

## **PROSPECTUS**

### **“2024-2026 PERFORMANCE SHARE PLAN”**

**PREPARED PURSUANT TO ARTICLE 114-BIS OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998, ARTICLE 84-BIS AND ANNEX 3A, SCHEDULE 7, OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT AMENDMENTS**

**Rome, March 22, 2024**

## **Definitions**

In addition to the terms defined elsewhere in this Prospectus, for the purposes of this document, the terms listed below shall have the following meanings:

<b>“Grant”</b>	indicates the grant of the Rights to each Beneficiary according to the terms and conditions set out in the Regulation.
<b>“Shareholders’ Meeting”</b>	the Shareholders’ Meeting of the Company.
<b>“Allocation”</b>	the determination, after verification of the achievement of the Performance Targets, of the number of Shares that each Beneficiary will receive free of charge, as decided by the Board of Directors, after consulting the Appointments and Remuneration Committee, at the end of the Performance Period.
<b>“Shares”</b>	the ordinary shares of the Company, listed on the STAR segment of the Euronext Milan market managed by Borsa Italiana S.p.A., with no par value.
<b>"Bad Leaver"</b>	all conclusion of employment situations other than those defining a Good Leaver.
<b>“Beneficiaries”</b>	the beneficiaries of the Plan, pursuant to paragraph 1 of the Prospectus, as identified by the Board of Directors, after consultation with the Appointments and Remuneration Committee.
<b>“Change of Control”</b>	(a) the acquisition, directly or indirectly, by one or more third parties of the control of the Company pursuant to Article 93 of the CFA; (b) the acquisition, directly or indirectly, by one or more third parties, of a number of shares or of a shareholding in a Subsidiary, subject to a Beneficiary Relationship, provided that they are different from the Company, of a total of more than 50% of the relevant share capital, unless the Company continues to hold control pursuant to Article 2359 of the Civil Code; (c) the definitive transfer to one or more third parties of the

Company or of the business unit subject to the Beneficiary Relationship.

It is understood that the Changes of Control identified in subparagraphs b) and c) above shall apply only with respect to the Beneficiaries who have an existing Relationship with the Subsidiary, the Company or business unit subject to the Change of Control.

**“Clawback”**

the clause according to which the Company shall be entitled to request the Beneficiaries to return all or part of the Shares that may have been allocated or an equivalent amount of money under the Plan if such have been received on the basis of data that subsequently prove to be clearly erroneous and the differences between the data used and the adjusted data were such as to have caused, if known in time, the non-Allocation of the Shares.

**“Code”**

the Corporate Governance Code for listed companies approved in January 2020 by the Corporate Governance Committee.

**“Appointments and Remuneration Committee”**

the internal committee to the Board of Directors set up in accordance with Articles 4 & 5 of the Corporate Governance Code.

**“Delivery”**

the delivery of Shares to each of the Plan Beneficiaries following the Allocation resolved by the Board of Directors at the end of the Performance Period. Delivery of the Shares will occur following the approval of the financial statements for fiscal year 2026.

**“Board of Directors”**

the Board of Directors of the Company.

**"Rights Grant Date"**

the date on which the Board of Directors, in consultation with the Appointments and Remuneration Committee, indicates the number of Rights granted to each Beneficiary.

**“Share Allocation Date”**

indicates the date on which the Board of Directors, at the end of the Performance Period and once the degree of achievement of the

Performance Targets has been verified, resolves on the number of Shares to be allocated to each Beneficiary and arranges for the notice of the Share Allocation to be sent to the Beneficiaries.

**“Rights”**

the rights assigned to the Beneficiaries to receive free Shares at the end of the Performance Period based on the achievement of the Performance Targets.

**“Prospectus”**

this Prospectus related to the Plan, drawn up pursuant to Article 114-*bis* of the CFA and Article 84-*bis* of the Issuers' Regulation.

