



## 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](http://www.avio.com)

**Approved by the Board of Directors on March 22, 2024**



**CONTENTS**

**INTRODUCTION .....5**

**EXECUTIVE SUMMARY .....6**

**SECTION I.....13**

**1. GOVERNANCE - PROCEDURES FOR THE ADOPTION AND IMPLEMENTATION OF THE  
REMUNERATION POLICY .....13**

**2. MARKET PRACTICES AND INDEPENDENT EXPERTS INVOLVED IN PREPARING THE REMUNERATION  
POLICY .....17**

**3. REMUNERATION POLICY .....18**

**4. POLICY UPON BENEFITS ON CONCLUSION OF OFFICE .....29**

**SECTION II.....31**

**PART 1 .....31**

**PART 2 – TABLES .....37**

## 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 to you the “*Remuneration Policy and Report*” 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 2024 (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.

The policy for 2024 contains some new elements:

- as part of the Performance Share Plan, for the 2024-2026 cycle, the revision of KPI weightings: increasing the overall weighting of the ESG KPIs from 16% to 20%, to reflect the growing attention to ESG issues, and reducing the weighting of Reported EBITDA and Average Return on Invested Capital from 42% to 40%;
- a greater emphasis on monitoring employee remuneration and working conditions in light of inflationary pressures, and on work-life balance initiatives, and the introduction of a welfare quota in the new supplementary employee contract (excluding executives);
- an improvement in the disclosure of policies for dialogue with investors during the year, and in how this was taken into account in the 2024 Remuneration Policy.

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, 2023 represents about 4.1% of share capital. Moreover, this equity investment has increased over time from 3.7% at the time of listing to the current 4.1% about, demonstrating the alignment of interests between management and shareholders in relation to business risk.

## **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 2024, 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 22, 2024, 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 2023 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 2023, in addition to remuneration not yet paid at the Report approval date, although relating to 2023. In addition, a comparison for the years 2019-2023 between the change in remuneration for members of the Board of Directors and the Board of Statutory Auditors, employee remuneration 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](http://www.avio.com), "Investors – Shareholders meeting 2024" section, at least 21 days before the Shareholders' Meeting called to approve the 2023 Annual Accounts.

On March 22, 2024, Avio's Board of Directors resolved to submit: (i) Section I of the Report on the 2024 Remuneration Policy to a binding vote of the Shareholders' Meeting; and (ii) Section II on compensation paid in 2023 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:

- 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;
- 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	<b>ESG KPIs:</b> Waste Management, Employee Training, Gender Diversity, Gender Pay Gap

### Main changes in the 2024 Remuneration Policies

The key changes introduced in the 2024 Policies include:

- as part of the Performance Share Plan, for the 2024-2026 cycle, the revision of KPI weightings: increasing the overall weighting of the ESG KPIs from 16% to 20%, to reflect the growing attention to ESG issues, and reducing the weighting of Reported EBITDA and Average Return on Invested Capital from 42% to 40%;
- a greater emphasis on monitoring employee remuneration and working conditions in light of inflationary pressures, and on work-life balance initiatives, and the introduction of a welfare quota in the new supplementary employee contract (excluding executives);
- an improvement in the disclosure of policies for dialogue with investors during the year, and in how this was taken into account in the 2024 Remuneration Policy.

### 2024 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><b>Fixed remuneration component</b></p> <p>It is the fixed component, determined by taking into account the scale and strategic nature of the position held</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"> <li>▪ CEO/GM: fixed gross remuneration of Euro 500,000</li> <li>▪ Senior Executives: determined based on pre-established criteria, in line with market median</li> </ul>

