



REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

(traditional management and control model)

Issuer: Avio S.p.A.

Website: www.avio.com

Report approval date: 11 May 2017

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GLOSSARY

A list of the main definitions used in the Report is provided below. These terms, unless otherwise specified, have the meaning indicated below.

Shareholders' Meeting	Means the Issuer's Shareholders' Meeting.
Borsa Italiana	Means Borsa Italiana S.p.A., a <i>London Stock Exchange</i> Group company, with registered office in Piazza degli Affari, no. 6, Milan.
Italian Civil Code	Means the Italian Royal Decree no. 262 of 16 March 1942 -XX, as amended from time to time.
Code or Corporate Governance Code	Means the Corporate Governance Code prepared by the Corporate Governance Committee for listed companies established by Borsa Italiana and promoted by Borsa Italiana, ABI, Ania, Assogestioni, Assonime and Confindustria.
Board of Statutory Auditors	Means the Issuer's Board of Statutory Auditors
Risk and Control Committee	Means the internal committee of the Board of Directors set up in compliance with Article 7 of the Corporate Governance Code.
Nominations and Remuneration Committee	Means the internal committee of the Board of Directors set up in compliance with Articles 5 and 6 of the Corporate Governance Code.
Board or Board of Directors	Means the Issuer's Board of Directors.
Consob	Means the National Companies and Stock Exchange Commission, with registered office in Via G.B. Martini no. 3, Rome.
Effective Date of the Merger	Means 10 April 2017.
Listing Date	Means the date on which ordinary shares of Space2 and warrants started to be traded on the professional segment of the MIV market, i.e. 31 July 2015.
Issuer, Avio or Company	Means the company resulting from the Merger, called Avio S.p.A., with registered office at via Leonida Bissolati no.76, no. 27 Rome, Rome Companies' Registry no. and tax ID no. 09105940960.
DPCM 24/11/2016	The Prime Ministerial Decree of 24 November 2016 on the exercise of special powers for the defence and national security system with respect to the material transaction consisting in the corporate merger between Space2 and Avio approved by Space2's Shareholders' Meeting on 1 December 2016.
Merger	Means the merger by incorporation of the Incorporated Company into Space2, approved by the extraordinary Shareholders' Meeting of Space2 and that of the Incorporated Company on 1 December 2016, and concluded on the Merger Effective Date.
Avio Group or Group	Collectively, Avio S.p.A. and its subsidiaries pursuant to Article 2359

	of the Italian Civil Code and Article 93 of the Consolidated Law on Finance and IFRS 10 – Consolidated Financial Statements.
In Orbit	In Orbit S.p.A., with registered office in via Latina SP 600 Ariana Km 5.2 SNC, Colleferro (Rome), Rome Companies' Registry no. 14029441004.
Borsa Instructions	Means the Instructions to the Regulations of the Markets organised and managed by Borsa Italiana applicable on the date of the Report.
Leonardo	Means Leonardo S.p.A., a joint-stock company governed by the Italian law, with registered office in Piazza Monte Grappa, no. 4, Rome.
MTA	Means the Electronic Stock Market organised and managed by Borsa Italiana.
Golden Power Regulations or Italian Decree-Law 21/2012	Italian Decree-Law no. 21 of 15 March 2012, transposed with Italian Law no. 56 of 11 May 2012 setting forth “ <i>Provisions on special powers concerning the ownership structure of companies in the defence and national security sectors, as well as strategic activities in the energy, transport and communications sector</i> ” and relevant implementing provisions.
Transaction	Means the material transaction approved by Space2's Shareholders' Meeting on 1 December 2016, which mainly consist in the Merger.
Shareholders' Agreement	Means the Shareholders' Agreement signed between Space2 and Leonardo on 31 March 2017.
Reference Period	Means the period between the Merger Effective Date and the approval date of this Report.
SMEs	Means small and medium enterprises that issue listed shares pursuant to Article 1, paragraph 1, <i>w-quarter</i>) of the Consolidated Law on Finance.
RPT procedure	The procedure on the execution of transactions with Related Parties adopted by the Issuer in compliance with the provisions of Article 2391- <i>bis</i> of the Italian Civil Code and the Related Parties Regulation.
Stock Exchange Regulations	Means the Regulations of the Markets organised and managed by Borsa Italiana approved by the Board of Directors of Borsa Italiana that are applicable on the date of this Report.
Issuers' Regulation	Indicates the implementing regulation of the Consolidated Law on Finance, which concerns Issuers, adopted by Consob with resolution no. 11971 of 14 May 1999, as amended and supplemented from time to time.
MAR Regulation	Regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuses repealing Directive 2003/6/EC of the European Parliament and of the Council and Directives 2003/124/EC, 2003/125/EC and 2004/72/EC of the Commission.
RPT Regulation	The regulation containing provisions on related parties transactions,

adopted by Consob with resolution no. 17221 on 12 March 2010, as subsequently amended and supplemented.

Report	Means this report on corporate governance and ownership structure prepared pursuant to Article 123- <i>bis</i> of the Consolidated Law on Finance.
Subsidiaries	Means companies directly or indirectly controlled by the Company pursuant to Article 93 of the Consolidated Law on Finance. “ Control ” and “ to control ” have the corresponding meanings.
Independent Auditor	Means the independent auditing firm listed in the special register of independent auditors managed by the Ministry of Economy and Finance, pursuant to Italian Legislative Decree no. 39 of 27 January 2010, tasked with the independent audit of the Issuers' accounts.
Incorporated Company	Means Avio S.p.A., with registered office at via Antonio Salandra no. Rome, operating office at SP Ariana Km 5.2, Colleferro (RM), tax ID VAT no. and Rome Companies' Registry no. 05515080967, EAR 1177979.
Space2	Means Space2 S.p.A., with registered office at via Mauro Macchi, no. Milan, Milan Companies' Registry no. and tax ID no. 09105940960.
Space Holding S.r.l.	Means Space Holding S.r.l., with registered office at Piazza Cavour no. Milan, the company that established Space2, as sole Shareholder, on 28 . 2015 and promoted its listing on MIV.
By-laws	Means the Company's By-laws applicable on the date of this Report.
TUF	Means the “ <i>Consolidated Law on Finance</i> ”, adopted on Italian Legislative De no. 58 of 24 February 1998, as amended and supplemented from time time.

INTRODUCTION

This Report, approved by the Board of Directors on 11 May 2017, provides a comprehensive overview on the Issuer's corporate governance and ownership structure at 11 May 2017, pursuant to Article 123-*bis* of TUF and in light of the Code's provisions, as well as considering the “*Format for the report on corporate government and ownership structure*” document (VI Edition January 2017) prepared by Borsa Italiana.

It should be noted that, on the 10th of April 2017, the Merger became effective - i.e. the merger by incorporation of the Incorporated Company into Space2, as a result of which Space2 took over all rights and obligations of the Incorporated Company and was renamed “Avio S.p.A.”. As mentioned before, in this Report the definitions “Company”, “Avio” and “Issuer” mean the company resulting from the Merger.

On 29 March 2017 Borsa Italiana confirmed, with effect from 10 April 2017, the admission of Avio's ordinary shares to trading on the Electronic Stock Exchange (MTA), in the STAR segment, and their concurrent exclusion from trading on MIV.

As a result of the changes to the Company's governance and ownership structure determined by the Merger, this Report is structured as follows:

- (i) information about Space2's corporate governance and ownership structure pertaining to the period from 1 January 2016 and the Merger Effective Date, unless otherwise specified, is detailed in the report on corporate governance and ownership structure prepared pursuant to Article 123-*bis* of TUF attached to the Annual Report at 31 December 2016 of Space2 S.p.A., available on the company's website www.avio.com, under the Corporate Documents section;
- (ii) information on the Issuer's corporate governance and ownership structure with respect to the Reference Period is detailed in the body of the text of this Report.

* * *

1 ISSUER'S PROFILE

The Avio Group is the leader in the manufacturing and development of solid and liquid propulsion systems for launchers, acting as sub-contractor and prime contractor for the Ariane and Vega space programmes, both funded by ESA. The aforementioned space programmes are aimed at developing and manufacturing launchers to position useful loads in geostationary and low orbit respectively.

Avio's corporate governance system is structured along a traditional management and control model and consists of the following bodies:

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

Avio's governance also consists of the following committees of the Board of Directors of Avio: (i) the Risk and Control Committee; (ii) the Nominations and Remuneration Committee; (iii) the investment committee (the “**Investment Committee**”); and (iv) the committee for strategic activities pursuant to the Golden Power Regulation (the “**Strategic Activities Committee**”).

The **Shareholders' Meeting** is the body that represents the interests of all Shareholders and expresses the corporate will through its resolutions.

The **Board of Directors**, pursuant to the By-laws, is the body vested with the broadest powers for the ordinary and extraordinary management of the Company, with the power to take all measures considered appropriate to achieve the Company's purpose, excluding only those reserved to the Shareholders' Meeting by law.

The By-laws provide that the members of the Board of Directors are appointed by the Shareholders' Meeting for a term, set by the aforementioned Board, not exceeding 3 (three) years from the acceptance of the office, through the voting list system aimed at ensuring the presence of three minority directors in the Board of Directors, as well as in compliance with the provisions on (male and female) gender parity.

Where he/she has not already been elected by the ordinary Shareholders' Meeting, the Board of Directors appoints one of its members as its **Chair**, who remains in office for the entire term of the Board. It may also appoint one or several **Deputy Chairs**.

The Board of Directors also has the right to delegate some of its powers to an **Executive Committee**, determining the limits of delegated powers, as well as the number of its members and its operating procedures; to appoint one or several **Chief Executive Officers**, granting them powers, as well as to establish one or more committees with advisory, proposing and control functions in compliance with applicable legal and regulatory provisions. The Board of Directors may also appoint general managers, establishing their relevant powers, and grant powers of attorney for single acts or types of acts.

The **Risk and Control Committee** is a committee of the Board of Directors that has - amongst other - advisory and proposing functions, with the task of supporting the assessment and the decisions of the Board of Directors with respect to the internal control and risk management system, as well as those pertaining to the approval of periodic financial reports. In line with the recommendations of the Corporate Governance Code on its composition, the Regulations of the Risk and Control Committee set out that such Committee shall consist of three non-executive directors, the majority of whom shall possess the independence requirements provided for by law and the Corporate Governance Code, from out of whose ranks the Chair is appointed. The Regulations also provide that at least one of the members of the Committee shall possess adequate expertise in accounting and financial or risk management matters, to be assessed by the Board of Directors at the time of the appointment.

The **Nominations and Remuneration Committee** is a committee of the Board of Directors that has - *inter alia* - advisory and proposing functions with respect to the professional profiles whose presence is considered appropriate in the Board, as well as to the definition of the remuneration policy of directors and key executives. In line with the recommendations of Article 5 and 6 of the Corporate Governance Code, the Regulations of the Nominations and Compensation Committee provide that the committee shall consist of at least three non-executive directors, the majority of whom shall possess the independence requirements provided for by law and the Corporate Governance Code.

The **Committee for Strategic Activities** performs advisory and supervisory functions with respect to the compliance with the conditions and the obligations set forth by the Golden Power Regulation, without prejudice to the sole competence of the Board of Directors, pursuant to Article 12.1 of the By-laws, on matters and activities to which the Italian Government has the right to object pursuant to the aforementioned Golden Power Regulation. The regulations for the Strategic Activities Committee's operation provide that the aforementioned Committee shall consist of the Chair of the Board of Directors or the Chief Executive Officer and two further directors, one of which possessing the independence requirements set forth by current legislation.

The **Investment Committee** performs an advisory role with regard to the Board of Directors' decisions on the following matters: (i) approval of or change to the annual budget and to multi-year strategic, financial and business plans of Avio and the Group; (ii) major and extraordinary investments and investments or extraordinary transactions with such characteristics as to substantially change the activity and the business. Pursuant to the regulations for the operation of the Investment Committee, the Committee consists of the Issuer's Chief Executive Officer, of a director possessing the independence requirements provided for by current legislation and the Corporate Governance Code and of a third director, who shall be appointed as Chair of the Committee.

Pursuant to the By-laws, the **Board of Statutory Auditors** consists of 3 (three) standing auditors and two alternate auditors. The auditors are appointed by the Shareholders' Meeting through the list voting system, in order to guarantee the presence of 1 (one) standing auditor and 1 (one) alternate auditor appointed by the minority, as well as compliance with the provisions on (male and female) gender balance.

They remain in office for 3 (three) years, may be reappointed and expire on the date of the Shareholders' Meeting convened to approve the Financial Statements for the third year in office. The Board of Statutory Auditors performed the functions attributed to it by the law and other applicable regulatory provisions.

The By-laws set out that, pursuant to legal provisions, the independent audit the Company's accounts shall be performed by an entity possessing the requirements provided for by the current legislation.

The Independent Auditing Firm is the Company's external control body to whom the task of performing a legal audit of the company's accounts is delegated. In particular, the Independent Auditing Firm shall verify, during the financial year, that the accounts are duly kept and that the company's performance is correctly represented in the accounting records, as well as express its opinion on the Separate and Consolidated Financial Statements with a dedicated report.

The powers of corporate bodies and their operation methods are governed by the Law, the By-laws and the resolutions passed by the competent bodies.

For a detailed description of each body and/or entity of which Avio's governance structure consists, see the specific chapters of this Report.

2 INFORMATION ABOUT OWNERSHIP STRUCTURE AT 11 MAY 2017

2.1 SHARE CAPITAL STRUCTURE (PURSUANT TO ARTICLE 123--BIS, PARAGRAPH 1A), TUF)

On the Report approval date, Avio's share capital amounted to EUR 90,761,670, and consisted of no. 23,423,917 shares, of which no. 23,163,917 ordinary shares and no. 260,000 special shares, all without par value.

SHARE CAPITAL STRUCTURE				
SHARE CLASS	NO. SHARES	% OF CAPITAL	SHARE LISTING MARKET	RIGHTS AND OBLIGATIONS
Ordinary shares	23,163,917	98.9%	Borsa Italiana-STAR Segment	Ordinary shares are registered, indivisible, freely transferable and grant the shareholders equal rights. In particular, each ordinary share grants the right to one vote in the Company's ordinary and extraordinary Shareholders' Meeting, as well as other equity and administrative rights pursuant to the By-laws and the law.
Special shares with no voting rights	260,000	1.1%	Not admitted to trading	Grant the rights pursuant to Article 5.4 of the By-laws ¹ .

On the Report approval date, the following financial instruments that grant the right to subscribe newly issued Avio ordinary shares had been issued.

OTHER FINANCIAL INSTRUMENTS					
WARRANTS	LISTING MARKET	NO. OF OUTSTANDING INSTRUMENTS	OF CLASSES OF SHARES AT THE SERVICE OF THE EXERCISE	NO. OF SHARES AT THE SERVICE OF THE EXERCISE	OF THE
Warrants called "Avio Market Warrants."	Borsa Italiana-STAR Segment	7,500,000	Ordinary shares	2,034,885	
Warrants called "Avio Sponsor Warrants."	Not admitted to trading	800,000	Ordinary shares	800,000	

¹ In particular, they are convertible into ordinary shares, in a ratio of 4.5 ordinary shares per special share, upon the occurrence of certain events.

² Avio S.p.A. Sponsor Warrants may be exercised after the Merger Effective Date, within 10 years from such date, provided that the official price of Avio's shares after the Merger recorded in at least one market business day is equal to or higher than EUR 13.

Ordinary and special shares, as well as Avio S.p.A. Market Warrants and Avio S.p.A. Sponsor Warrants are issued in de-materialised form pursuant to Articles 83-*bis et seq.* of TUF.

For the sake of completeness, it should be noted that a first tranche, equal to no. 140,000 special shares that had been issued by Space2 at the time and owned by Space Holding, were converted into no. 630,000 Avio post-Merger ordinary shares in a ratio of 4.5 Avio post-Merger ordinary shares per one Space2 special share on the Merger Effective Date.

2.2 RESTRICTIONS ON THE TRANSFER OF SECURITIES (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 1B, TUF))

On the Report Approval date, there were no restrictions to the free transferability of Avio's ordinary shares imposed by statutory clauses or conditions of issue, without prejudice to what is described below.

It should be noted that Space Holding entered into a lock-up agreement with Space2 with respect to the ordinary shares resulting from the conversion of special shares, as detailed below: (i) with regard to the ordinary shares resulting from the conversion of special shares after completion of the Merger, the lock-up agreement shall have a term of 12 months from the Merger Effective Date; and (ii) with regard to the ordinary shares resulting from the conversion of special shares upon occurrence of the other events indicated by Article 5 of the By-laws, the lock-up agreement shall have a term of 6 months from the relevant conversion, without prejudice to that fact that, if the conversion takes place within 12 months from the Merger Effective Date, the lock-up agreement shall be considered as entered into until the later date out of a) 12 months from the Merger Effective Date and b) 6 months from the relevant conversion.

As part of the agreements reached for the Transaction, In Orbit entered into a lock-up agreement with respect to the ordinary shares assigned to In Orbit in exchange as part of the Merger, for a period of 24 months from the Merger Effective Date.

Pursuant to the Shareholders' Agreement, Leonardo entered into a lock-up agreement for the ordinary shares assigned to Leonardo in exchange as part of the Merger, for a period of 24 months from the Merger Effective Date.

There are no restrictions to the ownership of the Company's shares, and no approval clauses are provided to access the ownership structure.

2.3 SIGNIFICANT SHAREHOLDINGS (PURSUANT TO ARTICLE 123-BIS, BIS, PARAGRAPH 1C), TUF)

The Company's ordinary shares are included in the centralised management system provided for by TUF.

