



**CORPORATE GOVERNANCE AND OWNERSHIP  
STRUCTURE REPORT**

**YEAR 2020**

**IN ACCORDANCE WITH ARTICLE 123-BIS OF THE CFA  
AND 89-BIS OF THE CONSOB ISSUERS' REGULATION**

(traditional administration and control model)

Issuer: Avio S.p.A.

Website: [www.avio.com](http://www.avio.com)

**Report approval date: March 19, 2021**

## Contents

GLOSSARY .....	4
INTRODUCTION.....	7
1. ....PROFILE OF THE ISSUER.....	8
2. ....INFORMATION ON OWNERSHIP STRUCTURE.....	10
2.1 Share capital structure (as per Article 123- <i>bis</i> , paragraph 1, letter a) CFA .....	10
2.2 RESTRICTIONS ON THE TRANSFER OF SHARES (AS PER ARTICLE 123- <i>BIS</i> , PARAGRAPH 1, LETTER B), CFA).....	11
2.3 SIGNIFICANT HOLDINGS (AS PER ARTICLE 123- <i>BIS</i> , PARAGRAPH 1, LETTER C), CFA) .....	11
2.4 SPECIAL CONTROL RIGHTS (AS PER ARTICLE 123- <i>BIS</i> , PARAGRAPH 1, LETTER D), CFA).....	11
2.5 VOTING RIGHTS MECHANISM FOR ANY EMPLOYEE SHARE OWNERSHIP SYSTEM (AS PER ARTICLE 123- <i>BIS</i> , PARAGRAPH 1, LETTER E) OF THE CFA).....	11
2.6 Voting rights restrictions (as per Article 123- <i>bis</i> , paragraph 1, letter f), CFA) .....	12
2.7 SHAREHOLDER AGREEMENTS (AS PER ARTICLE 123- <i>BIS</i> , PARAGRAPH 1, LETTER G), CFA).....	12
2.8 CHANGE OF CONTROL CLAUSE (AS PER ARTICLE 123- <i>BIS</i> , PARAGRAPH 1, LETTER H), CFA) AND STATUTORY PROVISIONS CONCERNING PUBLIC PURCHASE OFFERS (ARTICLE 104, PARAGRAPH 1- <i>TER</i> AND 104- <i>BIS</i> , PARAGRAPH 1, CFA) .....	12
2.9 POWER TO INCREASE THE SHARE CAPITAL AND AUTHORISATION TO PURCHASE TREASURY SHARES (AS PER ARTICLE 123- <i>BIS</i> , PARAGRAPH 1, LETTER M), CFA)...	12
2.9.1. SHARE CAPITAL INCREASES.....	12
2.9.2 TREASURY SHARES.....	13
2.10 MANAGEMENT AND CO-ORDINATION (AS PER ARTICLE 2497 AND SUBSEQUENT AMENDMENTS OF THE CIVIL CODE) .....	13
3. ....COMPLIANCE (AS PER ARTICLE 123- <i>BIS</i> , PARAGRAPH 2, LETTER A), CFA)14	
4. ....BOARD OF DIRECTORS.....	14
4.1 Appointment and replacement (as per Article 123- <i>bis</i> , paragraph 2, letter l), CFA) .....	14
4.2 COMPOSITION (AS PER ARTICLE 123- <i>BIS</i> , PARAGRAPH 2, LETTER D) OF THE CFA) .....	17
4.2.1. Members of the Board of Directors.....	18
4.2.2. Diversity policies .....	25
4.2.3 Maximum number of offices permitted in other companies .....	26
4.2.4 Induction Programme .....	28
4.3 Role of the Board of Directors (as per Article 123- <i>bis</i> , paragraph 2, letter d), of the CFA).....	28
4.4 Self-Assessment.....	33
4.5. Executive bodies.....	34
4.5.1 Chief Executive Officer .....	35
4.5.2 Chairperson of the Board of Directors.....	42

4.5.3 Executive Committee .....	42
4.5.4. Disclosure to the Board of Directors .....	43
4.5 Other Executive Directors .....	43
4.6 INDEPENDENT DIRECTORS.....	43
4.7 LEAD INDEPENDENT DIRECTOR .....	43
5.....HANDLING OF CORPORATE INFORMATION .....	44
6.....INTERNAL COMMITTEES TO THE BOARD OF DIRECTORS .....	47
7.....APPOINTMENTS AND REMUNERATION COMMITTEE.....	49
8.....CONTROL AND RISK COMMITTEE.....	51
9.....PLANNING COMMITTEE AND SCENARIOS.....	55
10...REMUNERATION OF DIRECTORS.....	56
11. .INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM.....	56
11.1 Executive Director in charge of the Internal Control and Risk Management System .....	60
11.2 INTERNAL AUDIT DEPARTMENT MANAGER .....	61
11.3. ORGANISATIONAL MODEL AS PER LEGISLATIVE DECREE 231 OF 2001 .....	62
11.4 INDEPENDENT AUDIT FIRM.....	64
11.5 EXECUTIVE OFFICER FOR FINANCIAL REPORTING. ....	65
11.6 COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM .....	66
12...DIRECTORS INTERESTS AND RELATED PARTIES TRANSACTIONS.....	67
13...APPOINTMENT OF STATUTORY AUDITORS.....	69
14 ..COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS .....	71
15...RELATIONS WITH SHAREHOLDERS .....	77
16. .SHAREHOLDERS' MEETINGS .....	78
17... FURTHER CORPORATE GOVERNANCE ACTIVITIES .....	81
18... CHANGES SUBSEQUENT TO THE YEAR-END.....	81
19. CONSIDERATIONS ON THE LETTER OF DECEMBER 31, 2018 OF THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE .....	81

## Glossary

The main terms used in the Report are presented below. These terms, except where otherwise specified, are defined as follows:

<b>Shareholders' Meeting</b>	The Shareholders' Meeting of the Issuer
<b>Borsa Italiana</b>	Borsa Italiana S.p.A., a <i>London Stock Exchange</i> Group company, with registered office at Piazza degli Affari No. 6, Milan.
<b>Civil Code</b>	Legislative Decree No. 262 of March 16, 1942 - XX and subsequent amendments and supplements.
<b>Code or Corporate Governance Code</b>	The Self-Governance Code prepared by the Corporate Governance Committee for listed companies, set up by Borsa Italiana and promoted by Borsa Italiana, ABI, Ania, Assogestioni, Assonime and Confindustria, latterly amended on July 2018.
<b>Board of Statutory Auditors</b>	The Board of Statutory Auditors of the Issuer.
<b>Control and Risks Committee</b>	Internal committee to the Board of Directors set up in accordance with Article 7 of the Self-Governance Code.
<b>Investments Committee</b>	Internal committee to the Board of Directors set up in accordance with Article 12.2 of the company By-Laws.
<b>Appointments and Remuneration Committee</b>	Internal committee to the Board of Directors set up in accordance with Article 5 & 6 of the Self-Governance Code.
<b>Planning and Scenarios Committee</b>	Internal committee to the Board of Directors set up in accordance with Article 12.2 of the company By-Laws.
<b>Board or Board of Directors</b>	The Board of Directors of the Issuer.
<b>Sustainability Committee</b>	Internal committee to the Board of Directors set up in accordance with Article 4 of the Corporate Governance Code.
<b>Consob</b>	The National Commission for Companies and the Stock Exchange, with registered office in Rome, Via G.B. Martini No. 3.
<b>Effective Merger Date</b>	April 10, 2017.
<b>Listing Date</b>	The commencement date of trading of ordinary shares and warrants of Space2 on the MIV professional segment, i.e. July 31, 2015.
<b>Issuer, Avio or Company</b>	Avio S.p.A., with registered office at via Leonida Bissolati No. 76, Rome, enrolled at the Rome Companies Registration No. 27 and Tax No. 09105940960.

<b>ESA</b>	European Space Agency.
<b>DPCM 24/11/2016</b>	Prime Ministerial Decree of November 24, 2016 on the exercise of special powers for the defence and national security system with respect to the significant transaction regarding the merger between Space2 and Avio, approved by Space2's Shareholders' Meeting on December 1, 2016.
<b>Merger</b>	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 December 1, 2016, and completed on the Effective Merger Date.
<b>Avio Group or Group</b>	Collectively, Avio S.p.A. and its subsidiaries pursuant to Article 2359 of the Civil Code and Article 93 of the Consolidated Finance Act and IFRS 10 – Consolidated Financial Statements.
<b>In Orbit</b>	The Company In Orbit S.p.A., with registered office at via Latina SP 600 Ariana Km 5.2 SNC, Colleferro (Rome), Rome Companies Registration Office No. 14029441004.
<b>Stock Exchange Instruction Regulation</b>	The Instructions to the Regulation for Markets organised and managed by Borsa Italiana, in force at the reporting date.
<b>Leonardo</b>	Leonardo S.p.A., a joint-stock company governed by Italian law, with registered office at Piazza Monte Grappa No. 4, Rome.
<b>MTA</b>	The Italian Stock Exchange organized and managed by Borsa Italiana.
<b>Golden Power Regulations or Legs. Decree 21/2012</b>	Legislative Decree No. 21 of March 15, 2012, transposed into Italian Law No. 56 of May 11, 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 relative implementing provisions.
<b>Transaction</b>	The significant transaction approved by Avio S.p.A.'s Shareholders' Meeting on December 1, 2016, principally the Merger.
<b>SMEs</b>	Small and medium-sized issuers of listed shares pursuant to Article 1, paragraph 1, letter <i>w-quaterl</i> ), of the CFA.
<b>RPT Policy</b>	The Related Parties Transactions Policy adopted by the Issuer in compliance with the provisions of Article 2391- <i>bis</i> of the Civil Code and the Related Parties Regulation.
<b>Stock Exchange Regulation</b>	The Regulation of Markets organised and managed by Borsa Italiana, approved by the Borsa Italiana Board of Directors, in force at the reporting date.

<b>Issuers' Regulation</b>	The enacting regulation of the CFA concerning the governance of issuers, adopted by Consob with motion No. 11971 of May 14, 1999 and subsequent amendments and supplements.
<b>MAR Regulation</b>	Regulation (EC) No. 596/2014 of the European Parliament and Council of April 16, 2014 on market abuse which nullifies Directive 2003/6/EC of the European Parliament and Council and Directives 2003/124/EC, 2003/125/EC and 2004/72/EC of the Commission.
<b>Consob Market Regulation</b>	The Market Regulation issued by Consob with Resolution No. 21028 of September 3, 2019 concerning markets.
<b>RPT Regulation</b>	The regulation incorporates the related party transactions provisions adopted by Consob Motion No. 17221 of March 12, 2010 (as subsequently amended and supplemented).
<b>Report</b>	The present Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123- <i>bis</i> of the CFA.
<b>Subsidiary Companies</b>	The companies directly or indirectly controlled by the company pursuant to Article 93 of the CFA. “ <b>Control</b> ” and “ <b>to control</b> ” have the corresponding meanings.
<b>Audit Firm</b>	The independent audit firm listed in the special register of independent auditors managed by the Ministry of Economy and Finance, pursuant to Legislative Decree No. 39 of January 27 2010, tasked with the independent audit of the Issuers' accounts.
<b>Incorporated Company</b>	Avio S.p.A., with registered office at via No. Leonida Bissolati No. 76, Rome, operating office at SP Ariana Km 5.2, Colleferro (RM), Tax, VAT and Rome Companies Office Registration No. 05515080967, REA No. 1177979.
<b>Space2</b>	Space2 S.p.A., with registered office in Milan, Via Mauro Macchi, No. 27, Milan Companies Registration Office and Tax No. 09105940960.
<b>Space Holding S.r.l.</b>	Space Holding S.r.l., with registered office at Piazza Cavour No. 1, Milan, the company establishing Space2 as sole shareholder on May 28, 2015, promoting its listing on the MIV.
<b>By-Laws</b>	The By-Laws of the company in force at the reporting date.
<b>CFA</b>	The “Consolidated Finance Act”, adopted under Legislative Decree No. 58 of February 24, 1998, as subsequently amended and supplemented.

## Introduction

This Report, approved by the Board of Directors on March 19, 2021, provides a comprehensive overview on the Issuer's corporate governance (“**Corporate Governance**”) and ownership structure at March 19, 2021, pursuant to Article 123-*bis* of the CFA and in light of the Code's provisions, as well as the “*Format for the report on corporate governance and ownership structure*” document (VIII Edition, January 2019) prepared by Borsa Italiana.

On April 10, 2017, the Merger became effective - i.e. the merger by incorporation of the Incorporated Company into Space2 (now Avio S.p.A.), as a result of which Space2 (now Avio S.p.A.), assumed all rights and obligations of the Incorporated Company and was renamed “Avio S.p.A.”. The definitions “**Company**”, “**Avio**” and “**Issuer**” refer in this Report to the company resulting from the Merger.

On March 29, 2017, Borsa Italiana approved, effective as of April 10, 2017, the listing of ordinary Avio shares on the MTA (“Mercato Telematico Azionario”) market, STAR segment, with the simultaneous discontinuation of trading on the MIV market.

\* \* \*

## 1. Profile of the Issuer

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 the ESA. These space programs seek to develop and manufacture launchers to position useful loads in geostationary and low orbit respectively.

Pursuant to the provisions of Article 1, paragraph 1, letter *w-quater.1)* of the CFA and Article 2-*ter* of the Issuers' Regulation, the company was an SME from the year 2005 to-date.

The existence of the requisites to qualify as an SME, as required by the CFA, are confirmed on the basis of:

- the unweighted average of the daily capitalisations calculated with reference to the official price, and recorded during the financial year; and
- the turnover in the same year's consolidated financial statements calculated in compliance with the criteria envisaged in the Annex, paragraph 1.1, of the Regulation on Sanctions Procedures adopted by Consob with Resolution No. 18750 of December 19, 2013 and subsequent amendments.

It should be noted that at the approval date of the Report for the company:

- the average capitalisation value amounted to (i) Euro 279,899,571 in the year 2015; (ii) Euro 281,005,185 in the year 2016; (iii) Euro 330,788,938 in the year 2017; (iv) Euro 351,624,262 in the year 2018; (v) Euro 330,029,472 in the year 2019 (vi) Euro 359,001,888 in the year 2020;
- the turnover value amounted to Euro 399,120,608 in 2019. The components which determined the turnover value are (i) revenues for sales and supply of services amounting to Euro 391,120,608; (ii) the change in inventories of finished products, work-in-progress and semi-finished products amounting to Euro 18,213; and (iii) other operating revenues: Euro 8,181,456.

Pursuant to Article 2-*ter*, paragraph 5 of the Issuers' Regulation, Consob publishes the list of SMEs on the basis of its calculations of capitalisation amounts and turnover. This list is updated by March each year with the figures calculated on the basis of capitalisation at December 31. In addition, Consob integrates the information in September each year, on the basis of turnover figures resulting from the financial statements of the previous year.

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

- the Shareholders' Meeting;
- Board of Directors, and
- Board of Statutory Auditors.

Avio's Governance also consists of the following internal committees of Avio's Board of Directors: (i) the Control and Risk Committee; (ii) the Sustainability Committee; (iii) the Appointments and Remuneration Committee; and (iv) the Planning and Scenarios Committee.



Accounting control is required, as per the applicable regulations, by an audit firm enrolled in Consob's special register. In accordance with Legislative Decree 231/2001, a Supervisory Board was also appointed to oversee the correct functioning of the Organisation, Management and Control Model of the Company, pursuant to Legislative Decree 231/2001 and subsequent amendments. The Supervisory Board is also responsible for updating the Model.

Avio implements and complies with the Self-Governance Code for listed companies as per the latest version of July 2018, with the supplements and adjustments for Groups with the features indicated in this report (available on Borsa Italiana's website: <http://www.borsaitaliana.it>).

## 2. Information on shareholders

### 2.1 SHARE CAPITAL STRUCTURE (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER A) CFA

At the Report's approval date, Avio's share capital amounted to Euro 90,964,212.90, consisting of 26,359,346 ordinary shares without par value. At the Report's approval date, Avio had 671,233 ordinary treasury shares with no voting rights pursuant to Article 2357-ter of the Civil Code, equal to approx. 2.546% of the share capital. The shares are listed on the STAR segment of the MTA organised and managed by Borsa Italiana.

SHARE CAPITAL STRUCTURE				
CLASS OF SHARES	NO. OF SHARES	% OF SHARE CAPITAL	MARKET LISTING	RIGHTS AND OBLIGATIONS
Ordinary shares	26,359,346	100%	Borsa Italiana-STAR Segment	The ordinary shares are to bearer, indivisible, freely transferable and confer to the owners equal rights. In particular, each ordinary share attributes the right to one vote at the Ordinary and Extraordinary Shareholders' Meeting of the company, as well as additional equity and administrative rights pursuant to the By-Laws and statutory law.
Multi-votes shares	-	-	-	-
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-

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

OTHER FINANCIAL INSTRUMENTS				
WARRANTS	MARKET LISTING	NO. OF INSTRUMENTS OUTSTANDING	CLASS OF SHARES FOR EXERCISE	NO. OF SHARES FOR EXERCISE
“Avio S.p.A. Market Warrants.” <sup>1</sup>	Not admitted to trading	800,000	Ordinary shares	800,000

Avio S.p.A. shares and Sponsor Warrants are issued in de-materialised form pursuant to Articles 83-*bis* and subs. of the CFA.

## 2.2 RESTRICTIONS ON THE TRANSFER OF SHARES (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER B), CFA)

At the Report’s Approval date, there were no restrictions to the free transfer of Avio ordinary shares imposed by statutory clauses or conditions of issue.

There are no limits to holding shares of the company, nor any clauses to restrict becoming a shareholder.

## 2.3 SIGNIFICANT HOLDINGS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER C), CFA)

The ordinary shares of the Company are traded within the management system authorized pursuant to the CFA.

At the Report approval date, the company is an SME; therefore, pursuant to Article 120, paragraph 2 of the CFA, the significance threshold for the purposes of the communication obligations of significant shareholdings is equal to 5% of the voting share capital.

With Consob Resolution No. 21236 of April 9, 2020, Consob reduced for a period of three months starting from the entry into force of the resolution, the thresholds of the initial holdings for disclosure pursuant to Article 120, paragraph 2 and 2-*bis*, of the CFA, establishing for SMEs the threshold of 3%. With resolution No. 21672 of January 13, 2021, Consob has newly extended until April 13, 2021, the transitional regime of enhanced transparency on the subject of changes in major shareholdings and the disclosure of investment objectives for companies with a particularly broad shareholder base (as defined in Article 120 of the CFA).

Based on the communications received as per Article 120 of the CFA and the internal company assessments concerning the effect of the dilution from the conversion of the special shares and market warrants of Avio, the shareholders who, at the Report approval date, have holdings of above 3% of the voting share capital of the Issuer, directly or indirectly, including through nominees, trusts and subsidiaries, are reported in the table below:

---

<sup>1</sup> The Avio S.p.A. Sponsor Warrants may be exercised subsequently to the Effective Merger Date, within 10 years from such date, on condition that the official Avio post-Merger ordinary share price is equal or greater than Euro 13 on at least one open trading day.

<b>SIGNIFICANT SHAREHOLDINGS</b>		
<b>Shareholder</b>	<b>% of ordinary share capital</b>	<b>% of voting share capital</b>
Leonardo S.p.A.	29.63	29.63
Space Holding S.p.A.	4.84	45.84
InOrbit	4.07	4.07
Delfin	3,788	3,788

#### **2.4 SPECIAL CONTROL RIGHTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER D), CFA)**

The company has not issued shares which confer special controlling rights.

#### **2.5 VOTING RIGHTS MECHANISM FOR ANY EMPLOYEE SHARE OWNERSHIP SYSTEM (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER E) OF THE CFA)**

At the Report approval date, the company had not adopted any employee share ownership system.

#### **2.6 VOTING RIGHTS RESTRICTIONS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER F), CFA)**

Each ordinary share attributes voting rights without limitations.

#### **2.7 SHAREHOLDER AGREEMENTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER G), CFA)**

At the Report's approval date, the Company was not party to any agreement with shareholders.

#### **2.8 CHANGE OF CONTROL CLAUSE (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER H), CFA) AND STATUTORY PROVISIONS CONCERNING PUBLIC PURCHASE OFFERS (ARTICLE 104, PARAGRAPH 1-TER AND 104-BIS, PARAGRAPH 1, CFA)**

##### Change of control clauses

At 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 to govern 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.

##### Statutory provisions in relation to Public Purchase Offers

Pursuant to Article 14 of the By-Laws, if Avio's shares are subject to a public purchase offer/change of control bid, the Board of Directors reserves the right to resolve, with no need

for 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 the CFA and not yet fully or partly implemented, also where the activities referred to under points (i) and (ii) above may hinder the objectives of the bid.