<p><b>Short-term variable component</b></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"> <li>▪ Chief Executive Officer/General Manager</li> <li>▪ Senior Executives</li> <li>▪ Managers and key professionals</li> </ul> <p><u>Size</u></p> <ul style="list-style-type: none"> <li>▪ CEO/GM: 75% of fixed remuneration for target performance; 115% of fixed remuneration for maximum performance</li> <li>▪ SEs: 30% of fixed remuneration for target performance; 50% of fixed remuneration for maximum performance (average values)</li> </ul> <p><u>Performance Targets</u></p> <ul style="list-style-type: none"> <li>▪ On/off conditions, valid for all beneficiaries: Adjusted EBITDA and Group Net Financial Position CEO/GM: Adjusted EBITDA, Net Financial Position</li> <li>▪ SEs: <ul style="list-style-type: none"> <li>• Group targets (Adjusted EBITDA, Net Financial Position)</li> <li>• targets that are primarily quantitative, economic/financial and operational.</li> </ul> </li> <li>▪ Matured bonuses are subject to clawback clauses.</li> </ul>
<p><b>Medium/long-term variable component</b></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><i>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 management<sup>1</sup> and shareholders.</i></p>	<p><u>Beneficiaries:</u></p> <ul style="list-style-type: none"> <li>▪ Chief Executive Officer/General Manager</li> <li>▪ Senior Executives</li> <li>▪ other selected Managers with key roles within the Company.</li> </ul> <p><u>Size</u></p> <ul style="list-style-type: none"> <li>▪ CEO/GM/COO: 60% of fixed remuneration for target performance; 90% of fixed remuneration for maximum performance</li> <li>▪ SEs: 35% of fixed remuneration for target performance; 52.5% of fixed remuneration for maximum performance</li> </ul> <p><u>Three-Year Performance Targets:</u></p> <ul style="list-style-type: none"> <li>▪ Cumulative Reported EBITDA</li> <li>▪ Three-year average Return on Invested Capital</li> <li>▪ ESG targets (Gender Diversity, Gender Pay Gap, Waste Management and Employee Training)</li> </ul> <p>The plan includes a clawback clause.</p>
<p><b>Benefits</b></p>	<p>They include supplementary pension plans and insurance cover,</p>

<sup>1</sup> 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, 2023 holds about 4.1% of the capital. 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.



<i>Non-monetary benefits in addition to those provided under the applicable contract defined in accordance with market practices</i>	company cars for business and personal use and housing.
<b>Compensation in the event of early termination of employment</b>	<ul style="list-style-type: none"> <li>▪ 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 notice<sup>2</sup></li> <li>▪ 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.</li> </ul>
<b>Non-competition agreement</b>	<ul style="list-style-type: none"> <li>▪ A 12-month non-competition agreement has been defined for the CEO/GM, which envisages payment of 6 months' fixed remuneration.</li> <li>▪ 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.</li> </ul>

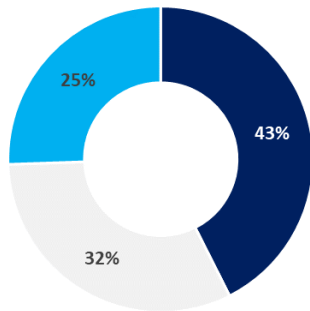
<sup>2</sup> As of the date of publication of this report, the number of months' pay provided by the national collective bargaining agreements for notice is 8.

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

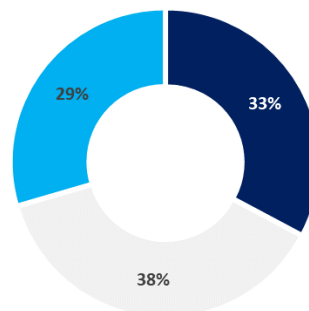
The make-up of the remuneration package of the Chief Executive Officer/General Manager and the Senior Executives, in the case of achieving the target and maximum performance levels, is as follows:

