



REMUNERATION POLICY AND REPORT

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

Issuer: Avio S.p.A.

website: www.avio.com

Approved by the Board of Directors on March 13, 2023

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Letter of the Chairperson of the Appointments and Remuneration Committee

Dear Shareholders,

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

This Report seeks to inform Stakeholders (shareholders, employees and customers) concerning the correspondence between the Company's remuneration policies and business strategies: for Avio, remuneration represents a key tool in aligning the interests of top management with those of our stakeholders, contributing to the pursuit of the Company's corporate strategy, long-term interests and sustainability. The ability to attract, retain and motivate management is a key factor for any company which, like Avio, operates in a highly-specialised sector requiring constant and rapid alignment to the requirements imposed by the market and technological development.

In this perspective, the Committee prepared and submitted for the approval of the Board of Directors the remuneration policy for 2023 (illustrated in the first section of this Report), in line with the corporate context of Avio. For Avio, success is measured on the basis of economic, financial and equity results, but also, in broader terms, on human, social, relational and environmental capital: our policies are inspired by sustainability, inclusiveness and the incentivisation of equal opportunities.

As detailed below, the policy for 2023 has some new elements. Specifically, Avio, which has adopted long-term incentive plans since it was listed, intends to set up a new Performance Share Plan for the 2023-2025 period, subject to approval by the Shareholders' Meeting. The allocation for the last cycle of the Monetary Long-Term Incentive Plan was made in 2022, and the new 2023-2025 plan is proposed as a share-based plan. The decision to propose a stock-based plan seeks to strengthen the link between management remuneration and the shareholder perspective, and is consistent with the practice of the main players in the aerospace and defence industry. The three-year performance targets to which the Plan is linked build upon the approach of the previous plan, and include economic/financial targets measured over the three-year period and ESG targets. A new incentive curve, consistent with market practice, is proposed in order to emphasise the power of incentives to reward performance exceeding the target and, at the same time, to allow for a more significant reduction in bonuses for below-target performance.

Avio also plans to develop a tool to involve and retain talented middle managers in a market that is more competitive than ever in terms of attraction and retention. For this reason, subject to Shareholders' Meeting approval, it proposes to launch a restricted share plan dedicated to middle management, which therefore excludes the CEO/DG or the Senior Executives, providing for the allocation of shares at the end of a three-year period subject to continued employment with the company.

In preparation for the renewal of the Board of Directors' term of office, the Committee carried out in-depth market practice and benchmarking analysis to enable it to formulate proposals for the Shareholders' Meeting regarding the remuneration of the members of the Board of Directors and Board of Statutory Auditors for the next three years. The benchmarking activities also covered the remuneration package of the Chief Executive Officer/General Manager and Senior Executives and resulted in a proposed revision, which was approved by the Board of Directors on March 13, 2023.

Throughout the year, Avio maintained an ongoing dialogue with investors and stakeholders, who showed significant appreciation of our Policies at the most recent Shareholders' Meeting. The remuneration policy described in this Report takes into consideration the feedback from the Company's stakeholders. It should be noted that top management is directly involved in business risk by means of holdings in the share capital of Avio S.p.A. These are held through the investment vehicle In Orbit S.p.A. which at December 31, 2022 represents

4.1% of share capital, and is the third largest shareholder of the Company. Moreover, this equity investment has increased over time from 3.7% at the time of listing to the current 4.1%, demonstrating the alignment of interests between management and shareholders in relation to business risk.

The Shareholders' Meeting is called to appoint Avio's new Board of Directors, which will be in office until the date of the Shareholders' Meeting called to approve the 2025 Annual Accounts. As we pass the baton to the new Committee, confident that the work done will be appreciated by you and that the information provided will be useful and comprehensive, we submit for your attention Avio's report on the 2023 remuneration policy and the remuneration paid in 2022, and hope that you will give it a positive reception at the Shareholders' Meeting.

INTRODUCTION

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

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

Section I outlines the Remuneration Policy adopted by the Company for Financial Year 2023, with regards to the following parties:

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

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

The Remuneration Policy was approved by the Board of Directors on March 13, 2023, with the favourable opinion of the Appointments and Remuneration Committee. As resolved, the Remuneration Policy will be updated on an annual basis.

Section II of the Report for the year 2022 outlines each of the items comprising the remuneration of the individuals listed at points (i), (ii) and (iii), as well as an analysis (in a specific table) of the remuneration paid to these parties, in any regard and in any form by the Company or by its subsidiaries in 2022, in addition to remuneration not yet paid at the Report approval date, although relating to 2022. In addition, a comparison for the years 2019-2022 between the change in compensation for members of the Board of Directors and the Board of Statutory Auditors, employee compensation and the Company's performance is shown.

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

This Report is sent to Borsa Italiana and is made available to the public at the registered office of Avio (in Rome, via Leonida Bissolati 76, Rome) and on the Company's website www.avio.com, "Corporate Governance" section, at least twenty-one days before the Shareholders' Meeting called to approve the 2022 Annual Accounts.

On March 13, 2023, Avio's Board of Directors resolved to submit: (i) Section I of the Report on the 2023 Remuneration Policy to a binding vote of the Shareholders' Meeting; and (ii) Section II on compensation paid in 2022 to an advisory vote.

EXECUTIVE SUMMARY

Introduction

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

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

Principles of Avio's remuneration

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

- the goal of attracting, retaining and motivating resources with a high level of professionalism, paying particular attention to positions considered key to business development and management;
- a link with Company's performance and risk profile;
- the alignment of the interests of Company Management with the pursuit of the target to contribute to the corporate strategy, to create value for shareholders over the long-term and to achieve sustainable performance over time.

Key performance drivers

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

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

Main changes in the 2023 Remuneration Policies

The key changes introduced in the 2023 Policies include:

- introduction of a new long-term incentive plan, the “Performance Share Plan”:
 - the third and final cycle of the 2020-24 monetary long-term incentive plan was launched in 2022. Following a proposal by the Appointments and Remuneration Committee, the Board of Directors resolved to submit for approval to the Shareholders' Meeting on April 28, 2023 a new Performance Share Plan for the three-year period 2023-2025, providing for the grant of rights to receive shares, depending on the level of achievement of targets measured over the three-year vesting period; the grants will take place on an annual basis. The beneficiaries of the plan are the Chief Executive Officer/General Manager, the Senior Executives and other selected Managers with important roles in the Company;
 - the Long-Term Incentive Plan lays down the monetary value of the initial target allocation in line with previous LTI Plans, while the value of the maximum and minimum opportunity are modified symmetrically, in line with market practice: if the maximum level of performance is attained, the level is 150% of the target, higher than the 125% in the previous monetary plan, and if the minimum level of performance is attained, the allocation is 50% of the target, lower than the 75% in the previous monetary plan.
- Revision of the CEO/GM remuneration package: in view of the benchmarking analysis carried out with the help of an independent advisor on a panel of 14 listed European companies comparable to Avio in terms of size and complexity and operating in the Aerospace & Defense and industrial sector, following a proposal by the Appointments and Remuneration Committee, the Board of Directors' meeting of March 13, 2023 decided on:
 - a revision of the remuneration package, designed to align fixed remuneration to the market panel average. We note that no such actions had been taken since Avio was listed, in 2017;
 - with reference to the short-term variable component, the value of the target incentive as a percentage of fixed remuneration remains unchanged (75%). As already stipulated for the Senior Executives, starting in 2023, in order to make the system homogeneous the (de)multiplier will no longer be applied to determine the effective bonus: a new cap, equal to 115% (the previous cap was 100%) has therefore been introduced to partially offset this change.

- regarding the long-term variable component, the value of the target allocation as a percentage of fixed remuneration remains unchanged (60%). The provisions in the paragraph on the change to the incentive curve and the distribution of the amount of allocations over the three-year period also apply to the CEO/GM.
- Introduction of a Restricted Share Plan, an important retention, loyalty and engagement tool, for middle managers who play a key role in the achievement of Avio's strategic targets, providing for the grant of rights to receive free shares at the end of a 36-month period. The beneficiaries of the plan do not include the Chief Executive Officer/General Manager or the Senior Executives of the Company. On March 13, 2023, the Board of Directors resolved to submit the 2023-2025 Restricted Share Plan for the approval of the Shareholders' Meeting on April 28, 2023.
- The Company may define compensation in advance for the termination of employment of Senior Executives, but the compensation for early termination of employment may correspond to no more than two years' payment of the sum of the fixed remuneration and short-term variable bonus, including mandatory contractual provisions relating to notice;
- Finally, we note the introduction of a paragraph explaining more clearly the approach and criteria adopted by the Company for pay benchmarking.

