodies, including those for demonstration in orbit and education, and based on access to space through Vega.

Initiatives support of the artistic and cultural heritage of Italy

This narration, from the feedback of the students, was used as a complementary basis for the design work, as an additional key to interpreting the context and the industrial territory.

Se.Co.Sv.Im. is strongly integrated into the urban fabric of Colleferro for historical as well as topographical reasons, as the original BPD industry which, at the beginning of the last century, determined the development of its town. The Company received the area of the industrial site from its previous ownership in the mid-nineties and still holds an important portion of the municipal area.

In this context, the company has already implemented social development initiatives and continued those in place from previous years.

The transfer on free loan to the BPD Club Sports Association, founded in 1937, the area on which the tennis sports facilities are located, proceeds without interruption, to which the Company also provides water and energy services, for the benefit of sporting initiatives for Avio Group employees, their families and the external population.

Furthermore, as reported in the previous paragraphs, the transfer to Colleferro Municipality of a portion of the territory located near the Via Ariana where a cycle path will be built and the future transfer to the Municipality of the Via Romana, which connects it to the center of the city, is also planned.



This will also play an important role in the redevelopment process of the entire "Colleferro Scalo area".

Depending on the size of the Industrial District, the surface of which is functional to explosive industrial activities and requires the maintenance costs indicated in the "Real Estate" paragraph, the Company promotes a valorization of the natural grounds and the protection of green areas.

As mentioned, the crops of sunflowers and medical herbs are periodically renewed, in the areas of respect for industrial borders and, following the conservation works that have continued incessantly for several decades, the development of fauna also shows signs of settlement and territorial integration. In fact, foxes, pheasants, porcupines, buzzards, and various types of birds are observed, settled in the territory of the district. Also, cormorants and herons are regularly present in the tanks of the Sacco River intake structure, adapted to the protected territory.

2021 also saw the intensification of collaboration with local authorities for development projects at the municipal, provincial and regional levels. The company has revitalized its participation in the Community of European Space Cities, a non-profit association that brings together European urban centers with industrial plants that collaborate on the Ariane and Vega projects, and which contribute to European independence of access to space. Signed the memorandum of understanding with the municipality of Colleferro, Avio confirmed its commitment alongside the municipal administration and Lazio Region to implement, through specific annual action plans defined by a working group, a series of training and awareness-raising on the issues of aerospace, advanced technologies, research, innovation and business culture, also having as purpose at attracting investments in the area. Among the international initiatives, it is certainly worth mentioning the start of activities related to the appointment of Colleferro to the presidency of the CVA Community of Ariane Cities.

2021 was also the year of the launch of "CITTÀNOVECENTO": a film on Colleferro, European Capital of Space 2022" that from a throwing powder factory began the aerospace industry, narrates the story of Colleferro concurrently with the appointment of the city as "European Capital of Space 2022".

The recent history of the small country which began with the foundation of a plant for the production of throwing and blast powders, at the forefront also on the social level as it has a workers' village and a designer of great importance for the inhabited center such as Riccardo Morandi.

A tragic explosion of the plant followed, which however did not affect its development, making Colleferro the headquarters of Avio Spa, the European space industry.

Avio Colleferro is the European Space Capital for 2022



The choice of the city was a victory of innovation and development of the territory, thanks to teamwork between institutions and industry, an innovative hub of activities to raise awareness of the scientific and technological culture of the aerospace sector. At the heart of the project, the European launchers carrying the satellites into orbit. Local and national excellence that becomes a heritage to be disseminated and made known abroad.

Aerospace is an extremely topical for our society that looks to innovation, technological development and scientific research to implement new approaches to the world of agriculture, rapid services in terms of communication, control of the territory, surveillance of routes maritime, new methods of insurance management, geolocation, displacements and efficient technological connections between entities.

The city, where Avio is located, with the ambitious Archeology from the Future program, will inaugurate Spazio Colleferro, a project involving Ri-Gymnasium, with Tic Media Art and Expositor, which will be a multipurpose cultural space, housed in the former IPIA Architectural Complex, a maison de les confluences, between the administrative city (agora), the factory city, the garden city, the city of residences. Spazio Colleferro will include the new Riccardo Morandi Civic Library, the Colleferro '900 Documentation Center, the Higher Education School, the Space Square, the SPAZIO Colleferro Museum.

The showcase of Expo was in fact also an opportunity to highlight the appointment of Colleferro as the European Capital of Space, which will see, in the course of 2022, the city of Colleferro side by side with Avio, not only to strengthen the image of Italy as a country at the forefront of technological and aerospace innovation, but also to invest in the regeneration of a territory that aims at social, cultural and economic development.