**"Good Leaver"**

the following termination scenarios:

- 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 fulfils the statutory retirement requirements and in the 30 subsequent days presents a request to access the relative benefits;

**"Group" or "Avio Group"**

collectively, Avio S.p.A. and its subsidiaries pursuant to Article 2359 of the Civil Code and Article 93 of the CFA and IFRS 10 – Consolidated Financial Statements.

**“Grant Letter”**

the communication letter informing the Beneficiaries of their participation in the Plan and containing the number of Rights granted and the

Performance Targets on which the Allocation of the Shares is conditional.

**"Base Number"**

For each Beneficiary, the number of Shares obtainable upon achievement of 100% of the Performance Targets under the terms and conditions set forth in the Regulation.

**"Performance Targets"**

indicates the objectives of the Plan governing the Allocation of Shares to each Beneficiary at the end of the Performance Period, once the degree of achievement of the Performance Targets has been verified, after consulting the Appointments and Remuneration Committee.

**"Performance Period"**

the three-year period 2024-2025-2026 of the Plan, against which the achievement of the Performance Targets is verified.

**"Plan"**

the 2024-2026 Plan based on financial instruments reserved to the Beneficiaries and governed by the Regulation (as may be amended) and related annexes.

**"Relationship"**

the relationship of employment and/or collaboration and/or management between the individual Beneficiary and the Company or one of the Subsidiary companies.

**"Regulation"**

the Regulation governing the terms, conditions and procedures of the Plan, which will be approved by the Board of Directors of the Company following the approval of the Plan by the Shareholders' Meeting.

**"Issuers' Regulation"**

Consob Regulation No. 11971, approved by Resolution of May 14, 1999 and subsequent amendments and supplements.

**"Company"**

Avio S.p.A., with registered office at via Leonida Bissolati No. 76, Rome, enrolled at the Rome Companies Registration and Tax No. 09105940960.

“CFA”

Legislative Decree No. 58 of February 24, 1998  
and subsequent amendments and supplements.

## Introduction

Since the Company's listing in 2017, Avio's Remuneration Policy has included variable management compensation plans linked to the Company's long-term performance, which seek to align management's interests with those of shareholders, ensuring retention of key people and rewarding the achievement of strategic plan goals. In continuity with the Performance Share Plan, cycle 2023-2025, the Company intends to launch a new cycle 2024-2026, designed to strengthen the link between management remuneration and the perspective of institutional investors and shareholders.

On March 22, 2024, the Board of Directors resolved to submit for approval to the Shareholders' Meeting in ordinary session called for April 23, 2024, in single call, an incentive plan that provides for the right to proceed with the grant of rights to be received free of charge up to a total maximum of 220,000 Shares of the Company, subject to the achievement of predetermined Performance Targets, at the end of the Performance Period (the "**Plan**").

The Plan is addressed to the Chief Executive Officer/General Manager, Senior Executives and other Managers with strategic roles for Avio, identified by the Board of Directors, after consulting the Appointments and Remuneration Committee, among those who hold key positions with a significant impact on the creation of value for the Shareholders within the Company and/or its Subsidiaries.

This Prospectus was prepared in accordance with Article 114-*bis* of the CFA and Article 84-*bis* of the Issuers' Regulation and complies with, also in terms of the numbering of the relative paragraphs, the indications of Schedule 7 of Annex 3A of the same Issuers' Regulation. As better specified in this Prospectus, some aspects related to the implementation of the Plan will be defined by the Board of Directors on the basis of the powers granted to it by the Shareholders' Meeting.

The information resulting from the motions that - subject to the approval of the Plan by the Shareholders' Meeting and in compliance with the general criteria set out therein - the Board of Directors shall adopt in order to implement the Plan, shall be provided in the manner and within the time limits set out in Article 84-*bis*, paragraph 5, letter a) of the Issuers' Regulation.

The purpose of this Prospectus is to provide Shareholders with the information necessary to exercise their right to vote in an informed manner at the Shareholders' Meeting.

The Prospectus is made available to the public at the Company's registered office and on the Company's website [www.avio.com](http://www.avio.com), in the *Investors/Shareholders' Meeting 2024* section in accordance with the law.