2023 Remuneration Policy at a glance

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

Member	Features and parameters
<p>Fixed remuneration component</p> <p><i>This is the fixed component, determined by taking into account the breadth and strategic nature of the role held.</i></p>	<p>This is determined in consideration of the role, market practices for comparable positions, qualifications and individual expertise, and measured through the application of an independent evaluation methodology of the roles (Hay Method).</p> <ul style="list-style-type: none"> ▪ CEO/GM: fixed gross remuneration of Euro 500,000 ▪ Senior Executives: determined based on pre-established criteria, in line with market median

<p>Short-term variable component</p> <p><i>Annual monetary incentive plan, which provides for the payment of a monetary bonus on the reaching of the pre-set annual targets.</i></p>	<p><u>Beneficiaries:</u></p> <ul style="list-style-type: none"> ▪ Chief Executive Officer/General Manager ▪ Senior Executives ▪ Managers and key professionals <p><u>Size</u></p> <ul style="list-style-type: none"> ▪ CEO/GM: 75% of fixed remuneration for target performance; 115% of fixed remuneration for maximum performance ▪ SEs: 30% of fixed remuneration for target performance; 50% of fixed remuneration for maximum performance (average values) <p><u>Performance Targets</u></p> <ul style="list-style-type: none"> ▪ On/off conditions, valid for all beneficiaries: Adjusted EBITDA and Group Net Financial Position ▪ CEO/GM: Adjusted EBITDA, Net Financial Position ▪ SEs: <ul style="list-style-type: none"> • Group targets (Adjusted EBITDA, Net Financial Position) • targets that are primarily quantitative, economic/financial and operational. <p>▪ Matured bonuses are subject to clawback clauses.</p>
<p>Medium/long-term variable component</p> <p>Performance Share Plan, subject to Shareholders' Meeting approval, which provides for grants on an annual basis and a three-year performance measurement period.</p> <p>Consideration was given to adopting, starting in 2023 and subject to Shareholders' Meeting approval, a Performance Share Plan to further promote alignment between the interests of management¹ and shareholders.</p>	<p><u>Beneficiaries:</u></p> <ul style="list-style-type: none"> ▪ Chief Executive Officer/General Manager ▪ Senior Executives ▪ other selected Managers with key roles within the Company. <p><u>Size</u></p> <ul style="list-style-type: none"> ▪ CEO/GM: 60% of fixed remuneration for target performance; 90% of fixed remuneration for maximum performance ▪ SEs: 35% of fixed remuneration for target performance; 52.5% of fixed remuneration for maximum performance <p><u>Three-Year Performance Targets:</u></p> <ul style="list-style-type: none"> ▪ Cumulative Reported EBITDA ▪ Three-year average Return on Invested Capital ▪ ESG targets (Gender Diversity, Gender Pay Gap, Waste Management and Employee Training) <p>The plan includes a clawback clause.</p>
<p>Benefits</p>	<p>They include supplementary pension plans and insurance cover,</p>

¹ Avio's top management has a direct stake in the capital of Avio S.p.A. through the management investment vehicle In Orbit S.p.A., which as at December 31, 2022 holds 4.1% of the capital and is the third largest shareholder in the Company. Moreover, this equity investment has increased over time from 3.7% at the time of listing to the current 4.1%, demonstrating the alignment of interests between management and shareholders in relation to business risk.

<p><i>Non-monetary benefits in addition to those provided under the applicable contract defined in accordance with market practices</i></p>	<p>company car for business and personal use and housing.</p>
<p>Compensation in the event of early termination of employment</p>	<ul style="list-style-type: none"> ▪ CEO/MD: with regard to benefits in the case of termination of employment contract by the Company for any reason other than just cause, an all-inclusive gross amount will be recognised equal to two years of the sum of fixed remuneration and the short-term variable bonus (calculated as 100% of fixed remuneration). This amount is inclusive of mandatory contractual provisions relating to notice² ▪ SE: The provisions of the national contract for industry Executives apply. The Company may define compensation in advance in the event of termination of employment, but the compensation for early termination of employment may correspond to no more than two years' payment of the sum of fixed remuneration and short-term variable bonus, including mandatory contractual provisions relating to notice.
<p>Non-competition agreement</p>	<ul style="list-style-type: none"> ▪ A 12-month non-competition agreement has been defined for the CEO/GM, which envisages payment of 6 months' fixed remuneration ▪ The Company in addition reserves the right to sign non-competition agreements involving specific roles requiring strategic knowledge, in compliance with the statutory provisions and limitations of a maximum duration of 12 months which envisages payment of 6 months' fixed remuneration

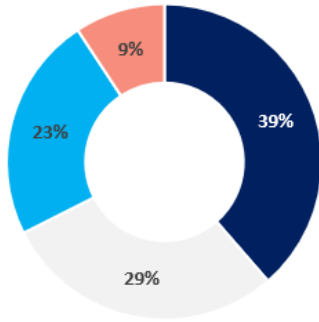
² As of the date of publication of this report, the number of months' pay provided by the national collective bargaining agreements for notice equals 8.

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

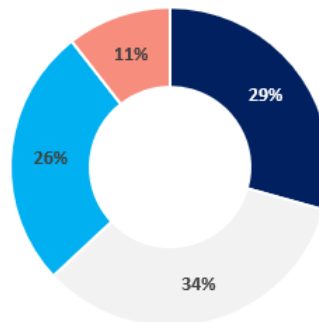
The make-up of the remuneration package of the Chief Executive Officer/General Manager and the Senior Executives, in the case of achieving the target and maximum performance levels, is as follows:

Chief Executive Officer/General Manager

Pay-mix - performance target

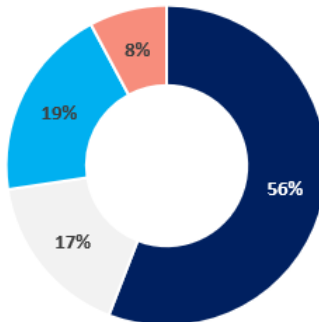


Pay-mix - maximum performance

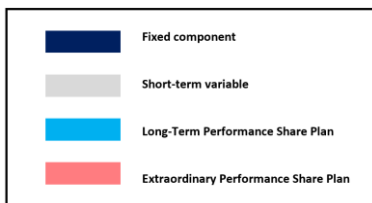
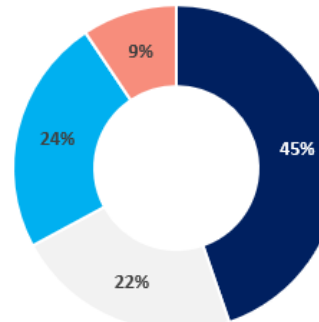