Promote the shared values of sustainable development and highlight the inseparable union with innovation, all declined in the aerospace industry.

The declination in the aerospace industry of the innovation-sustainability: this was the main feature of Avio's presence at Expo Dubai, as Gold Sponsor of the Italian Pavilion.

Avio was present at Expo 2020 Dubai, during the week dedicated to space (17-23 October), with a Maquette of the Vega C of about 10 meters positioned inside the Italian Pavilion exhibited for the entire duration of the Expo, a model of the Vega launcher that recalls a monumental monolithic in form and represents the space explorations within the Innovation Observatory.

Avio is also present in the video by Gabriele Salvatores on the excellences of Lazio. The Oscar-winning director Gabriele Salvatores dedicated his documentary, presented at the Italian Pavilion of Expo Dubai 2020, to Italian beauty and "know-how".

The artistic and landscape beauties, the excellence of the Know-how of the artisans and manufacturing companies that the world identifies with Made in Italy

11.1. Inauguration of the Space Propulsion Test Facility (SPTF)

On 5 October 2021, Avio's Space Propulsion Test Facility (SPTF) was inaugurated in an area of seven hectares within the Experimental Polygon of the Salto di Quirra, in Perdasdefogu (Sardinia); the center houses a plant capable of testing liquid propellant rocket engines with up to 100 tons of thrust for new generation launchers on the static bench.

The new center of technological excellence, unique in Europe, is intended for space activities and was financed by Avio in collaboration with Mise and the Sardinia region. Conceived as a center for the experimentation of propulsion technologies for space, is, at the same time, also productive for some future technologies such as innovative liquid oxygen and methane propulsion. Methane is a clean propellant that will characterize the ability to access space over the next 20 years.

A flagship not only for Italy, but for Europe where it will also be possible to produce components for propulsion systems made of carbon with a ceramic matrix, a fundamental material for the technologies of the future.



With the ribbon cutting, the new industrial site was officially inaugurated and, in particular, the LRE (Liquid Rocket Engine) test bench, conceived for the execution of tests for the development and qualification of new generation, low-impact space thrusters. environmental, based on cryogenic liquid oxygen (LOx) and liquid methane (LNG) propellants. Liquid methane propulsion is the new frontier of performance and environmental compatibility and the heart of the development of the Vega E, a developed version of the Vega C that will fly for the first time in 2022. The strategic importance of the SPTF for the VEGA E, gives Sardinia a pivotal role in the world of aerospace at international level.

Right here at the SPTF, at the end of 2021, the testing phase of the third stage cryogenic liquid oxygen-methane (M10) engine began, thanks to which the Vega E will not only be more flexible, convenient, and performing but also greener.

There have been many important moments in the history of aerospace, and this certainly indelibly marks one of them. Pride that starts from afar, from the beginnings of the space race that saw Italy as the third country in the world to launch a satellite into space.

A unique plant the Space Propulsion Test Facility (SPTF) of AVIO, able to bring skills to the territory (35 engineers, chemists, technicians and IT engineers will be employed when fully operational) and, through future industrial synergies, it can be exploited by anyone who wants to test the bench.

Actually, in Perdasdefogu, there are longer-range perspectives both in terms of hiring and productive future activities. As a matter of fact, another installation will be operational in the plant, Carbon carbon, dedicated to the manufacture of components for propulsion with solid material and service with fire-fighting devices.

Space propulsion test facility therefore represents a fundamental element for the development of national technologies and capabilities in the sector, placing Italy among the few countries to have an integrated system of skills, capabilities, research and development infrastructures in European panorama.

In parallel and as an integral part of the SPTF project, the engineering activities will take place at the Avio headquarters in Sardinia, in Villaputzu.

Precisely in Villaputzu Avio, together with the Sardinian Aerospace District (Dass) and the National Aerospace Technology Cluster (Ctna), organized the conference "Space propulsion: future scenarios for access to space" on October, 5TH 2021 to take stock with experts from the Italian Aerospace Research Center (Cira), ASI and the Sapienza Universities of Rome and Milan Polytechnic, on the status of the research and the creation of skills and infrastructures necessary to enable future scenarios for access to space.