**Chief Executive Officer/General Manager**

Pay-mix - performance target

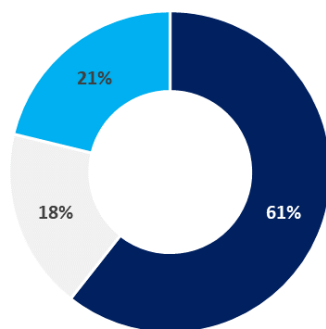


Pay-mix - maximum performance

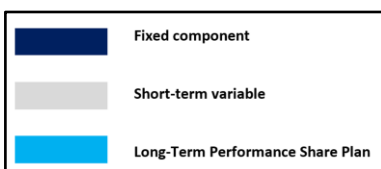
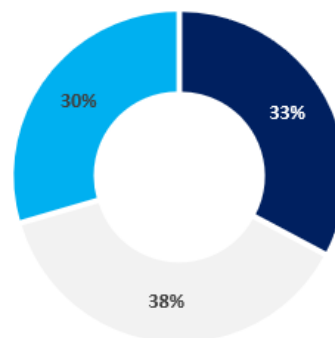


**Senior Executives**

Pay-mix - performance target



Pay-mix - maximum performance



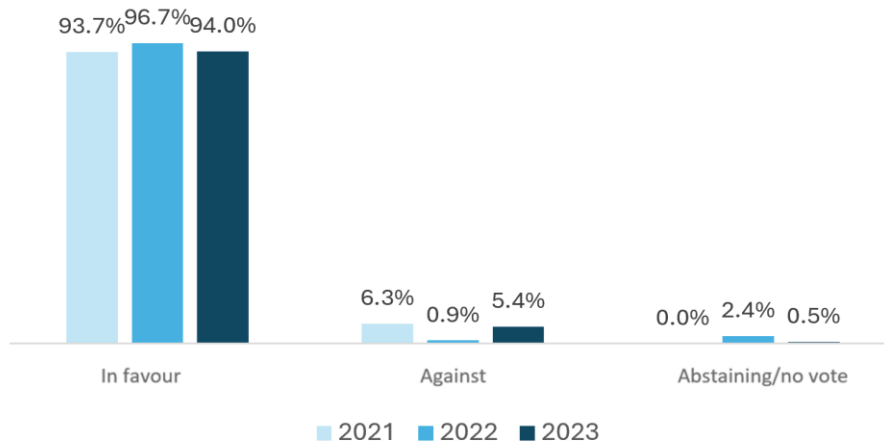
### Engagement activities and results of voting on 2023 Policies

Avio considers it fundamental to build and maintain open, ongoing dialogue with shareholders and stakeholders. In 2023, Avio continued its engagement activities with the objective of constantly improving and aligning itself with market best practices.

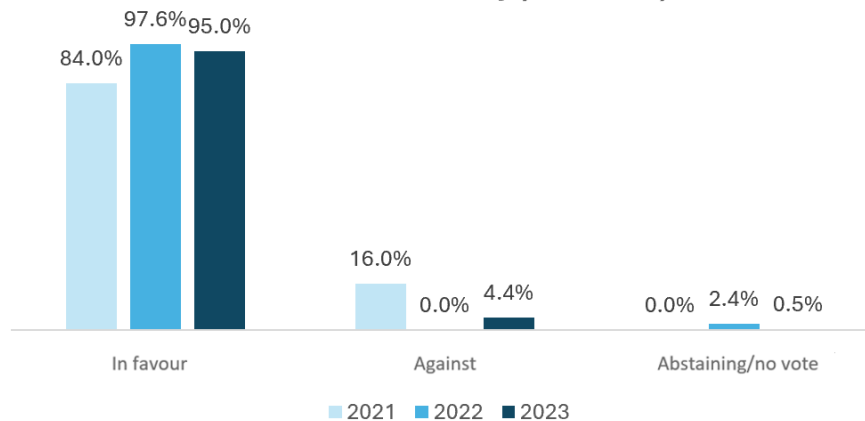
These engagement activities and the results of votes expressed by shareholders are elements that have been taken into strong consideration in the definition of the 2024 Remuneration Policy.