Senior Executives

Pay-mix - performance target



Pay-mix - maximum performance



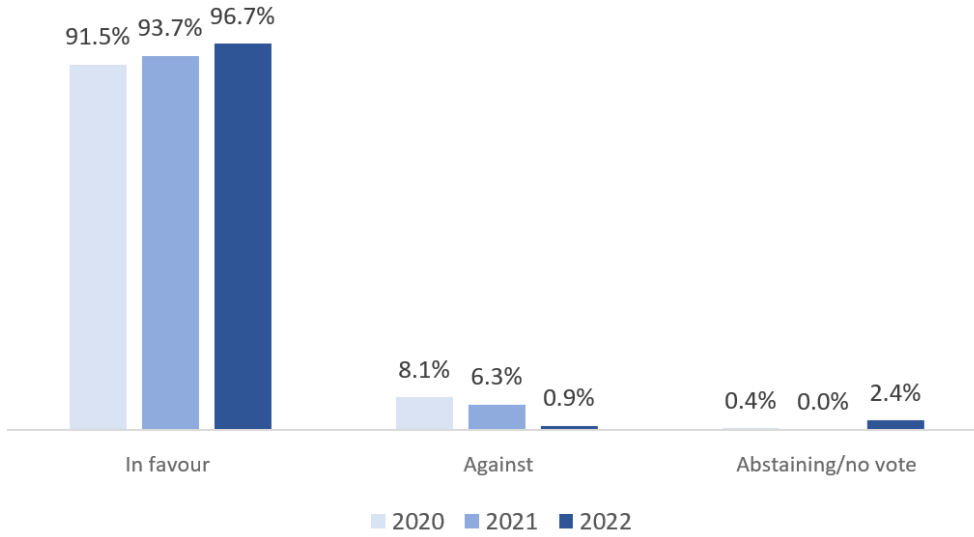
Results of voting on 2022 Policies

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

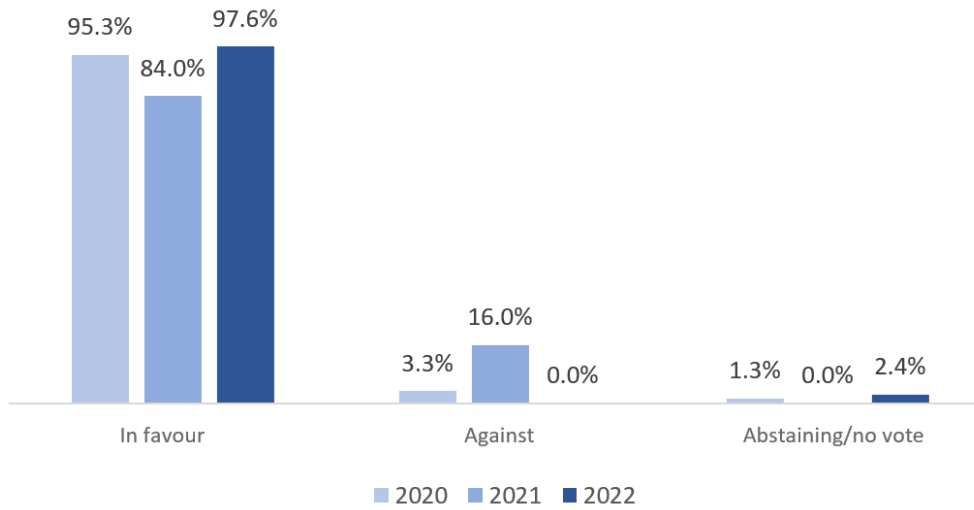
The 2022 Shareholders’ Meeting cast a binding vote on Section I of the Report, expressing **96.7%** favourable votes of the total votes cast, and an advisory vote on Section II of the Report, expressing **97.6%** favourable

votes of the total votes cast. The following graphs show the voting trends with regard to Section I and Section II of the Remuneration Policy Report over the 2020-2022 period.

Voting outcomes on Remuneration Policy (Section I)



Voting outcomes on the implementation of the Remuneration Policy (Section II)



SECTION I

The Remuneration Policy defines the principles and guidelines adopted by Avio for the remuneration of the members of the Board of Directors and Senior Executives. The Remuneration Policy was approved by the Board of Directors on March 13, 2023, with the favourable opinion of the Appointments and Remuneration Committee. As resolved, the Remuneration Policy will be updated on an annual basis.

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

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

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

In 2020, the Sustainability Committee was set up, composed only of Independent Directors whose task is to assist the Board of Directors with investigative functions, of a propositional and consultative nature, in the evaluations and decisions relative to sustainability issues falling within the remit of the Board, also in relation to Remuneration Policies.

Shareholders' Meeting

The Shareholders' Meeting:

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

Board of Directors

The Board of Directors:

- (i) establishes internally an Appointments and Remuneration Committee;
- (ii) determines the remuneration of the Executive Directors following a proposal by the Appointments and Remuneration Committee (and, where applicable, the Related Parties Committee), having obtained an opinion from the Board of Statutory Auditors, possibly within the total remuneration determined by the Shareholders' Meeting pursuant to

Article 2389, paragraph 3, of the Civil Code, and allocates the fixed annual remuneration, determined in the aggregate by the Shareholders' Meeting, payable to the Non-Executive Directors as provided in Article 15 of the By-Laws;

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

Appointments and Remuneration Committee

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

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

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

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

At the date of approval of this Report, the Appointments and Remuneration Committee consists of three Non-Executive Directors, independently appointed by Board of Directors' motion of May 14, 2020, namely:

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

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

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

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

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

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

Where considered necessary or beneficial for the execution of its duties, the Appointments and Remuneration Committee may utilise outside remuneration policy consultants. In 2022, the Appointments and Remuneration Committee met on five occasions. The meeting attendance of Committee members are reported in the table at the bottom of Section 4.2.1 of the Corporate Governance and Ownership Structure Report, available on the company website www.avio.com, "Corporate Governance" section.

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

In 2022 and, in any event, up to the date of this Report, the Committee's activities were primarily concerned with:

- the assessment and the monitoring of the adequacy, overall consistency and concrete application of the remuneration policy for Directors and Senior Executives, with reference to 2022;
- as regards the annual incentive system, assessment of the degree of annual performance target achievement for 2022 and the setting of the targets for 2023 for the Chief Executive Officer/General Manager and the Senior Executives;

- as regards the long-term monetary incentive system, assessment of the degree to which the performance targets for the 2019-2021 cycle have been achieved and the establishment of performance targets for the 2022-2024 award cycle;
- the drawing up of the proposal to the Board with regards to the Remuneration Policy for the year; 2023;
- the formulation of a proposal to the Board regarding the cancellation of the 2020-22 and 2021-23 cycles of the existing monetary long-term incentive plan and the introduction of a new extraordinary performance share plan, to be submitted to the Shareholders' Meeting for approval;
- review of the outcomes of the Board of Directors' self-assessment process;
- examination and updating of the *Diversity Policy of the Administrative, Management and Control Boards* and the *Related Party Transactions Policy*;
- the Policy on qualitative and quantitative criteria for assessing the independence requirements of Directors and Statutory Auditors, pursuant to Recommendation 7, first sentence, points (c) and (d), in Article 2 of the Corporate Governance Code;
- the final accounting for short-term variable remuneration for 2022;
- the proposal regarding the short-term incentive plans for the Chief Executive Officer and Senior Executives for 2023 and the introduction of the new long-term plans for 2023-2025;
- the revision of the CEO/GM remuneration package;
- the proposal regarding the introduction of the restricted share plan for management.

Executive Director

The Executive Director is tasked with:

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

Board of Statutory Auditors

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

Independent Audit Firm

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

2. MARKET PRACTICES AND INDEPENDENT EXPERTS INVOLVED IN PREPARING THE REMUNERATION POLICY

Avio regularly monitors Italian and international market practice, with a focus on the aerospace and defence sector, including by conducting specific analyses to verify the consistency of its remuneration policy.

The following panels were identified to supply data for the remuneration benchmarks, carried out by independent consulting firms:

- for the Chief Executive Officer/General Manager, a panel composed of the top executive roles of 14 companies selected on the basis of size (revenue, number of employees, total assets and capitalisation), including:
 - six Italian companies in the industrial sector
 - eight European aerospace and defence companies;

Company	Country
AVON PROTECTION	United Kingdom
CHEMRING GROUP	United Kingdom
DE NORA	Italy
FACC AG	Austria
INTERCOS	Italy
LISI	France
MONTANA AEROSPACE	Switzerland
OHB	Germany
PIOVAN	Italy
PRIMA INDUSTRIE	Italy
SENIOR	United Kingdom
THE ITALIAN SEA GROUP	Italy
ULTRA ELECTRONICS HLDGS	United Kingdom
ZIGNAGO	Italy

- For the Chairperson of the Board of Directors, a panel including the non-executive Chairpersons of nine listed Italian companies selected on the basis of comparability criteria with reference to their sector and size;
- For non-executive members of the Board of Directors and the Board of Statutory Auditors, a panel consisting of 26 listed Italian companies selected on the basis of comparability criteria with reference to their sector and size;
- As regards the assessments in relation to the remuneration of Senior Executives, the Company was supported by Korn Ferry and utilised the Top Executive Italia market as a reference. This includes people in Top Management positions in Italian companies operating in comparable sectors to Avio.

In preparing the Remuneration Policy, the Company was assisted in salary benchmarking by the independent experts Willis Towers Watson and Korn Ferry, leading consultancy firms in the area of human resources development and organisation, and advisor in the definition of the 2023 Policies.

3. REMUNERATION POLICY

3.1. TARGETS AND PRINCIPLES OF THE REMUNERATION POLICY

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

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

3.2. REMUNERATION AND WORKING CONDITIONS OF EMPLOYEES

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

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

3.3. OUTLINE OF THE REMUNERATION POLICY

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

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

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

At Avio, there are four Senior Executives.

(i) DIRECTORS

All Directors receive a fixed remuneration which appropriately compensates the work and commitment they provide to the Company.