ph Michele D'Ottavio

12. Table of connection between material topics and aspects of the GRI Standards

Topics of Legislative Decree 254/2016	Material topics identified	Link with GRI Standards	Impact boundary		Type of impact
			Outside impact	Limitation	
Environmental	Energy consumption and emissions	Energy Emissions	Group Society	The data relating to environmental impacts do not include Avio France S.a.S. as it is not a plant manager to date.	Caused by the Group; To which the Group contributes
Environmental	Environmental remediation	Environmental Compliance	Se.Co.Sv.Im. Local Communities		
Environmental	Waste management	Effluents and Waste	Group Society		
Environmental	Management of water resources	Water	Group Society		
Social	Relationship with the community	Local Communities	Group Local Communities	-	Caused by the Group; To which the Group contributes
Social	Cybersecurity	Customer Privacy	Group Clients	-	Caused by the Group; To which the Group contributes
Social	Safety in industrial management	Local communities	Group Community Clients	-	Caused by the Group; To which the Group contributes
Social	Quality of industrial processes	Customer Health and Safety	Group		Caused by the Group
Social	Quality and safety of products and processes	Customer Health and Safety	Gruppo; Clienti	-	Caused by the Group; To which the Group contributes
Employment	Staff remuneration	Diversity and Equal Opportunity	Group		Caused by the Group
	Equal opportunities	Diversity and equal opportunities	Group	-	
	Management and retention of talents	Employment	Group	-	
	Training and skills development	Training and education	Group		
	Dialogue with trade unions	Employment, Labor/ Management Relations	Group	-	
Employment, Social, Human Rights	Health, safety, wellbeing of employees and human rights	Occupational Health and Safety, Non discrimination	Group		Caused by the Group
Anti-corruption active and passive	Prevention of corruption	Anti-corruption; anti-competitive Behavior; Socioeconomic compliance.	Group Suppliers	-	Caused by the Group; Caused by the Group e directly connected through one business relationship
Social, Human Rights	Responsible relationship with suppliers	Supplier's social assessment Human Rights' assessment	Group Suppliers	-	Caused by the Group; Caused by the Group e directly connected through one business relationship
Social	Innovation	N/A	Group Clients	-	Caused by the Group; To which the Group contributes

13. GRI Content Index

In this document is reported page number and reference to other sections of the Management Report or other external documents

(Page numbers refer to the paragraph of the Statement that includes the disclosure)

Standard Disclosure	Standard description	Page number	Omissions
GRI 101: FOUNDATION			
GRI 102: GENERAL DISCLOSURES			
ORGANIZATIONAL PROFILE			
102-1	Name of the organization.	Avio S.p.A.	
102-2	Activities, brands, products and services.	pp. 7-12 Management Report: Profile, Business areas.	
102-3	Location of headquarters.	Rome, Italy.	
102-4	Location of operations.	p. 9	
102-5	Ownership and legal form.	pp. 25-29 Report on Corporate governance and ownership structure	
102-6	Markets served.	pp. 9-10, Management Report: Profile, Business areas	
102-7	Scale of the organization.	pp. 7-10, 43-46; Management Report: Analysis of the economic results and the financial and equity situation of the Group, Human Resources, Profile, Business Areas	
102-8	Total number of employees by employment contract, region and gender.	pp. 46	
102-9	Supply chain description (activities, products, numbers of suppliers, suppliers breakdown by geographical area, order value).	pp. 68-70	
102-10	Significant changes to the organization's size, structure, ownership, or supply chain during the reporting period	PP. 5-6 There have been no significant changes in the supply chain compared to the previous period. For further information please refer to Consolidated Financial Report.	
102-11	Precautionary Principle approach.	pp. 32-36	
102-12	Adoption of international economic, social and environmental standards.	Currently the Group has not adhered to codes, external Standards in the ESG field	
102-13	Membership of national and international associations.	p. 60-61, 82-89	
STRATEGY			
102-14	Statement by the President and the CEO.	p. 2-3	
102-15	Key impacts, risks and opportunities.	pp. 32-36	
ETHICS AND INTEGRITY			

102-16	Values, principles, standards, Code of Ethics.	pp. 37-42 ; Code of Ethics, Charte éthique	
GOVERNANCE			
102-18	Governance structure of the organization, including committees of the highest governance body. Committees responsible for decision making on economic, environmental, and social topics.	pp. 25-30	
102-24	Appointment criteria for members of the governing and control bodies.	p. 25-27	
102-35	Remuneration policies.	pp. 49-52	
STAKEHOLDERS ENGAGEMENT			
102-40	List of stakeholders involved.	pp. 13-14	
102-41	Percentage of total employees covered by collective bargaining agreements.	p. 56-57 In 2021, 100% of employees is covered by collective bargaining agreements	
102-42	Identification and selection process of the stakeholders to be involved.	pp. 13-15	
102-43	Approach to stakeholder involvement.	pp. 13-15	
102-44	Key and critical topics emerged from stakeholder involvement and related actions.	pp. 13-15	
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements and those not included in the sustainability report.	p. 5-6	
102-46	Explanation of the process for defining the report content.	p. 6	
102-47	List of material topics.	pp. 13-17	
102-48	Explanation of the effects of any restatements of information given in previous reports, and the reasons for such restatements.	p. 5-6	
102-49	Significant changes compared to previous reports.	p. 5-6	
102-50	Reporting period.	p. 5; year 2021	
102-51	Date of most recent report.	p. 5; The non-financial statement was published following the Opinion of external auditor held (March 30, 2021).	
102-52	Reporting cycle.	p. 5. Yearly.	
102-53	Contact point for questions regarding the report.	comunicazione@avio.com investor.relations@avio.com	
102-54	Choice of "in accordance" option	p. 5	