On the Report approval date, the Company was an SME. Therefore, pursuant to Article 120, paragraph 2, of TUF, the relevant threshold for disclosure obligations for significant investments is equal to 5% of the share capital with voting rights.

Based on available information, the Shareholders who, on the Report approval date (hence, as a result of the finalisation of the Merger against the issue of ordinary shares in exchange and of the conversion of the first tranche of Space2's special shares), own investments exceeding 5% of the Issuers' share capital with voting right, including either directly and/or indirectly, also through third-parties, trustees and subsidiaries, are listed in the table below:

SIGNIFICANT EQUITY INVESTMENTS			
Registrant	Direct shareholder	% share of ordinary capital	% share of voting capital
Leonardo S.p.A.		28.612	28.612

2.4 SPECIAL CONTROL RIGHTS (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 1D), TUF)

The Company did not issue any securities that grant special control rights.

2.5 EMPLOYEES' SHARE OWNERSHIP: EXERCISE OF VOTING RIGHTS (PURSUANT ARTICLE 123-BIS, PARAGRAPH 1E, TUF)

On the Report approval date, the Company had not adopted any employee shareholding scheme.

2.6 RESTRICTIONS ON VOTING RIGHTS (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 1F, TUF)

There are no restrictions on voting rights, except for the special shares that have no voting right in the Company's ordinary and extraordinary Shareholders' Meetings.

2.7 SHAREHOLDERS' AGREEMENTS (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 1G), TUF)

As part of the transaction, on 31 March 2017 Space2 and Leonardo signed the Shareholders' Agreement, which entered into force on the Merger Effective Date and has a term of 24 months from such date.

The Shareholders' Agreement concerns the equity interest in Avio that FF shall hold on the Merger Effective Date, which amounts to 28.29% of the share capital and 28.61% of voting rights.

Agreements pertaining to the establishment of the committees of Avio's Board of Directors

The Shareholders' Agreement contains provisions aimed at defining the establishment of the committees of Avio's Board of Directors with effect from the Merger Effective Date.

In particular, pursuant to the provisions of the Shareholders' Agreement, starting from the Merger Effective Date, the following internal committees shall be established within the Board of Directors, which shall perform an advisory function with respect to the Board's activities and consist mainly of independent members, out of whose ranks a Chair shall be appointed:

- (i) the Nominations and Remuneration Committee, which shall perform an advisory role with respect to the appointment of Avio's top managers - including the Chair of the Board of Directors and the Chief Executive Officer - and that shall consist of 3 members, 1 of whom nominated by Leonardo and 2 (one of whom shall act as the Chair) - shall be independent directors nominated by Space2;

- (ii) the Risk and Control Committee, whose Chair shall be nominated by Leonardo;
- (iii) the Related Parties' Committee;
- (iv) The Investment Committee, which shall meet at least on a quarterly basis also in order to proceed with the so-called “business review” and shall perform an advisory role with respect to (a) the budget, (b) the business plan and (c) major and extraordinary investments and investments and extraordinary transactions with such characteristics as to substantially change the activity and the business and shall be chaired by a member nominated by Leonardo and consist of the Chief Executive Officer and another independent member; and
- (v) the Golden Power Strategic Committee, which shall have an advisory role with respect to strategic activities that are relevant to national security and the management of Golden Power Regulation issues, and shall consist of a member nominated by Leonardo, of the Chair of the Board of Directors or the Chief Executive Officer and an independent member.

Agreements pertaining to outstanding ordinary shares in exchange

In compliance with the Shareholders' Agreement, Leonardo entered into the aforementioned lock-up agreements.

Pursuant to Article 122 of TUF, on 7 April 2017 the content of the Shareholders' Agreement was published in an excerpt on the daily newspaper “Il Giornale”, in compliance with Article 129 of the Issuers' Regulations, and key information about the Shareholders' Agreement was published in line with applicable legislation

2.8 CHANGE OF CONTROL CLAUSES AND PROVISIONS ON TAKEOVER BIDS CONTAINED IN THE BY-LAWS (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 1H), TUF)

Change of control clauses

On the Report approval date, various agreements on the space programmes in which the Avio Group operates as sub-contractor and prime contractor were in place.

Some of the aforementioned agreements entered into by the Incorporated Company and other Avio Group companies with the European Space Agency, the Italian Space Agency and Arianespace S.A. and launcher market operators may entail, *inter alia*, clauses aimed at governing the effects of a change in Avio's ownership structure (so-called “change of control” clauses), based on which (i) Avio may be required to notify a change in its ownership structure to its counterparties and (ii) contractual counterparties may be entitled to amend certain contractual rights and/or terminate the relevant agreements and/or request the transfer of specific know-how.

Provisions of the By-laws governing takeover bids

Pursuant to Article 14 of the By-laws, if Avio's shares are subject to a takeover/change of control bid, the Board of Directors reserves the right to resolve, with no need of the Shareholders' Meetings' authorisation, on (i) the performance of any action or transaction, including looking for higher and competitive bids and/or (ii) the implementation of decisions adopted before the publication of the notice pursuant to Article 102 of TUF and not yet fully or partly implemented, also where the activities referred to under points (i) and (ii) above may result in the frustration of the objective of the bid.

2.9 POWERS TO INCREASE THE SHARE CAPITAL (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 1M), TUF)

2.9.1 Share capital increases

In compliance with Article 5 of the By-laws, the Board of Directors, was granted - pursuant to Article

2443, paragraph 1, of the Italian Civil Code - for the maximum period of five years from the date of registration of the By-laws on the Companies' Registry, powers to increase the share capital in a non-divisible manner, against payment and with exclusion of the pre-emption right, in accordance with Article 2441, paragraph 4, clause one, of the Italian Civil Code, for a maximum amount of EUR 9,076,167, through the issue in one or more tranches of a maximum number of ordinary or preferential shares or, in any case, with rights other than those enshrined in already issued shares or shares and financial instruments provided for by Article 2349 of the Italian Civil Code, equal to 2,316,391, enjoying regular rights, reserved, (i) in the case of hostile public bids or bids initiated by competitors of the Company, only to entities in which the Italian State directly or indirectly holds at least 20% of the share capital or (ii) in all other cases, to entities identified by the Board of Directors with the favourable vote of at least all directors in office less one. The unit price of the aforementioned shares (including any premium) shall not be lower than the market value of the shares. The Board resolutions on the exercise of the power of attorney shall identify the entities to which the options to subscribe the share capital increase/s shall be assigned, shall set the subscription price based on the market value of the shares and a specific deadline for the subscription and shall provide, pursuant to Article 2439, second paragraph, of the Italian Civil Code, that, when the resolved increase is not subscribed within the deadline set from time to time, the capital shall be increased by an amount (excluding any premium) equal to the subscriptions received up to such deadline.

2.9.2 Treasury shares

On the Report approval date, the Company did not hold any treasury shares in the portfolio.

2.10 MANAGEMENT AND CO-ORDINATION ACTIVITY (PURSUANT TO ARTICLE 2497 ET SEQ. OF THE ITALIAN CIVIL CODE)

On the Report approval date, the Company was not subject to management and co-ordination activity.
On the Report approval date, the Company was not controlled by any entity pursuant to Article 93 of TUF.

The information required by Article 123-bis, paragraph 1, i) of TUF (“*the agreements between the company and the directors ... providing for indemnities in case of resignation or dismissal without just cause or termination following a takeover bid*”) is contained in the remuneration report published in compliance with Article 123ter of TUF and Article 84-quater of the Issuers' Regulation and that shall be available on the Company's website at the address www.avio.com under the Governance section, within the deadlines set by Law.

The information required by Article 123-bis paragraph 1, l) of TUF on “*the rules for the appointment and replacement of Directors [...], as well as for the amendment of the Articles of Association, if different from the supplementary legal and regulatory rules*” is detailed in the section of the Report on Board of Directors.

3 COMPLIANCE (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2A), TUF)

Avio formally adopted the Corporate Governance Code, which is accessible to the public on the website of the Corporate Governance Committee at www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf.

The Company's Board of Directors resolved to adopt the principles contained in the Code, also aligning its governance system to regulatory provisions.

With respect to the non-adoption of one or more recommendations of the Code, see the detail of the various sections of this Report.

The Issuer and its strategic subsidiaries are not subject to non-Italian legal provisions that influence the Issuer's corporate governance structure.

4 BOARD OF DIRECTORS

Pursuant to applicable legislation relating to companies with shares listed on regulated markets and in compliance with the recommendations of the Corporate Governance Code, the Board of Directors plays a central role in the governance system.

Article 14 of the By-laws provides that the Board of Directors shall be vested with the broadest powers for the ordinary and extraordinary management of the Company, with the power to take all measures considered appropriate to achieve the Company's purpose, excluding only those reserved to the Shareholders' Meeting by law. The Board of Directors, pursuant to Article 2365, paragraph 2, of the Italian Civil Code, is also authorised to pass the following resolutions, without prejudice to the concurrent competence of the Shareholders' Meeting: (i) establishment or closure of secondary offices; (ii) reduction of capital subsequent to withdrawal; (iii) alignment of the By-laws to legal provisions; (iv) transfer of the registered office to another location in Italy.

The Board of Directors shall appoint a Chair from out of its members, if the Shareholders' Meeting has not already done so. The Board is also entitled to appoint a Secretary, who may also be external to the Company, upon proposal of the individual chairing the meeting.

The Board of Directors may delegate some of its powers to an Executive Committee, determining the limits of delegated powers. The Board may appoint one or several Chief Executive Officers, granting them relevant powers. Additionally, the Board of Directors may also establish one or more committees with advisory, proposing and control functions in compliance with applicable legal and regulatory provisions. The Board of Directors may also appoint general managers, establishing their relevant powers, and grant powers of attorney for single acts or types of acts.

Pursuant to Article 12 of the By-laws, the matters and the activities on which the Italian Government has a right to object pursuant to the Golden Power Regulation applicable to the companies operating in the defence and national security sectors, fall under the exclusive remit of the Board of Directors and may not be delegated.

4.1 APPOINTMENT AND REPLACEMENT (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2, L), TUF)

Pursuant to Article 11 of the By-laws, Avio is managed by a Board of Directors consisting of 9 (nine) members or 11 (eleven) members, according to the decision taken by the ordinary Shareholders' Meeting. The Directors remain in office for 3 (three) years, unless a lower term is set out by the nomination resolution and their term finishes on the date of the Shareholders' Meeting convened to approve the financial statements pertaining to the last financial year of their term, and may be reappointed.

All directors shall possess the eligibility and professionalism requirements provided for by law and other applicable provisions, as well as the integrity requirements provided for by Italian Ministerial Decree no. 162 of 30 March 2000 and the legislation in force from time to time. Pursuant to Article 147-ter, paragraph 4, of TUF, at least two Director must also possess the independence requirements set out therein.

In compliance with legal and regulatory provisions applicable to listed companies, Article 11 of the By-laws sets out that the Board of Directors shall be appointed on the basis of the lists submitted by the Shareholders, in accordance with the procedure described below, unless otherwise or additionally provided by mandatory legal or regulatory provisions.

Lists for the nomination of the Directors may be submitted, apart from the outgoing Board of Directors, also by Shareholders who, at the time the list is submitted, hold - either on their own or together with other submitting Shareholders - an equity interest at least equal to the one set out by Consob pursuant to applicable legal and regulatory provisions. Ownership of the minimum equity interest share is calculated on the basis of the shares registered in the name of the Shareholder on the day on which the lists are submitted to the Issuer; the relevant certificate may be produced also after filing, as long as this is done within the deadlines for the publication of the aforementioned lists.

The lists are filed at the registered office, and subsequently published, in accordance with the methods and the deadlines provided for by the Law in force.

The lists provide for a number of candidates of no less than 2 (two) and not exceeding the number of directors to be appointed, each linked to a progressive number. Each list shall contain and expressly indicate at least 2 (two) directors possessing the independence requirements provided for by applicable laws and the Corporate Governance Code of Borsa Italiana S.p.A.. Lists containing a number of candidates equal to or exceeding 3 (three) may not consist of candidates of the same (male or female) gender. The aforementioned lists shall have to include a number of candidates of the less represented gender, so as to guarantee that the composition of the Board of Directors complies with legal and regulatory provisions applicable from time to time on (male and female) gender parity, without prejudice to the fact that, if the application of gender quotas does not result in a whole number, such number shall be rounded up.

Each list shall include, under penalty of inadmissibility: (i) the candidates' *curriculum vitae* ; (ii) the declaration with which each candidate accepts his/her nomination and certifies, under his/her responsibility, that there are no grounds for non-electability and incompatibility, as well as that he/she possesses the requirements provided for by applicable legislation for the office of Director of the Company, including any declaration about the possession of the independence requirements; (iii) the indication of the identity of the Shareholders who submitted the lists and the equity interest they hold overall; (iv) any further declaration, disclosure and/or document provided for by law and applicable regulatory provisions.

Each Shareholder may not - even through a third party or a trust - submit, or contribute to submitting more than a list or vote different lists. Moreover, each candidate may be included only in one list, under penalty of ineligibility.

At the end of the voting process, the candidates of the two lists that have obtained the highest number of votes shall be elected, on the basis of the following criteria: (i) from the list obtaining the majority of votes cast (the “**Majority List**”), a number of directors equal to the total number of the members to be appointed less 3 (three) shall be taken; and (ii) from the second obtaining the majority of votes cast (the “**Minority List**”) and not linked even indirectly with the Shareholders that submitted or voted the list that achieved the highest number of votes, 3 (three) directors shall be taken, including at least one independent director, according to the progressive order of the candidates in the list.

If the Majority List, or the Minority List depending on the case, does not contain a sufficient number of candidates in order to appoint the number of Directors required for each of them based on the aforementioned criteria, the missing directors shall be taken from the other list, i.e. either the Minority or the Majority list depending on the case, in the progressive order in which they appear on it.

The lists that did not achieve a percentage of votes equal to at least half of the one required for their submission shall not be considered.

In the case of an equal number of votes of the list, a new vote of the Shareholders' Meeting shall take place, with the candidates obtaining the simple majority of votes being elected, without applying the list voting system.

If, at the end of the vote, the legal and regulatory provisions applicable from time to time on (male and female) gender parity (including rounding up to the next whole number if the implementation of gender quotas does not result in a whole number), the replacement mechanisms detailed below shall apply.

A) The last of the candidates that would have been elected from the Majority List and belonging to the most represented gender shall be replaced with the first of the non-elected candidates taken from the same list and belonging to the least represented gender.

B) Where the replacement under letter A) above does not allow the achievement of the minimum threshold set out by legal and regulatory provisions applicable from time to time to gender parity ((including rounding up to the next whole number if the implementation of gender quotas does not result in a whole number), the last of the candidates that would have been elected in the Minority List and belonging to the most represented gender shall be replaced with the first non-elected candidate taken from the same list belonging to the least represented gender..

C) If the replacements under letters A) and B) above do not allow the achievement of the minimum threshold set out by legal and statutory regulations applicable from time to time on gender parity (including rounding up to the next whole number if the application of gender quotas does not result in a whole number), the second-last candidate that would have been elected from the Majority List and belonging to the most represented gender shall also be replaced, and so on, from the bottom of the ranking, considering only the candidates that would have been elected taken from the aforementioned list.

If, as a result of the mechanism detailed above, no independent director is appointed from the Majority list, the last non-independent candidate elected in the Majority List shall be replaced by the first independent candidate not elected in the aforementioned list, in progressive listing order, without prejudice in any case to the compliance with the gender parity provided for by legal and/or regulatory provisions applicable from time to time. If, based on the aforementioned mechanism, no independent director is appointed from the Minority list, the same procedure shall be followed, *mutatis mutandis*.

If only a list is submitted, the Shareholders' Meeting shall express its vote on it and, if such list obtains the relative majority of the votes, all the members of the Board of Directors shall be taken from the aforementioned list, in compliance with legal and regulatory provisions applicable from time to time also with respect to (male and female) gender parity (including rounding up to the next whole number if the application of gender quotas does not result in a whole number).

In absence of lists, or where only a list is submitted and it does not obtain the relative majority of the votes, or if the number of Directors appointed on the basis of the lists submitted is lower than the number of members to be elected, or if the entire Board of Directors does not have to be renewed, or again if it is not possible to appoint the Board of Directors with the methods provided for by this Article for any reason, the members of the Board of Directors shall be appointed by the Shareholders' Meeting with the usual methods and majorities, without applying the list voting system, without prejudice to the requirement to comply with the minimum number of independent directors set out by law and with legal and regulatory provisions applicable from time to time on gender parity.

If, one or more directors shall cease for any reason, the Board of Directors shall co-opt them, selecting, where possible, non-appointed candidates taken from the list to which the ceased director belonged, in progressive order, subject to the requirement of maintaining the minimum number of independent directors set out by law and these By-laws and in compliance with legal and regulatory provisions applicable from time to time on gender parity.

If over half of the Directors appointed by the Shareholders' Meeting ceases from office for any reason, the entire Board of Directors shall be considered as ceased with effect from the moment the Board of Directors is re-elected, and the Directors still in office shall convene the Shareholders' Meeting as a matter of urgency to appoint the new Board of Directors.

* * *

On the Report approval date, the Board had not adopted a succession plan for executive Directors.

4.2 COMPOSITION (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2, D), OF TUF)

4.2.1 *Members of the Board of Directors*

The Shareholders' Meeting of Space2 convened on 1 December 2016 appointed the Board of Directors, with effect from the Merger Effective Date, having first resolved on the number of members, their term in office and compensation. In particular, the Shareholders' Meeting of Space2 resolved to set the number of the members of the Board of Directors as 9, setting their term in office as three financial years, with effectiveness from the Merger Effective Date. Subsequently, by implementing the list voting system provided for by Article 11 of the By-laws, the Shareholders' Meeting appointed the Board of Directors of Avio with effect from the Merger Effective Date until the approval of the Financial Statements at 31 December 2019.