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

On July 28, 2020, the Board of Directors also resolved to award the members of the internal Board Committees the following fees, in line with market practices, for the 2020-2022 mandate:

- (i) to the members of the Control and Risks Committee, a gross annual fee for the Chairperson of Euro 30,000 and
- (ii) for the other members of Euro 15,000 each;
- (iii) to the members of the Appointments and Remuneration Committee and the Sustainability Committee - a gross annual fee for the Chairperson of Euro 25,000 each and for the other members of Euro 10,000 each.

Within the scope of its prerogatives, the 2023 Shareholders' Meeting will decide on the remuneration for the 2023-2025 term of office, pursuant to Article 2389, paragraph 1. The Board of Directors that is to take office after the Shareholders' Meeting on April 28, 2023, following a proposal by the Appointments and Remuneration Committee, and having obtained the opinion of the Board of Statutory Auditors, will, within the scope of its prerogatives, decide on the remuneration pursuant to Article 2389, paragraph 3 of the Civil Code in accordance with this Policy's guidelines.

(a) NON-EXECUTIVE DIRECTORS

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

The remuneration of these Directors is not based on any financial results or specific targets of the Company

and is commensurate with the commitment required, also in relation to participation on internal Board Committees, for which specific remuneration is allocated.

(b) EXECUTIVE DIRECTORS

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

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

- a fixed component: this component takes into account the breadth and strategic relevance of the role played and the distinctive subjective characteristics and strategic skills of the managers assigned to the role. The amount is sufficient to remunerate the service also in the case of the partial reaching of the performance targets upon which the variable remuneration component is based, and therefore - among other issues - discourages the undertaking of conduct not consistent with the risk propensity of the company. More specifically, the fixed component is calculated according to the size of the business managed, the various areas of responsibility covered, Avio Group's complex corporate structure, including internationally, also taking account of market practice taken from benchmarks.
- a short-term variable component: the purpose of this component is to encourage management to work towards the achievement of annual targets that maximize the Avio Group's value, in line with shareholders' interests. This component is conditional upon reaching a minimum performance threshold with respect to the annual targets set by the Board of Directors, upon proposal by the Appointments and Remuneration Committee. The indicators used to define the annual business performance targets (and to calculate the actual amount of the short-term variable component) are the Group's financial and earning parameters, as described below.

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

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

For the Chief Executive Officer/General Manager, the value of the target bonus, subject to approval by the Shareholders' Meeting, is 60% of fixed remuneration, with a maximum value of 90%.

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

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

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

For a description of the short-term variable component and of the long term component of the remuneration of the Chief Executive Officer/General Manager, reference should be made to Paragraph 3.4.

We note that on March 13, 2023, following a proposal by the Appointments and Remuneration Committee, the Board of Directors considered the revision of the CEO/GM's remuneration package, in view of the benchmarking analysis carried out with the help of an independent advisor and based on a panel of companies comparable in sector and size, and the need to ensure an attractive remuneration offer in a particularly competitive environment, aligning it with the panel average. No such action had been taken since Avio was listed, in 2017. Specifically, the changes introduced include:

- fixed remuneration: 11.6% increase, from Euro 448,000 to Euro 500,000;
- short-term variable component: the value of the target incentive as a percentage of fixed compensation remains unchanged at 75%. As already provided for the Senior Executives, starting in 2023, in order to make the system homogeneous the (de)multiplier will no longer be applied to determine the effective bonus: a new cap, equal to 115% (the previous cap was 100%), has therefore been introduced to partially offset this change;
- long-term variable component: the value of the target allocation as a percentage of fixed compensation remains unchanged at 60%. The provisions in the paragraph on the change to the incentive curve and the distribution of the amount of allocations over the three-year period also apply to the CEO/GM.

(ii) BOARD OF STATUTORY AUDITORS

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

The Shareholders' Meeting held on May 6, 2020 resolved, for the 2020-2022 three-year period, to attribute to the Chairperson of the Board of Statutory Auditors a remuneration of Euro 50,000 per year and to the Statutory Auditors a remuneration of Euro 35,000 per year, in line with the remuneration attributed to the Board of Statutory Auditors for the 2017-2020 three-year period and with the practices of the listed companies of the STAR segment with levels of capitalisation comparable to Avio.

The next Shareholders' Meeting will be asked to appoint the Board of Statutory Auditors for the three-year period 2023-2025, and to set out in the appointment decision the relevant remuneration, which will be determined in relation to the competence, professionalism and commitment required of the members of the Board and will take into account recently produced market benchmarks.

(iii) SENIOR EXECUTIVES

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

The remuneration of Senior Executives is composed of:

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

responsibility, measured according to predominantly quantitative, financial and earnings indicators, or operating indicators. In determining the short-term variable component, the achievement of business results and individual/area/function results are therefore combined.

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

No forms of discretionary variable remuneration are envisaged.

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

For Senior Executives, the value of the target bonus, subject to approval by the Shareholders' Meeting, is 35% of fixed remuneration, with a maximum value of 52.5%.

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

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

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

For the description of the short-term variable component and the long-term variable component for Senior Executives, reference should be made to Paragraph 3.4.

3.4. VARIABLE REMUNERATION COMPONENT

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

3.4.1 SHORT-TERM VARIABLE COMPONENT

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

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

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

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

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

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

- a level of **performance minimum** level (threshold), on reaching which **40% of fixed remuneration** is paid; no bonus is paid below the threshold level. The minimum is 89% of the target value for Group Adjusted EBITDA and 83% for the Group Net Financial Position parameter;
- a **target performance** level, on the achievement of which the target bonus of **75% of the fixed remuneration** is recognised;
- a **maximum performance level**, on achievement of which the maximum value of the relative bonus, equal to **115% of the fixed remuneration (cap)**, is recognised. The maximum performance level is 111% of the target value for Group Adjusted EBITDA and 117% for the Group Net Financial Position.

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

Target	Description	Weighting	Performance scenarios	Bonus (% GAR)	
Adjusted EBITDA	Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortisation) is a measure of the Company's profitability that is not affected by non-recurring items	50%	Minimum	Budget target - 11%	40%
			Target	Budget target	75%
			Maximum	Budget target + 11%	115%
Net Financial Position	The indicator meets the need to measure management's ability to maintain a level of liquidity adequate for current operations during the reporting period	50%	Minimum	Budget target -17%	40%
			Target	Budget target	75%
			Maximum	Budget target +17%	115%

The 2022 Policies provided, in the case of particularly challenging annual targets, an option for the Board to set a (de)multiplier to increase or decrease the value of the final bonus paid, in line with the level of achievement of annual targets in terms of Adjusted EBITDA and Group Net Financial Position. Starting with the 2022 Policies, this (de)multiplier was no longer applied for Senior Executives. Starting with the 2023 Policies, this (de)multiplier will no longer be applied for CEO/GMs. Following the decision to stop applying the (de)multiplier, the maximum value (cap) of the CEO/GM incentive was updated to partially offset this change.

Given the confidential nature of the economic-financial targets, it is not possible to provide more detail on the individual parameters *ex-ante*; in any case, the Company’s various economic-financial performance targets, including the minimum and maximum range, are the subject of explicit guidance to the market and outlined in the relevant press releases. Section II of the Report sets out details of the results achieved.

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

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

The following diagram shows the **link between targets and the bonus** expected upon achievement of the minimum target, target, maximum for Senior Executives (the value of the bonus is expressed as a % of fixed remuneration) for 2023:

Target	Description	Weighting	Performance scenarios	Bonus (% GAR)	
Adjusted EBITDA	Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortisation) is a measure of the Company’s profitability that is not affected by non-recurring items	25%	Minimum	<i>Budget target - 11%</i>	8%
			Target	<i>Budget target</i>	30%
			Maximum	<i>Budget target + 11%</i>	50%
Net Financial Position	The indicator meets the need to measure management’s ability to maintain a level of liquidity adequate for current operations during the reporting period	25%	Minimum	<i>Budget target - 17%</i>	8%
			Target	<i>Budget target</i>	30%
			Maximum	<i>Budget target + 17%</i>	50%
Specific function targets	Quantitative targets linked to economic-financial (e.g., costs) and/or operational and/or project indicators (e.g., project milestones). There are two or three targets that fall into this category.	35-40%	Minimum		8%
			Target		30%
			Maximum		50%
Individual targets	Qualitative targets, e.g., assessment of managerial qualities, team management. There are one/two targets that fall into this category.	10-15%	Minimum		8%
			Target		30%
			Maximum		50%

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

3.4.2 LONG-TERM VARIABLE INCENTIVE PLAN

2023-2025 Incentive Plan

On March 13, 2023, the Board of Directors approved, on the proposal of the Appointments and Remuneration Committee, the new 2023-2025 Performance Share Plan (the “Plan”), which will be submitted for approval by the Shareholders’ Meeting. Its beneficiaries are the Chief Executive Officer/General Manager, Senior Executives and other Managers with strategic roles in the Company.