The 2023 Shareholders' Meeting cast a binding vote on Section I of the Report, expressing **94%** favourable votes of the total votes cast, and an advisory vote on Section II of the Report, expressing **95%** 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 2021-2023 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 22, 2024, 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 2023, the Sustainability Committee has been appointment 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) establishes the remuneration of the Executive Directors on the proposal of the Appointments and Remuneration Committee (and, where established, of the Related Parties Committee), with prior opinion from the Board of Statutory Auditors, within any remuneration established by the Shareholders' Meeting in accordance with Article 2389, paragraph 3 of the Civil Code and breaks down the fixed annual remuneration for execution of office, established in totality by the Shareholders' Meeting for Non-Executive Directors, as set out by 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, of whom two were independently appointed by Board of Directors' resolution of April 9, 2023, namely:

- Donatella Isaia - Independent (Chairperson);
- Giovanni Soccodato;
- Raffaele Capiello - Independent.

At the time of their appointment, the Board of Directors positively assessed the Independent Directors Raffaele Cappiello 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 2023, the Appointments and Remuneration Committee met on eight 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](http://www.avio.com), "Investors – Shareholders meeting 2024" section.

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 2023 and, in any event, up to the date of this Report, the Committee's activities were primarily concerned with:

- preparations for the presentation of the Board of Directors slate for renewal of the various offices (e.g. Engagement with the Proxy Advisors and Shareholders, assessment of the candidate selection criteria, presentation of the Long List of potential candidates);
- 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 2023;
- as regards the annual incentive system, assessment of the degree of annual performance target achievement for 2023 and the setting of the targets for 2024 for the Chief Executive Officer/General Manager and the Senior Executives;
- as regards the long-term stock incentive system, the definition of performance targets for the 2023-2025 grant cycle;
- the drawing up of the proposal to the Board with regards to the 2024 Remuneration Policy;
- the identification of the scope of Senior Executives;
- the launch of the 2023-2025 Restricted Share Plan for middle management and key professionals (excluding the CEO/GM and Senior Executives);
- the final accounting for short-term variable remuneration for 2023;

- the proposal regarding the short-term incentive plans for the Chief Executive Officer and Senior Executives for 2024 and the introduction of the new long-term plans for 2024-2026;

#### Executive Director

The Executive Director delegated for the purpose is responsible for:

- 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 space 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 space 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 2024 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 remuneration package that takes into account employees' needs and the annual remuneration benchmarks prepared by the Company.
- initiatives to support employees' purchasing power.

In 2024, work-life balance initiatives will be introduced in the new supplementary contract:

- 5 additional days of mandatory paternity leave paid by the company, usable within 24 months of the birth of a child (or an adoption);
- parental supplement to the INPS contribution of 30% up to 50%, paid by the company;
- increase in flexible hours and extension of the usability of leave that can be made up;
- annual welfare benefits of Euro 100 for all employees (excluding executives).

### 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;
  - (b) Executive Director;
- (ii) Board of Statutory Auditors;
- (iii) Senior Executives.

Avio's perimeter of Senior Executive includes four Executives, namely the Chief Financial Officer, the Chief Operating Officer, the Director of Engineering, and the Programme Director. In 2023, the perimeter of Senior Executives was revised, with a change at the helm of Programme Management, and the introduction of a Chief Operating Officer, who replaced, with effect from January 1, 2024, the Director of Operations as a Senior Executive.

#### (i) DIRECTORS

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

On April 28, 2023, the Ordinary Shareholders' Meeting resolved to award each Director, for the years 2023-2025, a gross annual remuneration of Euro 40,000 and a gross annual remuneration of Euro 130,000 to the Chairperson of the Board of Directors, in line with market practices.

On May 9, 2023, 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 2023-2025 mandate:

- (i) to the members of the Control and Risks Committee, a gross annual fee for the Chairperson of Euro 30,000.00 and
- (ii) for the other members of Euro 15,000.00 each;
- (iii) to the members of the Appointments and Remuneration Committee and the Sustainability Committee - a gross annual fee for the Chairperson of Euro 25,000.00 each and for the other members of Euro 10,000.00 each.

#### (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 objectives of the Company and is commensurate with the commitment required, also in relation to participation on 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 115% 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/COO, 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.