The members of Avio's Board of Directors in office on the Report approval date are listed in the table below.

Name and surname	Birth place and date	Appointment date
Luigi Pasquali	Rome, 2 October 1957	1 December 2016
Stefano Ratti	Uccle (Belgium), 16 July 1968	1 December 2016
Monica Auteri (*)	Carbonia (CA), 4 July 1970	1 December 2016
Giulio Ranzo	Rome, 29 January 1971	1 December 2016
Roberto Italia	Rome, 5 July 1966	1 December 2016
Vittorio Rabajoli	Milan, 29 September 1958	1 December 2016
Giovanni Gorno Tempini (*)	Brescia, 18 February 1962	1 December 2016
Donatella Sciuto (*)	Varese, 5 January 1962	1 December 2016
Maria Rosaria Bonifacio (*)	Piano di Sorrento, 2 March 1962	1 December 2016

(*) Independent Director pursuant to Article 148 of TUF and Article 3 of the Corporate Governance Code

It should be noted that, based on the provisions contained in the Shareholders' Agreement:

- (i) Mr. Roberto Italia holds the office of Chair of the Board of the Issuer;
- (ii) Mr. Giulio Ranzo holds the office of Chief Executive Officer.

The members of Avio's Board of Directors declared that they possessed the integrity requirements set out for control members with regulation of the Italian Ministry of Justice pursuant to Article 148, paragraph 4, of TUF.

A short *curriculum vitae* of each Director of Avio who shall be in office on the Listing Date, detailing the relevant business management skills and experience, is provided below.

Luigi Pasquali

Born in Rome in 1957, he gained a degree in Electronic Engineering at "La Sapienza" University in Rome in 1982 and then attended Business Administration and Finance courses at the IRI Management School and the Business Management School of "Bocconi" University of Milan. In 1983 he served in the Italian Army as Engineer Corps Officer responsible for the test approval of Defence telecommunications systems, as part of his national military service. In 1984 he was hired by Selenia as System Engineer for air traffic control systems and networks, managing projects in Europe, Australia and the United States, including the refurbishment and expansion of the network in Germany. In 1995 he joined STET/Telecom Italia, in the international strategy and development area, where he was responsible for strategic planning projects for telecommunications services. In the same period, he was involved in strategic alliance projects with international telecommunications operators. In 2000 he was appointed Business Development Director of Atlanet, a Telefonica de España company specialised in added-value services for companies and, in 2002, he was appointed Director of the Telecommunications Division of Alenia Spazio (currently Thales Alenia Space Italia), with development, marketing and management responsibilities for satellite telecommunication system programmes for Defence and Security, commercial applications and broadband development. In 2005 he was appointed General Manager of Telespazio, becoming its Chief Executive Officer from February 2013. In June 2008 he was appointed Chairman and Chief Executive Officer of Thales Alenia Space Italia and became Deputy CEO of Thales Alenia Space. He is a member of the Board of Directors of Avio S.p.A. and Thales Alenia Space, as well as member of the federation of Italian, Aerospace, Defence and Security Companies. He is enrolled in the registry of Engineers of the province of Rome.

Stefano Ratti

Born in Uccle (Brussels, Belgium) on 16 July of 1968. He graduated *summa cum laude* with a degree in Business Administration at "La Sapienza" University in Rome in 1992. A Chartered Accountant and Auditor, he started his career at Archital Luxfer Ltd (Hampshire, UK), Istituto Bancario San Paolo (New York branch) and IMI Bank Lux SA (Luxembourg), performing Corporate Banking activities. In 1996 he returned to Italy, working for STET S.p.A., where he was responsible for Telecom Italia's privatisation as Investor Relator and, subsequently, for Corporate Development and Mergers and Acquisitions. In 2006 he moved to Finmeccanica, currently Leonardo, where he is still working in the Strategy, Markets and Business Development area, with specific responsibility for Mergers, Partnerships and Strategic Alliances. Stefano Ratti has been a member of the Board of Directors of Avio S.p.A. from 2014. Stefano Ratti is also Chair of FATA Logistic Systems S.p.A., a company specialised in industrial logistics for the Aerospace, Electronics, Defence and Security sectors and is a founding member of the Board of Auditors of the non-profit organisation ALTEG.

Monica Auteri

Born in Carbonia (CI) on 4 July 1970, She graduated *magna cum laude* in Political Sciences at LUISS Guido Carli. She obtained a Ph.D. in Economics Analysis, Mathematics and Statistics of Social Phenomena at "La Sapienza" University in Rome and a Master and a Ph. D. in Economics at the George Mason University of Fairfax, Virginia (USA), where she worked as Graduate Research Assistant from 1998 to 2000. She worked as researcher at ISAE (Institute for Studies and Economic Analysis) and obtained a research grant at the Economic Theory and Quantitative Methods Department of "La Sapienza"

University. As post-doc researcher, she has been part of the Political Sciences Department of Roma Tre University since 2007, where she is currently Associate Professor of Finance Science.

She held various economic and statistical science teaching positions at both Italian and US universities, including Loyola University in Chicago, Duquesne University in Pittsburgh, the University of L'Aquila the University of Tuscia, the University of Cagliari; "La Sapienza" University and LUISS Guido Carli. She has collaborated with various bodies and research institutes (including ISAE, the Institute for Finance and Local Economy (IFEL) and the Citalia trust) as scientific manager and/or as the author of research reports.

From 2014, she has been a Board Director of BusItalia - Sita Nord, a company of the Ferrovie dello Stato Italiane Group.

Giulio Ranzo

Born in Rome on 29 January 1971. He gained a degree in Civil Engineering at La Sapienza University in Rome in 1995. In 2000 he complete a joint Ph.D. with the University of California San Diego (USA), where he worked as Graduate Research Assistant from 1996 to 1999. He has been Chief Executive Officer General Manager of Avio since 2 October 2015. Prior to that, he was Strategy, Marketing and Government Affairs of Avio Aero. He joined Avio in 2011, holding various executive offices such as Group Strategy Director (2011-2013), Investor Relations Director (2012) and Board Member (2013).. Moreover, he managed the preparation for Avio's Stock Exchange flotation in 2011-2012, the disposal to General Electric Aviation in 2013 and the post-merger integration in 2014. In 2011-2013, he was a member of the Board of Directors of Europropulsion, the space propulsion joint-venture between Safran and Avio. From 2007 to 2011 he was Financial Director and Joint General Manager of the Italian activities of Cementir Holding, a company operating in the building materials sector. He started his career at Booz Allen Hamilton, a strategic consulting firm that has a leadership position in the Aerospace and Defence sectors, where he worked as Associate, Senior Associate and Principal from 2000 to 2007. In those years, he developed strategic projects for the leading European groups operating in the Civil and Military Aviation Sectors, Space Technologies and Launches, Defence Electronics, Business Jets and General Aviation Sectors.

Roberto Italia

Roberto Italia gained a *magna cum laude* degree in Business Administration at LUISS, in Rome, in 1990 and started his career at the STET/Telecom Italia Group. After achieving an MBA with Distinction at INSEAD, Fontainebleau in 1994, he started to work in the private equity sector, where is still active, first with Warburg Pincus, then with Henderson Private Capital and, subsequently, with the European group Cinven, whose advisory company manages in Italy. Roberto Italia is a Board Member or Executive Director of various joint-stock companies in Italy and abroad, as well as of non-profit associations. He is a member of the Private Equity General Council promoted by AIFI, the Italian venture capital and private equity association.

Roberto Italia, a shareholder of Space Holding from 2013, has worked as Chief Executive Officer of Space S.p.A. since the beginning until the business combination transaction with F.I.L.A. S.p.A.

Vittorio Rabajoli

Born in Milan on 29 September 1958. He gained a degree in Business Administration from the University of Turin in 1983. In 1984 joined Fiat Avio in the Administration, Finance and Control division, where he took on various executive roles in the Control area, until he was appointed CFO of what by then had become the Avio Group in 2003. In the subsequent years, he managed the delicate change of control of Avio, which, through major leverage buy-out transactions, exited the Fiat Group to join a private equity fund: first Carlyle (from 2003 to 2007) and then Cinven (from 2007 to 2013). In 2013 he participated in the disposal of the Aviation business to General Electric and ended his experience as CFO of the Avio Group. From 2014, he has been working with the current Avio as Senior Advisor to the Top Management on specific projects, such as the restructuring of the former Avio Space Division into an independent company, some finance project, the Company's Stock Exchange floatation and the Cinven fund's exit from the investment in Avio.

Giovanni Gorno Tempini

From 2016 he is Chair of Fondazione Fiera Milano. He is also a Board Member of IntesaSanPaolo Spa, Willis Tower Watson Spa, Università LUISS and FIRC (Italian Cancer Research Institute). From the beginning of the year, he has also acted as Industry Advisor for Italy for the Permira Private Equity Fund and, from September, has been Advisor of Partners SpA. Moreover, he is a Member of the Scientific Committee of Fondazione Aristide Merloni. Giovanni Gorno Tempini is a professor at the MBA Program of the SDA Bocconi School of Management and non-tenured professor of Finance at the L. Bocconi University of Milan and Ca' Foscari University in Venice. Since January 2014, he has served as a member of the Scientific Committee of the Ca' Foscari International College and of the Strategic Board of Fondazione Ca' Foscari. He worked as Chief Executive Officer of "Cassa depositi e prestiti" Spa from May 2010 to July 2015. He was Chair of the Italian Strategic Fund from August 2011 to July 2015 and Chief Executive Officer of CDP Reti Spa from December 2014 to July 2015. Apart from the functions linked to his offices, in both cases, he played a key role in opening the capital of the two companies to international institutional investors. In 2014 he was a member of the General Council of the Private Equity of AIFI (Italian Private Equity and Venture Capital Association). Previously he was General Manager and Board Member of the Mittel Group from November 2007 to May 2010. During this time, he also held the office of Deputy Chair of Sorin Spa, Chair of Hopa Spa and Board Member of the Board of Management of A2A Spa. From 2001 to 2007 he worked for the Intesa Sanpaolo Group, as Head of Investment Banking and Structured Finance and Chief Executive Officer of Banca Caboto (currently Banca IMI) from 2001 to 2005. From 2006 to 2007 he managed the Group's Finance and Treasury departments. He started his career at JP Morgan in 1987, in the Global Markets sector, holding various executive posts at JP Morgan in Milan and London, with responsibility for Italy and EMEA. He was also Chair of the "Technical Finance Commission" of ABI (Italian Banking Association) from 2006 to 2007, Director of Borsa Italiana S.p.A. from 2001 to 2007, of MTS (European Bond Exchange) from 2001 to 2006, of EuroMTS from 2002 to 2006 and of ISDA (International Swaps and Derivatives Association) from 2006 to 2007, Director of AIFI (Italian Private Equity and Venture Capital Association) up to May 2010. He was non-tenured professor at LIUC University in Castellanza (Varese) from 2004 to 2010. He was member of the Board of Directors of the Collegio San Carlo in Milan. Giovanni Gorno Tempini gained a degree in Business Administration from the Luigi Bocconi University in Milan in 1987.

Donatella Sciuto

Donatella Sciuto is Deputy Vice Chancellor of the Politecnico di Milano and Ordinary Professor of Processing Systems at the Electronics, Information and Bioengineering Department. She gained a degree in Electronic Engineering from Politecnico di Milano in 1984 and a Ph.D. in Electrical and Computer Engineering from the University of Colorado, Boulder in 1988. Moreover, she gained a Master in Business and Administration from the Business Management School of Bocconi University in 1991. She has co-authored over 90 articles published in international scientific reviews and over 300 articles in international sector conferences. She co-authored 4 international patents in the processor architecture area with ST Microelectronics. Moreover, she has published two research monographs and some didactic books in the IT sector. She was appointed IEEE Fellow for her scientific contribution in "embedded systems design". From 2013 she has been a member of the Superior Council of the Bank of Italy and Chair of the Supervisory Council of the Milan Branch. Since 2013 she has been a member of the CINECA

Consortium Council, acting as a representative of Politecnico di Milano; from 2015 she has been a member of the Board of Directors and a Board member of the subsidiary Kion S.p.A.. She is a member of the scientific council of Fondazione Ansaldo and of the scientific council of the Training School of the Security Information System of the Italian Republic . She was Vice President of Finance Council on Electronic Design Automation of IEEE from 2008 to 2010, then President Elect and then President from 2011 to 2013. She is currently a member of the Fellows Committee of IEEE.

Maria Rosaria Bonifacio

Rosaria Bonifacio born in Piano Di Sorrento on 2 March 1962. She gained a degree in Political Sciences, then a Master in Business Administration at the Enrico Mattei Institute in 1986. She started to work at Enichem in the HR department and then held a number of executive positions in the same function of various multinational companies. She has lived in the United States, Sweden and Finland. In 2001 she was appointed Human Resources Director of Ericsson Italia S.p.A., in 2006 Human Resources Director for the South-East Europe in Ericsson. In 2008 she moved to Sweden, where she took over responsibility for human resources of the Global Service Business Unit, with a turnover of around EUR 10 billion and around 40,000 employees. In 2014 she moved to Finland, where she started working for Nokia as Human Resources Director for the Mobile Broadband Business Unit (turnover of around EUR 7 billion and 22,000 employees). She still works for Nokia, with the same responsibilities. In her various roles, she has been responsible for change management programmes, particularly in the area of mergers and acquisitions: the acquisition of the H3G business unit in Italy on behalf of Ericsson S.p.A., the in-sourcing of the Sprint operator in the USA with around 6,000 employees on behalf of Ericsson. She managed around 20 in-sourcings of network services into Ericsson at global level. As part of her most recent experience at Nokia, she managed the establishment of the Mobile Network Division after the merger with Alcatel Lucent.

The table below shows the structure of the Board of Directors and the Committees on the date of this Report.

STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors													Risk and Control Committee		Nominations and Remuneration Committee		Strategic Activities Committee (a)	
Office	Members	Year of birth	Date of first appointment *	In office from	In office until	List **	Exec.	Non-exec.	Indep. Code	Indep. TUF	No. of other offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)
Chair	Roberto Italia	1966	1.12.2016	Board of Directors 10.04.2017	Approval of 2019 Financial Statements	U		X			10	3/3						
Chief Executive Officer ●	Giulio Ranzo	1971	1.12.2016	Board of Directors 10.04.2017	Approval of 2019 Financial Statements	U	X				2	3/3					-	P
Director	Luigi Pasquali	1957	1.12.2016	Board of Directors 10.04.2017	Approval of 2019 Financial Statements	U		X			6	3/3						
Director	Vittorio Rabajoli	1959	1.12.2016	Board of Directors 10.04.2017	Approval of 2019 Financial Statements	U		X			2	3/3	1/1	M				
Director	Stefano Ratti	1968	1.12.2016	Board of Directors 10.04.2017	Approval of 2019 Financial Statements	U		X			-	3/3			-	M	-	M
Director	Monica Auteri	1970	1.12.2016	Board of Directors 10.04.2017	Approval of 2019 Financial Statements	U			X	X	1	3/3	1/1	P				
Director	Maria Rosaria Bonifacio	1962	1.12.2016	Board of Directors 10.04.2017	Approval of 2019 Financial Statements	U			X	X	-	3/3			-	M		
Director	Donatella Sciuto	1962	1.12.2016	Board of Directors 10.04.2017	Approval of 2019 Financial Statements	U			X	X	5	3/3	1/1	M			-	M
Director	Giovanni Gorno Tempini	1962	1.12.2016	Board of Directors 10.04.2017	Approval of 2019 Financial Statements	U			X	X	5	3/3			-	P		

NOTES

The symbols shown below must be entered into the “Office” column:

- This symbol indicates the director responsible for the internal control and risk management system.

◇ This symbol indicates the main individual responsible for the management of the Issuer (Chief Executive Officer or CEO).

* The "date of first appointment" of each director means the date on which the director was appointed for the first time (in absolute terms) to the Board of Directors of the Issuer.

** This column shows the list from which each Director was drawn (“M”: majority list; “m”: minority list; “Board”: list submitted by the Board; “S”: single list).

*** This column shows the number of offices as director or statutory auditor held by the individual in question in other companies listed on regulated markets (including foreign ones) in financial, banking, insurance or large enterprises. The Report on Corporate Governance describes these offices in detail.

(*). This column shows the attendance of directors in meetings of the Board and of the Committees respectively (indicate the number of meetings actually attended compared to the number of meetings that could have been attended in the Reference Period).

(**). This column indicates the role of the director in the Committee: “C”: Chair; “M”: member.

(a) Committee created on a voluntary basis, considering the specific nature of the Issuer.

4.2.2 *Maximum number of offices held in other companies*

At the Report approval date, the Board of Directors had not defined general criteria about the maximum number of management and control offices in other companies that may be considered as compatible with the effective performance of the role of Avio director.

The Company intends to comply with the recommendations of the Implementation Criterion 1.C.2 of the Corporate Governance Code with respect to the obligation for the members of the Board of Directors to accept the office of director only when they deem that they can devote the required time to the performance of their duties, also considering the commitments for their work and professional activities and the number of offices held in other companies listed on regulated markets (including foreign ones), in finance, banking, or insurance or large enterprises.

With respect to the offices held by the Issuer's directors who, on the Report approval date, held offices in companies listed on regulated markets (including foreign ones), in finance, banking, or insurance or large enterprises other than the Issuer, see the table below.