## **2.9 POWER TO INCREASE THE SHARE CAPITAL AND AUTHORISATION TO PURCHASE TREASURY SHARES (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER M), CFA)**

### **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 Euro 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, with 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 motions 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 by the deadline set, the share capital shall be increased by an amount (excluding any premium) equal to the subscriptions received up to such deadline.

At the Report approval date, the Board had not implemented this power, even partially.

### **2.9.2 Treasury shares**

At the Report's approval date, the Shareholders' Meeting of the Company of April 29, 2019, authorised a plan for the purchase of treasury shares (already subject to disclosure in accordance with article 144-*bis* of the Issuers' regulation).

Therefore, through the appointment of the independent intermediary Equita Sim S.p.A. (in line with the conferment of the appointment resolved by the Board of Directors on August 2, 2019), the Company purchased 671,233 ordinary shares (equal to 2.546% of the share capital) on the Italian Stock Exchange, STAR segment in the period between August 9, 2019 and October 23, 2020, at the average unitary price of Euro 13.53, for a total value of Euro 9,079,954.88.

## **2.10 MANAGEMENT AND CO-ORDINATION (AS PER ARTICLE 2497 AND SUBSEQUENT AMENDMENTS OF THE CIVIL CODE)**

At the Report approval date, the company was not subject to management and co-ordination.

At the Report approval date, the company was not controlled by any entity pursuant to Article 93 of the CFA.

\*\*\*

The information required by Article 123-*bis*, paragraph 1, letter i) of the CFA (“*the agreements between the company and Directors .....which provide indemnity in the case of resignation or dismissal from office without just cause or termination of employment following a public purchase offer*”) is illustrated in the Remuneration Policy and Report, published as per Article 123-*ter* of the CFA and Article 84-*quater* of the Issuers’ Regulation.

The information required by Article 123-*bis*, paragraph 1, letter l) of the CFA) relating to the “*applicable regulations concerning the appointment and replacement of Directors (.....), in addition to the amendment of the By-Laws if differing from applicable law and regulations*” is illustrated in the section of the Report concerning the Board of Directors (Section 4.1).

### **3. Compliance (as per Article 123-*bis*, paragraph 2, letter a), CFA)**

Avio has formally adopted the Corporate Governance Code, which is accessible to the public on the website of the Corporate Governance Committee at <https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2018clean.pdf>.

The company's Board of Directors adopted 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**

In accordance with current regulations for companies with listed shares on regulated markets and as per the recommendations of the Self-Governance Code, the Board of Directors is central to the governance system.

Article 14 of By-Laws establishes that the Board shall have the widest powers of ordinary and extraordinary administration of the company, with the power to carry out all acts it deems appropriate for attaining the corporate scope, with the sole exception of those attributed exclusively by law to the Shareholders’ Meeting. The Board of Directors, in accordance with Article 2365, paragraph 2 of the Civil Code is also empowered to pass the following resolutions, without prejudice to the concurrent competence of the Shareholders’ Meeting. (i) the opening and closing of secondary offices; (ii) the reduction of the share capital as a result of a return of shares; (iii) updating the by-laws in accordance with the law; (iv) transfer of the registered office within Italy; (v) the indication of which Directors may represent the Company. (vi) the indication of which Directors may represent the Company.

As per Article 11.1 of the By-Laws, the Board of Directors shall appoint a Chair from its membership, if the Ordinary 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 a proposal from the individual chairing the meeting.

Under Article 12.2 of the By-Laws, within the limits of the Law and the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate as well as the number of members of the committee and its operating procedures. The Board may appoint one or more Executive Directors, granting them the relevant powers. 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. The Board of Directors may also appoint General Managers, defining their powers and granting power of attorney to third parties for certain acts or categories of acts.

Pursuant to Article 12.1 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 (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER L), CFA)**

As per Article 11 of the By-Laws, Avio is managed by a Board of Directors consisting of 9 (nine) members or 11 (eleven) members, as decided by the Shareholders' Meeting. The Directors remain in office for 3 (three) years, unless a lesser term is set out by the appointment motion, with the term concluding on the date of the Shareholders' Meeting called 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 standing requirements provided for by law and other applicable provisions, as well as the integrity requirements provided for by Italian Ministerial Decree No. 162 of March 30, 2000 and the applicable legislation in force. Pursuant to Article 147-ter, paragraph 4 of the CFA, at least two Directors must also possess the independence requirements set out therein.

As per applicable legislative and regulatory provisions for listed companies, Article 11 of the By-Laws establishes that the Shareholders' Meeting appoints the Board of Directors on the basis of slates presented by the shareholders, in accordance with the procedure outlined below, except where otherwise established by obligatory laws or regulations.

Shareholders can present a slate for the appointment of Directors, in addition to the departing Board of Directors, who, alone or together with other presenting shareholders, have a shareholding at least equal to that determined by Consob in accordance with applicable provisions and regulations. Ownership of the minimum shareholding is determined according to the shares that are registered in favour of the shareholder on the day in which the slates are filed with the issuer; certification can also be made subsequent to the filing provided that it is within the deadline for the publication of the slates.

The slates are filed at the registered office, and subsequently published, in accordance with the methods and the deadlines provided for by applicable law.

The slates 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 slate shall contain and expressly indicate at least 2 (two) Directors considered as per applicable laws and the Corporate Governance Code. The slates containing 3 (three) or more candidates may not be composed of candidates only from the same gender (male or female); these slates should include a number of candidates of the under-represented gender to guarantee the composition of the Board of Directors in accordance with legal and regulatory provisions in relation to



gender equality (male or female) rules, rounded upwards.

Each slate must include as an attachment, at the risk of ineligibility: (i) the curriculum vitae of the candidates; (ii) a declaration in which all the candidates accept the candidature, and attest, under their own responsibility, that no grounds for ineligibility and incompatibility exist, as well as the existence of the requirements prescribed by applicable law and the By-Laws for the office of Director of the Company and including the declaration on the possession of the independence requirements; (iii) the identity of the shareholders who have submitted the slates and the total percentage of shares held; (iv) any additional or differing declaration, information, and/or documents provided for by applicable law and regulations.

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

At the end of the voting process, the candidates of the two slates that have obtained the highest number of votes shall be elected, on the basis of the following criteria: (i) from the slate obtaining the majority of votes cast (the “**Majority Slate**”), 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 slate obtaining the second highest number of votes cast (the “**Minority Slate**”) and not linked even indirectly with the Shareholders that submitted or voted the slate 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 on the slate.

If the Majority Slate, or the Minority Slate, 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 remaining Directors to be elected shall be taken from the other slate, i.e. either the Minority or the Majority Slate depending on the case - in the progressive order in which they appear.

Consideration is not taken of the slates which have not obtained at least half of the votes required for the presentation of slates.

Should two slates receive the same number of votes, a second vote of the Shareholders’ Meeting shall decide by considering only the slates receiving the same number of votes.

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 Slate and belonging to the most represented gender shall be replaced with the first of the non-elected candidates taken from the same slate 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 the 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 Slate and belonging to the over-represented gender shall be replaced with the first non-elected candidate taken from the same slate belonging to the under-represented gender;

C) Where 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 Slate and belonging to the over-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 slate.

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

Where only one slate is presented, the Shareholders' Meeting will vote on that slate and, where this slate receives the majority of the votes, all the members of the Board of Directors will be taken from this slate in accordance with applicable law and regulations, including gender equality regulations (rounded upwards where resulting in a fraction).

In the absence of slates, or if only one slate is presented and this does not obtain the majority of votes, or if the number of elected directors on the basis of slates presented is lower than the number of members to be elected, or if the entire Board of Directors is not to be renewed, or if it is not possible for any reason to elect the Board of Directors in the manner provided for in this Article, the members of the Board of Directors will be elected by the Shareholders' Meeting by statutory majority, without the application of slate voting, save for the obligation to maintain the minimum number of independent directors established by law and in accordance with the applicable law and regulations in terms of gender equality quotas.

In the event that, for whatever reason, one or more Directors are no longer sitting, the Board of Directors will proceed with co-option, where possible, from among the non-elected candidates from the slate from which the Director leaving office had been elected, according to the progressive numbering of the slate, while maintaining the obligation of a minimum number of Independent Directors as established by law and these by-laws and in accordance with the applicable law and regulations on gender equality quotas.

In the event of termination of office, for any reason, of more than half of the Directors elected by the Shareholders' Meeting, the entire Board shall be deemed to lapse with effect from the moment in which the Board of Directors has been renewed and the Directors still in office will urgently call the shareholders' meeting for the election of the new Board of Directors.

On February 28, 2020, the Board of Directors, on the proposal of the Appointments and Remuneration Committee, approved a succession plan for the Chief Executive Officer.

Avio maintains that the succession plan is an instrument to ensure the consistent management of risk, business continuity and the long-term sustainability of the Company, by governing the process of replacing the Chief Executive Officer in the potential situation of early conclusion of office.

In addition, the existence of a succession plan ensures continuity and certainty in business operations as well as the selection of the best possible candidates for the office of Chief Executive Officer in order to avoid decisions being taken without the support of a structured process.

## 4.2 COMPOSITION (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)

### 4.2.1. *Members of the Board of Directors*

The Shareholders' Meeting of Avio S.p.A. called on May 6, 2020 appointed the Board of Directors, having first resolved on the number of members, their term of office and remuneration. In particular, the Shareholders' Meeting of Avio S.p.A. set the number of the members of the Board of Directors as eleven, establishing their term in office. Subsequently, by implementing the slate 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 date of the Shareholders' Meeting (May 6, 2020) until the approval of the Financial Statements at December 31, 2022.

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

Name	Place and date of birth	Date of appointment
Luigi Pasquali	Rome, October 2, 1957	May 6, 2020
Stefano Pareglio (*)	Vercelli, March 25, 1963	May 6, 2020
Monica Auteri (*)	Carbonia (CA), July 4, 1970	May 6, 2020
Giulio Ranzo	Rome, January 29, 1971	May 6, 2020
Roberto Italia	Rome, July 5, 1966	May 6, 2020
Raffaele Cappiello (*)	Rome, September 17, 1968	May 6, 2020
Giovanni Gorno Tempini (*)	Brescia, February 18, 1962	May 6, 2020
Donatella Sciuto (*)	Varese, January 5, 1962	May 6, 2020
Donatella Isaia (*)	Turin, December 21, 1974	May 6, 2020
Letizia Colucci	Foggia, August 6, 1962	May 6, 2020
Elena Pisonero Ruiz (*)	Madrid (Spain), January 17, 1963	May 6, 2020

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

It should be noted that:

- (i) Mr. Roberto Italia holds the office of R 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 themselves in possession of the standing requirements set out for control members with regulation of the Italian Ministry of Justice pursuant to Article 148, paragraph 4, of the CFA.

A short *curriculum vitae* of each Director of Avio, detailing the relevant business management skills and experience, is provided below.

### ***Luigi Pasquali***

Born in Rome in 1957, he graduated in Electronic Engineering from "La Sapienza" University in Rome in 1982 and thereafter attended Business Administration and Finance courses at the IRI Management School and SDA- Bocconi. In 1983, he served in the Italian Army as Engineer Corps Officer responsible for the testing of Defence telecommunications systems, as part of his national military service. In 1984, he joined 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, with responsibility for strategic planning projects for telecommunications services. During this period, he was involved in strategic alliance projects with international telecommunications operators (AT&T, DT). 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 a member of the federation of Italian Aerospace, Defence and Security Companies (AIAD). He is the Chairman of the Board of Directors of Thales Alenia Space Italia S.p.A. and Vice Chairman of the Eurospace Council (International Association of the European Aerospace Industry).

### ***Stefano Pareglio***

Born in Vercelli on March 25, 1963, he graduated in Agricultural Sciences from the University of Milan in 1989 and is now Associate Professor (qualified as Full Professor) at the Cattolica del Sacro Cuore University, where he teaches Political Economics, Mathematical Finance and Economics of the Environment and Energy Sources. He is a member of the Steering Committee of the Research Center "Observatory for the Territory" of the University. In the past he has taught at the Milan University and at the Milan Polytechnic. He is head of the research program Firms and Cities Transition towards Sustainability of Fondazione Eni Enrico Mattei. He is Senior advisor of Utilitalia on Energy Transition issues. For almost 30 years he has dedicated his research and consulting activities to environmental impact, sustainability of business models and climate change. He has been a member of the Board of Directors of Azienda Trasporti Milanesi (ATM) SpA since 2017. Previously, he was a member of the Supervisory Board (2012-2014) and the Board of Directors of A2A SpA (2014-2017).

### ***Monica Auteri***

Born in Carbonia (CI) on July 4, 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 Masters and a Ph. D. in Economics at the George Mason University of Fairfax, Virginia (USA), where she worked as a Graduate Research Assistant from 1998 to 2000. She was a 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 a post-doc researcher, she has been part of the Political Sciences Department of Roma Tre University since 2007 and 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 Cittalia trust) as a scientific manager and/or as the author of research reports.

Between 2014 and May 2017, she was a Director of BusItalia - Sita Nord, a company of the Ferrovie dello Stato Italiane Group.

### ***Giulio Ranzo***

Born in Rome on January 29, 1971, he graduated in Civil Engineering from the La Sapienza University of Rome in 1995, while in 2000 completing a joint Research Doctorate with the University of California San Diego (USA), at which he was a Graduate Research Assistant between 1996 and 1999. He has been the Chief Executive Officer and General Manager of Avio since October 2, 2015. Previously, he was the Strategies, Marketing and Government Affairs Director at Avio Aero. He joined Avio in 2011, holding various positions such as Group Strategy Manager (2011-2013), Investor Relations Manager (2012) and Director (2013). He in addition managed Avio’s Stock Exchange listing process in 2011-2012, the disposal to General Electric Aviation in 2013 and the post-merger integration in 2014. From 2011 to 2013, he sat on the Board of Directors of Europropulsion, the space propulsion joint venture between Safran and Avio. Between 2007 and 2011, he was the Finance Director and General Co-Manager of Italian operations at Cementir Holding, the construction materials enterprise. He began his career at Booz Allen Hamilton, a leading Aerospace and Defence strategic consultancy firm, acting as Associate, Senior Associate and Principal between 2000 and 2007. During these years, he developed strategic projects for leading European Groups operating in the Civil Aerospace and Military, Technologies and Space Launchers, Defence Electronics, Business Jets and General Aviation sectors.

### ***Roberto Italia***

Born in Rome on July 5, 1966, Roberto Italia graduated in Economics and Commerce *magna cum laude* from the LUISS, Rome in 1990 and began working with the STET/Telecom Italia group. After achieving an MBA With Distinction in 1994 from INSEAD, Fontainebleau, he began working in the alternative equity sector, firstly with Warburg Pincus, thereafter with Henderson Private Capital and following that with the European group Cinven. After founding in 2013 Red Black Capital and Space Holding, he promotes and executes growth capital investments in private and listed companies in Continental Europe. He has been the chief Executive office of the Verinvest Group since 2020. He is a Director at many Italian and overseas companies.

### ***Raffaele Cappiello***

Born in Rome on September 17, 1968. He graduated in Law at the University La Sapienza of Rome with honors. Since 1992, he has been providing legal assistance and consultancy, including representation in court, on corporate, banking, financial and insolvency matters at the legal firm of Prof. Libonati in Rome, also as a partner of the legal firm "Libonati-Jaeger", until 2010 when he founded his own firm in Rome. He is a lecturer in Commercial Law at the School of Specialization for the Legal Profession of the University of Rome La Sapienza (2013/2019) and in Bankruptcy Law for the Master in Bankruptcy Curator at the University of Studies Niccolò Cusano (since 2018). He is a Member of the Financial Banking Arbitrator College of Rome (since 2015). He has served and continues to serve as an officer in bankruptcy proceedings on behalf of the Bankruptcy Court, the Ministry of Economic Development and the Bank of Italy, including: Extraordinary Administrator of Stefanel s.p.a. in A.S., of Gruppo Cotorossi in A.S., of Gruppo Cogolo in A.S., of Gruppo Altiforni e Ferriere di Servola in A.S., of Cavirinvest s.p.a. in A.S. and as Liquidator of Il Manifesto soc coop in lca and Judicial Commissioner of the Preventive Arrangement of Acqua Marcia RE spa. He has held positions as an independent director in financial and listed companies. He currently holds the following positions: Independent Director, appointed by the minority shareholders, of B&C Speakers SpA, listed on the Milan Stock Exchange; Independent Director, appointed by the minority shareholders, of AVIO SpA, listed on the Milan Stock Exchange; Independent Director, appointed by the minority shareholders, of Mediaset SpA, listed on the Milan Stock Exchange; Member of the Advisory Committee of Fondo Tessalo - Fondo di Investimento Alternativo Immobiliare di Tipo Chiuso Riservato - managed by DeA Capital Real Estate SGR SpA.

### ***Giovanni Gorno Tempini***

Born in Brescia on February 18, 1962, since October 24, 2019 he has been Chairman of the Board of Directors of Cassa Depositi e Prestiti S.p.A. and since November 28, 2019 Chairman of the Board of Directors of CDP Reti S.p.A. He is Chairman of the Board of Directors of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.P.A. He sits on the Boards of Directors of Avio Spa and AIRC/FIRC (Italian Association S.p.A. and Foundation for Cancer Research).

He is also a Member of the Scientific Committee of Fondazione Aristide Merloni, is on the Board of Assonime and a member of the General Council of AIFI (Italian Private Equity and Venture Capital Association).

From 2016 to July 2019, he was the Chairman of the Fiera Milano Foundation and, during the same period, he was a Director of the LUISS University.

He was a Director of IntesaSanPaolo S.p.A. and of Willis Tower Watson S.p.A.

He was also Industry Advisor for Italy for the Permira Private Equity Fund and Senior Advisor of Partners S.p.A.

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. He was also a non-tenured professor at the Ca' Foscari University of Venice.

He was the Chief Executive Officer of Cassa Depositi e Prestiti Spa from May 2010 to July 2015, also covering the office of Chairman of the Italian Strategic Fund from August 2011 to July 2015, and Chief Executive Officer of CDP Reti S.p.A. from December 2014 to July 2015.

Previously, he was General Manager and Board Member of the Mittel Group between November 2007 and May 2010. During this time, he also held the office of Deputy Chair of Sorin S.p.A., Chair of Hopa Spa and Board Member of A2A S.p.a.

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 roles at JP Morgan in Milan and London, with responsibility for Italy and EMEA.

He was also Chairman of the "Technical Finance Commission" of ABI (Italian Banking Association) from 2006 to 2007, a 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) until 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 graduated in Business Administration from the Luigi Bocconi University in Milan in 1987.

### ***Donatella Sciuto***

Born in Varese on January 5, 1962, Donatella Sciuto is the Vice Chancellor of the Milan Polytechnic, in charge of research and international relations. She is the Ordinary Professor of Processing Systems at the Electronics, Information and Bioengineering Department. She was appointed IEEE Fellow for her scientific contribution in "embedded systems design".

She gained a degree in Electronic Engineering from Milan Polytechnic and a Ph.D. in Electrical and Computer Engineering from the University of Colorado, Boulder. She has received a Masters in Business and Administration from the Business Management School of Bocconi University.

Since 2013, she has been a member of the Superior Council of the Bank of Italy and Chairperson of the Supervisory Council of the Milan Branch. Since 2017, she has been a member of the Board of Directors of AVIO S.p.A and Raiway S.p.A.. She has been a member of the Supervisory Board of the Human Technopole Foundation since 2018.

She was Vice President of the Finance Council on Electronic Design Automation of IEEE (the largest technological professional organisation in the world) from 2008 to 2010, then President Elect and thereafter President from 2011 to 2013.

### ***Donatella Isaia***

Born in Turin on December 21, 1974. Donatella Isaia has a degree in Education Sciences; she has been a member of the Organizing Committee for the XX Olympic Winter Games in Turin. She developed most of her professional experience in Vodafone where she held roles of increasing responsibility within the Human Resources function. She has operated in multiple locations including the UK, India, Romania, Egypt and Hungary, among others; she has been part of the Ghana telecom integration and start up operations in Qatar. From 2015 to 2019, she was HR & Organization Director at Vodafone Italia leading the HR strategic agenda and digital transformation.

Donatella is a member of the Board of Directors of the Vodafone Italia Foundation and joined the Board of AVIO S.p.A. in 2020.

She has been a member of TeamSystem Group leadership team as Group HR Director since January 2021.