The Plan is to be considered of particular relevance pursuant to Article 114-*bis*, paragraph 3 of the CFA and Article 84-*bis*, paragraph 2, letters a) and b) of the Issuers' Regulation.

## 1. Beneficiaries

### 1.1 *Indication of the names of the beneficiaries who are members of the Board of Directors of the Company, of the Company's parent company and of the Subsidiaries.*

The Plan is addressed, among others, to the Chief Executive Officer Mr. Giulio Ranzo.

The Plan is also intended for Senior Executives and other Managers with strategic roles for the Group.

### 1.2 *Indication of the categories of employees targeted by the plan or employees of the Company and its parent company or subsidiaries.*

As per the Plan Regulation, the Beneficiaries were identified at the sole discretion of the Board of Directors, having consulted with the Appointments and Remuneration Committee, from among the Executives, Senior Executives and/or Executive Directors of the Company and the Group who hold key positions and who have a significant impact on the creation of value for the Company and its stakeholders.

The report will be supplemented according to the methods and within the terms indicated in Article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

### 1.3 *Names of the beneficiaries of the plan belonging to the groups indicated at point 1.3, letters a), b) and c) of Annex 3A, Scheme 7 of the Issuers' Regulation.*

The names of the Beneficiaries and the other information required by paragraph 1.3 of Schedule 7 of Annex 3A to the Issuers' Regulation shall be provided according to the terms and conditions set out in Article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.

### 1.4 *Description and numeric indication of the beneficiaries of the plan, according to the categories indicated at point 1.4, letters a), b) and c) of Annex 3, Schedule 7 of the Issuers' Regulation.*

#### *a) of Senior Executives other than those indicated at letter b) of paragraph 1.3*

Not applicable: Avio S.p.A. is a "small" company in accordance with Article 3, paragraph 1, letter f) of Regulation No. 17221 of March 12, 2010.

#### *b) For "small" companies, pursuant to Article 3, paragraph 1 (f) of Regulation No. 17221 of March 12, 2010, the aggregate indication of all the Senior Executives of the issuer of the financial instruments*

At the date of preparation of this Prospectus, the Chief Executive Officer/General Manager and the Senior Executives of Avio S.p.A. and other Managers of the Group have been identified as Beneficiaries of the Plan, subject to its approval.

#### *c) of any other categories of employees or collaborators for which differentiated features of the plan are provided for (e.g. executives, senior managers, white-collar employees etc.)*

Not applicable. As indicated above, the Plan's Beneficiaries include managerial figures who occupy positions deemed to be important for the growth and sustainability of the Group's business over the long term.

## 2. Reasons for the adoption of the Plan

### 2.1 Plan objectives

The Plan is a valuable tool for incentivising and retaining Beneficiaries, as parties playing a key role in achieving Avio's objectives, and aligning their interests with those of the shareholders.

The incentivisation and retention of Beneficiaries through the allocation of instruments representing the value of the Company on the basis of the achievement of certain Performance Targets is, in fact, an indispensable tool for the Company to pursue its path in line with the objectives it has set itself.

Specifically, by adopting the Plan the Company intends to:

- align the interests of the Beneficiaries with those of the shareholders and Avio's strategic plan;
- link the remuneration of the Beneficiaries, as subjects who play a key role in the achievement of Avio's objectives, to the achievement of specific pre-set long-term objectives in line with the indications of the Code;
- support and reward the achievement of long-term objectives, allowing the priority objective of value creation to be pursued over a long-term horizon while directing Beneficiaries towards decisions that pursue the creation of value for the Company in the medium to long term;
- support the attraction, retention and engagement of key staff in line with the corporate culture, while pursuing an efficient choice in terms of the costs generated by the Plan.

The Plan provides for:

- the Grant of a certain number of Rights to Beneficiaries;
- a three-year performance period;
- the Allocation and Delivery of shares subject to the Board of Directors' verification of the Performance Targets achieved in the reference year.