Name and surname	Company	Office held in the company	Status
Luigi Pasquali	Telespazio S.p.A	Chief Executive Officer	In office
	Thales Alenia Space S.a.s.	Board Member	In office
	Thales Alenia Space Italia S.p.A	Director	In office
	AIAD	Director	In office
	ESOA (International Ass.)	Board Member	In office
	Eurospace (International Ass.)	Vice Chairman of Council	In office
Stefano Ratti	-	-	-
Monica Auteri	BusItalia - Sita Nord	Director	In office
Giulio Ranzo	Europropulsion S.A. (*)	Director	In office
	Regulus S.A. (*)	Director	In office
Roberto Italia	Cinven S.r.l.	Chair of the Board of Directors	In office
	Cinven Luxco 1 S.A.	Director	In office
	Cinven Luxco 2 S.A.	Director	In office

	Digivalue Media S. ar.l.	Director	In office
	FCP Manco S.a.r.l.	Director	In office
	Lastminute.com Group B.V.	Director	In office
	Red Black Capital S.A.	Director	In office
	Solar Investment Group B.V.	Director	In office
	Space Holding S.r.l.	Director	In office
	Space3 S.p.A.	Chief Executive Officer	In office
Vittorio Rabajoli	In Orbit S.p.A.	Chair of the Board of Directors	In office
	ELV S.p.A.(*).	Chair of the Board of Directors	In office
Giovanni Gorno Tempini	FIRC (Italian Cancer Research Institute)	Director	In office
	Fondazione Fiera Milano	Chair of the General Council and the Executive Committee	In office
	IntesaSanPaolo S.p.A.	Director	In office
	Willi Tower Watson S.p.A.	Director	In office
	Università LUISS	Director	In office
Donatella Sciuto	Cineca Consortium	Director	In office
	Kion S.p.A.	Director	In office
	Bank of Italy	Member of the Superior Council	In office
	Bank of Italy – Milan Branch	Member of the Supervisory Board	In office
	Rayway S.p.A.	Independent Director	In office
Maria Rosaria Bonifacio	-	-	-

(*) Company of the AVIO Group

4.2.3 Induction Programme

The directors received an induction that enabled them to acquire adequate knowledge of the sector in which the Issuer operates, of corporate dynamics and their development, of the principles of correct risk management, as well as of the regulatory and governance reference framework, in compliance with the 2.C.2 Implementation Criterion of the Corporate Governance Code.

4.3 ROLE OF THE BOARD OF DIRECTORS (PURSUANT TO ARTICLE 123 -BIS, PARAGRAPH 2, D), OF TUF)

Pursuant to Article 13 of the By-laws, the Board of Directors shall meet either at the Company's registered office or at another location, as long as the latter is in Italy.

The Board of Directors is convened by the Chair or, in his/her absence, by the Deputy Chair if appointed, or whenever the Chief Executive Officer submits a relevant written request, detailing the issues on the agenda, with notice to be sent - by recorded delivery letter, telegram, fax or e-mail with acknowledgement receipt - to the domicile of each Director and Standing Auditor at least 5 (five) days before the date set for the meeting; in the event of urgency, the Board of Directors can be convened on the date prior to the one set for the meeting. The Board's meetings and its resolutions are valid, even when not formally convened, when all directors and standing auditors in office attend. If the absence of the Chair, the meeting shall be chaired by the oldest Deputy Chair, if appointed, or, in his/her absence, by the oldest Chief Executive Officer, where appointed or, in his/her absence, by the director appointed by the majority of the attendees.

The meetings of the Board of Directors may also take place via telephone or video conference, provided that: (i) the Chair and the secretary of the meeting (where appointed) who are to draw up and sign the minutes, are present at the same site, which shall be considered as the location in which the meeting was held; (ii) the Chair of the meeting may ascertain the identity of the attendees, govern proceedings and proclaim the results of the vote; (iii) the minute-taker can adequately hear the events of the meeting being minuted; and (iv) that the attendees may participate in the discussion and the concurrent voting on the

items on the agenda, as well as view, receive or send documents.

In addition to the powers expressly reserved to the Board of Directors pursuant to the law and the By-laws, the regulation applicable on the Report approval date approved by Space2's Board of Directors on 19 January 2017 provides that the Board of Directors shall:

- a) examine and approve strategic, industrial and financial plans of Avio and the Group to which it belongs, periodically monitoring their implementation;
- b) define Avio's corporate government system and the Group's structure;
- c) establish the nature and the level of risk compatible with the Company's strategic objectives, including in its assessment all risks that may be relevant with respect to the medium-long term sustainability of its activity;
- d) assess the adequacy of the organisational, administrative and accounting structure of the Company, as well as that of its strategically relevant subsidiaries, particularly with regard to the internal control and risk management system;
- e) set out the cadence, quarterly at the most in any case, with which the delegated bodies shall report to the Board on the activities performed in the exercise of their delegated powers;
- f) assess the general performance trend, taking into account, in particular, the information received by delegated bodies, as well as comparing actual with plan results on a regular basis;
- g) resolve on Avio's transactions and those of its subsidiaries when the aforementioned transactions have particular strategic, economic, asset or financial relevance for the Company; to this end, lay down general criteria for the identification of material transactions;
- h) carry out, at least once a year, an assessment (board evaluation) on its operation and that of its committees, as well as about their size and composition, also taking into account factors such as the professional characteristics and expertise - including managerial experience - of its members, as well as their length in service. If the Board relies on the services of external consultants for such self-assessment, the report on corporate governance shall provide information about the identity of the aforementioned consultants and the other services they provide to the Company or to companies controlled by it;
- i) without prejudice to the provisions of Article 11.3 of the By-laws, with respect to the possibility of submitting a list for the appointment of the members of the Board of Directors, taking into account the findings of the assessment under letter h) above, it may provide to the Shareholders, before the appointment of the new Board, guidelines about the managerial and professional profiles whose presence in the Board is deemed appropriate;
- j) in the corporate governance report, it provides information about: *(i)* its composition, indicating, for each member, the relevant qualifications (executive, non-executive, independent), the role performed within the Board, the key professional characteristics, as well as the length in service since the first appointment; *(ii)* the implementation methods of Article 1 of the Corporate Governance Code and, in particular, on the number and average duration of the meetings of the Board, of the executive committee (if established) and of Board committees held during the financial year, as well as on the relevant attendance percentage for each director; *(iii)* the methods for carrying out the assessment process under letter h) above;
- k) in order to ensure the correct management of corporate information and in compliance with the provisions of Italian Prime Ministerial Decree of 24 November 2016, it shall adopt, upon proposal of the Chief Executive Officer or the Chair of the Board of Directors, a procedure for the internal management and the external communication of documents and information pertaining to Avio, with specific reference to inside information;

- l) provides guidelines on the maximum number of director or auditor positions held in other companies listed on regulated markets (including foreign ones) and banking, insurance, financial or large enterprises that may be considered compatible with the effective performance of the duty of director of Avio, considering the directors' participation in Board committees. To this end, the Board identifies general criteria that vary depending on the commitment linked to each role (of executive, non-executive or independent director), also with respect to the nature and the size of the company in which the offices are held, as well as their belonging to the Avio Group or not;
- m) if the Shareholders' Meeting - to comply with organisational requirements - waives, generally and on a precautionary basis, the non-compliance obligation provided for by Article 2390 of the Italian Civil Code, it shall assess each problematic case and report any criticalities to the next useful Meeting. To this end, each director shall inform the Board, upon acceptance of the office, of any activities performed in competition with the Issuer and, subsequently, of any relevant change;
- n) it assesses whether to implement a succession plan for Executive Directors;
- o) it defines Avio's remuneration policy for directors and key executives, in compliance with the recommendations of the Corporate Governance Code;
- p) it chooses within its ranks one or more directors tasked with developing and maintaining an effective internal control and risk management system (“**ICRMS**”); it appoints, upon proposal of the director responsible for the ICRMS and with the prior favourable opinion of the Risk and Control Committee, having heard the Board of Statutory Auditors, the Internal Audit Function Manager; it defines the guidelines for the internal control and risk management system and performs all the other tasks that the Corporate Governance Code recommends should be attributed to the Board of Directors with respect to the ICRMS;
- q) it adopts the organisation, management and control model and appoints the relevant Supervisory Body pursuant to Italian Legislative Decree no. 231/2001;
- r) in compliance with the provisions of the Stock Exchange Regulations, it approves a calendar of the main corporate events each year, to be published without delay and at least within thirty days from the end of the previous financial year.

On the Report approval date, the Board did not carry out an assessment on its operations and those of its committees, as well as the latter's size and composition, also taking into account elements such as the professional characteristics, expertise (including professional experience) and general characteristics of its members, as well as their length in office (Implementation criterion 1.C.1.g) of the Corporate Governance Code).

4.4 DELEGATED BODIES

Pursuant to Article 12.2 of the By-laws, the Board may delegate part of its powers to an executive committee, determining the limits of the powers of attorney as well as the number of the members and the operating methods, appointing one or more Chief Executive Officers and granting relevant powers to them, without prejudice to the fact that the delegated bodies shall report to the Board of Directors and the Board of Statutory Auditors on a quarterly basis. Moreover, the Board of Directors may also establish one or more committees with advisory, investigating, proposing or control functions, vested with the powers set out by the Board of Directors. In these cases, the Board of Directors also sets out the composition and the operating methods of the committees established. The Board of Directors may also appoint general managers, establishing their relevant powers, and grant powers of attorney for single acts or types of acts.

Pursuant to Article 12.4 of the By-laws, the Chair of the Board of Directors and the Vice Chair/s, if appointed, jointly and severally represent the Company before third parties and in legal proceedings (with the power to appoint lawyers and legal representatives in disputes). The company may also be represented by directors who have been granted powers by the Board of Directors, as well as by General Managers, proxies and lawyers within the limits of the powers granted to them.

4.4.1 Chief Executive Officer

On 10 April 2017, the Board resolved to appoint Mr. Giulio Ranzo as Chief Executive Officer of the Issuer, granting him the powers detailed below.

The Chief Executive Officer has primary responsibility for the management of the Issuer.

Powers of the Chief Executive Officer

The Chief Executive Officer is granted the following system of powers and proxies, to be exercised severally, without prejudice to the limitations provided for by the Law, the By-laws and this resolution.

1. take all actions that are consistent with the Company's purpose, within the limits imposed by the applicable law, the By-laws and this resolution;
2. promote and support legal actions, in the name of the Company, aimed at recovering receivables due to the Company from anyone and for any reason; file appeals against injunctions and protective measures, including urgent ones, on behalf of the Company; promote and support legal actions on behalf of the Company - both as claimant or defendant - before any courts (civil, criminal, administrative, tax or arbitration) and at any stage, status and level of jurisdiction and, therefore, also in higher jurisdiction and before any other special magistrates, as well as in revocation, third-party, appeal, execution and disposal proceedings, of any level and degree of execution, institute a civil action in criminal proceedings in which the Company is the injured party, appoint and revoke legal counsels and defence lawyers, including technical ones settle disputes, appoint arbitrators, including as settlers;
3. represent the Company, with the widest powers granted by Law and without any limits, before States, ministries, regions, provinces, municipalities, public authorities, Italian, foreign, national and supra-national organisations and bodies, public administrations and central and peripheral financial and tax offices, as well as any natural person and/or legal entity;
4. provide, towards any judicial authority and at any venue, phase, stage and level of jurisdiction, declarations by the garnishee and declarations by the seized party, in full compliance with applicable legal provisions, with specific reference to Article 547 *et seq.* of the Italian Code of Civil Procedure;
5. initiate protests and apply for injunctions, sign conservative and executive deeds, participate in bankruptcy proceedings, register claims in such proceedings, vote in settlements, demand partial and final allocations, participate in agreements among creditors and approve them or reject them

6. represent the Company before the labour inspectorate, employer and employee organisations, social security, insurance and national health bodies with respect to any employment relations issues;
7. up to EUR 20 million for each individual act and up to EUR 20 million for a combination of acts implemented as part of the same transaction, enter into and sign unilateral acts and agreements, including those of a property nature and content, for the payment of infrastructure charges of any type - in compliance with the law and urban planning and building regulations applicable from time to time - to the competent authorities, administrations and local authorities; apply for an obtain building permits, concessions and authorisation for the building, extension and renovation of corporate buildings, assuming any commitments arising thereof, also with respect to the calculation, acceptance and payment of indemnities, fees and charges in general, for the execution of the building works in question;
8. up to EUR 20 million for each individual act and up to EUR 20 million for a combination of acts implemented as part of the same transaction, execute administrative acts for the building belonging to the Company or rented, leased or provided on a free loan basis to it, with the power to arrange the execution of the works, as well as sign and revoke deeds, agreements, with any kind of public administration, authority, natural person and/or legal entity;
9. allow the reduction and cancellation of mortgages and, in general, of security-backed and personal guarantees issued to the Company by third parties, also notwithstanding the cancellation of the claim;
10. up to EUR 25 million for each individual act and up to EUR 25 million for a combination of acts implemented as part of the same transaction, obtain sureties, endorsements, guarantees in general, including collateral-backed ones, issue or have banks, credit institutes and financial companies issue suretyships and other performance bonds with respect to the performance of the Company's activities;
11. establish joint ventures, join and participate in consortia and temporary business associations with a value not exceeding EUR 20 million and withdraw from them;
12. purchase and/or dispose of equity interests or other interests held in corporations, companies or business units with a value not exceeding EUR 20 million, excluding, in any case, disposals pertaining to corporations, companies or business units operating in the defence sector and equity interests or other interests held by the Company in subsidiaries or associates operating in the aforementioned sector;
13. make investments that had not already been approved when approving the budget or the strategic plan, whose value does not exceed EUR 10 million for each individual act, or EUR 10 million for a number of acts executed as part of the same transaction and EUR 15 million in total, for each year, with regard to (i) tangible fixed assets and (ii) intangible fixed assets, including costs for participation in international co-operation programs;
14. represent the Company at the Ordinary and Extraordinary Shareholders' Meetings of the subsidiaries (exercising the relative rights, including the right of vote), with the power of representation and the authorisation, for this purpose, to appoint representatives or delegates in accordance with the law;
15. up to EUR 20 million for each individual act and up to EUR 20 million for a combination of acts implemented as part of the same transaction, purchase, sell and effect any type of disposal, for cash and forwards, on transferable securities, Italian and foreign, including shares, quotas and bonds, entering into the relevant contracts;
16. up to EUR 20 million for each individual act and up to EUR 20 million for a combination of acts implemented as part of the same transaction, purchase, sell and effect any type of disposal of real estate, including active and passive leases, also those over nine years, with the option of granting and accepting mortgage registrations, allowing them to be reduced and cancelled, and of renouncing them, holding the conservator of real estate registers harmless from the resulting liability;

17. up to EUR 20 million for each individual act and up to EUR 20 million for a combination of acts implemented as part of the same transaction, purchase, sell and transfer machinery, plant, equipment and any other movable asset, by entering into, renewing, terminating agreements to this end, as well as sign orders and any other act and document, arrange the execution of orders and deliveries, witness type-approval tests;
18. purchase, sell and transfer vehicles, sign authorisations to drive Company vehicles both in Italy and abroad, dealing with any relevant customs formalities, carry out any formalities at public registers of motorists, prefectures, traffic authorities and any other office and authority responsible for number plate registrations, title changes, transcriptions, annotations
19. as part of the Company's core business, without any limits of amount, purchase and sell raw materials, commodities, semi-finished products, consumables, as well as take care of water and energy supplies, with the power to sign orders and contracts with any body, company or individual;
20. as part of the Company's core business, without any limits of amount, sell products and services, with the broadest negotiation and signature powers;
21. except as provided for in paragraphs 19 and 20 above, up to the amount of EUR 20 million for each individual act and up to EUR 20 million for a number of act implemented as part of the same transaction, enter into, renew, review, terminate, withdraw from agreements for advertising and services in general, collaboration, consultancy, rent, hire, free loan, deposit, vendor tooling, utilities, procurement, supply and execution of works and services, fire, transport, accident insurance and insurance against any other risk; in the event of a claim, handle all relevant formalities, including the filing of complaints, the appointment and revocation of experts; to claim, negotiate, define and collect damages;
22. up to EUR 20 million for each individual act and up to EUR 20 million for a combination of acts implemented as part of the same transaction, enter into, renew and terminate co-operation agreements with the power to validly commit the Company, commission studies and the execution of works - of any type - signing the relevant contracts and documents, confer and revoke professional engagements, enter into, renew and terminate agreements for intellectual work performance;
23. request monopoly and patents certificates for industrial inventions and utility models, as well as extensions and additions in Italy and abroad, and enforce the Company's intellectual property rights, as well as request the registration of trademarks in whichever way constituted, in Italy and abroad, carrying out any subsequent fulfilment;
24. up to EUR 20 million for each individual act and up to EUR 20 million for a combination of acts implemented as part of the same transaction, purchase brands, patents and "know-how";
25. up to EUR 15 million for each individual act and up to EUR 15 million for a combination of acts implemented as part of the same transaction, transfer, sell, license, create bonds and/or constraints of any kind and effect any other type of disposal on brands, patents, technological processes, "know-how" and, in general, any intellectual property owned by the Company or by any of its subsidiaries, without prejudice to the fact that, in the defence sector, the Company's intangible assets shall be excluded, irrespective of their value;
26. up to EUR 25 million for each individual act and up to EUR 25 million for a combination of acts implemented as part of the same transaction, (i) negotiate and define, with banks and lenders, and any other public or private, Italian, European or extra-European entity, trusts and loans that can be used in any form and currency, including credits and loans to be used in current accounts, for portfolio discount, the opening of credit lines also in favour of third parties and in any other form, signing the relevant deeds, documents and agreements; (ii) arrange for waivers and releases, as well as give consent in compliance with the provisions of credit lines and financing agreements that the Company has entered into;