### ***Letizia Colucci***

Born in Foggia on August 6, 1962, she graduated in Law at the University of Naples Federico II. Then, after the examination for qualification as a lawyer, she worked at a law firm in Naples. In 1992 she was hired by Alenia Spazio (now Thales Alenia Space Italia) as part of the Legal and Corporate Affairs department and in 1995 she joined Alenia Difesa - a Finmeccanica business unit - with responsibility for Corporate Affairs. Subsequently, she was involved in the project of the constitution of the Joint Venture Alenia Marconi Systems in which the Civil and Military Radar Systems and the Missile Systems of Alenia Difesa were merged and in 2000 she was appointed Legal and Corporate Manager of Alenia Marconi Systems. In the same period, she was entrusted with the responsibility of the Due Diligence process and of the Contribution activities aimed at setting up the MBDA missile Joint Venture.

In 2002 she became General Affairs Director of MBDA Italy with responsibility for Legal and Corporate Affairs, Safety and Licensing, Purchasing, Plant Management and Institutional Relations.

In 2005, she joined Selex Sistemi Integrati as General Affairs Manager.

In 2008, she was appointed Deputy General Manager and in the same period she also had responsibility for the project of rationalization of electronic activities for defence.

In 2010, she was appointed Joint General Manager with responsibility for all central support functions of the Company.

Currently she is: Chair of the Board of Directors of MBDA Italia, Secretary General of Telespazio, member of the Board of Directors of e-GEOS, member of the Board of Directors of Avio, director of Telespazio Iberica and member of the Supervisory Board of GAF.

### ***Elena Pisonero Ruiz***

Born in Madrid on January 17, 1963. An economist and executive with over 30 years of international experience, providing a broad, strategic and transformative vision, she believes in people-centered leadership. Generating innovative and integrative solutions, communicating them appropriately and, of course, technology are her main attributes and skillsets. She believes in lifelong learning, through experience in various industries and positions, good conversations and executive education in the most prestigious international business schools.

In 2018, she founded Relathia, a platform to share ideas and knowledge to jointly address the challenges of our society in the 21st century, and Taldig, a company that provides strategic consulting to leaders eager to transform their organizations. Today, she is a board member as an Independent Director in Solaria, a Spanish renewable energy company, IBEX35 listed, being its NRC Chair; in Avio, a leading Italian space company, Chair of the Sustainability Committee; and in Bruegel, the Brussels-based economic think tank. She has always had a voluntary participation in different advisory committees (Unicef Spain, Real Instituto Elcano) and collaborates regularly with business schools (INSEAD, ESADE, EOI).

Throughout her professional career, she has taken on responsibilities in different areas, both in the private sector (Chair of Hispasat, partner of KMPG) and in the Spanish public sector (Secretary of State for Commerce, Tourism and Small and Medium Enterprises, Member of the National Parliament and Ambassador to the OECD in Paris).

**STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES – 1st JANUARY 2020 – 6th MAY 2020**

Board of Directors													Control Risks and Sustainability Committee		Appointments and Remuneration Committee		Strategic Activities Committee (a)		Investment Committee (a)	
Office	Members	Year of birth	Date first appointment *	In office from	In office until	Slate **	Exec.	Non-exec.	Ind. Cod.	Ind. CFA	No. other offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman	Roberto Italia	1966	1.12.2016	B.o.D. 10.04.2017	Approv. 2019 Accounts	U		X			11	3/3								
Chief Executive Officer ●	Giulio Ranzo	1971	1.12.2016	B.o.D. 10.04.2017	Approv. 2019 Accounts	U	X				3	3/3					-	P	2/2	M
Director	Luigi Pasquali	1957	1.12.2016	B.o.D. 10.04.2017	Approv. 2019 Accounts	U		X			6	2/3							2/2	P
Director	Vittorio Rabajoli	1959	1.12.2016	B.o.D. 10.04.2017	Approv. 2019 Accounts	U		X			1	3/3	4/4	M						
Director	Stefano Ratti	1968	1.12.2016	B.o.D. 10.04.2017	Approv. 2019 Accounts	U		X			-	3/3			3/3	M	-	M		
Director	Monica Auteri	1970	1.12.2016	B.o.D. 10.04.2017	Approv. 2019 Accounts	U			X	X	-	3/3	4/4	P						
Director	Maria Rosaria Bonifacio	1962	1.12.2016	B.o.D. 10.04.2017	Approv. 2019 Accounts	U			X	X	-	3/3			3/3	M				
Director	Donatella Sciuto	1962	1.12.2016	B.o.D. 10.04.2017	Approv. 2019 Accounts	U			X	X	3	3/3	4/4	M			-	M		
Director	Giovanni Gorno Tempini	1962	1.12.2016	B.o.D. 10.04.2017	Approv. 2019 Accounts	U			X	X	5	3/3			3/3	P			2/2	M
Number of meetings held in the reference period: 3				Control Risks and Sustainability Committee: 4				Appointments and Remuneration Committee: 3				Strategic Activities Committee (a): 0				Investment Committee (a): 2				
Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Art. 147-ter CFA): 4,5%																				



---

**NOTE**

The following symbols must be indicated in the “Office” column:

● This symbol indicates the Director in charge of the internal control and risk management system.

◇ This symbol indicates the main person responsible for the Issuer’s operative management (Chief Executive Officer or CEO).

\* The first appointment of each Director refers to the date on which the Director was appointed for the first time to the Board of the Issuer.

\*\* This column indicates the slate from which each Director originated (“M”: majority slate; “m”: minority slate; “BoD”: slate presented by the BoD; “S”: single slate).

\*\*\*This column indicates the number of offices a Director or Statutory Auditor holds in other companies listed on regulated markets, including foreign markets, in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.

(\*) This column indicates the percentage of attendance of the Director in relation to the number of BoD and Committee meetings (indicates the number of meetings attended compared to the amount they could have attended).

(\*\*) This column indicates the position of the Director on the Committee: “C”: chairperson; “Co”: coordinator; “M”: member;

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

***STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEE FROM 6th MAY 2020***

Board of Directors													Control and Risks Committee		Appointments and Remuneration Committee		Planning and Scenarios Committee (a)		Sustainability Committee (a)	
Office	Members	Year of birth	Date first appointment *	In office from	In office until	Slate **	Exec.	Non-exec.	Ind. Cod.	Ind. CFA	No. other offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman	Roberto Italia	1966	1.12.2016	B.o.D. 10.04.2017	Approv. 2022 Accounts	M		X			6	7/7					4/4	C	3/3	M
Chief Executive Officer ●	Giulio Ranzo	1971	1.12.2016	B.o.D. 10.04.2017	Approv. 2022 Accounts	M	X				3	7/7					4/4	M		
Director	Luigi Pasquali	1957	1.12.2016	B.o.D. 10.04.2017	Approv. 2022 Accounts	M		X			6	6/7					4/4	M		
Director	Monica Auteri	1970	1.12.2016	B.o.D. 10.04.2017	Approv. 2022 Accounts	M			X	X	-	7/7			2/2	M				
Director	Donatella Sciuto	1962	1.12.2016	B.o.D. 10.04.2017	Approv. 2022 Accounts	M			X	X	2	6/7	4/4	P						
Director	Giovanni Gorno Tempini	1962	1.12.2016	B.o.D. 10.04.2017	Approv. 2022 Accounts	M			X	X	4	6/7			2/2	P	4/4	M		
Director	Stefano Pareglio	1963	6.5.2020	B.o.D. 6.5.2020	Approv. 2022 Accounts	m			X	X	1	7/7							3/3	M
Director	Raffaele Cappiello	1968	6.5.2020	B.o.D. 6.5.2020	Approv. 2022 Accounts	m			X	X	3	7/7	4/4	M						
Director	Donatella Isaia	1974	6.5.2020	B.o.D. 6.5.2020	Approv. 2022 Accounts	m			X	X	2	7/7			2/2	M				
Director	Letizia Colucci	1962	6.5.2020	B.o.D. 6.5.2020	Approv. 2022 Accounts	M		X			6	6/7	3/4	M						
Director	Elena	1963	6.5.2020	B.o.D.	Approv.	M			X	X	2	6/7							3/3	P

**NOTE**

	Pisonero Ruiz			6.5.2020	2022 Accounts														
<b>Number of meetings held in the reference period : 7</b>				<b>Control and Risks Committee: 4</b>			<b>Appointments and Remuneration Committee: 2</b>			<b>Planning and Scenarios Committee (a): 4</b>			<b>Sustainability Committee (a):3</b>						
<b>Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Art. 147-ter CFA): 4,5%</b>																			

**NOTE:**

The following symbols must be indicated in the “Office” column:

- This symbol indicates the Director in charge of the internal control and risk management system.
- ◇ This symbol indicates the main person responsible for the Issuer’s operative management (Chief Executive Officer or CEO).
- \* The first appointment of each Director refers to the date on which the Director was appointed for the first time to the Board of the Issuer.
- \*\* This column indicates the slate from which each Director originated (“M”: majority slate; “m”: minority slate; “BoD”: slate presented by the BoD; “S”: single slate).
- \*\*\*This column indicates the number of offices a Director or Statutory Auditor holds in other companies listed on regulated markets, including foreign markets, in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.
- (\*) This column indicates the percentage of attendance of the Director in relation to the number of BoD and Committee meetings (indicates the number of meetings attended compared to the amount they could have attended).
- (\*\*) This column indicates the position of the Director on the Committee: “C”: chairperson; “Co”: coordinator; “M”: member;
- (b) Committee created on a voluntary basis, considering the specific nature of the Issuer.

#### 4.2.2. Diversity policies

National and European Law ensure and promote diversity in age, gender and nationality, and expertise among the members of company administrative boards.

Specifically, Directive 2014/95/EU enacting amendments to Directive 2013/34/EU as regards the communication of non-financial information and information on diversity, was implemented in Italy through Legislative Decree No. 254 of December 30, 2016. The Directive envisaged that the Corporate Governance and Ownership Structure Report referred to in Article 123-*bis* of the CFA provides information concerning the diversity policies adopted in accordance with the comply or explain principle.

In addition, pursuant to Article 147-*ter*, paragraph 1-*ter* of the CFA (introduced by Law No. 120 of July 12, 2011 and recently amended with Law No. 160 of December 27, 2019), the by-laws of listed companies must provide that, for six consecutive mandates, Directors are elected on the basis of a criterion which ensures gender balance.

Consequently, in accordance with the provisions of Article 2.P.4 of the Self-Governance Code, Avio has applied diversity criteria, including gender criteria, to the composition of the Board of Directors, in line with the priority objective of ensuring sufficient skills and professionalism in its members.

Pursuant to Article 11.6 of the Avio By-Laws and in accordance with Application Criterion 1.C.1, letter i) (4) of the Self-Governance Code, slates containing 3 (three) or more candidates may not be composed of candidates only from the same gender (male or female); these slates should include a number of candidates of the under-represented gender to guarantee the composition of the Board of Directors in accordance with legal and regulatory provisions in relation to gender equality (male and female), provided that should the application of the gender equality quota not result in a full number, this should be rounded up to the next unit.

Moreover, in accordance with the provisions of Application Criterion 1.C.1, letter g) of the Self-Governance Code, the Avio Board of Directors carries out a self-assessment, at least once a year, on the functioning of the Board and of its Committees, taking account of the following general principles concerning diversity in relation to its composition: (i) age, years of service and international experience; (ii) gender equality; (iii) diversity in professional and managerial expertise.

It should also be noted that, in order to implement the provisions of applicable law, the Board of Directors of March 15, 2018, approved the "Diversity Policies". These Policies were subsequently updated with Board of Directors' motion in the meetings of March 14, 2019, February 28, 2020 and latterly on March 19, 2021.

The Policies seek to (i) guarantee greater awareness with regards to the needs and requirements of the stakeholders, (ii) make the decision-making process more efficient and extensive; (iii) improve the quality of discussion among the Corporate Boards on the basis of general strategic or specific technical expertise; (iv) enable the members of the Corporate Boards to constructively discuss management's decisions as well as (v) orienting applications put forward

by the shareholders during the renewal of corporate boards, and ensuring suitable consideration of the benefits to be gained from harmonious composition of these, aligned to the various diversity criteria.

In any case it should be noted that Avio closely focuses on the issues of diversity and inclusion irrespective of that set out in the primary regulation.

Copies of the Codes are available on the website [www.avio.com](http://www.avio.com), "Corporate Governance" section.

#### **4.2.3 MAXIMUM NUMBER OF OFFICES PERMITTED IN OTHER COMPANIES**

At the Report's approval date, the Board of Directors had defined the general criteria relating to the maximum number of offices of administration and control in other companies that may be considered compatible with the proper carrying out of their duties as Directors of Avio. These are provided in more detail in the Diversity Policy which may be viewed on the website [www.avio.com](http://www.avio.com), "Corporate Governance" section.

The Board's self-assessment process for 2020 confirmed the positive assessment in terms of the functioning of the Board and its Committee, also with regards to this aspect.

The company intends to comply with the recommendations contained in Application Criterion 1.C.2 of the Self-Governance Code, relating to the obligation of the members of the Board of Directors to accept the office of Director only when they believe they can dedicate the necessary time to diligently carry out their duties, also taking into account their work and professional commitments and offices held in financial, banking and insurance companies or companies of significant size listed on regulated markets (including abroad).

Should the established limits be exceeded, Directors shall promptly inform the Board of Directors, which shall assess the situation in light of the specific case and/or the Company's interest. As a result of these assessments, the Board of Directors calls upon the Director to take the ensuing decisions, subject to the power of this Board to agree to any justified waivers of the maximum number of offices established.

In relation to the offices held by the Directors of the Issuer at the Report approval date in financial, banking and insurance companies or of significant size listed on regulated markets (including abroad), other than the Issuer, reference should be made to the table below.

Name	Company	Office in the company	STATUS
Luigi Pasquali	Telespazio S.p.A.	Chief Executive Officer	In office
	Thales Alenia Space S.a.s.	Member of the Supervisory Board	In office
	Thales Alenia Space Italia S.p.A.	Chairperson	In office
	AIAD (the Italian Federation for Aerospace, Defense and Security)	Director	In office
	ESOA (International Ass.)	Board Member	In office
	Eurospace (International Ass.)	Vice Chairman of Council	In office
Monica Auteri	-	-	-
Giulio Ranzo	Europulsion S.A. (*)	Director	In office
	Regulus S.A. (*)	Director	In office
	Arianespace S.A	Director	In office
	Arianespace Participation S.A	Permanent Representative of the Administrator	In office
Roberto Italia	Billy's Sp. Zoo.	Chairperson	In office
	Lastminute.com Group B.V.	Director	In office
	Red Black Capital S.A.	Director	In office
	Red Black Alternative Investment S.A.	Director	In office
	Space Holding S.r.l.	Director	In office
	Verinvest S.A.	Chief Executive Officer	In office
Giovanni Gorno Tempini	Cassa Depositi e Prestiti S.p.A.	Chairperson of the Board of Directors	In office
	CDP Reti S.p.A.	Chairperson of the Board of Directors	In office
	F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.P.A.	Chairperson of the Board of Directors	In office
	AIRC/FIRC (Italian Cancer Research Institute)	Director	In office
Donatella Sciuto	Bank of Italy	Member of the Superior Council	In office
	Rayway S.p.A.	Independent Director	In office
Letizia Colucci	MBDA Italy	Chairperson of the Board of Directors	In office
	Telespazio	General Secretary	In office
	e-GEOS	Members of the Board of Directors	In office

	Telespazio Iberica	Director	In office
	GAF	- Member of the Board of Statutory Auditors	In office
Elena Pisonero	Solaria	Member of the Board of Directors	In office
	Bruegel	Member of the Board of Directors	In office
Stefano Pareglio	Azienda Trasporti Milanesi (ATM) SpA	Director	In office
Raffaele Cappiello	B&C Speakers SpA	Independent Director	In office
	Mediaset SpA	Independent Director	In office
	Fondo Tessalo	Member of the Consultative Committee	In office
Donatella Isaia	Fondazione Vodafone Italia	Member of the Board of Directors	In office

#### 4.2.4 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, 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 (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), OF THE CFA)

As per 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 in Italy.

The Board of Directors is called by the Chair or, in his/her absence, by the Vice 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 registered letter, telegram, fax or e-mail with acknowledgement of 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 called on the date prior to that set for the meeting. The meetings of the Board of Directors and its motions are valid, even without formal calling, where all the Directors and statutory auditors in office are present. 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 attendees.

Meetings of the Board of Directors may also be held by audio or video conference, provided that: (i) the Chairperson and the Secretary, if appointed, are present in the same location, who will write and sign the minutes, verifying that the meeting was held in that location; (ii) the Chairperson of the meeting is able to verify the identity of the participants, direct the course of the meeting and witness and announce the results of the vote; (iii) that the person taking the minutes is able to adequately observe the events of the meeting that is the subject of the minutes; and (iv) that participants are able to follow the discussion and the simultaneous voting on the matters on the agenda, as well as view, receive or transmit 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 provides that the Board of Directors shall:

- a) examine and approve the 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) define the nature and level of risk compatible with the strategic objectives of the company, including in their assessments all risks considered significant with regard to the sustainability of the medium/long-term operations;
- d) evaluate the adequacy of the organisational, administration and accounting system of the company and of its subsidiaries having strategic importance, with particular reference to the internal control and risk management system.
- e) set out the timing, at least quarterly, 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 operational performance, taking into account, in particular, the information received from Executives, as well as periodically comparing the results with the budgets;
- 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 significant transactions;
- h) carry out, at least once a year, a board evaluation on its functioning and that of its Committees, and also in relation to its size and composition, taking account also of the professional qualifications, experience - also of a managerial nature - and the gender balance of its members, in addition to their years of 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) subject to the provisions of Article 11.3 of the By-Laws, with respect to the possibility of submitting a slate 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 their relevant category (Executive, non-Executive, independent), the role performed within the Board, the key professional characteristics, as well as the length in service since 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 November 24, 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 at Board committees. General criteria are set out by the Board based on the commitment related to each role (Executive Director, non-Executive or independent), also in relation to the nature and to the size of the companies as well as whether belonging to the Avio Group;
- m) where the Shareholders' Meeting, in order to meet requirements of an organisational nature, authorises a general and prior exception to the prohibition of competition as per article 2390 of the Civil Code, evaluates each situation and reports at the next Shareholders' Meeting. For this purpose, each Director informs the board, on the acceptance of the appointment, of any activities exercised in competition with the issuer and, subsequently, of any significant changes;
- n) assesses whether to implement a succession plan for Executive Directors;
- o) defines Avio's remuneration policy for Directors and key Executives, in compliance with the recommendations of the Corporate Governance Code;

- p) chooses from 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 to be attributed to the Board of Directors with respect to the ICRMS;
- q) adopts the organisation, management and control model and appoints the relevant Supervisory Board pursuant to Italian Legislative Decree No. 231/2001;
- r) in compliance with the provisions of the Stock Exchange Regulations, 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.

In implementation of the above and at the Reporting date, the Board of Directors has, *inter alia*:

- positively assessed the suitability of the organisational, administrative and general accounting structure of the company and of the subsidiaries with strategic importance (which have been identified by principally referring to dimensional criteria (turnover) or by considering the particularity of the market where the subsidiary operates, in Spacelab S.p.A. (formerly ELV S.p.A.), Regulus sa, Secosvim S.r.l. and Avio Guyane Société par actions simplifiée à associé unique, with particular reference to the internal control and risk management system; this assessment was carried out on the basis of information and evidence gathered with the support of the preliminary activity performed by the Control and Risks Committee and with the contribution of the company’s management and the Internal Audit Manager;
- assessed the general operational performance, taking into account, in particular, the information received from the Chief Executive Officer, as well as periodically comparing the results with that budgeted;
- set out in a procedure the general criteria to identify transactions which have a significant strategic, economic, equity or financial impact for the company. The following are generally considered significant transactions
  - (i) the approval of the budget and the strategic plan;
  - (ii) investments - not included in the budget or the strategic plan - of a value greater than (i) Euro 10 million for property, plant and equipment, and (ii) Euro 10 million for intangible fixed assets and up to Euro 15 million overall per year, as regards (i) property, plant and equipment and (ii) intangible fixed assets, including costs for participation in international collaboration programmes;

- (iii) acts of disposal relating to holdings or other interests in companies, divisions, businesses or business units of a value greater than Euro 20 million, excluding, in any case, acts of disposal relating to businesses or business units operating in the defence sector and any holdings or other interests held by the company in subsidiaries, associates or investee companies operating in the same sector;
  - (iv) merger or spin-off transactions of the company or of any company under its control which, with reference to the individual merged or spun-off company, are of a value greater than Euro 30 million;
  - (v) the transfer of operational research and development centres abroad;
  - (vi) the transfer, sale, licensing or any other acts of disposal or restrictions on the disposal of production or technological processes, “know-how”, patents, industrial projects and any other intellectual property held by the company or the companies under its control of a value greater than Euro 15 million, provided that, in the defence sector, the company’s intangible assets are excluded regardless of their value;
  - (vii) the transfer, sale, conferment, lease, usufruct, any act of disposal, the creation of constraints and/or liens of any kind of a value greater than Euro 20 million, excluding, in any case, acts of disposal relating to businesses or business units operating in the defence sector and any holdings or other interests held by the company in subsidiaries, associates or investee companies operating in the same sector
  - (viii) the transfer, sale, conferment, lease, usufruct, any act of disposal, the establishment of constraints and/or liens of any kind of a value greater than Euro 20 million, excluding, in any case, acts of disposal relating to businesses or business units operating in the defence sector and any holdings or other interests held by the company in subsidiaries, associates or investee companies operating in the same sector;
- carry out an evaluation on the functioning of the Board and of its Committees, and also in relation to its size and composition, taking account also of the professional qualifications, experience - also of a managerial nature - and the gender balance of its members, in addition to their years of service, with the support of the Legal and Corporate Affairs Department of the company. This assessment was made, requesting each Directors to fill out a questionnaire drawn up by the Legal and Corporate Affairs Department of the company. The results in this questionnaire were discussed at the Appointments and Remuneration Committee meeting of March 18, 2021, establishing that: (i) the size of the Board (11 members as per the By-Law provision permitting 9 to 11 members) appears appropriate, in view of its size and type of operations; (ii) the composition of the Board is equally adequate; (iii) the functioning of the Board and its Committees, outlined in the table above, appears consistent with the size and type of operations of the company and with the powers granted to the Chief Executive Officer.