The Board of Directors believes that an incentive plan based on the vesting of the right to the free allocation of shares deferred over the medium term and based on Performance Targets is the incentive tool that most effectively responds to the Company's interests.

In particular, the three-year Performance Period allows Beneficiaries to take advantage of a reasonable time frame to achieve the economic benefits of the Plan, consistent with the objectives of loyalty and alignment of the interests of Beneficiaries and Shareholders in the medium to long term that the Plan proposes.

For the purposes of retention, the Allocation of the Shares is subject to the verification by the Board of Directors, *inter alia*, that on the Date of Allocation of the Shares the Beneficiary's relationship with the Company or with the relevant Subsidiary is still in force and that, with reference to the role held, he/she is still a Beneficiary within the Company or the relevant Subsidiary.

The Allocation of Shares is closely linked to the creation of value for the Company and aims to motivate, involve and incentivise the Beneficiary to achieve the Company's objectives, also aligning its activities with those of its stakeholders.

The Plan is part of a remuneration policy strategy that seeks to balance the fixed and variable



components that form the remuneration of Avio's top management, considering the advisability of offering an incentive able to drive long-term results according to certain Performance Targets, in line with market best practices.

## 2.2 Key variables and performance indicators.

The Allocation of Shares is subject to the achievement of the Performance Targets for the three-year period 2024/2026.

The Performance Targets identified by the Board of Directors consist of:

- *Three-year cumulative reported EBITDA*, which allows a measurement of medium-term profitability that does not take into account non-recurring components, with an incentive determination weighting of 40%;
- *Average Return on Invested Capital*, defined as EBIT Reported / Net Invested Capital, with an incentive determination weighting of 40%;
- ESG indicators, with a 20% overall incentive determination weighting:
  - Gender diversity, defined as the ratio between female employees and male employees (5%).
  - *Gender pay gap*, defined as the ratio between the remuneration of female employees and male employees at the same grade (5%)
  - *Waste management*, defined as the percentage of waste recovered (5%).
  - *Employee training*, Defined as the average annual hours of training provided in the three-year period (5%).

Performance Targets will be measured relative to the specific three-year span 2024/2026.

For each of the indicators, there is:

- a minimum performance level (threshold), upon achievement of which the minimum number of Rights granted, equal to 50% of the Base Number, are allocated and below which no bonus is recognised;
- a target performance level, upon achievement of which the Base Number (target) of the Rights granted are allocated;
- a maximum performance level, upon achievement of which the maximum number of Rights granted, equal to 150% of the Base Number, are allocated.
- for intermediate performance levels, a number of Rights calculated by linear interpolation are granted.

The following diagram summarises, for each target, the percentage weighting for the purpose of determining the incentive and the expected performance range:

Indicator	Weighting	Performance levels			
		Minimum	Target	Maximum	
Cumulative three-year Reported EBITDA	40%	75% of the budget	Budget	125% of the budget	
Average Return on Invested Capital	40%	70% of the budget	Budget	130% of the budget	
ESG Indicators	Gender diversity	5%	94.7%	19%	105.3%
	Gender pay gap	5%	96%	98%	102%
	Waste management	5%	90%	60%	110%
	Employee training	5%	90%	30,000 hours	110%

The details of the Performance Targets will be communicated to the Beneficiaries in the Grant Letter, which must be signed for acceptance by the Beneficiary.

### **2.3 Criteria for determining the number of shares to be allocated**

The Grant of Rights will be made by the Company's Board of Directors, after consultation with the Appointments and Remuneration Committee, subject to approval of the Plan by the Shareholders' Meeting on April 23, 2024.

In determining the number of Rights to be granted to each Beneficiary, the Board of Directors mainly takes into account the role covered and the importance of the function within the Avio Group.

The number of Rights to be granted to Grantees shall be determined by the Board of Directors at the time of the Grant, after consultation with the Appointments and Remuneration Committee. The number of Rights is calculated considering the average Avio share price in the month preceding the meeting of the Board of Directors that approved the financial statements.