27. up to EUR 25 million for each individual act and up to EUR 25 million for a combination of acts implemented as part of the same transaction, negotiate, obtain, finalise and manage at all stages (liaising with banking and non-banking entities, special credit institutes and public administrations, ministries, public and private institutions, at a national, European and international level), medium/long-term loan transactions at a standard or subsidised rate, as well as interest-bearing, capital and expense-based contributions, finalising the aforementioned transactions by signing and underwriting the relevant deeds; in connection with such transactions, provide guarantees - including collateral - or arrange for their provision, within the limits set out by points 10 and 31;
28. open and close bank and postal credit accounts, and transact on them, (i) in relation to the performance of contractual obligations assumed in accordance with the preceding and subsequent paragraphs, without any amount limit and (ii) in any other case, up to the amount of EUR 20 million for each individual act and up to EUR 20 million for a combination of acts implemented as part of the same transaction in any currency - including shorting - either in Italy or abroad, with the power of granting and using credit lines, signing cheques, documents, bills of exchange, arranging bank transfers;
29. make payments on the current accounts of the company with the faculty, for this purpose, *inter alia*, to negotiate and endorse IOUs for collection (bills and promissory notes), bank statements, cheques, coupons, letters of credit, credit notes and any other title or commercial bill by signing the relevant documents, bank endorsements, receipts;
30. make payments, also in currency, and, in general, carry out any disposal of sums, values, credits, trade effects, currencies by obtaining a receipt (i) with respect to the performance of contractual obligations assumed in accordance with the preceding and subsequent paragraphs, without any amount limit and (ii) in any other case, up to the amount of EUR 20 million for each individual act and up to EUR 20 million for a combination of acts implemented as part of the same transaction;
31. up to EUR 25 million for each individual act and up to EUR 25 million for a combination of acts implemented as part of the same transaction, purchase brands, patents and “know-how, provide collateral, endorsements and guarantees linked to the Company's activities;
32. up to EUR 20 million for each individual act and up to EUR 20 million for a combination of acts implemented as part of the same transaction, dispose of receivables with and without recourse;
33. claim credits, collect sums and values due to the Company from anyone and for any reason;
34. receive and establish, return and withdraw deposits of amounts, securities, bail bonds, guaranteed bonds, custody values, issuing and receiving releases and receipts, effect any transactions with customs offices as well as with the National Debt Administration, and with any office of Cassa Depositi e Prestiti to grant and remove easements on securities and assets;
35. comply with legal requirements on the circulation of equities and dividend distribution, with the power to sign declarations, communications, certificates of attestation;
36. ensure compliance with all administrative and tax rules and the obligations to which the Company is subject as taxable entity and withholding agent, with the power, for this purpose, to sign - *inter alia* - complaints, declarations, attestations, certifications and any type of deed;
37. lodge complaints with the Chambers of Commerce about resolutions and acts concerning the Company;
38. open and close branches and detached offices of the Company both in Italy and abroad, submitting the required documents;
39. with the exclusion of the office of General Manager of the Company, hire, suspend, dismiss staff,

including the managers, determine their remuneration, compensation and bonuses, underwrite, amend and terminate employment agreements, it being understood that the appointment and the revocation of executives who, according to the organisational structure of the Company, report directly to the Chief Executive Officer, and of directors with delegated powers of the subsidiaries of the Company, shall be responsibility of the Company's Chief Executive Officer, subject to prior consultation with the Nominations and Remuneration Committee; transfer, establish and change duties, qualifications, categories and grades for staff, including managers;

40. appoint and revoke general and special proxies and lawyers, granting them powers as part of his/her own;
41. delegate, for every consequent legal effect, responsibility for the organisation and conduct of certain business sectors with all necessary powers;
42. sign the correspondence and deeds of the Company as part of and in the exercise of the powers granted;
43. up to EUR 50,000.00 million for each individual act and up to EUR 50,000.00 million for a combination of acts implemented as part of the same transaction, make charitable donations, within the limits provided for by law.

The Chief Executive Officer, by virtue of its office, has the broadest powers with respect to occupational health and safety (Italian Legislative Decree 81/2008), environmental protection, privacy protection and the processing of personal data (Italian Legislative Decree 196/2003), permits, type approvals, authorisations, concessions, licenses and the like required for the exercise of the Company's activities and, hence, to ensure the implementation of the resolutions adopted by the Board of Directors on these matters, also appointing special or general counsellors. With particular reference to powers relating to occupational health and safety (Italian Legislative Decree 81/2008 and subsequent amendments and additions), the Chair proposes that the powers of the aforementioned Chief Executive Officer shall include:

- a) all powers and responsibilities for the protection of occupational health and safety, including those corresponding to the formal and substantial role of "employer" and "client" pursuant to Italian Legislative Decree 81/2008, to be exercised in full autonomy, also from a financial viewpoint, by managing the budgeted amounts and any additional amounts that may be required, if necessary, as part of the relevant spending powers,
- b) all powers and responsibilities relating to ecology, the protection of the environment and the territory and fire prevention, to be exercised in full autonomy, also from a financial viewpoint, by managing the budgeted amounts and any additional amounts that may be required, if necessary, as part of the relevant spending powers,
- c) all powers and responsibilities corresponding to the formal and substantial role of "plant manager" pursuant to Italian Legislative Decree no. 105 dated 26 June 2015 and subsequent amendments and additions (so-called. Seveso III),

with the express power to reconcile and settle and with the power to delegate and appoint counsellors and representatives, and also to identify any possible "employers" within the Organization pursuant to Article 2b) of Italian Legislative Decree 81/2008 and subsequent amendments and additions, as well as any "plant managers" pursuant to Italian Legislative Decree 105/2015 and subsequent amendments and additions, granting them all necessary and appropriate powers of expenditure as well.

The powers attributed to the Chief Executive Officer who possesses the necessary legal requirements also

include the representation of the Company for all the requirements provided for by Italian Law no. 185 of 9 July 1990 and subsequent amendments and additions, which regulates the imports, exports, transit of military equipment, and the related implementing regulation referred to in Italian Ministerial Decree no. 19 of 7 January, 2013, including, *inter alia*, by way of example, the right to sign the following deeds:

- notifications of start of contract negotiations pursuant to Article 9 of Italian Law 185/1990 and subsequent amendments and additions;
- requests for no impediment pursuant to the provisions of Article 9, paragraph 5, of Italian Law 185/1990 and subsequent amendments and additions;
- requests for import, export, transit of military equipment authorisation pursuant to Article 11 of Italian Law 185/1990 and subsequent amendments and additions.
- acts and documents provided for by Article 3, paragraph 1, of Italian Ministerial Decree No. 19 of 7 January 2013 and subsequent amendments and additions.

The legal representation, the aforementioned powers and responsibilities pursuant to Italian Law no. 185 of 9 July 1990, and its implementing regulation, are attributed solely and exclusively to the Chief Executive Officer, with the power to sub-delegate - through a power of attorney - solely to persons resident in Italy who possess the necessary legal requirements.

4.4.2 Chair of the Board of Directors

On 10 April 2017, the Board appointed Mr. Roberto Italia to the office of Chair of the Board of Directors.

The Chair of Avio's Board of Directors is not a controlling Shareholder of the Issuer.

4.4.3 Executive Committee

Pursuant to Article 12.2 of the By-laws, the Board may delegate part of its powers to an Executive Committee, establishing the limits of the powers of attorney as well as the number of its members and its operating methods, appointing one or more Chief Executive Officers and granting relevant powers to them, without prejudice to the fact that the delegated bodies shall report to the Board of Directors and the Board of Statutory Auditors on a quarterly basis.

Pursuant to Article 2389 of the Italian Civil Code, the remuneration of the members of the Executive Committee shall be set by the Shareholders' Meeting.

On the Report approval date, an Executive Committee had yet to be established.

4.4.4 Information to the Board of Directors

On the Report approval date, the Board of Directors had yet to set out the cadence, quarterly at the most in any case, with which the delegated bodies shall report to the Board on the activities performed in the exercise of their delegated powers.

Pursuant to Article 2381, paragraph 5, of the Italian Civil Code, the delegated bodies shall report to the Board of Directors (and to the Board of Statutory Auditors) at least every six months on the overall performance of the Company and its foreseeable trend, as well as on material transactions, due to their size or nature, executed by the Company and its subsidiaries.

4.5 OTHER EXECUTIVE DIRECTORS

At the date of approval of the Report, there were no Executive Directors in addition to the Chief Executive Officer (meant as directors with management powers, as referred to in Implementation

Criterion 2C.1 of the Corporate Governance Code).

4.6 INDEPENDENT DIRECTORS

On December 1, 2016, the Space2 Assembly appointed 4 (four) directors possessing the independence characteristics provided for by Article 148, paragraph 3, of TUF, as well as in the Implementation Criterion 3C1 of the Corporate Governance Code, with effect from the Merger Effective Date.

In accordance with this criterion, on 10 April 2017 the Council assessed the compliance of the independence requirements referred to in Article 148, paragraph 3 of TUF, and Article 3 of the Code of Conduct for non-executive members of the Board of Directors.

The Board of Statutory Auditors checked the correct implementation of the criteria and the verification procedures adopted by the Board to ascertain the independence of its members.

Independent directors did not hold any meetings that was not attended by other directors during the Reference Period.

4.7 LEAD INDEPENDENT DIRECTOR

On the Report approval date, the Board did not appoint any Independent Director as Lead Independent Director pursuant to Implementation Criterion 2.C.3 of the By-laws, given that the circumstances that require his/her appointment pursuant to the Corporate Governance Code did not apply.

5 HANDLING OF CORPORATE INFORMATION

The Company adopts the following procedures: (i) code for the management of inside information and (ii) code on internal dealing, approved by Space2's Board of Directors on 29 September 2016 in order to transpose the changes introduced by Regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and the relevant delegated and executive regulations (**MAR**):

The code for the handling of inside information is aimed at governing: (i) the management and handling of inside information, as well as the procedures to be complied with both inside and outside the Company in order to disclose the aforementioned information; and (ii) the creation and management of the list of individuals who, due to their work or professional activities or duties performed, have access to inside information on an occasional or regular basis; and

the code on *internal dealing* is aimed at governing disclosure obligations towards Consob, the Issuer and the public, as well as the behaviours linked to their fulfilment by individuals who perform administration, control or management functions within the Issuer and their close associates (as identified by Article 19 of MAR), about transactions having financial instruments issued by the Issuer as their object.

The key elements of the code for handling of inside information and the code of conduct on *internal dealing*, applicable on the Report approval date are summarised below.

Code for the handling of inside information

Definition of inside information

"Inside information" means a piece of information: (i) of a precise nature, i.e. which (a) refers to an existing or reasonably expected set of circumstances or an event that took place or can reasonably be expected to take place and (b) is sufficiently specific to allow one to reach a conclusion on the possible effect of the set of circumstances or the event detailed in letter (a) on the price of the financial instruments issued by the Company (as identified pursuant to applicable legislation); (ii) has not been disclosed; (iii) directly or indirectly concerns the Issuer or the company directly or indirectly controlled by the Issuer or the Issuer's financial instruments; and (iv) which, if disclosed, may sensibly impact on the price of the Issuer's financial instruments, or which a reasonable investor would use as one of the elements on which to base his/her investment decisions.

In this regard, in the case of a protracted process aimed at producing or determining a specific circumstance or event, such circumstance of future event and the interim stages of the aforementioned process linked to its production, may be considered as information of a specific nature.

Addressees of the Code for the handling of inside information

The following individuals are required to comply with the procedures defined by the code for handling inside information: (i) the members of management and control bodies, as well as the directors of the Company and its subsidiaries; (ii) all natural persons or legal entities that, as a result of their work or professional activities or the duties performed, have regular or occasional access to inside information.

Handling of inside information

Relevant individuals - as identified above - are required to treat the inside information they may be aware of in an extremely confidential manner. Inside information shall be handled by taking all necessary steps to ensure that it is circulated within the company without jeopardising its confidential nature, up until such time as it shall be disclosed to the market in line with the methods provided for by the code and applicable legislation.

Without prejudice to the provisions of Article 184 *et seq.* of TUF and Articles 14 and 15 of the MRA, relevant parties may not: (a) purchase, sell or, in any case, execute transactions on the financial instruments issued by the Company (including order cancellations or changes when the order has been sent before the interested party acquired the inside information), on their own behalf or that of a third party, either directly or indirectly, using inside information; (b) recommend or induce other people, on the basis of inside information, to carry out any of the transactions; (c) notify inside information to third parties, outside of the normal performance of one's work, professional, function or office duties. The communication to third parties of recommendations or inducements pursuant to letter (b) is considered as unlawful communication of inside information if the individual who notifies the communication or inducement knows or should know that the latter are based on inside information.

Relevant parties are absolutely prohibited from granting interviews to the press or issue statements in general that contain inside information not yet disclosed to the market pursuant to the code.

On 19 January 2017, Space2's Board of Directors resolved to appoint Mr. Giorgio Martellino as contact person for the code for handling inside information, with effect from the Merger Effective Date. The aforementioned appointment was confirmed by the Issuer's Board of Directors on 10 April 2017

Moreover, the Board of Directors established the register of informed parties, defining the procedure for its management and tasking the contact person as the individual responsible for managing and updating it in order to ensure its easy consultation and the simple retrieval of its data.

Internal dealing code

In compliance with MAR's provisions, the Internal Dealing Code identifies the “Relevant Parties”, that is to say, in particular:

- (i) the members of the Issuer's Board of Directors and Board of Statutory Auditors;
- (ii) the individuals who perform management functions within the Issuer and the managers who have regular access to inside information and are vested with the power of making management decisions that may impact on the Issuer's development and future prospects;
- (iii) other individuals identified from time to time by the applicable legislation, or with respect to the activity performed or the office assigned to them by the Issuer's Board of Directors.

The Internal Dealing Code also identifies the “close associates” of Relevant Parties, that is to say:

- (i) the spouse, unless legally separated, the partner treated as a spouse pursuant to the Italian Law, dependent children pursuant to the Italian legislation, as well parents who have been cohabiting with a Related Party for at least one year from the date of the transaction, (jointly, the “**Relevant Relatives**”);
- (ii) legal entities, partnerships and trusts that are managed by a Relevant Party or one of the Relevant Relatives, or directly or indirectly by a Relevant Party or one of the Relevant Relatives, or whose economic interests are substantially equivalent to those of a Relevant Party or one of the Relevant Relatives or again constituted for the benefit of a Relevant Party or one of the Relevant Relatives.

The code, therefore, governs the disclosure obligations of Relevant Parties and Close Associates towards the Issuer, as well as those of the aforementioned Relevant Parties and the Issuer towards Consob and the Public, with respect to the transactions having as their object the shares or the financial instruments issued by the Issuer (as identified pursuant to the applicable legislation) executed by Relevant Parties or Close Associates, either directly or through third parties, trusts or subsidiaries, with the exception of the transactions with an overall amount of less than EUR 5,000 by the end of the year.

In particular, the code provides that Relevant Parties and Close Associates shall notify Company and Consob of any relevant transactions that may be linked to them within three open market days from the date the relevant transaction was executed. Where the Relevant Parties or the Close associates intend to avail themselves of the Company in order to disclose relevant transactions to Consob, they shall notify the Company without delay and in any case within 1 open market day from the date of the relevant transaction. The Company shall disclose to the Public any relevant transactions notified to it within three open Stock Exchange days from the performance of the aforementioned transactions, with the methods set out by the applicable legislation.

Finally, the Code governs the prohibition for Relevant Parties to carry out – on their own behalf or that of third parties - any relevant transactions in the period of 30 days before the meeting of the Issuer's Board of Directors pertaining to the approval of the Draft Financial Statements for the financial year, of the Interim Report and of the additional periodic financial reports that the Company must publish in line with applicable legal and regulatory provisions to which it is subject (so-called "black-out period"). The foregoing is without prejudice to the right of the Board of Directors or, in the event of an urgency, the Chief Executive Officer, to: (a) identify additional periods or circumstances in which the execution of material transactions by Relevant Parties is subject to constraints or conditions; and (b) allow a Relevant Party, where the latter demonstrates that the transaction may not be performed at any other time, the execution of material transactions during the black-out period: (i) in presence of exceptional conditions, such as severe financial difficulties that impose the immediate execution of the material transaction, to be assessed from time to time; or (ii) due to the characteristics of trading in the event of transactions performed at the same time or with respect to an employee shareholding plan or a savings scheme, or transactions in which the economic interest in the security in question is not subject to changes.

On 19 January 2017, the Board of Directors of Space2 resolved to appoint Mr. Giorgio Martellino as representative for the Internal Dealing Code, with effect from the Listing Date. The aforementioned office was confirmed by the Issuer's Board of Directors on 10 April 2017.

6 BOARD COMMITTEES

In compliance with the Corporate Governance Code, which recommends that listed companies should set up a number of Board Committees with responsibility for specific issues, Article 12.2 of the By-laws grants the Board of Directors the power to establish committees from among its members with advisory, proposing or control functions, in compliance with applicable legal and regulatory provisions.

On the date of this Report, a Risk and Control Committee was in office, which had been set up by the Issuer pursuant to Article 7 of the Corporate Governance Code, whose operation is governed by resolution of the Board of Directors of 11 May 2017, in compliance with the recommendations of the Corporate Governance Code.

In accordance with the Corporate Governance Code's provisions on composition and in compliance with the committee's internal regulation, on the Report approval date the Issuer's Risk and Control Committee consisted of the following independent directors: Monica Auteri (who also acted as Chair), Donatella Sciuto and Vittorio Rabajoli.

Moreover, after assessing the Company's organisational requirements, the operating methods and the size of its Board of Directors, the company deemed it appropriate to establish the Nominations and Remuneration Committee, with effect from the Merger Effective Date, as well as, on a voluntary basis, the Investment Committee and the Strategic Activities Committee.