In 2020 the Board of Directors met 10 times, with meetings lasting an average of approximately 2.5 hours, on the following dates: January 16, February 28, March 25, May 7 and 14, July 28, September 14, November 5, December 3 and 21, and participation, on average, of approximately 97% of the Directors. As regards the current financial year, 5 meetings are scheduled. Each Director's participation at the meetings of the Board and its committees are presented in the tables at the bottom of Table 4.2.1, namely: (i) each Director's participation at the meetings of the Board and its committees held before the Shareholders' Meeting of May 6, 2020 which has appointed the new Board of Directors and (ii) each Director's participation at the meetings of the Board and its committees held following the Shareholders' Meeting of May 6, 2020 which has appointed the new Board of Directors.

The timeliness and completeness of pre-meeting information is ensured by the Chairperson through the distribution to Directors of documentation relating to items placed on the agenda in the days immediately prior to the date scheduled for the Board meeting and, in particular, generally at the same time as the call notice in accordance with the Board of Directors' Regulations. This term was generally respected (in the year 2020, documentation relating to the financial statements for the period was also sent with notice of an average of 6 days). On some occasions, for reasons of confidentiality and urgency, it was only possible to provide information on some items on the agenda during the Board meeting itself. On these occasions, the items were still discussed preliminarily within the spheres of responsibility of the committees established by the Board and in any case, the Chairperson ensured that adequate insights were provided during the Board sessions. The Board's self-assessment process for the financial year 2020 has confirmed the term's substantial appropriateness.

In order to provide appropriate insights on the items on the agenda, participants at Board meetings during 2020 included, among others: the Chief Financial Officer, the General Counsel, the Internal Audit Manager, the Communications and External Relations Manager, the Chairperson of the Supervisory Board as well as those Departments identified in the minutes of the Board's meetings with reference to specific items on the agenda.

#### **4.4 SELF-ASSESSMENT**

On February 19, 2021, the Board concluded the periodic self-assessment process on the adequacy of the Board and that of its Committees in terms of composition and functioning. The self-assessment process was carried out without the assistance of consulting firms.

Pursuant to application criterion 1.C.1 letter g) of the Corporate Governance Code, the Board of Directors made a positive assessment on the activities carried out in 2020, on the size, composition and functioning of the Board and its Committees, based on the results of the self-assessment questionnaires sent to the Directors.

In addition to analysing the activities of the Board of Directors and of its Committees undertaken during the year 2020, the self-assessment also provided deeper insight into potential areas for improvement.

Among the significant aspects that emerged from the board evaluation, the positive picture regarding the qualitative-quantitative profile of the Board of Directors and the dynamics that take place within it, both in relations with Management and with the Board of Statutory

Auditors, was substantially confirmed. A review of the self-assessment questionnaires also shows that the Board of Directors, as a whole, contributes to the company's strategy.

#### **4.5 EXECUTIVE BOARDS**

As per 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, defining their powers and granting power of attorney to third parties for certain acts or categories of acts.

As per Article 12.3 of the By-Laws and on the favourable opinion of the Strategic Activities Committee, the Board of Directors can appoint a manager responsible for strategic activities. The company's Chief Executive Officer, after consultation with the Appointments and Remuneration Committee, will be responsible for the appointment and revocation of Executives who, according to the company's organisational structure, report directly to the Chief Executive Officer and for Directors with Executive powers in the company's subsidiaries.

As per 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.

##### **4.5.1 Chief Executive Officer**

On May 7, 2020, the Board approved the appointment of Mr. Giulio Ranzo as Chief Executive Officer of the Issuer and granted him the powers described below.

The Chief Executive Officer is the main party responsible 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. to perform all acts that fall within the object of the company, save for the limitations provided for by law, the By-Laws and this motion;
2. to promote legal actions in the name of the company for debt collection, from anyone and for any reason and title claimed by the company; to file petitions for injunction and precautionary measures, even as a matter of urgency, in the name of the company; to promote and support legal actions in the name of the company, both as the plaintiff or the defendant in any judicial, civil, criminal, administrative, tax or arbitral court and at any stage, state and degree of judgment and, therefore, also before the higher courts and any other or special judiciary, as well as in judgments of revocation and third-party opposition, appeal, foreclosure and disposal at any stage and degree of execution, to file civil actions in criminal proceedings in which the company is the injured party, to appoint and revoke lawyers and defence lawyers including experts; to settle disputes and appoint arbitrators, including out-of-court mediators;
3. to represent the company, with the broadest powers at law and without any limitation, before Italian, foreign, international and supranational States, ministries, regions, provinces, municipalities, public authorities, organisations and institutions, and central and peripheral financial and tax authorities and offices, as well as before any natural and/or legal person;
4. to make, before any judicial authority and in any court, stage, state and degree of judgment, third-party garnishee and third-party seizure statements, fulfilling all applicable legal provisions, with special reference to the provisions of Article 547 of the Code Civil Procedure *et seq.*;
5. to raise protests and serve injunctions, proceed with conservatory and enforcement measures, intervene in bankruptcy proceedings, lodge claims in these bankruptcy proceedings, sign agreements, demand partial and full repayments, intervene in arrangements with creditors and approve or reject them;
6. to represent the company in relation to the labour inspectorate, employer and employee organisations and social security, social insurance, insurance and industrial accident institutions, for all labour relations;
7. up to the amount of Euro 20 million for each individual act and, up to the amount of Euro 20 million in relation to a series of acts carried out under the same transaction, to enter into and sign unilateral deeds and agreements, including of a real estate nature and content, for the fulfilment of any type of infrastructure expenses, in accordance with applicable town-planning and building laws and regulations in respect of the competent authorities, administrations and local authorities, to request and obtain building permits, concessions and authorisations for the construction, extension and renovation of corporate buildings, assuming any consequent obligation, including in relation to the determination, acceptance and payment of indemnities, fees and charges in general, for the purpose of implementing the building construction works in question;

8. up to the amount of Euro 20 million for each individual act, and up to the amount of Euro 20 million in relation to a series of acts carried out under the same transaction, to administer real estate owned by the company or granted to it under rent, lease or loan, with the right to order the execution of works, and enter into, extend and rescind deeds and agreements with any administration, authority and natural and/or legal person;
9. to agree to the reduction and cancellation of mortgages and, in general, of collateral and personal guarantees granted by third parties in the company's favour, even independently of the redemption of credit;
10. up to the amount of Euro 25 million for each individual act, and up to the amount of Euro 25 million in relation to a series of acts carried out under the same transaction, to obtain sureties, endorsements and guarantees in general, including collateral, and to issue or have issued financial guarantees and other guaranteed loans from institutions, credit companies and financial companies as regards the performance of the company's activities;
11. to set up joint ventures, and join and participate in consortia and temporary business associations having a value not exceeding Euro 20 million and to withdraw from them;
12. to acquire and/or carry out acts of disposal relating to corporate holdings or other interests held in companies, businesses or business units of a value not exceeding Euro 20 million, excluding, in any case, acts of disposal relating to businesses or business units operating in the defence sector and holdings or other interests possibly held by the company in subsidiaries, associates or investee companies operating in the same sector;
13. to make investments not already approved during the budget or strategic plan's approval, whose amount does not exceed Euro 10 million for each individual act, Euro 10 million in relation to a series of acts carried out under the same transaction and Euro 15 million overall per year, as regards (i) tangible fixed assets and (ii) intangible fixed assets, including costs for participation in international collaboration programmes;
14. to represent the company in the ordinary and extraordinary shareholders' meetings of subsidiary companies (by exercising relative rights including the right to vote), with the power of representation and authorisation, to this end, to establish legal and authorised representatives pursuant to law;
15. up to the amount of Euro 20 million for each individual act, and up to the amount of Euro 20 million in relation to a series of acts carried out under the same transaction, to purchase, sell and execute any instrument, for cash and futures, on Italian and foreign transferable securities, including shares, share capital assets and bonds and entering into the relative contracts;



16. up to the amount of Euro 20 million for each individual act, and up to the amount of Euro 20 million in relation to a series of acts carried out under the same transaction, to purchase, sell and execute any instrument on real estate, including rent receivable and payable, even if over nine years, with the right to grant and accept mortgages, agree to their reduction, cancellation and waiver and exonerate the conservators of real estate registers from any liability in this regard;
17. up to the amount of Euro 20 million for each individual act, and up to the amount of Euro 20 million in relation to a series of acts carried out under the same transaction, to purchase, sell and trade machinery, plant, equipment and any other movable asset, by entering into, renewing and rescinding contracts for this purpose, as well as to sign orders and any other deed and document, to provide for the execution of orders and deliveries and to assist with testing;
18. to purchase, sell and trade motor vehicles, sign authorisations to drive vehicles owned by the company both in Italy and abroad, deal with any associated customs procedures, and carry out any formalities at public automobile registries, prefectures, driver and vehicle licensing authorities and any other office and competent institution for matriculations, transfers, registrations, transcriptions and annotations;
19. within the company's core operations, to purchase and sell without any amount limits, raw materials, goods, semi-finished products and consumables, and, furthermore, to deal with water and energy supplies, with the right to sign orders and contracts before any entity, company or private individual;
20. within the company's core operations, to purchase and sell products and services without any amount limits and with the broadest negotiating and signatory power;
21. except as provided for in the preceding points 19 and 20, up to the amount of Euro 20 million for each individual act, and up to the amount of Euro 20 million in relation to a series of acts carried out under the same transaction, to enter into, renew, supersede, rescind and terminate contracts for advertising and services in general, collaboration, consultancy, rent, hire, gratuitous bailment, deposit, loan for use, utilities, procurement, supply and execution of works and services, fire insurance, transport, accidents and any other risk; in the event of a claim, to deal with all the associated procedures, including the filing of complaints and the appointment and removal of experts; to request, process, define and collect damage settlements;
22. up to the amount of Euro 20 million for each individual act, and up to the amount of Euro 20 million in relation to a series of acts carried out under the same transaction, to enter into, renew and rescind collaboration agreements with the right to validly engage the company, commission studies and - in any form – the execution of works by signing associated contracts and documents, to confer and revoke professional assignments, and enter into, renew and rescind contracts for intellectual property services;
23. to ask for patent certificates and patents for industrial inventions and utility models, extensions and supplements in Italy and abroad, and assert the company's rights in the



field of intellectual property, as well as to request the registration of trademarks, however established in Italy and abroad, by carrying out any consequent requirement;

24. up to the amount of Euro 20 million for each individual act, and up to the amount of Euro 20 million in relation to a series of acts carried out under the same transaction, to purchase trademarks, patents and 'know-how';
25. up to the amount of Euro 15 million for each individual act, and up to the amount of Euro 15 million in relation to a series of acts carried out under the same transaction, to transfer, sell, grant under licence, create constraints and/or liens of any kind and to perform any other act of disposal concerning trademarks, patents, technological processes, 'know-how' and, in general, any intellectual property held by the company or any company under its control, provided that, in the defence sector, the company's intangible assets are excluded regardless of their value;
26. up to the amount of Euro 25 million for each individual act, and up to the amount of Euro 25 million in relation to a series of acts carried out under the same transaction, (i) to negotiate and define credit facilities and financing, usable in any form and currency, including credit facilities and financing usable in current accounts, for portfolio discount, credit facilities including in favour of third parties and in any other form, by signing the corresponding deeds, documents and contracts with banks and credit institutions and any other public or private, Italian, EU or foreign entity; (ii) to make waivers and discharges, as well as to give consent in accordance with the provisions of credit and bank loan contracts to which the company is a party;
27. up to the amount of Euro 25 million for each individual act, and up to the amount of Euro 25 million in relation to a series of acts carried out under the same transaction, to negotiate, obtain, refine and manage in all their phases – by acting on the banking and non-banking financial system, on special credit institutions as well as on the public administration, ministries and public and private, Italian, EU and foreign entities and institutions – medium/long-term financing transactions at an ordinary or subsidised rate, as well as an interest rate subsidy on capital and expense accounts and defining these transactions by entering into and signing the relative deeds; to provide or have provided guarantees, including collateral securities, for such transactions within the limits set out in points 10 and 31;
28. to open and close bank and post office current accounts, and operate on them, (i) in relation to the execution of contractual obligations assumed in accordance with the preceding and following points, without value limits and (ii) in any other case, up to the amount of Euro 20 million for each individual act, and up to the amount of Euro 20 million in relation to a series of acts carried out under the same transaction, also in overdraft, in Italy and abroad, and in any currency, with the right to arrange the granting and use of credit facilities, and to sign cheques, documents and receipts and order wire transfers;
29. to make payments on the company's current accounts with the right, to this end, *inter alia*, to negotiate and endorse collection bills (drafts and promissory notes), money orders,

cheques, vouchers, warrants, credit instruments and any other title or effect of trade by signing the corresponding documents, endorsements and receipts;

30. to make payments, including in foreign currency and, in general, to perform any act of disposal of sums, values, credits, trade effects and currencies by obtaining a receipt (i) in relation to the execution of contractual obligations assumed in accordance with the preceding and following points, without value limits and (ii) in any other case, up to the amount of Euro 20 million for each individual act, and up to the amount of Euro 20 million in relation to a series of acts carried out under the same transaction;
31. up to the amount of Euro 25 million for each individual act, and up to the amount of Euro 25 million in relation to a series of acts carried out under the same transaction, to provide collateral securities, endorsements and sureties connected with the company's activity;
32. up to the amount of Euro 20 million for each individual act, and up to the amount of Euro 20 million in relation to a series of acts carried out under the same transaction, to assign receivables with and without recourse;
33. to demand receivables, collect sums and withdraw securities due to the company from anyone and for any reason;
34. to receive and set up, repay and withdraw deposits of sums, stocks, securities pledged as a deposit, as a guarantee, as a cautionary deposit, issuing and receiving discharges and receipts, to carry out any transaction in respect of customs offices, the administration of public debt, and with any office of the deposits and loans fund, for obligations and redemptions of stocks and securities;
35. to fulfil the obligations provided for by laws regulating the circulation of equities and the distribution of dividends, with the right to sign statements, communications and certification attestations;
36. to ensure compliance with all administrative and tax regulations and the requirements to which the company is bound, with the right, to this end, to sign - *inter alia* - statements, declarations, claims, certifications and any act;
37. to make statements to the Chambers of Commerce on resolutions and documents concerning the company;
38. to open and close the company's dependent branches and independent offices in Italy and abroad, and make the prescribed statements;
39. with the exclusion of the post of General Manager of the company, to hire, suspend, dismiss employees, including Executives, determining their remuneration, fees and duties and to enter into, amend and terminate employment contracts. It is understood that the company's Chief Executive Officer, after consultation with the Appointments and Remuneration Committee, will be responsible for the appointment and revocation of Executives who, according to the company's organisational structure, report directly to the

Chief Executive Officer and for Directors with Executive powers in the company's subsidiaries; to transfer, assign and change duties, job titles, employee categories and grades, including Executive grades;

40. to appoint and revoke senior managers and general and special attorneys-in-fact, and confer powers to them within the scope of their responsibilities;
41. to delegate, for all consequent legal purposes, the organisation's responsibility and the management of certain sectors of the business with all the necessary powers;
42. to sign the company's correspondence and documents within the scope and for the exercise of powers conferred;
43. up to the amount of Euro 50,000.00 for each individual act, and up to the amount of Euro 50,000.00 in relation to a series of acts carried out under the same transaction, to make charitable donations within the limits of the law.

The Chief Executive Officer, by virtue of his office, is vested with the broadest powers for the protection of health and safety at the workplace (Legislative Decree 81/2008), the environment, privacy protection and the processing of personal data (Legislative Decree 196/2003), permits, approvals, authorisations, concessions, licences and the like, necessary for the exercise of company activities and, therefore, to deal with the implementation of the resolutions adopted by the Board of Directors on the abovementioned matters, including by appointing special or general attorneys-in-fact.

He/she is vested with the title of "Employer" and "Principal" pursuant to and in accordance with the Consolidated Law on Safety (Legislative Decree No. 81/2008), with full and effective powers, including:

- (a) The right to identify and designate, taking into account the organisational structure and business operations, and with the objective of promoting efficiency and effectiveness in the management of issues relating to hygiene, and health and safety in the workplace,
  - (i) additional Employers of individual Production Units in accordance with Art. 2, paragraph 1, letter b) of the Consolidated Law on Safety, it being understood that in this case these latter shall be exclusively responsible for the production units within their scope, while the Chief Executive Officer will coordinate the Employers so appointed,
  - (ii) one or more delegates in accordance with Art. 16 of the Consolidated Law on Safety.
- (b) all powers of initiative and organisation, as well as spending autonomy in line with the annual budget approved by the Board of Directors, to be managed, at his/her sole discretion, to implement all the interventions deemed necessary, with the right to carry out urgent and non-deferable interventions to restore safety conditions in working environments, even beyond the limits of the abovementioned financial availability, and by immediately notifying the Board of Directors

- (c) the authority to freely exercise the powers of hierarchical superior with respect to any other employee of the company and with the right to assume, at any time, including without any prior consultation with the Board of Directors, any decision, even if not expressly provided for under this appointment, that is useful or necessary for the purposes of full compliance with the mandate.

The Chief Executive Officer is also assigned the following powers and responsibilities:

- a) all powers and responsibilities relating to environmental matters, to be exercised in full autonomy, also from a financial viewpoint, in terms of spending powers and budgeted amounts and any additional amounts that may be required,
- b) all powers and responsibilities corresponding to the formal and substantial role of “plant manager” as per Legislative Decree No. 105 of June 26, 2015 and subsequent amendments and supplements (“Seveso III”),

with the express power to reconcile and settle, and with the power to delegate and appoint attorneys-in-fact and representatives and, moreover, to identify as part of the “Plant Operators” Organisation as per Legislative Decree 105/2015 and subsequent amendments and additions, and to confer upon them all the necessary and suitable powers, including the power of expenditure.

The powers attributed to the Chief Executive Officer, in possession of the necessary legal requirements, also encompass the company’s representation in all the obligations envisaged by Law No. 185 of July 9, 1990 and subsequent amendments and additions, which regulates the import, export and transit of military equipment, and the implementing regulation referred to in Ministerial Decree No. 19 of January 7, 2013 including, *inter alia*, but not limited to, the right to sign the following documents:

- communications on the commencement of contractual negotiations referred to in Art. 9 of Law 185/1990 and subsequent amendments and additions;
- clearance requests according to the provisions of Art. 9, paragraph 5 of Law 185/1990 and subsequent amendments and additions;
- authorisation requests to import, export and transit the military equipment referred to in Art. 11 of Law 185/1990 and subsequent amendments and additions;
- deeds and documents provided for by Art. 3, paragraph 1, of the abovementioned Ministerial Decree No. 19 of January 7, 2013 and subsequent amendments and additions.

The abovementioned powers and rights, all in relation to Law No. 185 of July 9, 1990 and its implementing regulation are solely and exclusively attributed to the Chief Executive Officer, with the right to sub-delegate – through a notarial power of attorney - solely to persons residing in Italy and who are in possession of the necessary legal requirements.