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 Grant, calculated as the average Avio share price in the month preceding the Board of Directors meeting that approved the financial statements for the year before the plan began.

### **2.4 Reasoning behind any decision to allocate remuneration plans based on financial instruments not issued by the Company.**

Not applicable. The Plan is based solely on Shares of the Company.

### **2.5 Assessments concerning significant tax and accounting implications**

The preparation of the Plan was not influenced by significant tax or accounting considerations.

### **2.6 Support to the Plan by the special fund for investment for the incentivisation of the involvement of workers in enterprises, as per Article 4, paragraph 112 of Law No. 350 of December 24, 2003.**

The Plan does not receive support from the special fund for the incentivisation of the involvement of workers in enterprises, as per Article 4, paragraph 112 of Law No. 350 of December 24, 2003.

## **3. Approval procedure and timeframe for the granting of the instruments.**

### **3.1 *Powers and functions delegated by the Shareholders' Meeting to the Board of Directors to implement the Plan.***

On March 22, 2024, the Board of Directors, having heard the opinion of the Appointments and Remuneration Committee which met on March 7, 2024, resolved to submit the approval of the Plan to the Shareholders' Meeting in ordinary session to be held on April 23, 2024, in single call.

In addition to approving the Plan, the Ordinary Shareholders' Meeting will be called upon to resolve to grant the Board of Directors all powers necessary or appropriate to implement the Plan. These include (by way of example only) all powers to (i) approve the Regulation, (ii) identify the Beneficiaries by name; (iii) determine the number of Rights to be granted to each Beneficiary; (iv) proceed with the Allocation of the Shares, as well as to perform all acts, formalities and communications that are necessary or appropriate to implement and/or manage the Plan.

### **3.2 Individuals assigned to administer the Plan.**

Responsibility for administering the Plan rests with the Board of Directors. The Board of Directors is granted all powers to implement the Plan, subject to the advice of the Appointments and Remuneration Committee, which performs advisory and propositional functions in connection with the implementation of the Plan, including, without limitation:

- (i) the power to identify Beneficiaries;
- (ii) the power to verify the achievement of the Performance Targets for the Allocation of Shares;
- (iii) the power to ask the Beneficiaries to return any Shares allocated under the Plan if the same have been received on the basis of data that subsequently prove to be manifestly incorrect (Clawback);
- (iv) the power to define the terms and conditions of the Allocation of Shares in the event of a Change of Control or delisting;
- (v) the power to amend the Plan as set out in Section 3.3 below.

The Board of Directors, in exercising the powers to be conferred on it by the Shareholders' Meeting in relation to the Plan, may delegate its powers, duties and responsibilities regarding the execution of the Plan to one or more of its members.

### **3.3 Existing Procedures for Plan Review.**

The Board of Directors of the Company, where deemed necessary or appropriate to keep the essential contents of the Plan as unchanged as possible, within the limits allowed by the regulations in force from time to time, shall regulate the emerging rights and/or amend and/or supplement the conditions for the Grant of the Rights upon the occurrence of, *inter alia*, the following transactions: splitting and regrouping of the Shares, free increase in the Company's capital, increase in the Company's capital for payment, distribution of extraordinary dividends, to the Shares, capital reductions for losses by cancellation of the Shares.

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

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

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

Any changes to Performance Targets must safeguard the principles and guidelines according to which the Plan has been formulated by not introducing undue advantages or penalties for either the Beneficiaries of the plan or the Company.

The Board of Directors, at its sole discretion, shall also have the power, subject to the opinion of the Appointments and Remuneration Committee, to grant the Beneficiaries the right to receive all or part 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 in the event of:

- (a) Change of Control;
- (b) a public tender offer or a public exchange offer concerning the Avio Shares;
- (c) revocation of the listing of the Shares on the MTA (delisting).

This decision shall be binding on the Beneficiaries.

The Board of Directors is responsible for defining the terms and conditions of the Allocation of Shares in the event of a Change of Control or delisting.