On 10 April 2017, the Board of Directors resolved to:

- appoint as members of the Nominations and Remuneration Committee until the approval of the Company's Financial Statements at 31 December 2019 Messrs. Maria Rosaria Bonifacio and Giovanni Gorno Tempini, both independent directors, as well as Stefano Ratti, assigning the role of Chair to Mr. Gorno Tempini;
- establish the Investment Committee, reserving the right to appoint its members and its Chair at a later time;
- appoint Mr. Giulio Ranzo, Chief Executive Officer, and Ms. Donatella Sciuto, independent director, as well as Mr. Stefano Ratti, as members of the Strategic Activities Committee until the approval of the Company's Financial Statements at 31 December 2019, appointing Mr. Giulio Ranzo as its Chair.

Board Committees' regulations provide for the meetings to be minuted, for the Chair of the Committee to notify such meetings at the next useful Board Meeting, and that they be attended, apart from the Board of Statutory Auditors, also by external parties, including other members of the Board of Directors or of Avio's business (upon invitation), to discuss individual items on the agenda.

On the Report approval date, none of the functions of one or more committees provided for by the Code had been reserved to the Board as a whole, under the co-ordination of the Chair (Implementation Criterion 4.C.2 of the Code).

The main features of the committees that shall be part of Avio's governance structure on the Report approval date are described below.

7 NOMINATIONS AND REMUNERATION COMMITTEE

On 19 January 2017, the Space2's Board of Directors, in compliance with the recommendations of the Corporate Governance Code, resolved, with effect from the Effective Date of the Merger, to establish the Nominations and Remuneration Committee, consolidating it into the Remuneration Committee. The consolidation of the two committees was decided for Company-internal organisational reasons and, since the functions performed by the Nominations Committee did not justify the establishment of a dedicated committee given that no difficulties had been found or were expected from the Shareholders at the time of writing with respect to submitting suitable candidates to allow a Board composition that complies with the Code's recommendations.

The Nominations and Remuneration Committee, therefore, was assigned both the duties and functions provided for by Article 5 of the Corporate Governance Code with respect to the nomination of directors, and the duties and functions pursuant to Article 6 of the Corporate Governance Code with respect to their remuneration.

Pursuant to the Nominations and Remuneration Committee's operating regulations, approved at the aforementioned Board meeting of 19 January 2017 and in force from the Effective Date of the Merger, the aforementioned committee consists of three non-executive directors, the majority of whom possesses the independence requirements provided for by current legislation and the Corporate Governance Code, out of whose ranks the Chair shall be elected.

The following appointment duties are assigned to the Nominations and Remuneration Committee:

- a) express opinions to the Board of Directors on the size and composition of the latter and provide recommendations on the managerial and professional profiles whose presence is deemed appropriate within the Board;
- b) assist the Board of Directors with the annual self-assessment process of the aforementioned Board and its committees, pursuant to the Corporate Governance Code;
- c) taking into consideration the results of the foregoing self-assessment, assist the Board of Directors in providing guidelines to the Shareholders - before the appointment of the new Board of Directors - about the managerial and professional profiles whose presence is deemed appropriate in the Board;
- d) provide opinions to the Board of Directors in relation to (i) guidelines on the maximum number of offices held in management or control bodies of other companies listed on regulated markets, financial, banking, insurance or large enterprises that may be deemed compatible with an effective performance of the duty of Director of the Company, by taking into account the participation of Directors in the Board Committees, and (ii) any issues linked to the implementation of the non-competition ban provided for the Directors pursuant to Article 2390 of the Italian Civil Code, if the Shareholders' Assembly has waived the aforementioned non-competition ban in a general and precautionary manner;
- e) where the Chair of the Board of Directors or the Chief Executive Officer need to be replaced, submit proposals and assessments to the Board of Directors (also availing itself of the assistance of external consultants, to this end), so that the latter may pass the necessary resolutions on this matter, it being nonetheless understood that any opinions expressed by the Committee in relation to the identification of a candidate to the office of Chief Executive Officer shall comply with the provisions of Italian Prime Ministerial Decree of 24 November 2016;
- f) in case of co-opting, where it is necessary to replace Independent Directors, propose candidates to the position of Independent Director to the Board of Directors;
- g) support the Board of Directors with necessary investigation activities to establish a plan for the succession of executive directors;
- h) subject to the provisions of letters (e), (f) and (g) above, support the Board of Directors if the latter, in compliance with applicable legislation and the provisions of the By-laws, intends to submit a list for the renewal of the aforementioned Board;

- i) pursuant to Article 12.3 of the By-laws and without prejudice to the remit of the Strategic Activities' Committee for the appointment of a manager responsible for managing strategic activities (the “ **Strategic Activities Manager** ”) , provide to the Chief Executive Officer opinions on the appointment and revocation of the Company's managers that report directly to the Chief Executive Officer and the chief executive officers of Group companies.

The following remuneration-related duties are also assigned to the Nominations and Remuneration Committee:

- a) submit to the Board of Directors proposals on the adoption of a policy for the remuneration of Directors and Key Executives;
- b) periodically assess the adequacy, overall consistency and effective implementation of the remuneration policy for Directors and Key Executives adopted by the Company, availing itself for this purpose of the information provided by the Chief Executive Officer, and submit proposals on this subject to the Board of Directors;
- c) submit proposals or express opinions to the Board of Directors on the remuneration of executive Directors and other Directors in charge of specific offices, as well as on the setting of performance objectives linked to the variable component of the aforementioned remuneration, as well as monitor the implementation of the decisions taken by the Board by ascertaining the actual achievement of performance objectives in particular;
- d) examine in advance the Annual Remuneration Report, to be disclosed to the Public pursuant to applicable legislation;
- e) report to the Shareholders' Meeting convened to approve the Financial Statements - through the Chair of the Committee or another member appointed by the latter - about the methods for the performance of his/her duties, with respect to remuneration-related tasks attributed to the Committee.

The Nominations and Remuneration Committee has the right to access the corporate information and functions required to carry out its duties and may avail itself of external consultants within the budgetary limits set by the Board of Directors, except where it operates as competent Committee in matters of related parties' transactions and must express its opinion on a "material transaction" (as defined in the RPT Procedure), in which case, pursuant to the applicable Italian Law and the RPT Procedure, no expense limits shall apply.

In line with the recommendations of Article 6.C.6 of the Corporate Governance Code, no director shall attend the meetings of the Nominations and Remuneration Committee in which proposals about his/her remuneration are submitted to the Board of Directors.

The Committee is also attributed, with respect to remuneration issues only, the duties allocated to the committee responsible for transactions with related parties pursuant to the RPT Procedure. In the event of transactions with more relevant related parties, where the Committee does not consist of at least three independent directors, the measures referred to in Article 14 of the RPT Procedure shall apply.

8 RISK AND CONTROL COMMITTEE

Pursuant to the Risk and Control Committee's regulation, the Risk and Control Committee shall consist of at least three non-executive directors, most of whom possessing the independence requirements provided for by the Corporate Governance Code. The Chair of the Committee shall be chosen from the ranks of the aforementioned members. In addition, at least one member of the Risk and Control Committee shall possess adequate financial and accounting experience, whose assessment is delegated to the Board of Directors at the time of the appointment.

Pursuant to its regulations, the Risk and Control Committee is tasked with supporting the Board of Directors, with adequate investigation activities, in the assessments and decisions pertaining to the Internal Control and Risk Management System, and in those pertaining to the approval of periodic financial reports.

In particular, the Risk and Control Committee, in compliance with the requirements of the Corporate Governance Code, in assisting the Board of Directors:

- a) assesses, together with the Company's manager responsible for financial reporting, and after consulting the independent auditing firm and the Board of Statutory Auditors, the correct use of the accounting principles and their homogeneity for the purpose of preparing the Consolidated Financial Statements;
- b) expresses opinions on specific aspects related to the identification of key risks for the Company;
- c) reviews the periodic reports on the assessment of the Internal Control and Risk Management System and those of particular relevance prepared by the Internal Audit function;
- d) monitors the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function;
- e) may request the Internal Audit function to carry out audits on specific operational areas, notifying the Chair of the Board of Statutory Auditors at the same time; for coordination purposes, it shall also notify the Chair of the Board of Directors and the Director in charge of the Internal Control and Risk Management System, unless the object of the audit request specifically concerns the activities of the aforementioned individuals and entities;
- f) reports to the Board of Directors, at least once every six months, on the approval of the Annual and Interim Financial Report, on the activities performed and on the adequacy of the Internal Control and Risk Management System;
- g) supports, with appropriate investigation activities, the Board of Directors' assessments and decisions regarding the management of risks arising from adverse events of which the Board of Directors has become aware;
- h) performs any additional tasks assigned to it by the Corporate Governance Code or by the Board of Directors.

The Risk and Control Committee also issues its prior opinion to the Board of Directors:

- (i) to define the guidelines for the Internal Control and Risk Management System so that the key risks for the Company and its subsidiaries are properly identified and adequately measured, managed and monitored, and to determine the degree in which these risks are compatible with a management of the Company consistent with the strategic objectives identified, also considering the risks that may be relevant with a view to the medium-long term sustainability of the Company's activities;
- (ii) to assess, at least once a year, the adequacy of the Internal Control and Risk Management System in relation to the Company's characteristics and risk profile, as well as its effectiveness;
- (iii) to approve, at least once a year, the work plan prepared by the Internal Audit Manager, without prejudice to the Board of Directors' need to also consult the Board of Statutory Auditors and the director responsible for the Internal Control and Risk Management System;
- (iv) do describe in the Corporate Governance Report the main features of the Internal Control and Risk Management System and the liaison methods between the parties involved in such system, as well as the assessment of its adequacy;
- (v) to evaluate the results detailed by the Independent Auditor in any suggestion letter and in the report on the key findings of the Independent Audit, without prejudice to the Board of Directors' need to also consult the Board of Statutory Auditors;
- (vi) about n the proposal for the appointment, revocation as well as the definition - in line with Company policies - of the remuneration of the Internal Audit Manager, and on the adequacy of the resources assigned to the latter for the performance of his/her duties.

In addition to the foregoing, to the Risk and Control Committee is also attributed the tasks assigned to the competent Related parties' transactions Committee pursuant to the RPT Procedure, with the exception of remuneration-related issued. In case of transactions with more relevant parties, where the Risk and Control Committee does not consist of at least three directors possessing the independence requirements set out by TUF and the Corporate Governance Code, the relevant provisions of Article 14 of the RPT Procedure shall apply.

In the performance of its duties, the Risk and Control Committee has the right to access the information and Company functions required to perform its duties and to avail itself, at Avio's expense, of external consultants within the budgetary limits approved by the Board of Directors, except for the case where it acts as competent related parties' transactions committee for transactions defined as "Material Transactions " by the RPT Procedure, in which case, pursuant to the applicable Italian Law and the RPT Procedure, no spending limits shall apply.

The Risk and Control Committee promptly exchanges relevant information for the performance of its duties with the other Company bodies and functions performing relevant duties with respect to internal control and risk management.

Without prejudice to the requirements detailed in letter (f) of the previous paragraph, the Chair of the Risk and Control Committee reports to the next useful Board of Directors, in the most appropriate form, about the meetings held by the Risk and Control Committee and the proposals submitted.

9 INVESTMENT COMMITTEE

Pursuant to Investment Committee operation rules applicable at the Effective Date of the Merger, the Committee consists of Issuer's Chief Executive Officer, of a director possessing the independence requirements provided for by the applicable legislation and the Corporate Governance Code, and of a third director who shall be assigned the role of Chair of the Committee.

In particular, the Committee has an advisory role with respect to the Board of Directors' decisions on the following subjects : (i) approval of or change to the annual budget and to multi-year strategic, financial and business plans of Avio and the Group; (ii) approval of investment transactions of particular relevance and of an extraordinary nature (not included in the budget or in the strategic plans), i.e. investment transactions or other transactions of extraordinary nature with characteristics that may substantially alter the activity and the business of Avio.

The Committee's investigation activities on the items on the agenda are managed by the Chief Executive Officer.

Avio's and Group Managers may take part in Committee meetings.

10 STRATEGIC ACTIVITIES COMMITTEE

Pursuant to the Strategic Activities Committee's operating regulations, effective since the Effective Date of the Merger, this Committee consists of the Chair of the Board of Directors or the Chief Executive Officer and two additional Directors, one of whom possessing the independence requirements provided for by current legislation. The role of Chair of the Committee is attributed to the Chair of the Board of Directors or to the Chief Executive Officer.

Without prejudice to the sole competence of the Board of Directors, pursuant to Article 12.1 of the By-laws, with respect to matters and activities that the Italian Government has a right to oppose pursuant to the Golden Power Regulation, the Committee is assigned the following consultative tasks:

- (a) assisting the Board of Directors and supervising compliance with the conditions and obligations provided for by the Golden Power Regulation and the Italian Prime Ministerial Decree of 24 November 2016;
- (b) assisting the Board of Directors with the management of any issue pertaining to the Golden Power Regulation;

- (c) expressing its opinion on the possible appointment of the Strategic Activities Manager by the Board of Directors;
- (d) carrying out any further activities assigned to it by the Board of Directors. The Strategic Activities Committee's investigations on the items on the agenda are managed by the Chair and the Strategic Activities Manager, who attends Committee meetings together with other members of the Board of Directors, or representatives of the Company's functions, or again third parties, whose presence may be helpful in discussing the items on the agenda.

On January 19, 2017, Space2's Board of Directors, with effect from the Merger Effective Date, appointed Manrico Mastria as Strategic Activities Manager. This appointment was confirmed by the Board with resolution of 10 April 2017. Pursuant to the regulation of the Committee for Strategic Activities, the appointment of the Strategic Activities Manager requires the favourable opinion of the Strategic Activities Committee, to be convened after the Merger Effective Date. Therefore, the appointment of the Strategic Activities Manager, as identified by the Issuer's Board of Directors, shall be suspended subject to obtaining the favourable opinion of the Strategic Activities Committee.

11 DIRECTORS' REMUNERATION

With respect to the definition of the compensation payable to the members of the Board of Directors, the ordinary Shareholders' Meeting of 1 December 2016 resolved to assign to the Board of Directors that shall remain in office for the three years starting from the financial year in which the Merger shall become effective, a compensation (pursuant to Article 2389, first paragraph, of the Italian Civil Code) of EUR 500,000.00 per year, to be distributed among its members in accordance with the resolutions that shall be taken by the Board of Directors, subject to any additional remuneration payable to the Directors performing special duties that should be established by the Board of Directors pursuant to Article 2389, third paragraph, of the Italian Civil Code. A copy of the minutes of the meeting of 1 December 2016 was provided to the attendees in good time for the purposes of this meeting.

On 19 January 2017, the Space2's Board of Directors, acknowledging the management incentive system currently implemented by the Incorporated Company, resolved to implement as guidelines for the remuneration of the Company's key management personnel, as a result of the Merger's effectiveness, the same criteria currently applied by the Incorporated Company and described below, also committing to formally adopt remuneration mechanisms that reflect the aforementioned guidelines within three months from the Merger Effective Date.

In particular, the guidelines on the annual variable remuneration of Key Executives currently implemented by the Incorporated Company provide for the following:

- the variable annual remuneration shall be set at a percentage of the fixed component - equal to 62.66% of the fixed component on average - to an increasing extent in relation to the role performed and the professional level achieved;
- the variable annual remuneration shall be linked to both the achievement of the annual performance targets for the Avio Group (for 2016: EBITDA ADJ and Operating Cash Flow) set by the Board of Directors on a five-point scale when approving the annual budget, and to the achievement of performance objectives for each Director in his/her capacity as the individual responsible for a company of the Avio Group or a relevant organisational function;
- the variable annual remuneration shall be set on a yearly basis with reference to a minimum threshold of the five-point scale linked to the Avio Group's objectives, below which the variable annual bonus shall not be not paid out even if individual objectives were achieved.

With respect to the remuneration of Avio's Directors in office on the Merger Effective Date, on 19 January 2017 Space2's Board of Directors approved the following guidelines, also committing to formally adopt remuneration mechanisms that reflect the aforementioned guidelines within three months from the Merger Effective Date:

- for Executive Directors, a significant part of the remuneration shall be linked, also in the form of compensation plans based on financial instruments or profit share, to the Company's economic results, for example, in terms of EBITDA, revenue, cash flow and/or to the achievement of specific objectives – that shall not be exclusively short-term ones - by the individual director on the basis of the delegated powers assigned to him/her. It is understood that the aforementioned criteria shall not apply to executive directors who are also vested with the role of managers with strategic responsibilities in the Company or in the Avio Group and who, therefore, receive a variable remuneration based on existing incentive mechanisms for directors;
- for non-executive directors, the remuneration shall be commensurate with the commitment required from each one of them, and shall not be (except for a non-significant part) linked to the economic results achieved by the Company.

12 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On the Report approval date, the Issuer had not adopted an organic Internal Control and Risk Management System, defined as a set of rules, procedures and organisational structures aimed at allowing, identifying, measuring, managing and monitoring key risks for the Company, considering the latter's nature.

In this respect, on the date of this Report, the Board had not defined the nature and level of risk compatible with the Issuer's strategic objectives or defined guidelines for the Internal Control and Risk Management System. The Board of Directors in force at the Merger Effective Date shall promptly adopt an Internal Control System that shall be considered appropriate, also taking into consideration the nature of Avio's business.