## (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 April 28, 2023 resolved, for the 2023-2025 three-year period, to grant to the Chairperson of the Board of Statutory Auditors a remuneration of Euro 55,000 per year and to the Statutory Auditors a remuneration of Euro 38,000 per year, in line with the practices of the listed companies of the STAR segment with levels of capitalisation comparable to Avio.

## (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<sup>1</sup> 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 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 excluding the COO, 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

<sup>1</sup> Any fees from participation as a Director of a subsidiary or investee company may be subject to the criterion of reversibility or waiver.

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. Specifically, 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 **minimum performance** level (threshold<sup>2</sup>), on reaching which **40% of fixed remuneration** is paid; no bonus is paid below the threshold level. The minimum is 90.3% of the target value for Group Adjusted EBITDA and 33.3% for the Group Net Financial Position parameter;

<sup>2</sup> In particular, the performance target for the Adjusted EBITDA indicator is defined in line with what was communicated to investors on 13 March 2024, on the occasion of the presentation of the 2023 financial year results, and with the guidance for 2024

- 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 106.5% of the target value for Group Adjusted EBITDA and 166.7% 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)
<b>Adjusted EBITDA</b>	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	<i>Budget target -9.7%</i>	40%
			Target	<i>Budget target</i>	75%
			Maximum	<i>Budget target +6.5%</i>	115%
<b>Net Financial Position</b>	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	<i>Budget target -66.7%</i>	40%
			Target	<i>Budget target</i>	75%
			Maximum	<i>Budget target +66.7%</i>	115%

Given the confidential nature of the economic and financial targets, it is not possible to provide a greater level of detail of individual ex-ante parameters. Various economic and financial performance targets, and their minimum and maximum ranges, are, however, subject to market disclosure, and can be found in the related press releases. Section II of the Report provides a detailed summary 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, linked to economic-financial indicators or 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 percentage of fixed remuneration) for 2024:

Target	Description	Weighting	Performance scenarios		Bonus (% GAR)
<b>Adjusted EBITDA</b>	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 -9.7%</i>	8%
			Target	<i>Budget target</i>	30%
			Maximum	<i>Budget target +6.5%</i>	50%
<b>Net Financial Position</b>	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 -66.7%</i>	8%
			Target	<i>Budget target</i>	30%
			Maximum	<i>Budget target +66.7%</i>	50%
<b>Specific function targets</b>	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.	40%	Minimum		8%
			Target		30%
			Maximum		50%
<b>Individual targets</b>	Qualitative targets, e.g. assessment of managerial qualities, team management.	10%	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 COMPONENT

#### 2024-2026 incentive plan

On March 22, 2024, the Board of Directors approved, on the proposal of the Appointments and Remuneration Committee, the new 2024-2026 Performance Share Plan (the "**Plan**"), which will be submitted for approval by the Shareholders' Meeting. Its beneficiaries are the Chief Executive Officer/General Manager/COO, 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, consistent with the previous cycle (2023-2025). The choice of a share-based plan strengthens the connection between remuneration and the perspective of shareholders, making a portion of the Company's treasury shares available through buyback options 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<sup>3</sup>Capital<sup>3</sup>; there are four ESG indicators, as indicated below: (i) Gender diversity<sup>4</sup>; (ii) Gender pay gap<sup>5</sup>; (iii) Waste Management<sup>6</sup>; (iv) Employee Training<sup>7</sup>.

The economic and financial indicators weigh 80% overall and ESG metrics weigh 20% (5% 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 75% of the target value for the cumulative three-year Reported EBITDA, 70% for the average three-year Return on Invested Capital, 94.7% 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 125% of the target value for the cumulative three-year Reported EBITDA and 130% for the average three-year Return on Invested Capital, 105.3% 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 2024 allocation** is:

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

---

<sup>3</sup> Defined as the Reported EBIT/Net Invested Capital.

<sup>4</sup> Defined as the ratio between the number of female employees and male employees at the end of the reference period.

<sup>5</sup> Defined as the ratio between the remuneration of female employees and male employees at the same grade

<sup>6</sup> Defined as the percentage of waste recovered.