### **3.4 Methods by which to determine the availability and Allocation of Shares.**

The Shares allocated will be made available using only treasury shares held by the Company.

### **3.5 Role carried out by each Director in establishing the characteristics of the Plan; any conflicts of interest.**

The Company's Appointments and Remuneration Committee was involved in preparing the Plan.

The Beneficiaries of the Plan include a Director of the Company, identified by the Board of Directors. Board motions for the Granting of Rights and the Allocation of Shares shall be adopted in compliance with the applicable regulatory provisions.

### **3.6 Date of the decision taken by the competent body to propose approval of the Plan by the Shareholders' Meeting and of the opinion of the Appointments and Remuneration Committee.**

At its meeting of March 7, 2024, the Appointments and Remuneration Committee issued its opinion regarding the Plan.

At its meeting of March 22, 2024, the Board of Directors resolved to submit the adoption of the Plan to the approval of the Ordinary Shareholders' Meeting called for April 23, 2024.

At the aforementioned meeting of March 22, 2024, the Board of Directors therefore approved, subject to the favourable opinion of the Appointments and Remuneration Committee, this Prospectus and the Directors' explanatory report on the remuneration plan pursuant to Article 114-*bis* of the CFA concerning the Prospectus.

**3.7 Date of the decision taken by the competent body regarding the assignment of the instruments and of any opinion to the aforementioned body expressed by the Appointments and Remuneration Committee.**

The Rights under the Plan will be granted to the Beneficiaries by the Board of Directors, in consultation with the Appointments and Remuneration Committee, following approval of the Plan by the Ordinary Shareholders' Meeting called for April 23, 2024.

The underlying Shares will be allocated to the Beneficiaries by the Board of Directors, after consultation with the Appointments and Remuneration Committee, subject to the achievement of the Performance Targets at the end of the Performance Period and, specifically, following the Shareholders' Meeting approval of the 2026 Financial Statements.

The dates for the Granting of Rights and the Allocation of Shares will be communicated by the methods and within the time limits set out in Article 84-*bis*, paragraph 5, letter a) of the Issuers' Regulation.

**3.8 The market price of the shares recorded on the dates indicated in 3.6. and 3.7. above.**

On March 7, 2024, when the Appointments and Remuneration Committee met to review the Plan to be submitted to the Company's Board of Directors, the closing stock market price of the Shares was Euro 9.31.

On March 22, 2024, when the Board of Directors met to review the Plan to be submitted to the Shareholders' Meeting in ordinary session called for April 23, 2024, the closing stock market price of the Shares was Euro 9.50.

The price of the Shares at the time of the Grant of Rights and the Allocation of Shares by the Board of Directors will be communicated in the manner and within the time limits indicated in Article 84 -*bis*, paragraph 5, letter a) of the Issuers' Regulation.

**3.9 For plans based on financial instruments traded on regulated markets, under which terms and in accordance with which procedures does the issuer take into account, when identifying the timing of the allocation of the instruments under the plans, the possible overlap in time between (i) that allocation or any decisions taken in that regard by the Appointments and Remuneration Committee, and (ii) the disclosure of any relevant information pursuant to Article 17 of Regulation (EU) No 596/2014 and Article 114, paragraph 1, CFA.**

On the occasion of the Board of Directors' resolution of March 22, 2024 regarding the Plan, notice was given to the market pursuant to and for the purposes of applicable laws and regulations.

During implementation of the Plan, information will be provided to the market, where required by the laws and regulations in force from time to time.

Beneficiaries are required to comply with the provisions on the abuse of inside information laid down by the applicable laws and regulations, with particular reference to disposals of the Shares that may be allocated once it has been verified that the Performance Targets have been achieved.

#### **4. Characteristics of the instruments allocated.**

##### **4.1 Structure of the Plan.**

The purpose of the Plan is to grant the Beneficiaries free of charge Rights to a maximum of 220,000 shares, representing 0.8% of the Company's share capital, subject to the achievement of the Performance Targets.