The following matters do not fall within the powers as conferred above to the Chief Executive Officer:

- a. the approval of the budget and the strategic plan;
- b. investments - not included in the budget or the strategic plan - of a value greater than (i) Euro 10 million for property, plant and equipment, and (ii) Euro 10 million for intangible fixed assets and up to Euro 15 million overall per year, as regards (i) property, plant and equipment and (ii) intangible fixed assets, including costs for participation in international collaboration programmes;
- c. acts of disposal relating to holdings or other interests in companies, divisions, businesses or business units of a value greater than Euro 20 million, excluding, in any case, acts of disposal relating to businesses or business units operating in the defence sector and any holdings or other interests held by the company in subsidiaries, associates or investee companies operating in the same sector
- d. merger or spin-off transactions of the company or of any company under its control which, with reference to the individual merged or spun-off company, are of a value greater than Euro 30 million;
- e. the transfer of operational research and development centres abroad;
- f. the transfer, sale, licensing or any other acts of disposal or restrictions on the disposal of production or technological processes, “know-how”, patents, industrial projects and any other intellectual property held by the company or the companies under its control of a value greater than Euro 15 million, provided that, in the defence sector, the company’s intangible assets are excluded regardless of their value;
- g. the transfer, sale, conferment, lease, usufruct, any act of disposal, the creation of constraints and/or liens of any kind of a value greater than Euro 20 million, excluding, in any case, acts of disposal relating to businesses or business units operating in the defence sector and any holdings or other interests held by the company in subsidiaries, associates or investee companies operating in the same sector

The Chief Executive Officer of Avio is not in an interlocking Directorate situation as per Application Criterion 2.C.6. of the Self-Governance Code.

#### **4.5.2 Chairman of the Board of Directors**

On May 7, 2020, the Board appointed Mr. Roberto Italia as the Chairman of Avio’s Board of Directors.

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

#### **4.5.3 Executive Committee**

As per 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 Offers 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.

As per Article 2389, paragraph 1 of the Civil Code, the remuneration of the Executive Committee members is to be decided by the Shareholders' Meeting.

At the Report approval date, an Executive Committee had not been established.

#### **4.5.4. Reporting to the Board of Directors**

The Chief Executive Officer reported to the Board at each board meeting, on the activities carried out in accordance with the powers conferred by the Board. In particular, the Chief Executive Officer at each Board meeting and regardless of the time period since the last meeting, briefed upon the activities carried out and the main operations executed by the company and its subsidiaries, even where not requiring prior approval by the Board of Directors.

#### **4.6 OTHER EXECUTIVE DIRECTORS**

At the Report approval date, there were no Executive Directors in addition to the Chief Executive Officer, as referred to in Application Criterion 2.C.1 of the Self-Governance Code. None of the Executive Directors therefore i) hold the office of chief Executive officer or Executive chairperson in a strategic subsidiary of the Issuer or ii) hold management positions at the Issuer, in a strategic subsidiary or in the parent company.

#### **4.7 INDEPENDENT DIRECTORS**

On May 6, 2020, the Shareholders' Meeting of Avio S.p.A appointed 7 (seven) Directors considered independent as per Article 148, paragraph 3 of the CFA, in addition to Application Criterion 3.C.1 of the Self-Governance Code.

In accordance with this criterion, on May 7, 2020, as announced to the market on the same date, the Board assessed the independence as per Article 148, paragraph 3 of the CFA and Article 3 of the Self-Governance Code of the non-Executive members of the Board of Directors.

Subsequently, the verification of the independence has been assessed, on an annual basis, on March 19, 2021.

The Board of Statutory Auditors confirmed the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members.

Avio's Independent Directors met by themselves in the absence of the other Directors on March 19, 2021, to consider the following matters:

1. Adequacy of the number of Independent Directors;
2. Considerations on the contribution of the Independent Directors to the work of the Board

of Directors.

#### 4.8 LEAD INDEPENDENT DIRECTOR

At the Report approval date, the Board did not appoint any Independent Director as Lead Independent Director pursuant to Application Criterion 2.C.5 of the By-Laws, given that the circumstances that require his/her appointment pursuant to the Corporate Governance Code did not apply.

### 5. PROCESSING OF CORPORATE INFORMATION

The company has adopted the following policies: (i) Inside Information Processing Policy; and (ii) Internal Dealing Conduct Code, as latterly updated by the Board of Directors' motion on January 24, 2019 and September 13, 2017, respectively.

Copies of both codes are available on the website [www.avio.com](http://www.avio.com), "Corporate Governance" section.

The Inside Information Processing Policy governs, in compliance with the Regulation (EC) No. 596/2014 of the European Parliament and Council of April 16, 2014 concerning market abuse and the relative delegative and Executive regulations (the **MAR Regulation**): (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 ("Insider Register").

Moreover, this incorporates certain Consob recommendations concerning the processing of insider information contained in the Guidelines published by Consob on October 13, 2018 and Legislative Decree No. 10/2018 introduced by Legislative Decree No. 107 of August 10, 2018, enacting the "*National Regulation Adjustment Rules to the MAR Regulation provisions*". The internal dealing code of conduct regulates disclosure obligations in respect of Consob, the Issuer and the public, and the rules of conduct connected to the execution of transactions involving financial instruments issued by the Issuer, by persons who exercise administrative, control or management functions at the Issuer and by persons closely connected to them (as defined by Art. 19 of the MAR Regulation).

The essential elements of the insider information processing policy and the internal dealing code of conduct, applicable at the Report's date of approval, are briefly illustrated below.

#### **Inside information processing policy**

##### *Definition of inside information*

Insider Information, as per Article 7 of the MAR Regulation, is taken to mean information: (i) of a precise nature, namely that (a) such refers to a set of circumstances which exists or may reasonably be expected to come into existence or an event which has occurred or may



reasonably be expected to occur, and (b) is specific enough to enable conclusions to be drawn on the possible effect of the set of circumstances or event referred to in subparagraph (a) on the prices of the financial instruments issued by the company (as identified by the applicable regulation);(ii) that has not been made public; (iii) that directly or indirectly concerns the Issuer or the companies directly or indirectly controlled by the Issuer or the Financial Instruments of the Issuer; and (iv) that, if made public, may have a significant effect on the prices of the Financial Instruments of the Issuer or that a reasonable investor would use as one of the elements on which to base investment decisions.

In this regard, in the case of an extensive process undertaken to achieve, or which results in, a particular circumstance or a particular event, this future circumstance or future event, in addition to the interim steps taken as part of the process linked to the achievement or the occurrence of the circumstance or future event, may be considered as information of a precise nature.

#### Addressees of the Inside Information Processing Policy

Those required to comply with the procedures outlined in the Inside Information Processing Policy are: (i) the members of the administrative and control bodies, in addition to employees of the company and the subsidiaries (ii) any natural or legal persons who, because of their work or professional activities or duties, have access on a regular or occasional basis to significant and/or inside information concerning the company and its subsidiaries.

#### Processing of significant information and inside information

The Policy's addressees - as identified above - must maintain the complete confidentiality of the significant and/or inside information of which they are aware. All inside information must be processed with the necessary care to ensure that its circulation within the company does not threaten its confidential nature, unless such is announced to the market according to the means established by the Policy and the applicable regulation. The same obligation applies to the processing of significant information, until it is disclosed to the public according to the manner prescribed by the Policy and the applicable procedure (as becoming inside information or as considered by the competent bodies of the company as necessary or appropriate), or until it no longer may be considered as significant.

Subject to Article 184 and subsequent of the CFA, in addition to Articles 14 and 15 of the MAR Regulation, the addressees may not: (a) acquire, sell or otherwise execute operations on Financial Instruments issued by the company (including the cancellation or amendment of orders where the order has been sent before the interested party came into possession of Inside Information), on their own behalf or on behalf of third parties, directly or indirectly, utilizing Inside Information; (b) advise or induce others, on the basis of Inside Information, to carry out any operations at point (a); (c) communicate to third parties Inside Information outside of the normal exercise of their duties, profession, function or office; in particular it is absolutely prohibited to provide interviews to press organisations or declarations in general which contain inside information concerning the company and its subsidiaries, not yet communicated to the market as per the Policy. The communication to third parties of advice or inducements as per letter (b) is considered as unlawful communication of Inside Information where the person

communicating the advice or inducement knows or should know that such is based on Inside Information.

The Board of Directors of Space2 (now Avio S.p.A.) on January 19, 2017 appointed as disclosure officer for the Inside Information Processing Policy, with effect from the Effective Merger Date, Mr. Giorgio Martellino. This appointment was confirmed by the Issuer's Board of Directors on April 10, 2017 and subsequently on May 7, 2020.

The Board of Directors, in addition, established the Insider Register and the RIL, setting out the policy for the maintenance of these lists and appointing the Disclosure Officer as the person responsible for its maintenance and updating in order to ensure easy consultation and the simplified extraction of data.

The RIL is managed according to the means established for the Insider Register, with a number of adjustments (and remaining in the register until the significant information no longer qualifies as Confidential).

### **Internal dealing code of conduct**

In accordance with the provisions of the MAR Regulation and the CFA and the relative Executive regulations, the Internal Dealing Policy imposes upon the “Managers” and the “Covered Persons” stringent communication obligations to the Issuer and Consob with regards to transactions concerning company shares (or other associated financial instruments (the “**Significant Transactions**”), carried out by, or on behalf of, such persons and/or closely related persons, excluding transactions whose overall amount does not reach Euro 20,000.00 by year-end (the “**Relevant Amount**”). In particular, once the Relevant Amount is exceeded:

- with regards to Managers and closely related persons thereto, all of the transactions subsequently carried out by year-end should be communicated;
- with regards to Covered Persons and closely related persons thereto, transactions whose total value does not exceed Euro 20,000.00 by year-end need not be disclosed.

In accordance with the Internal Dealing Conduct Code:

- “**Managers**” are:
  - (a) the members of the Board of Directors and of the Board of Statutory Auditors of the Issuer;
  - (b) all Senior Executives of the company who, although not belonging to the bodies at letter (a) above, have regular access to inside information concerning directly or indirectly the company and have the power to adopt management decisions which affect the future development and prospects of the company;

- for “**Covered Persons**”: any persons with a holding, calculated as per Article 118 of the Issuers’ Regulation, of at least 10% of the company’s voting share capital, in addition to any other person with a controlling position at the company.

The Managers and the closely related persons are required to communicate to Consob the Significant Transactions carried out by them or on their behalf within 3 working days from the execution of such transactions. The Covered Persons communicate to Consob and publish the information concerning Significant Transactions carried out by them or closely related persons thereto by the end of the fifteenth day of the month subsequent to the transaction’s execution.

Where the Managers and the Covered Persons intend to utilise the company to communicate to Consob the Significant Transactions, they should inform the company of such, respectively, within 2 working days from the execution date of the transaction and by the end of the tenth day subsequent to the transaction’s execution. The company communicates to the public the Significant Transactions communicated to them, respectively, by 3 working days from the transaction’s execution and by the end of the open trading day subsequent to that in which they received the information from the Covered Persons.

Finally, the Internal Dealing Policy prohibits Managers from executing - on their own behalf or on behalf of third parties, directly or indirectly, transactions on Avio financial instruments and associated financial instruments in the 30 calendar days before the announcement (“black-out period): (i) of the preliminary results (or, where the company does not approve the preliminary results, the statutory financial statements and the consolidated financial statements); (ii) the half-year report; (iii) additional periodic financial disclosure to the annual and half-year financial report.

The Board of Directors approved the appointment of General Counsel Mr. Giorgio Martellino as the Internal Dealing Policy contact person.

## **6. INTERNAL COMMITTEES TO THE BOARD OF DIRECTORS**

In accordance with the Self-Governance Code, which recommends that listed companies appoint internal committees to the Board of Directors, with expertise regarding specific matters, Article 12.2 of the By-Laws assigns the Board of Directors the option to set up internal committees with consultation, proposal or control functions, in accordance with the applicable legislative and regulatory provisions.

At the Report approval date, a Control and Risks and Committee set up by the Issuer was in office as per Article 7 of the Self-Governance Code, whose functioning is governed by the regulation adopted with Board of Directors motion of May 11, 2017 and latterly amended by Board of Directors motion of May 29, 2020, in order to assign to the Committee oversight in addition with regards to non-financial activities.

Complying with the recommendations of the Self-Governance Code in terms of its composition and as per the Internal Committee regulation, at the Report approval date, the Control and Risks and Committee of the Issuer comprises the following Independent Directors: Donatella Sciuto (Chairperson), Raffaele Cappiello, both independent directors, and

Letizia Colucci.

At the Report date the Issuer had also set up a Sustainability Committee, with oversight of the activities related to sustainability, as well as an Appointments and Remuneration Committee, in compliance with the provisions of Articles 5 and 6 of the Self-Governance Code.

In addition, after assessing the company's organisational needs, its operations and the size of the Board of Directors, the company deemed it appropriate to set up, on a voluntary basis, the Planning and Scenarios Committee, although the latter is not one of the internal committees of the Board of Directors recommended by the Corporate Governance Code.

The Board of Directors meeting of April 14, 2020 resolved:

- to appoint as members of the Appointments and Remuneration Committee until the approval of the 2022 Annual Accounts, Messrs. Giovanni Gorno Tempini, Monica Auteri and Donatella Isaia, all independent directors, conferred the Chairperson as Mr. Giovanni Gorno Tempini;
- to appoint as members of the Control and Risks Committee, until the approval of the 2022 Annual Accounts, Donatella Sciuto and Raffaele Cappiello, both independent directors, and Letizia Colucci, conferring the role of Chairperson to Donatella Sciuto;
- to appoint as members of the Sustainability Committee, until the approval of the 2022 Annual Accounts, Elena Pisonero and Stefano Pareglio, both independent directors, and Roberto Italia, conferring the role of Chairperson to Elena Pisonero.

The Board of Directors motion of September 14, 2020 established the Planning and Scenarios Committee and:

- to appoint Roberto Italia, Giulio Ranzo, Giovanni Gorno Tempini and Luigi Pasquali as members of the Planning and Scenarios Committee until approval of the 2022 Annual Accounts, conferring to Roberto Italia the role of Committee Coordinator.

Regulations for internal committees to the Board of Directors provide that meetings are to be minuted, that the committee's chairperson is to provide information to the next appropriate Board meeting and that, in addition to the Board of Statutory Auditors, other external parties including other members of the Board of Directors or of the Avio structure, may participate in meetings by invitation and for individual items on the agenda. It should be noted that the Board of Statutory Auditors participates in the meetings of the Control and Risks Committee, the Appointments and Remuneration Committee and the Sustainability Committee.

At 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 (Application Criterion 4.C.2 of the Code).

The main features of the committees comprising Avio's governance structure at the Report approval date are described below.

## 7. APPOINTMENTS AND REMUNERATION COMMITTEE

On May 14, 2020, the Board of Directors of Avio S.p.A., in accordance with the recommendations of the Self-Governance Code, resolved to establish the Appointments and Remuneration Committee.

In 2020 and until the date of approval of this report, the Appointments and Remuneration Committee met on five occasions (average duration 2 hours). The meeting attendance percentage of Committee members is reported in the table at the bottom of Section 4.2.1 of this Report.

The Chairperson of the Board of Statutory Auditors, the Chief Executive Officer, the General Counsel, the Human Resources Manager, the Chief Financial Officer, in addition to consultants supporting the Company on specific projects reviewed by the Committee, usually attended the Appointments and Remuneration Committee meetings, on its invitation.

The Appointments and Remuneration Committee, therefore, was assigned both the duties and functions provided for by Article 5 of the Self-Governance Code with respect to the appointment of Directors, and the duties and functions pursuant to Article 6 of the Self-Governance Code with respect to their remuneration.

In accordance with the regulation governing the functioning of the Appointments and Remuneration Committee, it comprises three non-Executive Directors, the majority of whom independent as per the applicable regulation and the Self-Governance Code, from among whom the Chairperson is selected.

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

- a) it periodically evaluates the adequacy, the overall compliance and the application of the remuneration policy of directors and senior executives, utilising for this latter issue the information provided by the Chief Executive Officers; draws up for the Board of Directors related proposals;
- b) Presents proposals or expresses opinions to the Board of Directors on the remuneration of Executive Directors and other Senior Directors, as well as on the setting of performance objectives linked to this remuneration's variable component; it monitors the application of decisions adopted by the Board and checks, in particular, the actual achievement of performance objectives.

The Committee, in exercising its duties, may access the information and departments necessary to complete their tasks, as well as utilise, at the expense of Avio, of external consultants and to the extent of the budget approved by the Board of Directors. In accordance with the Self-Governance Code, if the Committee intends to use the services of a consultant in order to obtain information on market practices regarding remuneration policies, the Committee shall verify in advance that the consultant is not in a situation that compromises its independent judgement.

The Committee promptly exchanges information that is relevant for implementing its duties with other bodies and functions of the company performing important tasks concerning financial and remuneration policy.

The Chairperson of the Committee reports to the next appropriate Board of Directors' meeting on the meetings held by the Committee and on the proposals and guidelines formulated in the most appropriate manner.

In line with the recommendations of Article 6.C.6 of the Self-Governance Code, no Director participates in meetings of the Appointments and Remuneration Committee in which proposals are formulated to the Board of Directors concerning Directors' remuneration.

## **8. CONTROL AND RISKS COMMITTEE**

In accordance with the Control and Risks Sustainability Committee regulation, the Control and Risks Committee comprises at least three non-Executive Directors, the majority of whom independent as per the Self-Governance Code; the Chairperson of the Committee is chosen from among these latter members. Furthermore, at least one member of the Control and Risks Committee must have adequate accounting and financial experience, to be evaluated by the Board of Directors on appointment.

In 2020 and until the date of approval of this report, the Control and Risks Committee met on eight occasions (average duration of 2 and a half hours). The meeting attendance percentage of Committee members is reported in the table at the bottom of Section 4.2 of this Report.

The entire Board of Statutory Auditors is consistently invited to attend the business of the Control and Risks Committee.

On the invitation of the Committee's Chairperson, non-members participated in certain meetings for individual items on the agenda, in particular, the Internal Audit Manager, the Director in charge of the Internal Control and Risk Management System, the CFO, representatives of the Independent Audit Firm, the General Counsel, also in his capacity of Risk Manager, the Chairperson of the Supervisory Board, representatives of the Legal and Corporate Affairs Department and the consultants called into the various meetings for a process of interaction and dialogue.

In accordance with the Control and Risks Committee regulation, the Committee supports the Board of Directors, with appropriate investigative activity, in their assessments and decisions concerning the internal control and risks management system, and with regards to the approval of the periodic financial reports.

In particular, the Control and Risks Committee in accordance with the Self-Governance Code, in assisting the Board of Directors:

- a) evaluates, together with the Executive officer for financial reporting and having consulted the independent audit firm and the Board of Statutory Auditors, the correct application of the accounting standards and their uniformity for the preparation of the consolidated financial

statements;

- b) expresses opinions on specific aspects concerning the identification of the main corporate risks;
- c) examines the periodic reports, concerning the assessment of the internal control and risk management system, and those of particular importance, prepared by the Internal Audit Department;
- d) monitors the independence, adequacy, efficacy and efficiency of the Internal Audit department;
- e) may request the Internal Audit Manager to carry out verifications on specific operational areas, simultaneously communicating such to the Chairman of the Board of Statutory Auditors; for co-ordination purposes, communicates to the Chairman of the Board of Directors and to the Director in charge of the internal control and risk management system, except where these verifications specifically refer to the activities of these parties;
- f) reports, at least every six months, on the approval of the annual and half-year accounts, to the Board of Directors on the work carried out and on the adequacy of the internal control and risk management system;
- g) supports, with appropriate investigative activities, the evaluations and decisions of the Board of Directors concerning the management of risks from events which the Board of Directors becomes aware of;
- h) performs any additional tasks assigned to it by the Self-Governance Code or by the Board of Directors.

The Control and Risks Committee in addition issues a prior opinion to the Board of Directors:

- a) for the definition of the guidelines of the internal control and risk management system, so that the main risks connected to the company and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, in addition to determining the criteria of compatibility of these risks in line with the strategic objectives of the company;
- b) for the evaluation at least annually, the compliance of the internal control and risk management system with the particular characteristics of the company and the risk profile assumed, as well as its efficacy;
- c) for the approval, at least annually, of the work plan prepared by the Internal Statutory Audit Manager, subject to the Board of Directors' need to also consult the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System;
- d) for the description, in the corporate governance report, of the main characteristics of the internal control and risk management system and the manner of co-ordination between parties involved, expressing its assessment on the overall adequacy;
- e) for the assessment of the results of the independent audit firm's letter of recommendations and of the report on fundamental questions established during the audit of the accounts, subject to



the need for the Board of Directors to consult also the Board of Statutory Auditors;

f) on the proposal for the appointment, revocation and establishment, in line with company policies, of the remuneration of the internal audit manager, and with regard to the adequacy of the resources granted to this latter for the execution of their duties.