The Plan provides for the grant of rights to receive shares in the Company at the end of a three-year performance period, depending on the level of achievement of predetermined performance targets. Avio plans to launch the new Plan following the conclusion of the Monetary Long-Term Incentive Plan, for which the last allocation was made in 2022. Choosing a share-based Plan makes it possible to link remuneration more strongly with the shareholder perspective, using a portion of the treasury shares held by the company following the buyback approved by the Shareholders' Meeting.

The long-term incentive plan is linked to two three-year cumulative economic and financial performance indicators of the business plan and to ESG indicators: the economic and financial indicators are the three-year cumulative Reported EBITDA and the Return on Invested Capital³; there are four ESG indicators, as indicated below: (i) Gender diversity⁴; (ii) Gender pay gap⁵; (iii) Waste Management⁶; (iv) Employee Training⁷.

The economic and financial indicators weigh 84% overall and ESG metrics weigh 16% (4% for each of the four indicators).

The Plan's beneficiaries will be identified at a later date and will be subject to Shareholders' Meeting approval. They will include the Chief Executive Officer/General Manager and Senior Executives, and Managers with strategic impact roles for Avio identified by the Board of Directors.

With regard to the financial performance levels linked to the indicators outlined, it was decided to utilise the three-year target values of the Business Plan. For ESG metrics, reference is made to the performance levels decided on by the Board of Directors; performance targets for ESG indicators are defined as a three-year average value.

For each of the selected indicators, there is:

- a **minimum performance** level (threshold) of 90% of the target value for the cumulative three-year Reported EBITDA, 80% for the average three-year Return on Invested Capital, 90% for Gender Diversity, 96% for the Gender Pay Gap, 90% for Waste Management and 90% for Employee Training; no bonus is recognised below the threshold level;
- a **target performance** level, on the achievement of which the target bonus is recognised for each of the two indicators considered;
- a **maximum performance** level, equal to 120% of the target value for the cumulative three-year Reported EBITDA and 125% for the average three-year Return on Invested Capital, 110% for Gender Diversity, 102% for the Gender Pay Gap, 110% for Waste Management and 110% for Employee Training, on achievement of which the maximum relative bonus value (capped) is recognised.

On achieving the intermediary performance levels, the bonus value is calculated for the linear interpolation. The performance levels are in line with that established by the Group's Business Plan.

Therefore, the value of the **bonus for the 2023 allocation** is:

- For the **Chief Executive Officer/General Manager** at **60% of fixed remuneration** for target results, **90% in the event of maximum performance, 30% in the event of minimum performance**;
- **Senior Executives** at **35% of fixed remuneration** for target results, **52.5% in the event of maximum performance, 17.5% in the event of minimum performance**.

³ Defined as the Reported EBIT/Net Invested Capital.

⁴ Defined as the ratio between female employees / male employees.

⁵ Defined as the ratio between the remuneration of female employees / male employees in the same grade

⁶ Defined as the % of waste recovery.

⁷ Defined as the total number of hours of training performed.

The following table shows the link between targets and the bonus for the achievement of the minimum, target and maximum target for the Chief Executive Officer/General Manager for each of the indicators set, each valid independently of the others, with reference to its relative weight:

Indicator	Description	Weighting	Performance scenarios		Bonus vs target
Cumulative three-year Reported EBITDA	EBITDA (Earnings before interest, taxes, depreciation, and amortisation) Reported allows for a measurement of medium term profitability that does not take into account non-recurring components	42%	Minimum	<i>Budget target - 20%</i>	30%
			Target	<i>Budget target</i>	60%
			Maximum	<i>Budget target + 20%</i>	90%
Average Return on Invested Capital	Defined as the Reported EBIT/Net Invested Capital	42%	Minimum	<i>Budget target - 25%</i>	30%
			Target	<i>Budget target</i>	60%
			Maximum	<i>Budget target + 25%</i>	90%
ESG Indicators	Gender diversity: the ratio between female employees/ male employees.	4%	Minimum	<i>Budget target - 10%</i>	30%
			Target	<i>16.6%</i>	60%
			Maximum	<i>Budget target + 10%</i>	90%
	Gender pay gap⁸: the ratio between the remuneration of female employees / male employees in the same grade	4%	Minimum	<i>Budget target - 4%</i>	30%
			Target	<i>98%</i>	60%
			Maximum	<i>Budget target + 2%</i>	90%
	Waste management % of waste recovered	4%	Minimum	<i>Budget target - 10%</i>	30%
			Target	<i>60%</i>	60%
			Maximum	<i>Budget target + 10%</i>	90%
	Employee training: total number of hours of training carried out.	4%	Minimum	<i>Budget target - 10%</i>	30%
			Target	<i>28,000</i>	60%
			Maximum	<i>Budget target + 10%</i>	90%

Given the confidential nature of the economic-financial targets, it is not possible to provide more detail ex-ante; however, in its press releases the Company provides the market with regular qualitative indications regarding its long-term outlook (which can generally be forecast based on the Company's order portfolio). Section II of the Report sets out details of the results achieved.

In addition, the Plan provides a mechanism for granting dividends distributed during the performance period. Specifically, should the Shareholders' Meeting distribute dividends to Shareholders during the performance period, the beneficiaries will be allocated a number of additional shares determined by the amount of total dividends distributed during the three-year period. The additional shares will be determined by considering the value of the share at the time of the allocation, calculated as the average during the month of the Board of Directors' meeting called to debate the draft budget for the fiscal year preceding the year of the plan's start.

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

⁸ The minimum and maximum performance range for the Gender Pay Gap, as an exception with respect to the other ESG indicators, is 96% at the minimum value and 102% at the maximum value

early termination of the Plan.

For additional information regarding the plan, please refer to the related Prospectus (www.avio.com, Governance/Shareholders' Meeting 2023 section).

2022-2024 Extraordinary Performance Share Plan

The Chief Executive Officer and Senior Executives are also beneficiaries of the extraordinary Performance Share Plan approved by the Shareholders' Meeting on April 28, 2022. The plan provides for the one-time award of rights to receive free shares in the Company, subject to the achievement of predetermined performance targets, at the end of the three-year performance period 2022-24.

The plan was approved by the Board of Directors at the same time as the cancellation of the 2020-22 and 2021-23 cycles of the 2020-24 Long-Term Plan, whose retention and incentive targets for management had ceased to apply in view of changed circumstances. The exceptional events of recent years have, in fact, made it impossible to achieve the original economic and financial targets to which these cycles were linked.

The 2022-2024 Performance Share Plan is, therefore, extraordinary and non-recurring in nature:

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

The extraordinary performance share plan is linked to the achievement of a single target, Order Intake, which reflects the sustainability and growth of the business in the medium term and corresponds to the cumulative value of new contracts acquired in the three-year period 2022-2024. In choosing the indicator, consideration was given to all the metrics linked to the variable remuneration of Avio's management.

The selected indicator involves:

- a **minimum performance** level (threshold), equal to 80% of the target value, upon achievement of which the minimum number of Shares, equal to 75% of the target, is allocated and below which no bonus is granted;
- a **target performance** level, upon achievement of which the target number of Shares are allocated;
- a **maximum performance** level, equal to 120% of the target value, upon achievement of which the maximum number of Shares (cap), equal to 150% of the target number, are granted.

Upon achievement of intermediate performance levels, the number of Shares to be granted will be calculated by linear interpolation.

The performance levels are in line with that established by the Group's Business Plan. The value of the **bonus is:**

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

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

Indicator	Description	Weighting	Performance scenarios		Bonus
Order intake	Order intake reflects the sustainability and growth of the business in the medium term and corresponds to the cumulative value of new contracts acquired in the three-year period 2022/2024	100%	Minimum	<i>Budget target - 20%</i>	54%
			Target	<i>Budget target</i>	72%
			Maximum	<i>Budget target + 20%</i>	108%

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

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

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

2020-24 Multi-year Monetary Incentive Plan

The Chief Executive Officer/General Manager and Senior Executives are among the beneficiaries of the 2022-24 cycle of the 2020-24 Long-Term Plan, in monetary form. For a description, see the 2022 Policies.