The Rights will be assigned to the Beneficiaries only on a personal basis and may not be transferred by deed between living persons, nor subject to restrictions or be subject to other acts of disposal for any reason whatsoever.

##### **4.2 Effective implementation period of the Plan with regards also to any differing cycles established.**

The Plan provides for:

- the Grant of a certain number of Rights to Beneficiaries;
- a three-year performance period;
- the Allocation and Delivery of shares subject to the Board of Directors' verification of the Performance Targets achieved in the reference year.

The Shares allocated at the end of the Performance Period and subject to the achievement of the Performance Targets - once the statutory and administrative-accounting requirements related to the provision of the Shares have been met - shall be delivered to each Beneficiary within the terms indicated in the Regulation.

##### **4.3 Conclusion date of the plan.**

The Plan will conclude with the Delivery of Shares to Beneficiaries.

##### **4.4 Maximum amount of Shares covered by the Plan.**

The Plan concerns the right to receive free of charge a maximum 220.000 Shares.

##### **4.5 Plan implementation means and clauses**

The Board of Directors, in accordance with the procedures indicated in paragraph 1.1 above, shall identify the Beneficiaries to whom the Grant Letter will be sent, the latter already indicating, *inter alia*, the Base Number of Shares and the Performance Targets.

Each Beneficiary may participate in the Plan by signing and delivering to the Company the duly completed and signed Grant Letter, within 10 (ten) calendar days of receipt thereof, under penalty of forfeiture of the right to participate in the Plan.

The right to receive Shares shall be deemed to be granted, with retroactive effect to the Grant Date of the Right, upon receipt by the Company of the duly completed and signed Grant Letter, as evidenced by the signature affixed by the Company for acknowledgement and confirmation of receipt on the Grant Letter.

The Plan provides that the Allocation and Delivery of Shares will be made free of charge.

The free Award of Shares is contingent upon (i) the achievement of specific Performance Targets; and (ii) the Relationship being in existence on the Share Grant Date.

In the event of termination of the Relationship as a result of a Good Leaver scenario before the Grant Date or otherwise prior to delivery of the Shares, the Beneficiary (or his or her heirs) may retain the right to receive a pro-rata amount of the Base Number, at the Board's sole discretion based on the percentage of achievement of the Performance Targets.

In the event of termination of the Relationship as a result of a Bad Leaver scenario prior to the Share Grant Date or otherwise prior to delivery of the Shares, the Beneficiary will permanently and fully forfeit the Right to receive Shares.

The Performance Targets will be identified by the Board of Directors when the Rights are granted, in consultation with the Appointments and Remuneration Committee, and consist of:

- *Cumulative three-year Reported EBITDA;*
- *Average Return on Invested Capital;*
- ESG Indicators:
  - *Gender diversity;*
  - *Gender pay gap;*
  - *Waste management;*
  - *Employee training.*

For a more detailed description of the Performance Targets, see Section 2.2 of this Document.

#### **4.6 Restrictions binding the Shares**

The Rights granted are personal, non-transferable and not available *inter vivos* and may not be pledged or collateralised. The Rights shall become null as a result of any attempted transfer or negotiation, including, without limitation, any attempted transfer by deed between living persons or in application of law, pledge or other real right, seizure or attachment.

#### **4.7 Any termination conditions with respect to the Plan if recipients engage in hedging transactions.**

The execution of hedging transactions on the Rights granted by the Beneficiaries prior to the Allocation of the Shares leads to the loss of the Rights.

#### **4.8 Description of the effects from termination of employment.**

Termination of the Relationship between the Beneficiaries and the Company or its Subsidiaries prior to the Grant Date or otherwise prior to the Delivery of the Shares, unless otherwise determined by the Board of Directors to be more favourable to the Beneficiaries, shall be governed as set out below.

In the event of termination of the Relationship as a result of a Bad Leaver scenario prior to the Allocation Date or otherwise prior to Delivery of the Shares, the Beneficiary will permanently and fully forfeit the Right to receive Shares.