In addition to that stated above, the Control and Risks Committee is also assigned the duties allocated to the competent Related Parties Transactions Committee as per the RPT Policy, except with regards to remuneration related matters. Equivalent controls are applied, as provided for by Article 14 of the RPT Policy, in the case of significant transactions with related parties where the Control and Risks Committee is not composed of at least three Directors considered independent as per the CFA and the Self-Governance Code.

In executing its functions, the Control and Risks Committee may access all information and departments necessary for the undertaking of its duties and may also utilise external consultants at Avio's expense, within the limits of the budget approved by the Board of Directors, except in the case where it acts as the Related Party Transactions Committee in transactions with related parties defined as "Significant Transactions" by the RPT Policy. In this case, no expenditure limits are applicable pursuant to the applicable regulations and the RPT Policy.

The Control and Risks Committee promptly exchanges information that is relevant for implementing its duties with other bodies and functions of the company performing important tasks concerning internal control and risk management.

Subject to the provisions of the preceding paragraph (f), the Chairperson of the Control and Risks Committee reports to the next appropriate Board of Directors' meeting on the meetings held by this Control and Risks Committee and on the proposals and guidelines formulated in the most appropriate manner.

## **9. SUSTAINABILITY COMMITTEE**

In accordance with the Sustainability Committee regulation, the Sustainability Committee comprises at least three non-Executive Directors, the majority of whom independent as per the Self-Governance Code; the Chairperson of the Committee is chosen from among these latter members.

The Board of Directors shall appoint and replace the members and Chair of the Committee.

The Committee, on the proposal of the Chairperson, appoints a secretary, who may be a non-member, with responsibility to draft the minutes of the meetings. Normally the designation will favour the appointment of the Company's Chief Legal Officer if present.

During 2020 and until the date of approval of this report, the Sustainability Committee met three (average duration approx. 1 hour). The meeting attendance percentage of Committee members is reported in the table at the bottom of Section 4.2 of this Report.

The meetings of the Sustainability Committee were also attended by non-members, in particular, the Company's General Counsel, Mr. Giorgio Martellino, Ms. Letizia Macri, Deputy

Legal Affairs, Mr. Giorgio Novello, Head of Institutional Relations, and Ms. Monica Mordini, Head of NFD and Sustainability.

Pursuant to the regulations of the Sustainability Committee and the Code, the Committee assists the Board of Directors with investigative, propositional and advisory functions in the assessments and decisions on sustainability issues falling within the remit of the Board of Directors: In this regard, the Committee is granted the following powers:

- a. examines and evaluates (a) policies based on the principles of sustainable business, which take into account the evolution of reference scenarios and identify opportunities and create value over time in the medium to long term for stakeholders, such as (i) ethics; (ii) environmental protection, with particular reference to the issue of climate change; (iii) socio-economic progress and the enhancement of the territories where the Company operates; (iv) the creation of economic development based on innovation and responsible industrialization (v) and the health, safety and welfare of people; (vi) the protection of human rights and the enhancement of differences and equality in the treatment of people;
- b. examines the general outline of the Consolidated Non-Financial Statement (hereafter also "NFS") and the articulation of its contents, as well as the completeness and transparency of the information provided through the NFS, providing observations to the Board of Directors called upon to approve this document; examines and monitors the implementation of a Group sustainability plan, which sets out the strategic priorities, commitments, objectives, also of a quantitative nature, for the development of the economic, environmental and social responsibility of the company, in line with the UN SDGs and the objectives of the business plan and the financial reporting;
- c. examines the implementation of the sustainability policy in the business initiatives, to be also included in the Remuneration Policy and Report, based on the indications of the Board of Directors;
- d. monitors sustainability initiatives and the Company's participation in them, with a view to consolidating the Company's reputation on the international front, also with reference to the development of relations with institutions, organisations and research centers with recognised expertise in sustainability matters;
- e. strengthens the dissemination of the culture of sustainability among employees, shareholders, business partners, customers and, more generally, stakeholders through the examination and monitoring of a stakeholder engagement plan in line with the defined objectives and targets;
- f. monitors the Company's positioning with respect to the financial markets on sustainability issues, with particular reference to the relationship with ESG rating agencies and participation and inclusion in ethical sustainability indices;

- g. at the Board's request, expresses an opinion on other sustainability issues;
- h. performs any additional tasks assigned to it by the Self-Governance Code or by the Board of Directors.

The Committee, in the undertaking of their functions may access all information and departments necessary for the undertaking of their duties as well as utilise external consultants, within the terms established by the Board of Directors; the Committee defines an annual expense budget which it submits to the Board of Directors. The Company ensures adequate financial resources to the Committee for the undertaking of their duties within the budget limits approved by the Board.

The Chairperson of the Committee reports to the next appropriate Board of Directors' meeting on the meetings held by the Committee and on the proposals and guidelines formulated in the most appropriate manner.

## **10 PLANNING AND SCENARIOS COMMITTEE**

Although not part of the internal committees of the Board of Directors recommended by the Corporate Governance Code, the Planning and Scenarios Committee was established on September 14, 2020, on voluntary basis, by the Board of Directors and has an advisory role in making Board decisions related to the following matters:

- (a) approval or amendment of the Company's annual budget ;
- (b) approval or amendment of the Company's long-term business plan;
- (b) evaluation of any extraordinary operations.

## **11. DIRECTORS' REMUNERATION**

With regards to the information concerning this section, reference should be made to the relevant parts of the Report on the remuneration policy and compensation paid published in accordance with Article 123-ter of the CFA on the website [www.avio.com](http://www.avio.com), "Corporate Governance" section.

## **12. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Board of Directors, having consulted the Control and Risks Committee:

- defined, in drafting the strategic, industrial and financial plans, the nature and level of risk compatible with the strategic objectives of the issuer, including in their assessments all risks considered significant with regard to the sustainability of the medium/long-term operations of the Issuer;
- defined the guidelines of the internal control and risk management system, so that the main risks connected to the Issuer and its subsidiaries are correctly identified, as well as

adequately measured, managed and monitored, in addition to determining the criteria of compatibility of these risks in line with the strategic objectives of the company;

- evaluated, at least annually, the compliance of the internal control and risk management system with the particular characteristics of the company and the risk profile assumed, as well as its efficacy.

For the purposes of the above evaluations, in the year 2020 the Control and Risks Committee has particularly examined:

- the results of risk assessment activities performed by the Risk Management office;
- the outcomes of audit activities carried out by the internal audit office, based on a previously-examined audit plan, after consultation with the Board of Statutory Auditors and the Director in charge of the internal control and risk management system;
- the results of meetings with the independent audit firm;
- the Supervisory Board's reports on the Organisation, Management and Control Model in relation to the profiles as per Legislative Decree 231/2001.

Avio began the redefinition of its integrated risk management system to provide management, the Board of Directors and corporate bodies in general with a better identification, classification, measurement, management and monitoring of corporate risks. In particular, the Board of Directors approved the Enterprise Risk Management Plan in the meeting of March 25, 2020, following the positive assessment of the Control, Risks and Sustainability Committee and after having consulted the Board of Statutory Auditors.

The internal control and risk management system of the Avio Group concerns the set of rules, procedures and organisational structures which enable the identification, measurement, management and monitoring of the principal risks. This system is integrated into the more general organisational and corporate governance structures adopted by the issuer and gives due consideration to benchmark models and existing best practices at national and international level. The internal control and risk management system contributes to conducting business in line with the objectives defined by the Board of Directors, favouring the undertaking of fully knowledgeable decisions. This ensures the safeguarding of company assets, the efficiency and efficacy of the corporate processes, in addition to the reliability of disclosure to the corporate boards and the market and compliance with law and regulations, in addition to the By-Laws and the internal procedures.

In creating its internal control and risk management system, the Avio Group focused extensively on best practice and in particular the "Enterprise Risk Management-Integrated Framework" ("ERM Integrated Framework") international standard, drawn up and updated by the US "Committee of Sponsoring Organizations of the Treadway Commission" (COSO) body; this framework is known also as the "COSO Report" or "COSO ERM".

The structural elements of the internal control and risk management environment are the Ethics Code, which sets out the key values and principles of the company's ethical approach, in addition to the conduct rules; the system of powers and duties through general and special powers of attorney, as per the assigned responsibilities; the company operating procedures; the IT systems supporting both operating and production activities and the accounting and financial processes. In terms of compliance, the company has adopted an Organisational Model as per Legislative Decree 231/2001, which has been continuously updated, and a control system as per Law 262/2005 for financial disclosure (for further details, reference should be made to that outlined in terms of the "Principal characteristics of the risk management and internal control system in relation to the financial disclosure process").

**Principal characteristics of the risk management and internal control system in place in relation to financial disclosure (as per Article 123-bis, paragraph 2, letter b) of the CFA)**

The internal control and risk management system of the company on financial reporting is defined as the set of activities to identify and evaluate actions or events whose occurrence or absence could partially or totally compromise the achievement of the financial information's objectives of integrity, accuracy, reliability and timeliness. It forms part of the overall internal control and risk management system.

This system aims to guarantee that the administrative – accounting procedures adopted and their application are adequate to ensure a process capable of producing timely and reliable accounting and financial information, in accordance with applicable accounting standards.

The internal control and risk management system on financial disclosure is created in line with the frameworks, as commonly accepted and issued by the *Committee of Sponsoring Organizations of the Treadway Commission* – COSO Report, integrated in terms of the IT aspects by the *Control Objectives for Information Technology* – COBIT, and is periodically assessed and reviewed in terms of the controls put in place to minimise risks to the company.

The administrative-accounting procedures take into account that in the analysis of risk errors occur, whether intentional or not, in the processes for the drafting of financial disclosure. Therefore, for the creation of this system the risk areas which could arise in terms of compromising the reliability of the financial disclosure are identified and assessed.

On the basis of the identification and the assessment of the risk areas, the components of the internal control system with regards to financial disclosure were analysed through:

- an analysis at the level of the main Group companies in particular in terms of the control elements with regards to the reliability of financial disclosure;
- an analysis for each operating process, of the processes concerning the significant financial statement accounts for financial disclosure purposes, through a correlation matrix considering the objectives identified regarding the process activities and the associated controls.

In accordance with the applicable regulation, the features of the system adopted, with particular regard to (a) the risk management and internal control phases in relation to the financial disclosure process and (b) the roles and functions involved and the means for coordinating the relative parties, are outlined below.

*Phases of risk management and internal control in relation to Financial Disclosure*

The internal control system is divided into the following macro-phases:

- a) identification and assessment of risks on financial reporting;
- b) identification of the control of identified risks;
- c) verification of the operability of the control and risk management system;
- d) monitoring and development of the control system.

The breakdown of individual macro-phases is shown below:

a) Identification and assessment of risks on financial reporting:

Risks are identified with regards to the financial statement declarations (existence and occurrence, completeness, rights and obligations, correctness, valuations and recording, presentation and disclosure) and other control objectives, such as - for example - compliance with the authorisation limits, the segregation of incompatible duties, controls on physical safety and the existence of assets, the controls on security; documentation and traceability of transactions. The identification of risks includes also the risk of fraudulent activities, i.e. intentional acts undertaken to falsely represent the economic-equity-financial situation at financial statement level or to misappropriate company assets.

b) Identification of the control of identified risks

On the basis of the risk assessment, specific control activities were identified to mitigate risk, broken down into the following macro-categories:

- controls applicable to the entire organisation (Group/company) which, as common and applicable across the entire organisation subject to assessment, are structural elements of the internal control system on financial disclosure (“Entity Level Controls”);
- specific process level controls (“Process Level Control”);
- controls on the functioning, management and security of the IT systems (“IT General Control”).

c) Check on the functioning of the internal control and risk management system

In order to verify and guarantee the operability of the internal control system on financial disclosure, specific monitoring activities on the operation of controls are in place, both by the

“process owners” and by third parties independent of the operability of the processes (Internal Audit). Fraud prevention controls are among the controls monitored.

d) Monitoring and development of the control system

In order to ensure adequate monitoring of the system, the “design” of its components are subject to systematic assessment and, in any case, on the occurrence of significant events. The operability of the controls indicated by the administrative-accounting system procedures is assessed half-yearly through specific tests.

Any deficiencies both in the design and operability of the controls are reported to the process owners and to the Executive Officer for financial reporting to plan remedy actions - whose effective implementation is verified.

The Executive Officer for financial reporting, together with the Chief Executive Officer, issues the declaration required by Article 154-*bis*, paragraph 5 of the CFA.

Roles and Functions involved

The internal control and risk management system involves, each for their specific remit:

- 1) The Board of Directors, which directs and assesses the System’s adequacy, and has identified:
  - (i) the Director in charge of the creation and maintenance of an effective Internal Control and Risk Management System (the Director in charge of the Internal Control and Risks Management System), and
  - (ii) the Control and Risks Committee, with the duty to support, with appropriate investigative activities, the evaluations and decisions of the Board of Directors concerning the Internal Control and Risk Management System, in addition to those concerning the approval of the relative periodic financial reports;
- 2) the internal audit manager, appointed to verify if the internal control and risk management system is functional and adequate;
- 3) Other roles and corporate functions with specific tasks in terms of internal control and risk management;
- 4) the Board of Statutory Auditors, which oversees the efficacy of the internal control and risk management system.

Article 154-*bis* of the CFA envisages the introduction of the “Executive officer for financial reporting” within the corporate organisation of companies with listed shares. Appointed by the Board of Directors in agreement with the Chief Executive Officer, he is responsible for designing, implementing, and approving the Accounting and Administrative Control Model, as well as for assessing its application by issuing a statement concerning the interim, annual and consolidated financial statements.



The Executive Officer is also responsible for drawing up suitable administrative and accounting procedures for the preparation of the annual and consolidated financial statements and for providing subsidiaries, considered as relevant for the preparation of the Group's consolidated report, with instructions for performing appropriate assessments of their own accounting control systems.

## 12.1 EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In order to ensure compliance with the recommendation at Principle 7.P.3 of the Self-Governance Code, the Board of Directors appointed on January 19, 2017, with effect from the Effective Merger Date, Giulio Ranzo as the Director in charge of the creation and maintenance of an effective internal control and risk management system (the “**Director in charge**”). This appointment was confirmed by Avio's Board of Directors on April 10, 2017 and subsequently on May 7, 2020.

The Director in charge, as per Application Criterion 7.C.4 of the Self-Governance Code:

- identified, with the support of the Internal Audit Manager, the main business risks, taking into account the characteristics of the activities undertaken by the company and its subsidiaries, periodically presenting them for examination to the Board of Directors;
- has implemented the guidelines defined by the Board of Directors by dealing, with the assistance of the internal audit manager and other competent corporate functions, with the design, implementation and management of the internal control and risk management system, and by constantly verifying its suitability and effectiveness;
- adapted, also with the support of the Internal Audit Manager and other competent functions, the system to the dynamics of the operating conditions and legal and regulatory framework;
- requests the internal audit function to undertake verifications on specific operational areas and on the compliance of internal procedures and rules in the execution of business operations, simultaneously communicating such to the Chairperson of the Board of Directors, the Chairperson of the Control and Risks Committee and the Chairman of the Board of Statutory Auditors;
- has reported promptly to the Control and Risks Committee (or to the Board of Directors) on problems and critical issues that emerged in the performance of his duties or on those which he became aware of, to enable the Control and Risks Committee (or the Board) to take the appropriate initiatives.

## 12.2 INTERNAL AUDIT DEPARTMENT MANAGER

On May 14, 2020, the Board of Directors renewed the concession to outsource the Internal Audit Function to the company Protiviti S.r.l. for the three year period 2020-2022 (until approval of the 2022 Annual Accounts), considering it to suitably possess the requisites of professional standing, independence and organisation, and appointed Francesco Paolucci as Internal Audit Manager for the purposes of performing the activities set out in application criterion 7.C.5 of the Self-Governance Code.

The internal audit function is not connected to any operational area and reports hierarchically to the Board of Directors, and functionally to the Control and Risks Committee.

The duties of the internal audit manager are the following:

- verifies, on an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and suitability of the internal control and risks management system, through an audit plan, approved by the Board of Directors, based on a structured analysis process and prioritisation of the principal risks;
- prepares periodic reports containing sufficient information on activities, on the manner in which risk management is carried out, as well as compliance with the plans for their containment. The periodic reports contain an evaluation of the suitability of the internal control and risks management system;
- prepares in a timely manner reports on significant events;
- sends periodic reports to the Chairmen of the Board of Statutory Auditors, the Control and Risks Committee and the Board of Directors, as well as to the Director in charge of the internal control and risk management system;
- verifies in the audit plan the reliability of the IT accounting systems, including the accounting systems.

For these purposes, the Internal Audit Manager has direct access to all information useful for the execution of office.

In particular, during the year 2020 and the Board of Directors' meetings already held in 2021, the Internal Audit Manager:

- Illustrated his office's work plan and organisational structure to the Control and Risks Committee and to the Board of Directors;
- had direct access to all the necessary information to carry out his duties;
- carried out nine direct and specific control activities, in line with the annual work plan;

- monitored the effective implementation of remedial actions agreed upon during the Audit;
- supported the Company's Supervisory Board in carrying out competence assessments;
- updated the 2021 Audit Plan which was approved by the Board of Directors on March 19, 2021;
- reported on his work and on the results of activities performed to the Control, Risks and Sustainability Committee, to the company's Board of Statutory Auditors, the Director in charge of the Internal Control System and the Chairperson of the Board of Directors of the company.

### 12.3. ORGANISATIONAL MODEL AS PER LEGISLATIVE DECREE 231 OF 2001

At the Report approval date:

- On November 9, 2015, Avio S.p.A. adopted an organisation, management and control model as per Legislative Decree No. 231/2001 ("**231 Model**");
- the Board of Directors of the Issuer on May 7, 2020 appointed, for the financial years 2020-2022 Messrs. Alessandro De Nicola, Raoul Francesco Vitulo and Giorgio Martellino as the company's Supervisory Board, in accordance with the first paragraph, letter b) and the fourth paragraph of Article 6 of Legislative Decree No. 231/2001, assigning them the duties, lines of reporting and powers indicated in the 231 Model adopted by the company;
- on November 25, 2008 and April 11, 2008, the Italian subsidiaries of Avio, Spacelab S.p.A. and SE.CO.SV.IM., respectively, adopted the first version of their organisation, management and control model. Both were subsequently updated on March 19, 2020 and September 9, 2020, respectively. The supervisory boards are represented by (i) a single-member supervisory board in the person of Cinthia Pinotti for Spacelab S.p.A and (ii) for SE.CO.SV.IM. S.r.l. a supervisory board composed of Giuseppe Pedrizzi and Letizia Macri;
- with regards to the overseas subsidiaries of Avio, the Board of Directors of the incorporated company approved at the meeting of September 23, 2008 adoption of the "*231 Guidelines for the Group overseas companies*", subsequently updated to its 2nd Version of April 2015 with motion of October 2, 2015, recommending to them adoption and application of these guidelines.
- The 231 Model was subsequently updated on June 28, 2017, November 8, 2018, May 13, 2019 and most recently by resolution of September 14, 2020 in order to incorporate, among other things, the regulatory changes introduced by Law No. 157 of December 25, 2019, which converted with amendments Decree Law No. 124/2019 ("Fiscal Decree"). The Fiscal Decree provided for the insertion into Legislative Decree No. 231/2001 of the new Article 25-*quinquiesdecies*, pursuant to which certain criminal offences provided for in

Legislative Decree No. 74/2000 (so-called Fiscal Offences) become part of the "catalogue of offences envisaged by the 231 Model".

The new 231 Model and its annexes were approved by the Supervisory Board that met on September 1, 2020 and subsequently liaised with the Board of Statutory Auditors which took note of the work performed without raising any objections.

The 231 Model comprises a General Section and 12 Special Sections.

The General Section essentially concerns the Supervisory Board and the communication of information to this latter, in addition to the reporting of the Supervisory Board to the corporate boards; the training of personnel, circulation of the 231 Model within and outside the company and the system governing non-compliance with the model's provisions.