3.5. CLAWBACK

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

3.6. EXCEPTIONS

In exceptional circumstances that may jeopardise the pursuit of the Company's long-term interests or its ability to stay in the market, as provided for in Article 123-ter, paragraph 3-bis of the CFA, and Article 84-quater of the Issuers' Regulation, Avio's Board of Directors, following a proposal by the Appointments and Remuneration Committee and in compliance with the Related Parties Procedure, may lay down temporary exceptions to the remuneration policy in order to pursue the long-term interests and sustainability of the Company as a whole or to ensure its ability to stay in the market.

For the purposes of the above, "exceptional events" are defined as: (i) events of an extraordinary and/or non-recurring nature and/or not attributable to the core business of the Avio Group (including, without limitation, acquisitions or disposals of equity investments or business units) considered of particular importance and/or currently not provided for in company planning that entail a significant change in the scope of the Company or the Avio Group; (ii) significant changes in the macroeconomic and/or competitive scenario or other

extraordinary factors with a significant impact beyond the actions within the management's control; and/or (iii) significant events, not only of an economic or financial nature.

In such circumstances, the Company's Board of Directors, following a proposal by the Appointments and Remuneration Committee and in compliance with the Related Parties Procedure, may make such adjustments to the targets in the incentive plans as are necessary to keep the substantive and economic contents of the plan unchanged. Any changes to performance targets must safeguard the principles and guidelines according to which the plan has been formulated by not introducing undue advantages or penalties for either the beneficiaries of the plan or the Company.

4. POLICY UPON BENEFITS ON CONCLUSION OF OFFICE

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

For Senior Executives, the protections established by law and set out in the relevant national collective bargaining agreements for industry executives are usually applied, which take into account the role and age of the executive at the time of termination of employment, in addition to the annual salary received. However, the Company may set compensation in advance for the termination of employment of Senior Executives, but the compensation for early termination of employment may correspond to no more than two years' payment of the sum of the fixed remuneration and short-term variable bonus, including mandatory contractual provisions relating to notice.

There is currently an agreement in place for one of the Senior Executives governing compensation in the event of termination of employment.

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

- For good leavers⁹, with reference to the performance share plan which will be submitted for approval to the Shareholders' Meeting of April 28, 2023 and the 2022-2024 Extraordinary Share Performance Plan, the beneficiary may retain the right to receive a number of shares on a pro-rata basis, based on the level of achievement of the performance targets; with reference to the 2022-2024 long-term monetary plan, there is the possibility of paying the bonus on a pro-rata basis upon termination of employment;
- In bad leaver scenarios, the beneficiary will permanently and fully forfeit the right to receive the allocations - monetary or in shares - under the plans.

The Company reserves the right to enter into consulting or collaboration agreements after the termination of

⁹ Good leaver scenarios include:

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

the employment relationship, aimed at preserving the transfer of know-how and business continuity.

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

5. RESTRICTED SHARE PLAN FOR AVIO MANAGEMENT

On March 13, 2023, the Board of Directors resolved to submit the 2023-2025 Restricted Share Plan for the approval of the Shareholders' Meeting on April 28, 2023.

The plan is designed for employees who play a key role in achieving the strategic targets of Avio and AVIO Group companies, and involves the grant of rights to receive free shares at the end of a 36-month period. The beneficiaries of the plan do not include the Chief Executive Officer/General Manager or the Senior Executives of the Company.

The plan is being introduced as an important retention and loyalty tool: it is not linked to the achievement of specific performance targets, but, through the use of shares, it encourages beneficiaries to get involved in improving Avio's performance in the medium term.

In addition, the Plan provides a mechanism for granting dividends distributed during the performance period. Specifically, should the Shareholders' Meeting distribute dividends to Shareholders during the performance period, the beneficiaries will be allocated a number of additional shares determined by the amount of total dividends distributed during the three-year period. The additional shares will be determined by considering the value of the share at the time of the allocation, calculated as the average during the month of the Board of Directors' meeting called to debate the draft budget for the fiscal year preceding the year of the plan's start.

For additional information regarding the plan, please refer to the related Prospectus (www.avio.com, Governance/Shareholders' Meeting 2023 section).

SECTION II

PART 1

In the first part of Section II of this Report, the following information is provided regarding the implementation of the 2022 Policies:

1. Avio 2022 performance and incentives;
2. adequate, clear and understandable disclosure on each of the items comprising compensation matured for the financial year 2022 in favour:
 - (i) of the members of the Board of Directors;
 - (ii) of the members of the Board of Statutory Auditors;
 - (iii) of the other Senior Executives (information provided at aggregate level);

highlighting its compliance with the 2022 Policies and how compensation contributes to the Company's long-term results;

3. the Chief Executive Officer/General Manager's pay mix in application of the 2022 Policies;
4. the change in compensation for members of the Board of Directors and the Board of Statutory Auditors, employee compensation and the Company's performance is shown.

The remuneration policy in 2022, as verified by the Appointments and Remuneration Committee through the periodic assessment under the Corporate Governance Code, was implemented in line with the general standards approved by the Board of Directors and shared by the Appointments and Remuneration Committee.

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

Avio performance and incentives

The dramatic events of 2022 did not slow down work on preparing the new Vega-C launcher, whose maiden flight took place successfully on July 13. However, the significant increase in energy and gas costs from Q4 2021 have made it much more challenging to achieve the economic and financial targets set, affecting 2022 performance.

A relevant event for the sustainability of Avio's business in the medium term was Arianespace's signing of a contract with the European Commission for five Vega-C launches, and the same number of missions for the low-orbit positioning of the Copernicus Earth observation satellites, to be carried out between 2024 and 2026. The end of 2022 saw the failure of the first flight of the Vega-C launcher.

With reference to the main corporate indicators in the annual incentive scheme, the results achieved are below the targets set in early 2022 for Adjusted EBITDA and exceed the maximum level for the Net Financial Position. A multiplier¹⁰ equal to 1.04 is applied to the bonus - as established by the Board of Directors - until the maximum value established at the time of allocation is reached. The actual values for the two indicators over the last three years and the target value for 2022 are set out below.

	2020	2021	2022	
	Actual	Actual	Actual	target
Adjusted EBITDA (M€)	43.3	37.7	27.8	34.8
Net Financial Position (M€)	62.6	57.2	74.4	35.1

¹⁰ For 2022, in line with the decision taken by the BoD, the multiplier is applied for the CEO/GM only. A new incentive curve was introduced for Senior Executives, under which the multiplier was removed.

For the Executive Director, the value of the 2022 bonus is substantially in line with the target (80.9% of the fixed component). With respect to Senior Executives the 2022 bonus value averages 33% of the fixed component.

In fact, Avio's Board of Directors, at its meeting of March 28, 2022, resolved to cancel the 2020-22 and 2021-23 cycles of the existing 2020-24 long-term monetary incentive plan, whose retention and incentive purposes for management have ceased to exist in consideration of the changed circumstances caused by the exceptional events of the last few years. The COVID-19 pandemic and the Russian-Ukrainian crisis are the main factors that have eroded the currency of the economic-financial targets to which these cycles were linked.

Therefore, no bonus is paid for the 2020-22 cycle of the 2020-2024 three-year monetary plan.

1. Items comprising 2022 remuneration

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

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

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

The tables in Part 2 of this Section provide details of the compensation paid, consistent with the 2022 Policies and the Shareholders' Meeting motions noted above.

As of the date of this Report reversibility agreements are in place for the remuneration of some Directors. Specifically, Mr. Roberto Italia, Chairperson of Avio's Board of Directors, and Space Holding S.r.l. signed a reversionary agreement whereby the remuneration accrued for the position held by him is paid to Space Holding S.r.l. As regards the above, at December 31, 2022, the Company's payable towards Space Holding S.r.l. amounted to Euro 120,000.

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

Finally, the Board of Directors of the Company identified, further to the Executive Director of the company, an additional 4 Senior Executives.

Chief Executive Officer/General Manager, Giulio Ranzo

The remuneration of **Giulio Ranzo** (Chief Executive Officer/General Manager) for 2022 includes the following components:

- (i) fixed remuneration as an Executive of the Company, amounting to Euro 448,000;
- (ii) annual variable remuneration relating to 2022, amounting to Euro 362,253.

The following table contains a comparison between the target values set by the annual

incentive plan and actual results.