<sup>7</sup> Defined as the annual average number of training hours provided over the three-year reference period.



- **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.**

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
<b>Cumulative three-year Reported EBITDA</b>	Reported EBITDA (Earnings before interest, taxes, depreciation, and amortisation) allows for a measurement of medium-term profitability that does not take into account non-recurring components	40%	Minimum	<i>Budget target - 25%</i>	30%
			Target	<i>Budget target</i>	60%
			Maximum	<i>Budget target + 25%</i>	90%
<b>Average Return on Invested Capital</b>	Defined as the Reported EBIT/Net Invested Capital	40%	Minimum	<i>Budget target - 30%</i>	30%
			Target	<i>Budget target</i>	60%
			Maximum	<i>Budget target + 30%</i>	90%
<b>ESG Indicators</b>	<b>Gender diversity:</b> the ratio of female employees to male employees.	5%	Minimum	<i>Budget target -5.3%</i>	30%
			Target	<i>19%</i>	60%
			Maximum	<i>Budget target +5.3%</i>	90%
	<b>Gender pay gaps:</b> the ratio between the remuneration of female employees and male employees at the same grade	5%	Minimum	<i>Budget target -4%</i>	30%
			Target	<i>98%</i>	60%
			Maximum	<i>Budget target +2%</i>	90%
	<b>Waste management</b> % of waste recovered	5%	Minimum	<i>Budget target -10%</i>	30%
			Target	<i>60%</i>	60%
			Maximum	<i>Budget target +10%</i>	90%
	<b>Employee training:</b> average total training hours/year provided (in the three-year reference period)	5%	Minimum	<i>Budget target -10%</i>	30%
			Target	<i>30,000</i>	60%
			Maximum	<i>Budget target +10%</i>	90%

Given the confidential nature of the long-term economic and financial targets, it is not possible to provide more in-depth ex-ante details. However, in its disclosures to the market, the company regularly provides qualitative indications on its multi-year outlook (which is largely in line with the Company's order book). Furthermore, Section II of the Report provides a detailed summary 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,

<sup>8</sup> 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

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](http://www.avio.com), "Governance/Shareholders' Meeting 2024" 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, which is extraordinary and non-recurring in nature, provides for the one-time grant 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.

For a description, see the 2022 Policies. For additional information regarding the plan, please refer to the related Prospectus ([www.avio.com](http://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.

#### **1.1. 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.

#### **1.2. 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 elements of the remuneration policy from which the Company's Board of Directors may deviate, following a proposal by the Appointments and Remuneration Committee and in compliance with the Related Parties Procedure, are:

- the targets in the incentive plans, making such adjustments 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 leavers<sup>9</sup>, with reference to the Performance Share Plan which will be submitted for approval to the Shareholders' Meeting of April 23, 2024, the 2023-2025 Performance Share Plan 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.

---

<sup>9</sup>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 fulfils the statutory retirement requirements and in the 30 subsequent days presents a request to access the relative benefits.

The Company reserves the right to enter into consulting or collaboration agreements after the termination of 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-competition 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 22, 2024, the Board of Directors resolved to submit the 2024-2026 Restricted Share Plan for the approval of the Shareholders' Meeting on April 23, 2024.

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.

Considering the effectiveness of the plan set out in 2023, the new plan is an important retention and loyalty tool.

As with the previous one, the new plan is not linked to the achievement of specific performance targets, but encourages the engagement of participants through specific actions designed to improve Avio's performance over 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](http://www.avio.com), "Investors - Shareholders' Meeting 2024" 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 2023 Policies:

1. Avio 2023 performance and incentives;
2. adequate, clear and understandable disclosure on each of the items comprising compensation matured for the financial year 2023 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 2023 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 2023 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 2023, 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**

2023 saw the return to flight of Vega C, following the unexpected anomalies of the December 2022 VV22 mission and June 2023 Zefiro 40 engine fire test. The efforts made led to the successful completion of the Critical Design Review for the new design in December 2023, and a green light from ESA for the manufacture of the nozzles, which will be bench-tested in two further static ignition tests of the Zefiro 40 engine in 2024. Vega C is currently scheduled to return to flight in Q4 2024.