12.1 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In order to comply with the recommendation set out in Principle 7.P.3 of the Corporate Governance Code, on 19 January 2017 the Board of Directors appointed Mr. Giulio Ranzo as the director responsible for establishing and maintaining an effective Internal Control and Risk Management System (the “**Director in Charge**”), with effect from the Merger Effective Date. This appointment was confirmed by Avio's Board of Directors on 10 April 2017. Pursuant to the Implementation Criterion 7.C.4 of the Corporate Governance Code, the Director in Charge: (i) identifies key business risks, considering the characteristics of the Company's business and that of the Group to which the Company belongs, and periodically submits them to the Board of Directors for assessment; (ii) implements the guidelines defined by the Board of Directors, with responsibility for the design, implementation and management of the Internal Control System, constantly verifying its overall adequacy, effectiveness and efficiency; (iii) is responsible for adapting this system to changing operating conditions and legislative and regulatory environment; (iv) may request Internal Audit to carry out audits on specific operating areas and in compliance with internal rules and regulations during the execution of corporate transactions, notifying the Chair of the Board of Directors, the Chair of the Risk and Control Committee and the Chair of the Board of Statutory Auditors at the same time; (v) promptly reports to the Risk and Control Committee (or to the Board of Directors) any issues or criticalities of which he/she has become aware during the performance of his/her duties, so that the Risk and Control Committee (or the Board) may take appropriate action.

12.2 INTERNAL AUDIT MANAGER

On 19 January 2017, Space2's Board of Directors, appointed Mr. Francesco Libri – with effect from the Merger Effective Date – as manager of the Internal Audit Function, which shall perform the duties set for by implementation criterion 7.C.5 of the Corporate Governance Code. On 10 April 2017, the Issuer's Board of Directors confirmed this appointment, subject to the favourable opinion of the Risk and Control Committee – pursuant to the provisions of Clause 7.C.1 of the Corporate Governance Code - issued at the meeting of 2 May 2017 and subsequently acknowledged by the Issuer's Board of Directors at the meeting of 11 May 2017.

12.3 ORGANISATIONAL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231 OF 2001

On the Report approval date:

- on 9 November 2015 Space2 had adopted an organisation, management and control model pursuant to Italian Legislative Decree no. 231/2001;
- on 10 April 2017, the Issuer's Board of Directors resolved to appoint Messrs. Alessandro De Nicola, Raoul Francesco Vitulo and Giorgio Martellino as the Company's Supervisory Body for the three financial years from the one in which the Merger shall become effective, pursuant to the first paragraph, letter b) and the fourth paragraph of Article 6 of Italian Legislative Decree no. 231/2001, granting them the duties, reporting lines and powers detailed in the Model adopted by the Company;

- on 25 November 2008 and on 11 April 2008, respectively, the Italian subsidiaries of Avio, ELV S.p.A. and SE.CO.SV.IM. adopted the first edition of their organisation, management and control model, which was subsequently updated up to the "3 October 2015 version", adopted with resolutions of their respective corporate bodies on 15 March 2016 and 28 January 2016, respectively, with (i) ELV S.p.A. appointing Messrs. Francesco Libri, Giorgio Martellino and Cristina Marabottini as its supervisory body and with SE.CO.SV.IM. S.r.l. appointing Mr. Francesco Libri as its monocratic supervisory body;
- with respect to Avio's foreign subsidiary, at its meeting of 23 September 2008, the Board of Directors of the Incorporated Company approved the adoption of the "*231 Guidelines for the Group's Foreign Companies*", subsequently updated with the 2nd Edition of April 2015, approved with Resolution of 2 October 2015, recommending their adoption and implementation to the aforementioned companies.

The Issuer has already initiated a work group to review and update the organisation, management and control model adopted pursuant to Italian Legislative Decree 231/2001, taking into account the organisational and business structure resulting from the Merger.

12.4 INDEPENDENT AUDITOR

The firm responsible for the statutory audit of the Issuer's accounts is KPMG S.p.A., with registered office at via Vittor Pisani no. 25, Milan, registered in the list of statutory auditors with registration no. 70623, tax ID and VAT no. 00709600159, authorised and regulated by the Italian Ministry of Economy and Finance and enrolled in the Independent Auditors' Register held by the Italian Ministry of the Economy and Finance.

With resolution of 17 June 2015, Space2's Shareholders' Meeting approved the granting of the 9-year audit mandate, from 2015 to 2024, to KPMG S.p.A, pursuant to Italian Legislative Decree 39/2010 as subsequently amended and supplemented..

Until the date of the Report the mandate granted by the Issuer to KPMG S.p.A. had not been revoked and KPMG S.p.A had not rejected it, but, as reported in the Prospectus for admission to trading on the electronic Stock Exchange after the Merger Effective Date, Avio's Board of Directors, in co-ordination with the Board of Statutory Auditors with respect of to their relevant remits, shall consider the opportunity of proposing to the Shareholders' Meeting to confer the independent audit mandate to another company, subject to the mutually-agreed termination of the mandate currently in place with KPMG SpA, taking into account Avio's organisational and business structure resulting from the Merger.

12.5 MANAGER RESPONSIBLE FOR FINANCIAL REPORTING AND OTHER COMPANY ROLES AND FUNCTIONS

Article 16 of the By-laws provides that the Board of Directors, after obtaining the mandatory opinion of the Board of Statutory Auditors, shall appoint the manager responsible for financial reporting pursuant to Article 154-bis of TUF, granting him/her adequate means and powers to perform out the tasks assigned to him/her. The manager responsible for financial reporting shall possess professional qualifications characterised by qualified experience of at least 3 (three) years in the performance of management and control duties or managerial or advisory functions for listed companies and/or their Groups of companies, or for companies, entities and firms of significant size and importance, also in relation to the preparation and control of accounting and corporate documents. The manager in charge shall also possess the integrity requirements provided for Auditors by the applicable legislation.

On 19 January 2017, Space2's Board of Directors appointed Alessandro Agosti as manager responsible for financial reporting pursuant to Article 154-bis of TUF, with effect from the Merger Effective Date. The aforementioned appointment was confirmed by the Issuer's Board of Directors on 10 April 2017 subject to the prior opinion of the Board of Statutory Auditors.

Pursuant to Article 154-bis of TUF, the manager in charge shall be required to: (i) declare that the Company's deeds and notifications to the market and pertaining to accounting disclosures, including interim ones, reflect documentary evidence, accounting books and accounting records; (ii) establish appropriate administrative and accounting procedures for the preparation of the Separate and Consolidated Financial Statements, as well as of any other communication of financial nature; and (iii) together with the Chief Executive Officer, certify with a special report attached to the Financial Statements, the Interim Abbreviated Financial Statements and the Consolidated Financial Statements, *inter alia*, the adequacy and effective implementation of the procedures under point (ii) during the period to which the documents refer, and certify their correspondence with the entries in the books and accounting records and their ability to provide a truthful and correct representation of the financial, economic and asset situation of the Company and any other companies included in its scope of consolidation, granting the powers detailed below to this end:

- (a) freely accessing any information deemed to be relevant for the performance of his/her duties, both within the Company and any companies of the group owned by the Company;
- (b) attending meetings of the Board of Directors for the discussion matters that fall within his/her remit;
- (c) liaising with any management and supervisory body of the Company and its Subsidiaries;
- (d) approving business procedures when they impact the Separate Financial Statements, the Consolidated Financial Statements or other documents subject to certification;
- (e) contributing to designing IT systems that have an impact on the Company's economic, asset and financial position;
- (f) using IT systems.

In order to allow the Board of Directors to properly exercise its supervisory powers, the manager in charge shall also report to the Board on the activities performed, as well as on any criticalities detected, at least on a quarterly basis.

* * *

On the Report approval date, apart from the Risk and Control Committee, the Director responsible for the Internal Control and Risk Management System and the Internal Audit Manager, no other corporate roles and functions with specific Internal Control and Risk Management tasks had been created.

12.6 CO-ORDINATION BETWEEN THE ENTITIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On the Report approval date, the Issuer had not provided for co-ordination methods between the parties involved in the Internal Control and Risk Management System. This aspect shall be considered by the Board of Directors in 2017, as part of the establishment of the Internal Control System.

13 RELATED PARTIES' TRANSACTION PROCEDURE

On the Report approval date, the Issuer had Related Parties procedure adopted by the Board of Directors of 19 January 2017 pursuant to the provisions of Article 2391-bis of the Italian Civil Code and the RPT Regulation, effective from the Merger Effective Date, which governs the execution of Transactions with Related Parties, ensuring their transparency and substantial and procedural correctness.

In accordance with the provisions of the RPT Regulation, the draft of this procedure shall be submitted without delay to the favourable opinion of a committee (possibly even especially established), composed solely of at least three (3) independent directors and, subsequently, to the final approval by the Board of Directors.

The RPT Procedure governs the execution of transactions initiated by Avio either directly or through its subsidiaries with counterparties that fall within the "Related Party" definition pursuant to the RPT Regulation.

The RPT Procedure defines " Related Parties Transactions" as any transfer of resources, services or commitments between Avio (or its subsidiaries) and Related Parties, regardless of whether a payment has been agreed. In any case, the definition includes: (i) merger, de-merger by acquisition or de-merger in the strict non-proportional sense transactions, if executed with Related Parties; (ii) every decision pertaining to the assignment of any type of remuneration and economic benefits to members of the management and supervisory Bodies and Key Executives; and (iii) Company capital increase transactions with exclusion of the option right.

The RPT Procedure, furthermore, distinguishes among "Minor Transactions", "Material Transactions", "Less Material Transactions" and "Ordinary Transactions", which are defined as follows:

- (a) "Minor Transactions" : transactions with Related Parties where the maximum value of the services payable by Issuer does not exceed, for each transaction, (i) EUR 100,000 if the Related Party is a natural person; or (ii) EUR 500,000 if the Related Party is a legal entity;

- (b) "Material Transactions": transactions in which at least one of the relevant indexes provide for in Annex 3 of the Related Parties Regulation, applicable depending on the specific Transaction, exceeds the 5% threshold. If Avio is controlled by a listed company, the aforementioned 5% threshold is reduced to 2.5% for transactions executed with the listed parent company or with the latter's related parties that are related to Avio in turn;
- (c) "Less Material Transactions": transactions with Related Parties other than Material Transactions and Minor Transactions;
- (d) "Ordinary Transactions" means : transactions with Related Parties that: (i) fall within the ordinary exercise of the operational activity and related financial activity of the Issuer and/or its subsidiaries; and (ii) are concluded under conditions similar to those normally applied to unrelated parties for transactions of a corresponding nature, entity and risk or based on regulated rates or again on prices imposed or corresponding to those charged to persons with whom Avio and/or the companies controlled by it are legally obliged to enter into at a given price.

Article 13 of the RPT Procedure provides that the same shall not apply to exemptions governed by the RPT Regulation, subject to the conditions set out therein, and, in particular: (i) to the Shareholders' resolutions referred to in the first paragraph of Article 2389 of the Italian Civil Code, concerning the remuneration paid to the members of the Board of Directors, or any decisions on the remuneration of the directors vested with special offices included in the total amount previously determined by the Shareholders' Meeting pursuant to Article 2389, third paragraph, of the Italian Civil Code; (ii) to the Shareholders' resolutions referred to in Article 2402 of the Italian Civil Code pertaining to the remuneration payable to members of the Company's Board of Statutory Auditors; (iii) to Minor Transactions. In addition, without prejudice disclosure obligations provided for by the RPT Regulation and subject to the circumstances described therein, the Procedure shall also not apply to (a) compensation plans based on financial instruments approved by the Shareholders' Meeting pursuant to Article 114-*bis* of TUF and relevant execution transactions; (b) resolutions other than those referred to in paragraph (i) above, with regard to the remuneration of directors that hold specific offices or other Key Executives (under the conditions established by the RPT Procedure); and (d) Ordinary Transactions concluded at Standard or Market Terms; and Transactions with or between Companies Controlled - also jointly - by the Company, as well as Transactions with Associates of the aforementioned Company, if there are no material interests in the Subsidiaries or affiliated counterparties of the Transaction (as defined in the TPT Procedure) of other Related Parties of the Company.

With specific reference to the procedures for approving and implementing the individual classes of Related Parties' Transactions, the RPT Procedure distinguishes between:

- (a) Material Transactions, for which the RPT Procedure provides, *inter alia*, that: (i) the Board of Directors shall be solely responsible for the approval of such transactions; (ii) the Chief Executive Officer shall ensure the involvement in the negotiation and the preparation stage of a committee consisting of at least 3 Independent Directors, possibly coinciding with the Risk and Control Committee, or the Nominations and Remuneration Committee, depending on the type of Related Party Transaction; (iii) the Board of Directors shall resolve on the transaction, subject to the favourable reasoned opinion of the aforementioned Committee, on the Issuer's interest in the completion of the transaction, as well as on the convenience and fairness of the relevant conditions, in any case without prejudice to the Board of Directors' right to approve the Material Transaction, even in presence of a contrary opinion of the aforementioned Committee, provided that its completion was authorised by the Shareholders' Meeting through the so-called "whitewash" procedure governed by the RPT Regulation; and

- (b) Less Material Transactions, for which the RPT Procedure provides, *inter alia*, that (i) the Board of Directors or the delegated bodies, depending on the case, shall approve the aforementioned transactions subject to the reasoned and non-binding opinion of a committee mainly consisting of independent directors (possibly coinciding with the Risk and Control Committee or with the Nominations and Remuneration Committee, depending on the type of Related Party Transaction); and (ii) the Chief Executive Officer shall ensure that an adequate flow of information is established with the aforementioned Committee.

If the Control and Risk Committee (or, depending on the case, the Nominations and Remuneration Committee) does not meet the composition requirements set out in the RPT Regulation with regard to a specific transaction, equivalent measures pursuant to the RPT Procedure shall be deployed in line with the RPT Regulation, including the replacement in order of seniority with other Directors who are in the Council and meet such requirements.

Pursuant to Article 10, paragraph 1, of the RPT Procedure, between the Merger Effective Date and the approval date of the Financial Statements for the second financial year after the one in which the merger becomes effective, Avio may apply the Procedure for Less Material Transactions also to Material Transactions, without prejudice to the obligation to publish a relevant disclosure pursuant to Article 5 of the RPT Regulation.

Finally, the RPT Procedure provides that, in the case of Related Parties' Transactions entered into by Avio through subsidiaries, the procedure envisaged for Less Material Transactions shall apply in any case.

14 APPOINTMENT OF AUDITORS

The Board of Statutory Auditors consists of three (3) statutory auditors and 2 (two) alternate auditors appointed by the Shareholders' Meeting on the basis of lists submitted by the Shareholders, in accordance with the procedures set out below and in any case without prejudice to other and additional provisions set out by mandatory legal or statutory regulations.

The shareholders who, upon submission of the list, hold, either alone or together with other presenting Shareholders, and equity interest at least equal to the one set by Consob pursuant to the applicable legal and statutory provisions may submit a list for the appointment of Statutory Auditors.

Ownership of the minimum equity interest share is calculated on the basis of the shares registered in the name of the Shareholder on the day on which the lists are submitted to the Issuer; the relevant certificate may be produced also after filing, as long as this is done before expiry of the deadlines for publication of the aforementioned lists.

The lists are filed at the registered office and are published according to the deadlines and methods provided for by applicable legislation.

The lists shall include the names of one or more candidates for the office of Statutory Auditor and of one or more candidates for that of Alternate Auditor. The candidates' names are marked by a progressive number in each section ("Statutory Auditors" section and "Alternate Auditors" sections) and, in any case, their number shall not exceed that of the members of the body to be elected. The lists, if they contain a number of candidates equal to or greater than 3 (three) in both sections, shall include in both sections a number of candidates such as to ensure that the composition of the Board of Statutory Auditors, with respect to both the standing and the alternate component, complies with applicable laws and regulations on (male and female) gender parity, without prejudice to the fact that, where the implementation of gender quotas does not result in a whole number, the latter shall be rounded up to the next whole number.

The following documents shall be attached to each list, under penalty of inadmissibility:

- (i) information on the identity of the shareholders who submitted them, with an indication of the equity interest held (ii) a declaration by the Shareholders other than those who hold, also jointly, either a

controlling interest or a relative majority about the absence of any relationship with the latter in compliance with applicable regulations; (iii) comprehensive information about the personal and professional characteristics of the candidates, as well as a declaration by aforementioned candidates that certifies their compliance with legal requirements and their acceptance of the candidature, together with the list of management and control offices held in other companies; (iv) any further declaration, disclosure and/or document provided for by Law and applicable regulatory provisions.

Each Shareholder, Shareholders belonging to the same corporate group, as well as Shareholders that have entered into a Shareholders' Agreement relevant for the purposes of Article 122 of TUF, may not submit or participate in the submission - even through an agent or a trustee - of more than one list and may not vote in different lists; Moreover, each candidate may be included only in one list, under penalty of ineligibility.

If, on the expiry date of the deadline for list submission only one list has been filed, or only lists submitted by Shareholders linked to each other pursuant to applicable provisions, lists may be submitted up to the third day following the aforementioned date. In this case, the thresholds provided for the submission of the lists shall be halved.

The appointment of the statutory auditors shall take place as follows: (i) from the list obtaining the majority of votes cast (the “ **Majority List** ”) 2 (two) statutory auditors and one alternate auditor shall be drawn in the order in which they are listed; (ii) from the second obtaining the majority of votes cast and is not linked even indirectly with the Shareholders that submitted or voted the Majority List pursuant to applicable provisions, the third standing auditor (“**Minority Auditor**”), who will chair the Board of Statutory Auditors, and the second alternate auditor (“**Alternate Minority Auditor**”) shall be drawn based on their progressive order in the list.

In the event of a tie between one or more lists from which the members of the Board of Statutory Auditors are to be taken, the Shareholders' Meeting shall proceed to a new ballot, by voting only the lists that received the same number of votes and, in any case, guaranteeing compliance with the regulation on gender parity applicable from time to time (including rounding up to the next whole number if the implementation of the gender quota not result in a whole number).