2022 Targets	Weighting	Performance scenarios	2022 Result	Performance level	Bonus vs target	Multiplier	Target bonus €	Actual bonus €
Adjusted EBITDA	50%	Min	Euro 25.8 million	27.8	Between minimum and target	74% of the target	Euro 336,000	Euro 362,253
		Target	Euro 34.8 million					
		Max	Euro 36.8 million					
Net Financial Position	50%	Min	Euro 26.1 million	74.4	Overperformance: 212% vs target (capped at 114% as the maximum value)	133% of the target (cap)	Euro 336,000	Euro 362,253
		Target	Euro 35.1 million					
		Max	Euro 40.1 million					
						1.04		

With reference to the long-term variable remuneration, Avio's Board of Directors, at its meeting of March 28, 2022, resolved to cancel the 2020-22 and 2021-23 cycles of the existing 2020-24 long-term monetary incentive plan, whose retention and incentive purposes for management have ceased to exist in consideration of the changed circumstances caused by the exceptional events of the last few years. The COVID-19 pandemic and the Russian-Ukrainian crisis are the main factors that have eroded the currency of the economic-financial targets to which these cycles were linked. Therefore, no bonus is paid for the 2020-22 cycle of the 2020-2024 three-year monetary plan.

(iii) non-monetary benefits

In addition, Giulio Ranzo is covered by a non-competition agreement which establishes, against a restriction lasting 12 months from resolution of contract, the payment of six months of the fixed remuneration. In the case of resolution of contract by the Company or dismissal for just cause, the payment of an all-inclusive indemnity is envisaged equal to two gross annual remunerations, that is, the sum of the gross annual fixed remuneration and the short-term variable remuneration (this latter conventionally calculated at 100% of the fixed remuneration). These values include any component concerning obligatory contractual provisions, which shall not be paid in the case of resolution of contract by the Company or dismissal for just cause.

Senior Executives

The remuneration of the Senior Executives employed by the Company, reported in aggregate, for 2022 includes the following components:

- (i) fixed remuneration as executives, amounting to Euro 664,615;
- (ii) annual variable remuneration relating to 2022, amounting to Euro 216,363;

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

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

2022 Targets	Weighting	Performance scenarios	2022 Result	Performance level	Target bonus €	Actual bonus €						
Adjusted EBITDA	25%	<table border="1"> <tr><td>Min</td><td>25.8 €/m</td></tr> <tr><td>Target</td><td>34.8 €/m</td></tr> <tr><td>Max</td><td>36.8 €/m</td></tr> </table>	Min	25.8 €/m	Target	34.8 €/m	Max	36.8 €/m	27.8	Between minimum and target	Euro 199,358	Euro 216.363
Min	25.8 €/m											
Target	34.8 €/m											
Max	36.8 €/m											
Net Financial Position	25%	<table border="1"> <tr><td>Min</td><td>26.1 €/m</td></tr> <tr><td>Target</td><td>35.1 €/m</td></tr> <tr><td>Max</td><td>40.1 €/m</td></tr> </table>	Min	26.1 €/m	Target	35.1 €/m	Max	40.1 €/m	74.4	Over-performance: 212% vs target		
Min	26.1 €/m											
Target	35.1 €/m											
Max	40.1 €/m											
Function/individual objectives	50%	<table border="1"> <tr><td>Min</td><td>1</td></tr> <tr><td>Target</td><td>2</td></tr> <tr><td>Max</td><td>3</td></tr> </table>	Min	1	Target	2	Max	3	2.2	Between target and maximum		
Min	1											
Target	2											
Max	3											

With reference to the long-term variable remuneration, Avio's Board of Directors, at its meeting of March 28, 2022, resolved to cancel the 2020-22 and 2021-23 cycles of the existing 2020-24 long-term monetary incentive plan, whose retention and incentive purposes for management have ceased to exist in consideration of the changed circumstances caused by the exceptional events of the last few years. The COVID-19 pandemic and the Russian-Ukrainian crisis are the main factors that have eroded the currency of the economic-financial targets to which these cycles were linked. Therefore, no bonus is paid for the 2020-22 cycle of the 2020-2024 three-year monetary plan.

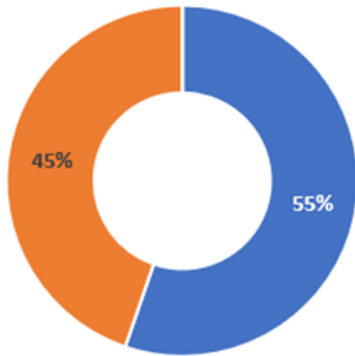
(iii) non-monetary benefits

In addition, one SE is covered by a non-competition agreement which establishes, against a restriction lasting 12 months from resolution of contract, the payment of six months of the fixed remuneration. In the case of resolution of contract by the Company or dismissal for just cause, the payment of an all-inclusive indemnity is envisaged equal to two gross annual remunerations, that is, the sum of the gross annual fixed remuneration and the short-term variable remuneration (this latter conventionally calculated at 50% of the fixed remuneration). These values include any component concerning obligatory contractual provisions, which shall not be paid in the case of resolution of contract by the Company or dismissal for just cause.

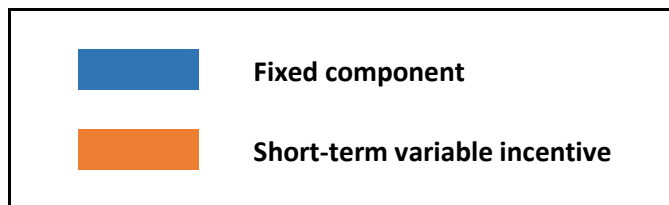
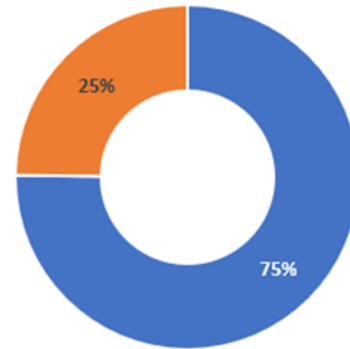
2. Pay mix in application of 2022 Policies

The pay mix of the Chief Executive Officer/General Manager and the Senior Executives is shown below with reference to the remuneration awarded during 2022, pursuant to the Policies described in Section I of the 2022 Report. For the reasons set out above, the long-term component of 2022 remuneration has been cancelled.

The Chief Executive Officer/General Manager



Senior Executives



3. Changes in the Company's remuneration and performance

The following table shows, for the 2019-2022 period, the change in:

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

	2019	2020	2021	2022
Employees				
Average remuneration (€/000)	46,347	47,139	46,450	46,534
<i>% Change</i>		2%	-2%	-
Giulio Ranzo, Chief Executive Officer/General Manager				
Remuneration (€/000)	1,171,601	1,046,518	952,003	833,475
<i>% Change</i>		-11%	-9%	-13%
Roberto Italia Chairperson				
Remuneration (€/000)	120,000	126,329	130,000	130,000
<i>% Change</i>		5%	3%	-
Monica Auteri, Director				
Remuneration (€/000)	56,342	49,948	45,000	45,000
<i>% Change</i>		-11%	-10%	-
Donatella Sciuto, Director				
Remuneration (€/000)	55,000	60,822	65,000	65,000
<i>% Change</i>		11%	7%	-
Giovanni Gorno Tempini, Director				
Remuneration (€/000)	66,342	63,459	60,000	60,000
<i>% Change</i>		-4%	-5%	-
Avio Performance				
Net Financial Position (€ mln)	57.9	62.6	57.2	74.4
<i>% Change</i>		8%	-9%	31%
Adjusted EBITDA (€ mln)	44	43.3	37.7	27.8
<i>% Change</i>		-2%	-13%	-27%

Key:

- **Remuneration component considered:** the values shown refer to total remuneration (fixed + annual variable component + long-term incentive matured in the reference year + fair value of equity remuneration). With reference to the annual variable remuneration, the figures used to calculate the total annual remuneration of employees are estimates, based on the information available at the date of this Report, in view of the fact that the actual value of the bonuses has not yet been determined on an individual basis for all the recipients of variable remuneration
- **Employee perimeter:** this refers to Avio employees at December 31, 2022; the values of remuneration are reported on a full-time equivalent basis. The following are not included in the analyses: the Chief Executive Officer/General Manager, as this is one of the persons for whom individual information is reported, and employees seconded to other Group companies.