The Special sections relating to a similar number of offences envisaged in the decree and abstractly applicable to the corporate environment are: *"Offences in relations with Government Departments, Crimes against the Administration of Justice and Organised Crime"*; *"Corporate Offences"*; *"Corruption between private parties"*; *"Crimes for the Purpose of Terrorism or the Subversion of the Democratic Order"*; *"Crimes against Individuals and Crimes relating to Immigration and Alien Status"*; *"Transnational Offences"*; *"Crimes of Manslaughter or Serious Personal Injury or Grievous Bodily Harm committed in violation of the rules on occupational health and safety"*; *Environmental Offences"*; *"Crimes against Industry and Commerce and Copyright Infringement Offences"*; *"Computer Crimes and Unlawful Processing of Data"*; *"Self-laundering Crimes"* and *"Administrative market abuse offences and illicit acts"*; *"Fiscal Offences"*.

A presentation on the 231 Model adopted by the company may be viewed on the company's website: [www.avio.com](http://www.avio.com), Corporate Governance section.

Furthermore, it should be noted that the Company has adopted a special Whistleblowing Policy within the framework of the application of Model 231. This policy incorporates legal provisions contained in Law No. 179 of November 30, 2017, implementing the *"Provisions for the protection of whistle-blowers reporting offences or irregularities that become known to them within the bounds of a private or public employment contract"*.

Specifically, the policy focuses on the handling of reports through which company employees can report possible fraud, an offence, an unlawful act or any irregular conduct committed by other persons belonging to the company. The aim of the reporting is to enable the company to address the reported problem as soon as possible, disclosing risky or harmful situations and contributing toward preventing and counteracting any unlawful acts.

In order to guarantee the anonymity of the reporter, the Company has equipped itself with an IT tool for the transmission of the above mentioned reports.

#### **12.4 INDEPENDENT AUDIT FIRM**

On June 15, 2017, the Shareholders' Meeting of the company appointed, for financial years 2017-2025, the Independent Audit Firm Deloitte & Touche S.p.A..

#### **12.5. EXECUTIVE OFFICER FOR FINANCIAL REPORTING**

In accordance with Article 16 of the By-Laws, the Board of Directors appoints, upon obligatory approval of the Board of Statutory Auditors, the Executive Officer for Financial Reporting pursuant to Article 154-*bis* of the CFA, providing him/her with adequate means and powers to carry out the role. The Executive Officer for Financial Reporting must be of a professional standard such as to have qualified experience of at least 3 (three) years in the exercise of administration and control activities, or in Executive or consultancy functions, with listed companies and/or relative groups of companies, or companies, entities and enterprises of large and significant size, including the preparation and control of accounting and corporate documents. The Executive Officer must also meet the requirements of good standing as provided for auditors by the applicable legal provisions.

On January 19, 2017, the Board of Directors of Avio S.p.A. appointed Alessandro Agosti as the Executive officer for financial reporting in accordance with Article 154-*bis* of the CFA, with effect from the Effective Merger Date. This appointment, having verified the above-stated professional standing requirements, was confirmed by the Board of Directors of the Issuer on April 10, 2017, having received the opinion of the Board of Statutory Auditors.

As per Article 154-*bis* of the CFA, the Executive Officer is required to: (i) declare that the deeds and communications of the company communicated to the market and concerning accounting disclosure (including interim) of the company corresponds to the underlying accounting records and entries; (ii) prepare appropriate administrative and accounting policies for the drafting of the statutory and consolidated financial statements, in addition to any other communications of a financial nature; and (iii) jointly with the Chief Executive Officer declare through a specific report attached to the statutory financial statements, the condensed half-year financial statements and the consolidated financial statements, among others, the adequacy and effective application of the procedures at point (ii), during the period to which the documents refer and declare, in addition, the correspondence of such to the accounting records and entries and their suitability to provide a true and fair view of the company financial statements and any companies included in the consolidation, assigning for this purpose the following powers:

- (a) Full access to all information considered relevant for the execution of duties, both at the company and at any parent companies;
- (b) attend the meetings of the Board of Directors concerning matters within their scope;
- (c) faculty for dialogue with all administrative and control boards of the company and the subsidiaries;
- (d) faculty to approve company policies with an impact on the financial statements, on the consolidated financial statements or on other documents requiring certification;
- (e) involvement in the design of IT systems impacting the company financial statements;
- (f) the possibility to utilise IT systems.

In order to permit the Board of Directors to properly execute its supervisory powers, the Executive Responsible should, in addition, report at least quarterly to the Board with regards to activities carried out, in addition to any emerging critical issues.

\* \* \*

At the Report approval date, in addition to the Control and Risks Committee, the Director in charge of the Internal Control and Risk Management System and the Internal Audit Manager, no other roles or functions with specific internal control and risk management duties have been set up.

## **12.6 COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The company specified in detail, in the Avio and Group Internal Control and Risk Management Guidelines, the roles and duties of those involved in the internal control and risk management system, in addition to the means for the coordination of those involved.

In this regard, it should be noted that the company promotes meetings between these different parties for the coordination and exchange of information. In particular, the entire Board of Statutory Auditors is consistently invited to participate at the Control and Risks Committee meetings, and moreover, the Director in charge of the Internal Control and Risk Management System, the Internal Audit Manager, the CFO, representatives of the Independent Audit Firm and members of the Legal and Corporate Affairs Department participated at some meetings for individual items on the agenda, on the invitation of the Committee's Chairman.

With the same purpose of coordination on matters of common interest, the company's Board of Statutory Auditors, the Control and Risks Committee and the Supervisory Board, as per Legislative Decree 231/01, organised and held joint meetings during the financial year.

Finally, the Board of Statutory Auditors periodically meets with the Executive Officer for financial reporting, the Independent Audit Firm and the various company functions affected by the processes and procedures that must be specifically audited by the Board of Statutory Auditors, including those relating to the internal control and risk management system.

## **13. DIRECTORS INTERESTS AND RELATED PARTY TRANSACTIONS**

At the Report approval date, the Issuer has put in place a Related Parties Transactions Policy, in compliance with Article 2391-*bis* of the Civil Code and the RPT Regulation, adopted by the Board of Directors on January 19, 2017, subsequently updated with Board of Directors' motion of September 13, 2017, having received the favourable opinion of the Control, Risks and Sustainability Committee with regards to the consistency of the text with the new RPT Regulation entering into force on April 6, 2017.

The Related Parties Policy, the full text of which may be viewed on the company's website [www.avio.com](http://www.avio.com) in the "Corporate Governance" section, defines the guidelines and criteria for identifying Related Party Transactions and outlines roles, responsibilities and operating procedures aimed to ensure suitable reporting transparency and relative procedural and substantive correctness for these transactions.

In particular, the RPT Policy:

- governs transactions executed by Avio directly, or through subsidiaries, with counterparties defined as “Related Parties” in accordance with the RPT Regulation;
- defines “Related Party Transactions” as those involving the transfer of resources, services or obligations between Avio (or its subsidiaries) and Related Parties, regardless of whether a price is charged. This includes for example: (i) mergers, spin-offs for incorporation or non-proportional spin-offs, where carried out with Related Parties; (ii) all decisions relating to the allocation of remuneration or benefits, in any form, to members of the corporate boards and Senior Executives; and (iii) company share capital increases excluding the option right;
- distinguishes between “Minor Transactions”, “Significant Transactions”, “Less Significant Transactions” and “Ordinary Transactions” as follows:
  - (a) “Minor Transactions”: Related Party Transactions with a maximum amount to be borne by the Issuer of not in excess, for each transaction, (i) Euro 100,000.00 where the Related Party is a physical person; or (ii) Euro 500,000.00 where the Related Party is a legal entity;
  - (b) “Significant Transactions”: Transactions where at least one of the thresholds indicated at Annex 3 of the Related Parties Policy, applicable according to the specific Transaction, is exceeded by more than 5%. Where Avio is controlled by a listed company, the above limit of 5% is reduced to 2.5% for transactions undertaken with a listed parent company or with related parties of this latter which in turn are related to Avio;
  - (c) “Less Significant Transactions”: Related Party Transactions other than Significant Transactions and Minor Transactions.
  - (d) “Ordinary Transactions”: Related Party Transactions which: (i) are part of the ordinary operations or the related financial activities of the Issuer and/or of its subsidiaries; and (ii) are concluded at conditions in line with those usually applied to unrelated parties for transactions of a similar nature, size and risk or based on regulated tariffs or prices, or corresponding to those undertaken with parties with which Avio and/or its subsidiaries are obliged by law to contract at a set price.

Article 13 of the RPT Policy establishes that it does not apply in the cases of the exemptions established under the RPT Regulation, subject to the conditions set out therein, and, in particular: (i) to the Shareholders' motions referred to in the first paragraph of Article 2389 of the Civil Code, concerning the remuneration of the members of the Board of Directors, or any decisions on the remuneration of the senior Directors included in the total amount previously determined by Avio's Shareholders' Meeting pursuant to Article 2389, third paragraph, of the Civil Code; (ii) to the Shareholders' motions referred to in Article 2402 of the Civil Code pertaining to the remuneration payable to members of the company's Board of Statutory Auditors; (iii) to Minor Transactions. In addition, subject to the disclosure obligations under the RPT Regulation and the relative circumstances, the Policy does not apply to (a) financial instrument-based remuneration plans approved by the Shareholders' Meeting of the company



in accordance with Article 114-*bis* of the CFA and the relative executory operations; (b) motions, other than those at paragraph (i) above considering the remuneration of Senior Directors, in addition to other Senior Executives (at the conditions established by the RPT Policy), (c) Ordinary Transactions concluded at Market or Standard conditions; and (d) Transactions with or between Subsidiaries, even jointly-held, by the company, in addition to Transactions with associates of the company, where other related parties of the company do not have a significant interest (as defined by the RPT Policy) in the subsidiaries or associates acting as counterparties in the transaction.

With specific regards to the means for the approval and execution of individual categories of Related Party Transactions, the RPT Policy makes a distinction between:

- (a) Significant Transactions, in relation to which the RPT Policy establishes, among other issues, that: (i) the approval of these transactions lies within the exclusive competence of the Board of Directors; (ii) the Chief Executive Officer ensures the involvement during negotiations and investigations of a Committee comprising at least 3 Independent Directors, possibly with the same membership of the Control and Risks Committee or the Appointments and Remuneration Committee, according to the type of Related Party Transaction; (iii) the Board of Directors considers the transaction having received a prior favourable reasoned opinion from the above Committee with regards to the interest of the Issuer in completion of the transaction, in addition to the benefit and substantial correctness of the relative conditions, subject to the option for the Board of Directors to approve the Significant Transaction also in the presence of a contrary opinion of the above-stated Committee, on condition that its completion is authorised by the Shareholders' Meeting through the "whitewash" mechanism set out in the RPT Policy; and
- (b) Minor Transactions, in relation to which the RPT Policy establishes, among other issues, that (i) the Board of Directors or the Executive Bodies, depending on the case, approve these transactions following receipt of the reasoned and non-binding opinion of a Committee comprising Directors, the majority of whom independent (possibly with the same membership as the Control and Risks Committee or the Appointments and Remuneration Committee, according to the type of Related Party Transaction); and (ii) the Chief Executive Officer ensures that there is an adequate flow of information to this Committee.

Where, with regards to a certain transaction, the Control and Risks Committee (or, depending on the case, the Appointments and Remuneration Committee) does not satisfy the composition requirements under the RPT Regulation, the equivalent controls under the RPT Policy in line with the RPT Regulation are applied, including the replacement, on the basis of age, with other directors on the Board and in possession of these requirements.

In accordance with Article 10, paragraph 1 of the RPT Procedure, during the period between the Effective Merger Date and the approval of the financial statements for the second year subsequent to that in which the Merger becomes effective, Avio may apply to Significant Transactions the policy established for Minor Transactions, subject to the obligation to publish a disclosure document in accordance with Article 5 of the RPT Regulation.

With regards to related party transactions carried out in 2020, reference should be made to the company's financial statements.

#### **14. APPOINTMENT OF STATUTORY AUDITORS**

As per Article 17 of the By-Laws, the Board of Statutory Auditors is composed of 3 (three) statutory auditors and 2 (two) alternate auditors, elected by the shareholders' meeting on the basis of slates presented by shareholders, in accordance with the procedures set out below, subject to any differing and additional provisions provided for by mandatory laws or regulations.

Slates for the election of statutory auditors may be presented by shareholders who, at the time of presentation of the slate, hold - alone or together with other shareholders - a shareholding that is at least equal to that determined by Consob in accordance with applicable laws and regulations (equal, at the Report approval date, to 4.5% of Avio's share capital).

Ownership of the minimum shareholding is determined according to the shares that are registered in favour of the shareholder on the day in which the slates are filed with the issuer; certification can also be presented subsequent to the filing provided that it is within the deadline for the publication of the slates.

The slates are filed at the registered office and subsequently published in accordance with the methods and the deadlines provided for by applicable law.

The slates must include the names of one or more candidates for the position of auditor and one or more candidates for the position of alternate auditor. The names of the candidates are divided between each section (Statutory Auditors section, Alternate Auditors section) by progressive numbering and in any event with a number not exceeding the Board members to be elected. The slates, if they contain, in both sections, a number of candidates equal to or greater than 3 (three), must contain a number of candidates in both sections to ensure that the composition of the Board of Statutory Auditors, both for Statutory Auditors and Alternate Auditors, complies with the legal and regulatory provisions that are in force in relation to gender equality (male and female), provided that if the application of the criterion for the gender equality quota does not result in a full number, this should be rounded up to the next unit.

The following documents must be attached to each slate, at the risk of ineligibility: (i) information on the identity of shareholders who have presented them, with an indication of the total percentage of shares held; (ii) a declaration by shareholders other than those who hold, even jointly, a controlling or majority shareholding, attesting to the absence of any relationship with these latter in accordance with applicable law; (iii) detailed information about the personal and professional characteristics of the candidates, as well as a declaration by the candidates certifying that they meet the statutory requirements, and acceptance of the candidature, accompanied by a list of administrative and control positions held with other companies; (iv) any additional or differing declaration, information, and/or documents provided for by applicable law and regulations.

Individual Shareholders, shareholders belonging to the same group or members of a

shareholder agreement pursuant to Article 122 of the CFA, may not present or be involved in the presentation, even through nominees or trust companies, of more than one slate or vote on other slates; in addition, each candidate may only be present on one slate, at the risk of being declared ineligible.

In the case where only one slate is filed at the expiry date of the term for presentation of the slates, or slates are only presented by related shareholders pursuant to the applicable directives, slates can be presented up to the third day subsequent to such date. In this case, the percentage threshold established for the presentation of the slate is reduced by half.

The procedure for electing statutory auditors is as follows: (i) from the slate that obtained the largest number of votes (“**Majority Slate**”) taken in the progressive order in which they appear in the slate, 2 (two) statutory auditors and one alternate auditor; (ii) from the slate that obtained the second largest number of votes and are not connected, even indirectly, with the shareholders who presented or voted for the Majority Slate in accordance with the applicable provisions and taken in the progressive order in which they appear on the slate, the third statutory auditor will be chosen (“**Minority Statutory Auditor**”), who will chair the Board of Statutory Auditors, and the second alternate auditor (“**Minority Alternate Auditor**”).

In the case of an equal number of votes between one or more slates from which the Board of Statutory Auditors is elected, a fresh ballot shall take place, considering only the slates receiving the same number of votes and, in any case, ensuring compliance with the gender parity regulation (including rounding up to the next full number where application of the gender parity rule does not produce a full number).

Where the result of voting does not satisfy the applicable gender equality law and regulations that are in force (including the rounding up to the next unit if the application of the criterion for the gender equality quota does not result in a full number), the candidate for the office of standing or alternate auditor from the most represented gender elected as last in progressive order from the Majority Slate will be excluded and will be replaced by the next candidate for the office of standing or alternate auditor from the same slate belonging to the other gender.

Where only one slate is presented, the Shareholders’ Meeting will vote on that slate and, where this slate receives the majority of the votes, 3 (three) statutory auditors and 2 (two) alternate auditors will be taken from this slate in accordance with applicable law and regulations, including gender parity regulations, which includes rounding up where necessary in relation to the under-represented gender.

They are appointed for a period of (3) three years (and may be re-elected), which concludes on the date of the Shareholders’ Meeting called for the approval of the financial statements relating to the final year in office.

Subject to compliance with the applicable law and regulations in force in relation to gender equality, in cases where, for whatever reason, (i) a statutory auditor from the Majority Slate leaves office, the alternate auditor elected from the Majority Slate will take their place, (ii) a Minority Statutory Auditor leaves office, they will be replaced by the Minority Alternate Auditor who will assume the Chair. Where the replacements made pursuant to this Article do not permit the formation of a Board of Statutory Auditors that complies with the applicable

regulations on gender parity, he/she shall be replaced by the alternate auditor from the other slate, where this enables a composition in line with applicable gender parity regulations, provided that the Minority Statutory Auditor may only be replaced by the Minority Alternate Auditor.

In the absence of slates, or where it is not possible for whatever reason to appoint the Board of Statutory Auditors with the procedures provided for in this Article, the three standing auditors and the two alternate auditors will be appointed by the shareholders' meeting through the majority provided for by law, in accordance with the laws and regulations in force also in relation to the gender equality quota (including the rounding up to the next unit if the application of the criterion for the gender equality quota does not result in a full number).

### 15. Composition and functioning of the Board of Statutory Auditors

As per Article 17 of the By-Laws, the Board of Statutory Auditors is composed of 3 (three) statutory auditors and 2 (two) alternate auditors, elected by the shareholders' meeting on the basis of slates presented by shareholders, in accordance with the procedures set out in the By-Laws, subject to any differing and additional provisions provided for by mandatory laws or regulations.

The Avio S.p.A. Shareholders' Meeting of May 6, 2020 appointed the Board of Statutory Auditors and established the relative remuneration, until the Shareholders' Meeting to be called to approve the 2022 Annual Accounts.

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

Name	Office	Place and date of birth	Date of appointment
Vito Di Battista	Chairperson	Lecce, January 10, 1952	May 6, 2020
Mario Matteo Busso	Statutory Auditor	Turin, March 1, 1951	May 6, 2020
Michela Zeme	Statutory Auditor	Mede (PV), January 2, 1969	May 6, 2020
Sara Fornasiero	Alternate Auditor	Merate (LC), September 9, 1968	May 6, 2020
Roberto Cassader	Alternate Auditor	Milan, September 16, 1965	May 6, 2020

As per Article 144-*novies* of the Issuers' Regulation and the Self-Governance Code (as amended in July 2018), the fulfilment of the above requirements by the members of the Board of Statutory Auditors was assessed, with the outcomes communicated to the Board of Directors who, following appointment, communicate such in a press release and, subsequently, on an annual basis, in the corporate governance report.

In particular, the Board of Statutory Auditors complied with the provisions of Rule Q.1.1. "*Self-assessment of the Board of Statutory Auditors*" included in the document "*Conduct rules for Boards of Statutory Auditors of listed companies*" issued by the Italian Accounting Profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*) in April 2018, carrying out a self-assessment to verify the suitability of its members and the adequate composition of the board, with reference to the requirements of professional standing, competence, good-standing and independence required by applicable regulations. This check indicated that, with reference to the year 2020, all the members of the Board of Statutory Auditors in office satisfy the necessary requisites for the performance of their office.

A brief *curriculum vitae* of each member of the Board of Statutory Auditors in office at the Report approval date outlining their business management expertise and experience is presented below.

### ***Vito Di Battista***

Born in Lecce on January 10, 1952, Vito Di Battista has a degree in business administration from the Bocconi University. Accountant and Auditor, he provides tax consultancy to industrial and financial companies, including listed companies. He currently holds the position of Chairman of the Board of Directors of IBL Real Estate SRL; Director of Angelini Finanziaria S.p.A. and Standing Auditor of the complementary pension fund FONDENERGIA. In the past he was a member of the Supervisory Committee of Banca Popolare Andriese in a.s., Banca di Credito Cooperativo di Pachino in a.s. and Banca di Credito Cooperativo "S. Apollonia" di Ariccia in a.s. He was Chairman of the Board of Statutory Auditors of Bancaperta S.p.A. and Cassa di Risparmio di Fano S.p.A.; Director of Istituto Bancario del Lavoro S.p.A. and Cuki Group S.p.A.; Chairman of the Board of Directors of Atlantide S.p.A., a supervised financial intermediary; member of the Board of Directors of Ned community.

### ***Mario Matteo Busso***

Born in Turin on March 1, 1951, Mario M. Busso is an Accountant, auditor and independent director. He holds a degree in economics and a master's degree in business administration. He began his career at the Industrial National Bank in the United States. For the Andersen Network he was the Partner Affair Group for Italy, member of the Advisory Council for Italy and globally and of the Board of Directors. For the Deloitte Network, he was a member of the FSI Audit Management Team, head of the FSI Audit Division, and a member of the Audit Management Team. He has gained significant experience in auditing and financial statement certification assignments in listed companies in Italy, Spain, the United Kingdom and the United States.