If the vote does not result in compliance with the legal and statutory provisions on (male and female) gender parity applicable from time to time (including rounding up to the next whole number if the implementation of gender quotas does result in a whole number), the candidate to the office of statutory or alternate auditor belonging to the most represented gender who was elected last in progressive order from the Majority List shall be excluded and shall be replaced by the subsequent candidate to the office of statutory or alternate auditor drawn from the same list and belonging to the other gender.

If a single list was submitted, the Shareholders' Meeting shall vote on it and, if the aforementioned list receives the majority of the votes, three (3) statutory auditors and two (2) alternate auditors listed therein shall be elected, in accordance with the relevant legal and statutory provisions, also with respect to (male and female) gender parity (including rounding up to the next whole number if the implementation of the gender allocation criterion does not result in a whole number).

The statutory auditors shall remain in office for 3 (three) years, may be re-elected and their term shall expire on the date of the Shareholders' Meeting convened to approve the Financial Statements for their third year of office.

Notwithstanding compliance with any statutory and regulatory provisions on (male and female) gender parity, in cases where for any reason (i) a statutory auditor from the Majority List is missing, he/she shall be replaced by the alternate auditor from the Majority List, (ii) the Minority Auditor is absent, he/she shall be replaced by the Alternate Minority Auditor. If the replacements made pursuant to this Article do not allow to form a Board of Statutory Auditors that complies with applicable regulations on gender parity, he/she shall be replaced by the alternate auditor taken from the other list, if this enables the re-achievement of a composition in line with applicable gender parity regulations, provided that the Minority Auditor may only be replaced by the Alternate Minority Auditor.

In absence of any lists, or where, for any reason, it is not possible to appoint the Board of Statutory Auditors in accordance with the provisions of this Article, the three statutory auditors and the two alternate auditors shall be appointed by the Shareholders' Meeting with the ordinary majority required by law, in compliance with the legal and regulatory provisions applicable from time to time also with respect to (male and female) gender parity (including rounding up to the next whole number if the implementation of gender quotas does not result in a whole number).

15 COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

Pursuant to Article 17 of the By-laws, the Board of Statutory Auditors of the Issuer consists of 3 (three) standing auditors and 2 (two) alternate auditors, appointed by the Shareholders' Meeting on the basis of lists submitted by the Shareholders in line with the procedures described in the By-laws, unless otherwise set out by mandatory legal or statutory provisions.

Space2's Shareholders' Meeting of 1 December 2016 appointed the Board of Statutory Auditors and set the relevant compensation, with effect from the Merger Effective Date and until the date of the Shareholders' Meeting that shall be convened to approve the Financial Statements at 31 December 2019.

The members of the Board of Statutory Auditors in office on the Report approval date are listed in the table below.

Name and surname	Office	Birth place and date	Appointment date
Riccardo Raul Bauer	Chair	Milan, 12 January 1951	1 December 2016
Claudia Mezzabotta	Standing Auditor	Fano (PU), 3 February 1970	1 December 2016
Maurizio Salom	Standing Auditor	Milan, 9 April 1954	1 December 2016
Virginia Marini	Alternate Auditor	Milan, 23 May 1980	1 December 2016
Maurizio De Magistris	Alternate Auditor	Naples, 19 April 1958	1 December 2016

All members of the Board of Statutory Auditors in office declared that they possessed the integrity and professionalism requirements provided for by Article 148 of TUF and the Regulation adopted with Decree of the Italian Ministry of Justice no. 162/2000, as well as the independence requirements pursuant to Article 148, paragraph 3 of TUF and pursuant to the Corporate Governance Code; are enrolled in the Register of Company Auditors and have worked as auditors for a period of no less than 3 years.

A short *curriculum vitae* of each member of the Board of Statutory Auditors that shall be in office on the Report approval date, detailing the relevant business management skills and experience, is provided below.

Riccardo Raul Bauer

He has 28-years' experience working for leading independent auditors - Price Waterhouse (currently PWC) - with expertise in multinational companies operating on the basis of concession agreements and long-term contracts. He has been the owner the professional firm R BAUER for 15 years and has worked as untenured professor of Corporate Auditing for the DAYTIME AND EVENING Degree – at Università Cattolica del Sacro Cuore from 1984, as well as also working as visiting lecturer for the Company Quantitative Methods Degree at L. Bocconi University up to 2010. He is also Chair of the Audit Principles Commission of the Milan Association (2017) and former Chair of the Audit Principles Commission of the Order of Chartered Accountants of Milan. He has authored over thirty books on topics relating to the Chartered Accountant and Auditor profession, national and international accounting principles and auditing. He has published the Bauer Code and the Bauer Tax Code for fifteen years. Finally, he is a Certified Public Accountant and a professional mediator, as well as a teacher who has delivered many courses, conferences, seminars on corporate management, national and international accounting and auditing principles both in Italy and abroad

Claudia Mezzabotta

Claudia Mezzabotta gained a degree in Business Administration from “L.Bocconi” University in Milan in 1993. She has worked as a Chartered Accountant since 1994 and as a Statutory Auditor since 1999. She is a tenured professor of “Financial Accounting” at Università Cattolica of Milan. In 2010, after over ten years spent working at the Technical Standards Office of Mazars S.p.A., she set up her own practice in Milan. She holds offices of member of the Board of Statutory Auditors in many industrial companies, also as Chair.

Maurizio Salom

Born in Milan on 9 April 1954. He has a degree in Business Administration from Luigi Bocconi University of Milan . From 1980 to 1983 he worked at Peat, Marwick, Mitchell & Co (currently KPMG). From October 1987, he has been enrolled in the Register of Chartered Accountants of Milan. He is a founding partner of Studio Riccardi-Salom-Tedeschi in Milan. Pursuant to Italian Ministerial Decree of 12 April

1995 published on the Official Journal of the Italian Republic 31-*bis* of 21 April 1995, he is a Statutory Auditor. He is also enrolled in the List of Technical Experts of the Civil and Criminal Court of Milan. He also works as a consultant for leading Credit Institutions, Trusts, Asset Management Companies (SGR) and Security Brokerage Companies (SIM). He has worked as a consultant for Intesa Sanpaolo Direzione Private Equity since the establishment of the former Fincomit S.p.A. and, in this capacity, has been involved in almost all major Private Equity transactions. Moreover, he works as a consultant for many Italian and International Private Equity funds (3I, The Carlyle Group, Alto Partners, GE Capital, Arner, Hirsh & co. Mediobanca, Magenta, etc.). With respect to the offices held on the Report date or ceased in the past five years, see the relevant table below in this Paragraph.

Maurizio De Magistris

He has a degree *magna cum laude* in Business Administration from the University of Rome.

He is a member of the Association of Chartered Accountants of Rome, is enrolled in the List of Technical Experts of the Court of Rome and in the Register of Statutory Auditors.

He is a founding partner of Studio Bonifacio – de Magistris, through which he provides advice on corporate and tax matters, valuations, as well to the “non-profit” sector.

He held and continues to hold many offices as Chair or member of the Board of Statutory Auditors of leading companies and groups, including the Bulgari Group (Bulgari S.p.A. and all the Italian subsidiaries), the Leonardo/Finmeccanica Group (Leonardo Global Services S.p.A. and Ansaldo Breda S.p.A. and, in the past, some of the group's main strategic companies, such as Thales Alenia Space and Selex Electronic Systems), as well as others linked to specific major companies.

Virginia Marini

Virginia Marini gained a degree in Business Administration from Università Cattolica di Milano in 2004. She immediately started to work at Deloitte and Touche, initially as auditor and then as tax advisor and management consultant. From 2011 she has been an associate at Studio M&M Associati.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment *	In office from	In office until	List **	Indep. Code	Attendance to meetings of the Board	No. of other offices ***
Chair	Riccardo Raul Bauer	1951	1.12.2016	10 April 2017	Approval of 2019 Financial Statements	U	X	3/3	[3]
Standing Auditor	Claudia Mezzabotta	1970	1.12.2016	10 April 2017	Approval of 2019 Financial Statements	U	X	3/3	[17]
Standing Auditor	Maurizio Salom	1954	1.12.2016	10 April 2017	Approval of 2019 Financial Statements	U	X	3/3	[85]
Alternate Auditor	Maurizio De Magistris	1958	1.12.2016	10 April 2017	Approval of 2019 Financial Statements	U	X	3/3	[22]
Alternate Auditor	Virginia Marini	1980	28.5.2015	10 April 2017	Approval of 2019 Financial Statements	U	X	3/3	[3]
Number of meetings held during the financial year under review : 3									

NOTES

The "date of first appointment" of each auditor means the date on which the auditor was appointed for the first time (in absolute terms) to the Board of Statutory Auditors of the Issuer.

** This column shows the list from which each Auditor was drawn ("M": majority list; "m": minority list; "S": single list).

*** This column shows the attendance of auditors in meetings of the Board of Statutory Auditors (indicate the number of meetings actually attended compared to the number of meetings that could have been attended in the Reference Period).

**** This column shows the number of director or auditor offices held by the interested party pursuant to Article 148-*bis* of TUF and the relevant implementing provisions enshrined in the Consob Issuers' Regulation. The full list of the offices is published by Consob on its website, pursuant to Article 144-*quinquiesdecies* of the Consob Issuers' Regulation.

Implementing the recommendations of the Corporate Governance Code, the Board of Statutory Auditors supervises the financial disclosure and independent audit processes, in particular with respect to the provision of services other than auditing. As part of their activities, the statutory auditors shall liaise with the Risk and Control Committee.

The Board of Statutory Auditors verifies the correct implementation of the criteria and the verification procedures adopted by the Board to ascertain the independence of its members. The findings of such checks are disclosed to the market.

* * *

The Auditors received an induction that enabled them to acquire adequate knowledge of the sector in which the Issuer operates, of corporate dynamics and their development, of the principles of correct risk management, as well as of the regulatory and governance reference framework, in compliance with the 2.C.2 implementation criterion of the Corporate Governance Code.

16 SHAREHOLDERS' RELATIONS

The Company, in compliance with Principle 9.P.1 of the Code, deems that the Shareholders' Meeting is an important opportunity to exchange views between Shareholders and Directors and, therefore, implements measures that facilitate participation in the Shareholders' Meeting and the exercise of the voting right for Shareholders. In this regard, it should be noted that Article 8 of the By-laws (pursuant to Article 2369 of the Italian Civil Code) provides that Shareholders' Meetings shall take place in single call and Article 10 (pursuant to Article 135-*undecies* of TUF) sets out that the Company may appoint, for each Shareholders' Meeting, with relevant indication contained in the call notice, an individual (so-called representative nominated by of the company) whom the Shareholders can appoint as a proxy to vote on all or some proposals on the agenda, within the deadlines and with the methods provided for by law.

Pursuant to Implementation Criterion 9.C.1 of the Corporate Governance Code, the relations with institutional investors, on the other hand, are managed by the Investor Relator.

The task of the Investor Relator is that of keeping the Company's Top Management updated on an ongoing basis about the information requirements of financial markets and those of investors in particular.

The Investor Relator, therefore, act as the liaison between the Issuer and the market and shall be tasked with working with the corporate structure to ensure and promote legal and regulatory compliance with respect to corporate disclosures. The investor relation activity is shared with and supported by the management.

The Board of Directors of Space2 of 19 January 2017, in line with the recommendations of Implementation Criterion 9.C.1 of the Corporate Governance Code, appointed Alessandro Agosti as Investor Relator, with effect from the Merger Effective Date. The aforementioned appointment was confirmed by the Issuer's Board of Directors on 10 April 2017.

17 SHAREHOLDERS' MEETINGS

Pursuant to Article 8 of the By-laws, the Shareholders' Meeting resolves on matters reserved to it by the Law and the By-laws. The Shareholders' Meeting's resolutions, passed in compliance with the Law and these By-laws, shall be binding for all Shareholders. The Shareholders' Meeting take place in single call and is convened and adopts resolutions with the majorities required by law, unless otherwise specified in the call notice.

Pursuant to Article 8 of the By-laws, the procedures on related parties' transactions adopted by the Company may provide that (i) the Board of Directors shall approve "material transactions", as defined in the RPT Regulation, against the opinion of the committee of independent directors responsible for issuing an opinion on the aforementioned transactions, as long as this has been authorised by the Shareholders' Meeting pursuant to Article 2364, paragraph 1, n. 5 of the Italian Civil Code. In this case, the Shareholders' Meeting resolves with the majorities require by Law, provided that non-related shareholders in attendance to the Shareholders' Meeting represent at least 10% of the share capital with voting right and that the majority of non-related Shareholders voting in the Meeting does not vote against; and (ii) that the Board of Directors or delegated bodies may approve, relying on the exceptions provided by the procedure and in compliance with the relevant conditions, the execution by the Company - either directly or through its subsidiaries - of related parties' transactions of an urgent nature and that do not fall under the remit of the Shareholders' Meeting or shall not have to be authorised by the latter.

Pursuant to Article 10 of the By-laws, all individuals with a voting right are entitled to participating in the Shareholders' Meeting. Entitlement to participate in the Meeting and exercise the voting right is certified by a notification to the Company, made by the intermediary who is a certified public accountant, based on the evidence in the accounting records pertaining to the end of the accounting day of the seventh open market day prior to the day set for the Meeting in single call, or in first call if the single notice contains any subsequent calls, and received by the Company within the time scales set by law.

The Shareholders entitled to vote may be represented by a proxy holder with a written or electronic proxy in compliance with applicable legislation. The proxy may be notified to the Company with registered letter or via electronic message to the certified e-mail address provided in the aforementioned notice or using the relevant section of the Company's website, as detailed in the notice of call.

The Company may designate, for each Shareholders' Meeting, and as indicated in the call notice, and individual whom the Shareholders can appoint as a proxy to vote on all or some proposals on the agenda, within the deadlines and with the methods provided for by law.

The Shareholders' Meeting is chaired by the Chair of the Board of Directors, or, in case of his/her absence or impediment, by the oldest Vice Chair in attendance, where appointed, or, in case of his/her absence or impediment, by an individual appointed by the Meeting. The Chair shall be assisted by a Secretary, who may also not be a director and/or a Shareholder, appointed upon proposal of the majority of the attendees. In the extraordinary session of the Shareholders' Meeting and whenever the Chair deems it appropriate, the role of Secretary shall be performed by a Notary appointed by the Chair.

The Shareholders' Meeting may take place with participants attending in different locations, near or far, connected via audio/video conference, provided that decisions are made collectively and the principle of good faith and equal treatment of all Shareholders are complied with and, in particular, that: (ii) the Chair of the Shareholders' Meeting may ascertain the identity and the legitimacy of the attendees, govern the proceedings of the meeting and proclaim the results of the vote; (iii) the minute-taker may adequately hear the events of the Shareholders' Meeting being minuted; (c) that attendees may take part in the discussion and the concurrent vote on the items on the agenda (d) such method is provided for by the notice of call of the Shareholders' Meeting, which shall also specify the locations for attendance. The Meeting shall be considered as being held at the location where both the Chair and the minute-taker are present.

On 17 June 2015, in compliance with the recommendations pursuant to Implementation Criterion 9.C.3. of the Corporate Governance Code, Space2's Shareholders' Meeting resolve to adopt a Shareholders' Meeting Regulation governing the performance of the Meetings and aimed at allowing their orderly and efficient running, whilst guaranteeing the right of each Shareholder to express an opinion on the items on the agenda as suggested by the Corporate Governance Code. These Shareholders' Meeting Regulations shall continue to apply also after the Merger Effective Date.

The Shareholders' Meeting Regulations provide, *inter alia*, that:

- (i) the Chair may adopt any measure deemed suitable to ensure the proper conduct of the Shareholders' Meeting and the exercise of the rights of the attendees;
- (ii) when starting discussions on topics and proposals, if the majority of the capital represented in the Meeting does not oppose this, the Chair may follow a different order than the one described in the call notice and may decide that all or some of the items on the agenda are discussed at the same time;
- (iii) the Chair moderates the discussion, passing the floor to directors, auditors and any individuals who have asked to intervene. Before starting the discussion, the Chair notes, for each point, any questions received before the Meeting and any replies provided. The Shareholders entitled to vote and the joint representative of bond holders may ask for the floor to discuss the issues to be debated only once, making remarks and requesting information. The Shareholders entitled to vote may also submit proposals. The request to participate may be submitted when the Shareholders' Meeting is convened and up to the time the Chair declares the discussion on the relevant topic closed. In order to guarantee the orderly conduct of the Shareholders' Meeting, the Chair may establish, at the start or during the discussion of individual items, a deadline for submitting any requests to participate. The Chair establishes the methods for requesting and taking the floor and the order in which participants shall speak. The Chair and, at his/her request, his/her assistants, shall reply to the speakers at the end of all the interventions on the topics under discussion, or at the end of each intervention, also taking into account any questions submitted by the Shareholders before the Meeting that the Company has yet to reply to. Those who have requested the floor shall be entitled to a brief rejoinder;
- (iv) before starting voting proceedings, the Chair shall allow those excluded from the discussion stage pursuant to the Regulations to rejoin the Meeting;
- (v) the Chair shall decide the order in which resolution proposals on individual items of the agenda shall be voted on, usually giving priority to those formulated by the Board of Directors.

18 OTHER CORPORATE GOVERNANCE PRACTICES

On the Report approval date, there are no additional corporate governance practices actually implemented by the Issuer, other than those provided for by legal and statutory requirements.

19 CHANGES AFTER THE END OF THE REFERENCE FINANCIAL YEAR

Without prejudice to the content of this Report, no further changes to the corporate governance structure took place from the end of the financial year under review.