PART 2

TABLE 1: REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND CONTROL BOARD, GENERAL MANAGERS AND SENIOR EXECUTIVES
BOARD OF DIRECTORS

Name	Office	Period of office	Concl. of office	Fixed Remun.	Remun. for committee participation	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Termination and post-employment benefits
						Bonuses and other incentives	Profit sharing					
Roberto Italia (1)	Chairperson BoD	1/1/2022-31/12/2022	Approval 2022 Accounts	120,000						130,000		
	Member Sustainability Committee	01/1/2022-31/12/2022	Approval 2022 Accounts		10,000							
Giulio Ranzo	CEO and General Manager	01/1/2022-31/12/2022	Approval 2022 Accounts	448,000	-	362,253		10,254		820,507	23,222	
Monica Auteri	Director BoD	01/1/2022-31/12/2022	Approval 2022 Accounts	35,000						45,000		
	Member Appointments and Remuneration Committee	01/1/2022-31/12/2022	Approval 2022 Accounts		10,000							
Raffaele Cappiello	Director BoD	01/1/2022-31/12/2022	Approval 2022 Accounts	26,250						41,250		
	Member Control and Risks Committee	01/1/2022-31/12/2022	Approval 2022 Accounts		15,000							
Letizia Colucci (2)	Director BoD	01/1/2022-31/12/2022	Approval 2022 Accounts	35,000						50,000		
	Member Control and Risks Committee	01/1/2022-31/12/2022	Approval 2022 Accounts		15,000							
Donatella Isaia	Director BoD	01/1/2022-31/12/2022	Approval 2022 Accounts	35,000						45,000		
	Member Appointments and Remuneration Committee	01/1/2022-31/12/2022	Approval 2022 Accounts		10,000							
Marcella Loggi	Director BoD	01/1/2022-31/12/2022	Approval 2022 Accounts	35,000						45,000		
	Member Sustainability Committee	01/1/2022-31/12/2022	Approval 2022 Accounts		10,000							
Luigi Pasquali (4)	Director BoD	01/1/2022-31/12/2022	Approval 2022 Accounts	35,000						35,000		
Elena Pisonero	Director BoD	01/1/2022-31/12/2022	Approval 2022 Accounts	35,000						60,000		
	Chairperson Sustainability Committee	01/1/2022-31/12/2022	Approval 2022 Accounts		25,000							

Name	Office	Period of office	Concl. of office	Fixed Remun.	Remun. for committee participation	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Termination and post-employment benefits
						Bonuses and other incentives	Profit sharing					
Donatella Sciuto	Director BoD	01/1/2022-31/12/2022	Approval 2022 Accounts	35,000						65,000		
	Chairperson Control and Risks Committee	01/1/2022-31/12/2022	Approval 2022 Accounts		30,000							
Giovanni Gorno Tempini	Director BoD	01/1/2022-31/12/2022	Approval 2022 Accounts	35,000						60,000		
	Chairperson Appointments and Remuneration	01/1/2022-31/12/2022	Approval 2022 Accounts		25,000							

Notes

(A) NON-EQUITY VARIABLE REMUNERATION: annual bonus value for the period considered (2022 short-term incentive plan). The 2020-2022 LTI plan was cancelled as per the motion of the Board of Directors at its meeting of March 28, 2022.

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

(C) FAIR VALUE OF EQUITY REMUNERATION: The fair value for 2022 of shares granted by the extraordinary Performance Share Plan, approved by the Shareholders' Meeting on April 28, 2022, is shown.

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

(2) Letizia Colucci reversed her remuneration to Leonardo S.p.A..

(3) Luigi Pasquali reversed her remuneration to Leonardo S.p.A..

BOARD OF STATUTORY AUDITORS

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

OTHER SENIOR EXECUTIVES*

Name	Office	Period of office	Concl. of office	Fixed Remun.	Remun. for committee participation	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Termination and post-employment benefits
						Bonuses and other incentives	Profit sharing					
Senior Executives				664,615		216,363		58,824		939,802	31,019	

(*) At December 31, 2022, further to the Chief Executive Officer/General Manager, an additional 4 Senior Executive employees of the Company and no other Senior Executives of the subsidiaries were in office.

Notes

(A) NON-EQUITY VARIABLE REMUNERATION: annual bonus value for the period considered (2022 short-term incentive plan). The 2020-2022 LTI plan was cancelled as per the motion of the Board of Directors at its meeting of March 28, 2022.

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

(C) FAIR VALUE OF EQUITY REMUNERATION: The fair value for 2022 of shares granted by the extraordinary Performance Share Plan, approved by the Shareholders' Meeting on April 28, 2022, is shown.

TABLE 3A:

FINANCIAL INSTRUMENT-BASED INCENTIVE PLANS, OTHER THAN STOCK OPTIONS, IN FAVOUR OF MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGERS AND OTHER SENIOR EXECUTIVES*

Name	Office	Plan	Financial instruments granted in previous years not vested in the year		Financial instruments allocated in the year					Financial instruments vested in the year and not allocated	Financial instruments vested during the year which may be allocated		Financial instruments accruing in the year
			Number and type financial instruments	Vesting period	Number and type financial instruments	Fair value at allocation date	Vesting period	Allocation date	Market price on allocation	Number and type financial instruments	Issuable/Issued (3B)	Still deferred (3C)	
Giulio Ranzo	Chief Executive Officer	2022-2024 Extraordinary Performance Share Plan (April 28, 2022)			30,101 - Shares	322,081	01/01/2022-31/12/2024	26/10/2022	11.14				23,222
Senior Executives		2022-2024 Extraordinary Performance Share Plan (April 28, 2022)			40,206 - Shares	430,204	1/1/2021-31/12/2023	26/10/2022	11.14				31,019

(*) At December 31, 2022, further to the Chief Executive Officer/General Manager, an additional 4 Senior Executive employees of the Company and no other Senior Executives of the subsidiaries were in office.

TABLE 3B:

MONETARY INCENTIVE FOR DIRECTORS, GENERAL MANAGERS AND OTHER SENIOR EXECUTIVES

Name	Office	Plan	Bonus for the year			Prior year bonuses			Other Bonuses
			Issuable/Issued (2A)	Deferred (2B)	Deferred period	No longer issuable (3A)	Issuable/Issued (3B)	Still deferred (3C)	
Giulio Ranzo	Chief Executive Officer	2022 short-term variable incentive plan (March 14, 2022)	362,253						
		2022-2024 long-term variable incentive plan (approved March 28, 2022)		268,800	01/01/2022-31/12/2024		-		
Senior Executives		2022 short-term variable incentive plan (March 14, 2022)	216,363						
		2022-2024 long-term variable incentive plan (approved March 28, 2022)		248,500	01/01/2022-31/12/2024				

(*) At December 31, 2022, further to the Chief Executive Officer/General Manager, an additional 4 Senior Executive employees of the Company and no other Senior Executives of the subsidiaries were in office.

NOTE

(2B) Deferred year bonus: 2022-2024 LTI plan.

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

Name	Office	Avio Investee/ Subsidiary	Number of shares held at 31.12.2021	No. of shares acquired in 2022	No. of shares sold in 2022	Number of shares held at 31.12.2022
Roberto Italia	Chairperson BoD	--	--	--	--	--
Giulio Ranzo	CEO and General Manager	--	--	--	--	--
Monica Auteri	Director BoD	--	--	--	--	--
Raffaele Cappiello	Director BoD	--	--	--	--	--
Letizia Colucci	Director BoD	--	--	--	--	--
Donatella Isaia	Director BoD	--	--	--	--	--
Stefano Pareglio	Director BoD	--	--	--	--	--
Marcella Logli	Director BoD	--	--	--	--	--
Elena Pisonero	Director BoD	--	--	--	--	--
Donatella Sciuto	Director BoD	--	--	--	--	--
Giovanni Gorno Tempini	Director BoD	--	--	--	--	--

BOARD OF STATUTORY AUDITORS

Name	Office	Avio Investee/ Subsidiary	Number of shares held at 31.12.2021	No. of shares acquired in 2022	No. of shares sold in 2022	Number of shares held at 31.12.2022
Vito Di Battista	Chairperson Board of Statutory Auditors	--	--	--	--	--
Mario Matteo Busso	Statutory Auditor	--	--	--	--	--
Michela Zeme	Statutory Auditor	--	--	--	--	--

SENIOR EXECUTIVES

Name	Office	Avio Investee/ Subsidiary	Number of shares held at 31.12.2021	No. of shares acquired in 2022	No. of shares sold in 2022	Number of shares held at 31.12.2022
Senior Executives		--	--	--	--	--