102-55	GRI content index.	p. 91-98	
102-56	External assurance.	p. 99-101	

TOPIC-SPECIFIC DISCLOSURES

GRI 200: ECONOMIC PERFORMANCE

103-1	Explanation of the material topic and its boundary.	pp. 16, 90	
103-2	Management approach and its components.	pp. 39-42	
103-3	Evaluation of the management approach.	pp. 39-42	
205-1	Total number and percentage of operation areas assessed for risks related to corruption.	p. 42	
205-2	Communication and training about anticorruption policies and procedures.	p. 37-42	During 2019, the Group approved anti-corruption Code, which was also disseminated to all new suppliers and / or commercial partners introduced for Italy during the year. With regard to Regulus, the ISO certifications and the Social and Fiscal regularity certificates are currently enhancing elements of the supplier selection process, to which in 2021 the awareness and implementation of the principles of the Charte Etique are added.
205-3	Confirmed incidents of corruption and actions taken.	p. 42	

GRI 206: ANTI-COMPETITIVE BEHAVIOUR

103-1	Explanation of the material topic and its boundary.	p. 16,90	
103-2	Management approach and its components.	pp. 5, 37-42	
103-3	Evaluation of the management approach.	pp. 5, 37-42	
206-1	Total number of legal actions relating to unfair competition, anti-trust and monopolistic practices and related judgements.	p. 42	

GRI 207: TAX 2019

207-1	Tax approach.	p. 28-30	
207-2	Tax governance, control, and risk management.	p. 28-30	

207-3	Stakeholder engagement.	p. 28-30	
207-4	Geographic reporting.	p. 30	

GRI 302: ENERGY

103-1	Explanation of the material topics and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 71-74	
103-3	Evaluation of the management approach.	pp. 71-74	
302-1	Energy consumption within the organization.	p. 73	
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GRI 303: WATER

103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 71-78	
103-3	Evaluation of the management approach.	pp. 71-78	
303-1	Water withdrawal.	p. 77	

GRI 305: EMISSIONS

103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 71-76	
103-3	Evaluation of the management approach.	pp. 71-76	
305-2	Energy indirect (Scope 2) GHG emissions generated by energy consumption.	p. 75	
305-4	Emission intensity.	pp. 76	
305-7	NOx, SOx, and other significant emissions	pp. 76	

GRI 306: EFFLUENTS AND WASTE 2020

103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 71-72, 79-80	
103-3	Evaluation of the management approach.	pp. 771-72, 79-80	
306-1	Waste generation and significant waste-related impacts	pp. 78-79	
306-2	Total weight of waste by type and disposal method.	pp. 78-79	
306-3	Waste generated.	pp. 78-79	

GRI 307: ENVIRONMENTAL COMPLIANCE

103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 39-40, 71-73, 80-81	
103-3	Evaluation of the management approach.	pp. 39-40, 71-73, 80-81	
307-1	Significant fines and non-monetary sanctions for noncompliance with environmental laws and/or regulations.	In 2021, as proof of the fact that the Group operates in compliance with all applicable laws and regulations, no monetary and/or non-monetary sanctions received for violation of environmental laws and regulations were recorded.	

GRI 400: PERFORMANCE SOCIALE

GRI 401: EMPLOYMENT

103-1	Explanation of the material topics and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 43, 47-48	
103-3	Evaluation of the management approach.	pp. 43, 47-48	
401-1	Total number and rate of new employee hires and staff turnover by age, gender and geographical area.	p. 48	

GRI 402: LABOR/MANAGEMENT RELATIONS

103-1	Explanation of the material topics and its boundary.	pp. 16,90	
103-2	Management approach and its components.	p. 57	
103-3	Evaluation of the management approach.	p. 57	
402-1	Minimum notice period for organizational (operational) changes and declaration of notice period in collective labor agreements (if present).	p. 57	