In the event of termination of the Relationship as a result of a Good Leaver scenario before the Grant Date or otherwise prior to Delivery of the Shares, the Beneficiary (or his or her heirs) may retain the right to receive a pro-rata amount of the Base Number of Shares



allocated, at the Board's sole discretion based on the percentage of achievement of each Performance Target.

It is understood that in the event of transfer of the Relationship from the Company or from the Subsidiary to another Group company and/or in the event of termination of the Relationship and simultaneous establishment of a new Relationship within the Group, the Beneficiary will keep, *mutatis mutandis*, the Rights assigned.

#### **4.9 Indication of any other causes of the Plan's cancellation.**

If, following the entry into force of primary and/or secondary legislation (including social security and tax legislation) and/or following the issuance of official interpretative clarifications and/or following changes in current interpretations of the applicable rules, the implementation of the Plan should entail additional charges not currently envisaged for the Company, of a tax, social security or other nature, the Plan may be temporarily suspended, amended or cancelled.

In such event, the Company shall not be liable for any damages, indemnities or other charges whatsoever to the Beneficiaries and none of the Beneficiaries shall have any claim against the Company in respect of the Rights granted to them to receive free Shares not yet allocated.

#### **4.10 Reasons for any provision for redemption by the Company of the financial instruments covered by the Plan.**

We note that the Plan does not provide for a right of redemption by the Company.

#### **4.11 Loans or other subsidies for the purchase of Shares.**

There are no loans or other facilities for the purchase of the Shares as they are allocated free of charge.

#### **4.12 Indication on the valuations regarding the expected charge upon the Company at the relative assignment date, as may be estimated on the basis of the terms and conditions thus far defined, for the total amount and in relation to each Plan instrument.**

The expected charge to the Company is the fair value of the Plan Shares, which will be precisely determined on the Grant Date of the Rights.

Information regarding the total cost of the Plan will be provided according to the methods and within the terms indicated in Article 84-*bis*, paragraph 5, letter a) of the Issuers' Regulation.

#### **4.13 Any dilutive effects caused by the Plan.**

The Shares serving the Plan and referring to the three-year period as a whole represent 0.8% of Avio's share capital.

Since the Plan is based on the allocation of Shares already held in the Company's portfolio, it will not lead to dilutive effects on Avio's share capital.



**4.14 Any limits on voting rights and concerning the allocation of equity rights.**

There are no limits on the exercise of equity and voting rights with respect to Shares to be granted under the Plan.

**4.15 Information on the allocation of Shares not traded on regulated markets**

Not applicable.

**4.16 - 4.22**

Not applicable.

**4.23 Criteria for adjustments necessary following extraordinary share capital operations or other operations affecting the number of underlying instruments (share capital increases, extraordinary dividends, reverse stock split and splits of underlying shares, mergers and spin-offs, conversions to other share classes etc.)**

The Board of Directors may, independently and without the need for further approval from the Shareholders' Meeting, make all the changes and supplements to the Plan that are considered necessary and/or appropriate to continue to apply the Plan's essential and economic content, to the extent permitted by applicable regulations, and after having consulted the Appointments and Remuneration Committee, in the event of the following circumstances:

- i. corporate transactions on the Company's share capital and therefore, including but not limited to, a reduction in share capital due to losses through the cancellation of shares, the Company's share capital increases, whether free or paid-in, offered as options to shareholders or without option rights, possibly also to be settled by conferment in kind, rearrangement or the splitting of Shares which may affect the Shares;
- ii. mergers or spin-offs, the purchase or sale of shareholdings, companies or business units or
- iii. changes in laws or regulations or other events that may affect the rights under the Plan, Avio shares, or the Company itself.

For information on the early exercise of the Rights, please refer to paragraph 3.3.

**4.2.4 TABLE**

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Table No. 1 required by paragraph 4.24 of Schedule 7 of Annex 3A of the Issuers' Regulation will be provided according to the terms and conditions indicated by Article 84-bis, paragraph 5, letter a) of the Issuers' Regulation.