### ***Michela Zeme***

Born in Mede (PV) on January 2, 1969, Michela Zeme graduated in Business Administration at the University Luigi Bocconi in Milan. He works as an Accountant and Auditor in Milan. He has significant professional experience in tax and corporate matters, related to tax and corporate issues of Italian Companies and Groups in the industrial, financial, insurance and

banking sectors. He is in charge of the "Governance of listed companies" for the AIDC Milan Study Centre; a member of the Reflection Group "Corporate Governance of SMEs" of Nedcommunity and a Co.Vi.Soc. Inspector - the Supervisory Commission for professional soccer companies of the F.I.G.C.. He holds positions on Boards of Directors and Boards of Statutory Auditors of listed companies and financial institutions.

Offices held at the date of the Report may be viewed in the table shown in this paragraph below.

### ***Sara Fornasiero***

Born in Merate (LC) on September 9, 1968, Sara Fornasiero graduated in Economics and Business at the Cattolica del Sacro Cuore University in Milan and began her work experience in 1993 at KPMG S.p.A. She is a certified public accountant and auditor, and deals with projects on *corporate governance, risk management, anti-bribery and corruption* and sustainability for listed and unlisted companies. She currently holds the position of Statutory Auditor of Leonardo S.p.A., Chair of the Board of Statutory Auditors and of the Supervisory Body of Arnoldo Mondadori Editore S.p.A., Alternate Auditor of Avio S.p.A. and UnipolSai Assicurazioni S.p.A., Statutory Auditor and Chair of the Supervisory Body of Bricoman Italia S.r.l., Statutory Auditor of MBDA Italia S.p.A., member of the Supervisory Body of BT Enià Telecomunicazioni S.p.A., Philips S.p.A., Philips Innovations S.p.A. and Philips Espresso Industries S.r.l..

### ***Roberto Cassader***

Born in Milan on September 16, 1965, he graduated in Economics and Business in 1990 at the Cattolica del Sacro Cuore University of Milan. He has been a member of the Monza Ordine dei Dottori Commercialisti e degli Esperti Contabili since 1994 and a member of the Register of Auditors since 1999. He is currently Chairman of the Board of Statutory Auditors of, among others, Servizi Italia S.p.A., Isagro S.p.A., Fata Logistic Systems S.p.A. and F2i TLC 1 S.p.A. and Statutory Auditor of, among others, Webuild S.p.A. (former Salini Impregilo S.p.A.) and EI Towers S.p.A.. In the past he has been, among others, Statutory Auditor of Coca Cola Italia S.r.l., Rigamonti Salumificio S.p.A. and Telegate Italia S.r.l.. He provides tax and corporate consulting, tax litigation, for companies operating mainly in the international arena, and business valuations.

**STRUCTURE OF THE BOARD OF STATUTORY AUDITORS FROM 1<sup>st</sup> JANUARY TO 6<sup>th</sup> MAY 2020**

Office	Members	Year of birth	Date first appointment *	In office from	In office until	Ind. Cod.	Attendance at Board meetings	No. other offices ****
<b>Chairman</b>	Riccardo Raul Bauer	1951	1.12.2016	April 10 2017	Approv. Accounts 2019	X	4/4	7
<b>Statutory Auditor</b>	Claudia Mezzabotta	1970	1.12.2016	April 10 2017	Approv. Accounts 2019	X	4/4	12
<b>Statutory Auditor</b>	Maurizio Salom	1954	1.12.2016	April 10 2017	Approv. Accounts 2019	X	4/4	85
<b>Alternate Auditor</b>	Maurizio De Magistris	1958	1.12.2016	April 10 2017	Approv. Accounts 2019	X	N/A	23
<b>Alternate Auditor</b>	Virginia Marini	1980	28.5.2015	April 10 2017	Approv. Accounts 2019	X	N/A	3

**NOTE**

\* The first appointment of each Statutory Auditor refers to the date on which the Statutory Auditor was appointed for the first time to the Board of Statutory Auditors of the Issuer.

\*\* This column indicates the slate from which each Statutory Auditor originated (“M”: majority slate; “m”: minority slate; “O”: only slate).

\*\*\* This column indicates the percentage of attendance of the Statutory Auditors in relation to the number of meetings of the Board of Statutory Auditors (indicates the number of meetings attended compared to the amount they could have attended).

\*\*\*\* This column indicates the number of offices of Director or statutory auditor in accordance with Article 148 bis of the CFA and the relative enacting provisions in the Consob Issuer Regulations. The complete list of offices held is published by Consob on its website pursuant to Article 144- quinquiesdecies of the Consob Issuers’ Regulations.



**STRUCTURE OF THE BOARD OF STATUTORY AUDITORS FROM 6<sup>th</sup> MAY 2020**

Office	Members	Year of birth	Date first appointment *	In office from	In office until	Ind. Cod.	Attendance at Board meetings	No. other offices ****
<b>Chairman</b>	Vito Di Battista	1952	06.05.2020	May 6 2020	Approv. Accounts 2022	X	13/13	3
<b>Statutory Auditor</b>	Mario Matteo Busso	1951	06.05.2020	May 6 2020	Approv. Accounts 2022	X	13/13	9
<b>Statutory Auditor</b>	Michela Zeme	1969	06.05.2020	May 6 2020	Approv. Accounts 2022	X	13/13	8
<b>Alternate Auditor</b>	Sara Fornasiero	1968	06.05.2020	May 6 2020	Approv. Accounts 2022	X	N/A	9
<b>Alternate Auditor</b>	Roberto Cassader	1965	06.05.2020	May 6 2020	Approv. Accounts 2022	X	N/A	6

**NOTE**

\* The first appointment of each Statutory Auditor refers to the date on which the Statutory Auditor was appointed for the first time to the Board of Statutory Auditors of the Issuer.

\*\* This column indicates the slate from which each Statutory Auditor originated (“M”: majority slate; “m”: minority slate; “O”: only slate).

\*\*\* This column indicates the percentage of attendance of the Statutory Auditors in relation to the number of meetings of the Board of Statutory Auditors (indicates the number of meetings attended compared to the amount they could have attended).

\*\*\*\* This column indicates the number of offices of Director or statutory auditor in accordance with Article 148 bis of the CFA and the relative enacting provisions in the Consob Issuer Regulations. The complete list of offices held is published by Consob on its website pursuant to Article 144- quinquiesdecies of the Consob Issuers’ Regulations.

The remuneration of the statutory auditors was established by the Shareholders' Meeting on appointment.

The remuneration of the Board of Statutory Auditors in office was set by the Shareholders' Meeting on May 6, 2020, with an annual fee of Euro 50,000.00 for the Chairman of the Board of Statutory Auditors and Euro 35,000.00 for each Statutory Auditor, gross of withholding taxes. The fees accrued in 2020 are detailed in the Remuneration Policy and Report.

In 2020 and until the date of approval of this report, the Board of Statutory Auditors met on 17 occasions, with an average meeting duration of approx. 3 hours.

Each Statutory Auditor's participation at the meetings of the Board of Statutory Auditors during the financial year 2020 is presented in the tables above.

In accordance with the recommendations of the Self-Governance Code, the Board of Statutory Auditors oversees the financial disclosure and auditing process, in particular with regards to the provision of non-audit services.

The Board of Statutory Auditors, in executing its activities, coordinated with the Internal Audit Manager and with the Control and Risks Committee through continuous attendance of the Committee's meetings, at which the Internal Audit Manager usually also attended. In addition, the Chairperson of the Board of Statutory Auditors, or a differing Statutory Auditor in his place, participated at all meetings of the Committees set up within the Board of Directors.

In addition, it worked with the Supervisory Board appointed in accordance with Legislative Decree No. 231/2001. The Board of Statutory Auditors liaised with the Director in charge of the internal control and risk management system. The Board of Statutory Auditors, finally, attended the Appointments and Remuneration Committee meetings.

The Board of Statutory Auditors, as part of the supervision of implementation of the corporate governance rules, verified the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members. The outcome of these controls was communicated to the market.

### **Diversity policies**

In accordance with the provisions of point 4.2.2. of this Report, the provisions of the Self-Governance Code and Article 148, paragraph 1-*bis* of the CFA, Avio has applied the diversity and gender criteria to the composition of the Board of Statutory Auditors, in line with the priority objective of ensuring sufficient skills and levels of professional standing in its members.

In fact, as per Article 17.4 of the By-Laws of Avio, the slates for the appointment of Statutory Auditors must contain, in both sections, a number of candidates equal to or greater than 3 (three) to ensure that the composition of the Board of Statutory Auditors, both for statutory auditors and alternate auditors, complies with the legal and regulatory provisions that are in force in relation to gender equality (male and female), provided that if the application of the criterion for the gender equality quota does not result in a full number, this should be rounded up to the next unit.

Moreover, in accordance with the provisions of Article 144-*novies*, paragraph 1-*bis* of the Issuers' Regulation, Application Criterion 8.C.1 and the Rules of Conduct of the Board of Statutory Auditors of listed companies issued by the Italian Accounting Profession (*Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili*), the Board of Statutory Auditors carried out a self-assessment of its members and forwarded the outcome of these checks to the Board of Directors' meeting held most recently on March 19, 2021.

With regards to the Diversity Policy applied to the Board of Statutory Auditors, reference should be made to paragraph 4.2.2.

\* \* \*

The statutory auditors received an induction that enabled them to acquire adequate knowledge of the sector in which the Issuer operates, of corporate dynamics, 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. RELATIONS WITH SHAREHOLDERS

The company, in accordance with Principle 9.P.1 of the Code, considers the Shareholders' Meeting as an important opportunity for the interfacing of shareholders and Directors and, consequently, adopts measures supporting participation at the Shareholders' Meeting and the exercise of voting rights by shareholders. In this regard, Article 8 of the By-Laws (in accordance with Article 2369 of the Civil Code) establishes, except for other indications within the notice, that the Shareholders' Meetings are held in single call and Article 10.4 (in accordance with Article 135-*undecies* of the CFA) establishes that the company may appoint, for each Shareholders' Meeting, through appropriate indication in the call notice, a party ("designated representative of the company") to whom shareholders can confer proxy, with voting instructions on all or any proposals on the Agenda, in accordance with the legally established terms and means.

The company has created a specific "Investors" section of its website, which is easily identifiable and accessible and makes available information concerning the company of importance to its shareholders, allowing them to knowledgeably exercise their rights. The company has also created a section in the website dedicated to "corporate governance", containing an array of documentation, including this Report and its previous versions.

In accordance with Application Criteria 9.C.1 of the Self-Governance Code, relations with institutional investors are however managed by the Investor Relator.

The duty of the Investor Relator is to constantly ensure that senior management are updated on the financial market disclosure obligations and, in particular, those concerning investors.

The Investor Relator represents, therefore, the point of contact between the Issuer and the market and has the duty to liaise with company structures to maintain and incentivise compliance with corporate disclosure regulations. Investor relation activities are shared with and supported by management.

The Avio Board of Directors of May 10, 2018 appointed Fabrizio Spaziani as the Investor Relator. Mr. Fabrizio Spaziani replaced the Chief Financial Officer Alessandro Agosti in this role (who had previously been supported in this task by Mr. Fabrizio Spaziani).

## 17. SHAREHOLDERS' MEETINGS

As per Article 8 of the By-Laws, the Shareholders' Meeting deliberates upon matters reserved to it by law and the By-Laws. Shareholders' Meeting motions, taken in accordance with law and the By-Laws, are binding on all shareholders. The Shareholders' Meeting meets in single call and is constituted and passes motions by statutory majority, except where otherwise indicated in the call notice.

[As per Article 8.3 of the By-Laws, the Related Party Transactions Policy of the company may establish (i) that the Board of Directors approves the "significant transactions", as defined by the RPT regulation, despite an opinion to the contrary issued by the Independent Directors Committee responsible for issuing an opinion on the above-mentioned transactions, provided that the execution of such transactions are authorised by the Shareholders' Meeting in accordance with Art. 2364, paragraph 1, No. 5 of the Civil Code. In this case, the Shareholders' Meeting decides by statutory majority, providing, where the unrelated shareholders attending the Shareholders' Meeting represent at least 10% of the share capital with voting rights, the majority of unrelated shareholders voting at the Shareholders' Meeting are not in opposition; and (ii) that the Board of Directors or the Executive bodies may consider, availing of the exemptions under the policy and in compliance with the conditions stated therein, execution by the company, directly or through its subsidiaries, of urgent related party transactions which are not within the scope of the Shareholders' Meeting, nor require the latter's authorisation.

As per Article 10 of the By-Laws, those with voting rights have a right to attend the Shareholders' Meeting. The right to attend the Shareholders' Meeting and the right to vote is verified by a notice to the company, made by the authorised intermediary in accordance with law, based on the accounting records at the end of the seventh trading day prior to the date fixed for the Shareholders' Meeting in single call, and submitted to the company in accordance with law.

Those with Shareholders' Meeting voting rights may be represented by a proxy appointed in writing or by means of an electronic document signed in compliance with the applicable regulation. The proxy notification to the company may be sent by Registered Letter or electronically by means of a message addressed to the certified email address indicated in the notice itself or by using the appropriate section of the company's website, according to that indicated in the call notice.

For each Shareholders' Meeting, the company may designate, through notification in the call notice, a person to whom shareholders can confer proxy, with voting instructions on all or some of the proposals on the agenda, in the terms and manner provided by law.

The Shareholders' Meeting is chaired by the Chairperson of the Board of Directors, or, in his/her absence or impediment, the eldest Vice Chairperson where appointed or, in his/her absence or impediment, the eldest Chief Executive Officer present, where appointed, or, in his/her absence or impediment, an individual appointed by the Shareholders' Meeting. The Chairperson shall be assisted by a Secretary, even a non-Director and/or non-shareholder, elected on his proposal by a majority of those present. In the Extraordinary Shareholders' Meeting and, in any case, when the Chairperson considers it appropriate, the functions of the Secretary shall be carried out by a Notary appointed by the Chairperson.

The Shareholders' Meeting may be held in several locations, via audio/video link, on the condition that a collective approach is taken and the principles of good faith and of equal treatment of shareholders are upheld and, in particular, provided that: (a) the Chairperson of the Shareholders' Meeting may (i) ascertain the identity and right to attend of all present, (ii) govern the business of the meeting, in addition to (iii) verify and declare the voting results; (b) the minutes-taker is able to adequately note all the matters pertaining to the Shareholders' Meeting; (c) attendees may participate in the discussions and vote simultaneously on the matters on the Agenda; (d) this method is contained in the call notice of the Shareholders' Meeting which also indicates the locations. The meeting shall be considered to have been held in the place where there are, simultaneously, the Chairperson and the person taking the minutes.

On June 17, 2015, in compliance with the recommendations of application criterion 9.C.3. of the Self-Governance Code, the Shareholders' Meeting of Avio S.p.A. approved the adoption of a Shareholders' Meeting regulation governing the Shareholders' Meeting's business and permitting an orderly and efficient hosting of such meetings, guaranteeing at the same time each shareholder the right to take the floor on matters under discussion, as suggested by the Self-Governance Code. This Shareholders' Meeting regulation shall remain in force also subsequently to the Effective Merger Date.

The Shareholders' Meeting regulation, among other matters, establishes that:

- (i) the chairperson may adopt any measure considered necessary to guarantee the correct execution of Shareholders' Meeting's business and the exercise of voting rights by attendees;
- (ii) in the discussion of such matters and proposals, the Chairperson, where a majority of the share capital is not in opposition, may follow a different order of consideration from that stated in the formal notice of the meeting and may call for some or all of the matters on the agenda to be discussed together;
- (iii) the chairperson conducts the discussion, giving the floor to Directors, to statutory auditors and any parties so requesting. The chairperson, prior to initiating the discussion, outlines for each point any questions received before the shareholders' meeting and any responses provided. Those holding the right to vote and the bondholders' joint representative may request the floor on only one occasion for each matter on the agenda, making observations and requesting information. Those persons entitled to vote may also draw up proposals. Requests to contribute may be made from the constitution of

the shareholders' meeting until the time at which the chairperson has not declared the discussion of the matter closed. In order to ensure the orderly conduct of the meeting, the chairperson has the power to determine, at the opening of or during the discussion of individual matters, a deadline for the submission of requests to contribute. The chairperson establishes the manner in which contribution requests are made and the order in which they are heard. The Chairperson and, on his invitation, those assisting him/her respond to speakers at the end of all contributions under discussion, or after each contribution, taking account also of any questions drawn up by shareholders before the Shareholders' Meeting, which have not been responded to by the company. Those who have requested the floor have the right to a brief reply;

- (iv) before voting commences, the chairperson readmits to the Shareholders' Meeting any persons excluded during the discussion in accordance with the regulation;
- (v) the Chairperson shall decide the order in which the proposals on the individual matters on the agenda are put to the vote, generally giving priority to those formulated by the Board of Directors.

In 2020, the Shareholders' Meeting met on May 6, 2020, in single call, with the attendance of approx. 63.021% of the share capital, approving the 2019 Annual Accounts. The Shareholders' Meeting also expressed its consultative vote on the first and second section of the Remuneration Report (today, the "Report on the remuneration policy and compensation paid") as per Article 123-ter of the CFA.

The Board of Directors, through the Chairperson, at the above Shareholders' Meeting (at which, in addition the Chairperson, the following Directors were present: Messrs. Giulio Ranzo, Donatella Sciuto, Vittorio Rabajoli, Maria Rosaria Bonifacio and Monica Auteri and Statutory Auditors, Riccardo Raul Bauer, Chairman, and Maurizio Salom (Statutory) Auditors) reported on the activities carried out and scheduled, also following the submission of questions by a number of shareholders. The document containing the statutory financial statements and consolidated financial statements, together with the accompanying reports, in addition to the reports of the Directors on the matters on the agenda, were provided on entry in order to ensure Shareholders of adequate disclosure with regards to the matters necessary to take into consideration, with due consideration, for the decisions to be taken. This documentation, together with the results of voting, was also made available and may be accessed on the company website [www.avio.com](http://www.avio.com), Investors Section, Shareholders' Meetings, 2020. The Appointments and Remuneration Committee decided not to report to the Shareholders' Meeting upon the means of exercise of its functions, considering that this information has already been outlined in the Report on the remuneration policy and compensation paid made available to the shareholders before the Shareholders' Meeting.

In 2020, there were no significant changes in the market capitalisation of the shares of the company or in the composition of its shareholders, such as to consider it necessary to assess the possibility to propose to the Shareholders' Meeting changes to the By-Laws in relation to the percentages established for the exercise of the shares and to the protection of minority shareholders.

## **18. FURTHER CORPORATE GOVERNANCE ACTIVITIES**

The Company has adopted an Anti-corruption Code with the Board of Directors' motion of March 14, 2019 to counter corruption and prevent the risks of illegal practices at any working level and in any geographic area, both through the dissemination and promotion of ethical values and principles and through the effective provision of rules of conduct and the implementation of control processes, in line with the requirements established by applicable laws and international best practices.

It should also be noted that during 2019, the Company joined the Business Integrity Forum (BIF), an initiative of Transparency International Italia, which brings together large Italian companies already involved in the issues of integrity and transparency, and which through the BIF are committed to preventing and combating corruption in business practices by adopting and circulating anti-corruption tools and practices and encouraging an improved culture of legality.

In particular, for the Company, membership of the Forum has the precise objective of continuing to raise awareness of the issues important to the Company, relating to transparency, integrity and corporate social responsibility, expressing its support for the fight against corruption in order to make an impact at system level.

## **19. CHANGES SUBSEQUENT TO THE YEAR-END**

There were no additional changes to the corporate governance structure since year-end further to those reported above.

## **20. CONSIDERATIONS ON THE LETTER OF DECEMBER 22, 2020 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

The recommendations for 2021 contained in the letter of December 22, 2020 of the Chairperson of the Corporate Governance Committee concerning the issue of corporate governance were brought to the attention of the Board of Directors at the meeting of January 27, 2020.

The Board's self-assessment questionnaire took into account the recommendations made by the Corporate Governance Committee in December 2019 and contained in the Corporate Governance Committee Chairman's Letter dated December 19, 2020. On this occasion, the Board of Directors, taking account of the recommendations, decided that almost all recommendations had been implemented by Avio and will not undertake further initiatives to those already implemented or underway, since it is compliant with these and, for the moment, will not undertake specific actions for the reasons indicated in the corresponding paragraphs of

the Corporate Governance and Ownership Structure Report and of the Remuneration Policy and Report.