GRI 403: OCCUPATIONAL HEALTH AND SAFETY

103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 53-56	
103-3	Evaluation of the management approach.	pp. 53-56	
403-1	Occupational health and safety management system.	pp. 53-56	
403-2	Hazard identification, risk assessment, and incident investigation.	pp. 53-56	
403-3	Occupational health services.	pp. 53-56	
403-4	Worker participation, consultation and communication on occupational health and safety.	pp. 53-56	
403-5	Worker training on occupational health and safety.	pp. 53-56	
403-6	Promotion of worker health.	pp. 53-56	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationship.	pp. 53-56	
403-9	Work-related injuries.	pp. 53-56	
403-10	Work-related ill health.	p. 56	

GRI 404: TRAINING AND EDUCATION

103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 49-52	
103-3	Evaluation of the management approach.	pp. 49-52	
404-1	Average hours of training by gender and employee category.	p. 51	

GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES

103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 25-28, 43-46, 52-53	
103-3	Evaluation of the management approach.	pp. 25-28, 43-46, 52-53	
405-1	Diversity of governance bodies and employees breakdown by gender, age, minority or vulnerable groups and other indicators of diversity.	p. 25, 43-46	
405-2	Ratio of basic salary and remuneration of women to men.	p. 52-53	

GRI 406: NON-DISCRIMINATION

103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 37-39	
103-3	Evaluation of the management approach.	pp. 37-39	
406-1	Incidents of discrimination and corrective actions taken.	p. 38	

GRI 412: HUMAN RIGHTS ASSESSMENT

103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 37-39, 67-69	
103-3	Evaluation of the management approach.	pp. 37-39, 67-69	
412-3	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	p. 69	To date, suppliers managed by the Company in French Guiana are required to sign the Charte Éthique or the Group's code of Ethics.

GRI 413: LOCAL COMMUNITIES

103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 60-61, 82-86	
103-3	Evaluation of the management approach.	pp. 60-61, 82-86	
413-1	Percentage of operations with implemented local community engagement, impact assessments, and/or development programs.	pp. 82-86	
413-2	Operations with significant actual and potential negative impacts on local communities.	p. 60-61	

GRI 414: SUPPLIER SOCIAL ASSESSMENT

103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 68-70	
103-3	Evaluation of the management approach.	pp. 68-70	
414-1	Percentage of new suppliers that were screened using social criteria.	p. 69	The Purchasing Department has set itself the launching reward systems in the selection phase of suppliers and / or commercial partners linked to the possession of certifications or more

			generally on sustainability aspects by 2021.
GRI 416: CUSTOMER HEALTH AND SAFETY			
103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 62-65	
103-3	Evaluation of the management approach.	pp. 62-65	
416-1	Percentage of categories of products and services for which health and safety impacts of customers are assessed.	p. 63	
GRI 418: CUSTOMER PRIVACY			
103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 66-67	
103-3	Evaluation of the management approach.	pp. 66-67	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	pp. 66-67	
GRI 419: SOCIO-ECONOMIC COMPLIANCE			
103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	p. 39-42	
103-3	Evaluation of the management approach.	p. 39-42	
419-1	Monetary value of significant fines for noncompliance with laws and/or regulations concerning the supply and use of products or services.	p. 42	
INNOVATION			
103-1	Explanation of the material topic and its boundary.	pp. 16,90	
103-2	Management approach and its components.	pp. 60-61	
103-3	Evaluation of the management approach.	pp. 60-61	

14. Auditor's Report

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267/2018

To the Board of Directors of
AVIO S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter also "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Avio Group (the "Group") as of December 31, 2021 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 14, 2022 (the "NFS").

The limited examination carried out by us does not extend to the information contained in the "EU Taxonomy" paragraph of the NFS, which is required by Article 8 of European Regulation 2020/852.

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and "Global Reporting Initiative Sustainability Reporting Standards" established by GRI – Global Reporting Initiative (hereinafter also "GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by Law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Deloitte.

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Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the *"International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* (hereinafter also *"ISAE 3000 Revised"*), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison of the economic and financial data and information included in the NFS with the data and information included in the consolidated financial statements of Avio Group;
4. understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
 - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
 - main risks, generated or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report.



5. Understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Avio S.p.A., SE.CO.SV.IM. S.r.l., Avio Guyane S.a.S. and Regulus S.A. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following subsidiaries and sites, Avio S.p.A. and Se.Co.Sv.Im. S.r.l., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visit and remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Avio Group as of December 31, 2021 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and GRI Standards.

Our conclusion on the NFS does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "EU Taxonomy".

DELOITTE & TOUCHE S.p.A.

Signed by
Francesco Legrottaglie
Partner

Rome, Italy
March 31th, 2022

This report has been translated into the English language solely for the convenience of international readers.