Furthermore, 2023 saw the last flight of the Ariane 5 launcher. The programme will now continue with Ariane 6, with its maiden flight expected between June and July 2024. Avio has already signed specific orders for the manufacture, as part of the Ariane 6 transition phase, of P120C engines and Oxygen Turbopumps (TPOs) for the Vulcain 2 and Vinci cryogenic engines; these orders are integrated into framework agreements for supplies related to the first 14 Ariane 6 launchers, for the “transition phase” planned until stable production rates are achieved.

On October 9, 2023, Vega successfully completed its 23<sup>rd</sup> mission (VV23), launching into sun-synchronous orbit two primary satellite payloads, THEOS-2 (Thailand Earth Observation System 2) and FORMOSAT-7R/TRITON (an experimental satellite designed and built by the Taiwanese Space Agency, TASA), and ten small auxiliary payloads.

As regards tactical propulsion, production orders worth approximately Euro 90 million for the Aster-30 defence system boosters were signed with MBDA France in 2023, in addition to the initial contracts for the production of CMM-ER boosters, with deliveries scheduled from 2025 and for about 4 years. Larger orders and the related contracts will be finalised in 2024, following MBDA's recent signing of the Narew project with Poland, for which Avio will supply CMM-ER engines. At the end of the year, the qualification phase of the new Aster 30 Booster Mid-Life Update (MLU) was also successfully concluded. The achievement of this

milestone allows us to move from the development to the production phase of the booster MLU, to replace the current configuration (Phase 3). The existing production contracts provide for production continuity through to 2032, for over 1,200 engines. In terms of business prospects, this confirms more than double the volumes and production rates originally estimated.

Major developments came in 2023 at the European Space Agency Council meeting in Seville, on November 6, attended by ministers representing the various Member States. As reported in the press release on November 7, 2023, among the many decisions taken were several concerning Ariane 6, Vega C, and Vega E. One of the main decisions involved the coverage of part of the extra production costs due largely to the superinflationary pressures that emerged over the last two years. This decision ramped coverage for Ariane 6 up to an annual Euro 340 million, and for Vega C up to an annual Euro 21 million. Another important decision of the Council was to assign Avio the responsibilities of Vega C Launch Operator (LO) and Launch Service Provider (LSP), therefore covering Vega C flight operations and marketing rights. Furthermore, to boost the annual launch frequency, Vega C was assigned a pre-existing infrastructure at the Kourou space centre, the so-called Launcher Integration Building (BIL), for pre-integration of the launcher, while Vega E was assigned the ELA3 launch platform, previously used for Ariane 5. All the news announced by the Board bring greater visibility to the Ariane 6, Vega C and Vega E programmes, and accordingly strengthen the Company's growth prospects.

With reference to the main corporate indicators in the annual incentive scheme, the results achieved are in line with the targets set at the beginning of 2023 for Adjusted EBITDA, and exceed the maximum level for the Net Financial Position. The actual values for the two indicators over the last three years and the target value for 2023 are set out below.

	2020	2021	2022	2023	
	Actual	Actual	Actual	Actual	target
<b>Adjusted EBITDA (M€)</b>	<b>43.3</b>	<b>37.7</b>	<b>27.8</b>	<b>28</b>	<b>28</b>
<b>Net Financial Position (M€)</b>	<b>62.6</b>	<b>57.2</b>	<b>74.4</b>	<b>76.1</b>	<b>70.3</b>

As regards the Executive Director, the value of the 2023 bonus falls between the target value and the maximum value (95% of the fixed component). With respect to Senior Executives, the 2023 bonus value averages 34% 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 or the 2021-2023 cycle of the 2020-2024 three-year monetary plan.

<sup>10</sup> 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.

## 1. Items comprising 2023 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:

- On April 28, 2023, the Shareholders' Meeting resolved to award each **Director** gross annual remuneration of Euro 40,000 and a gross annual remuneration of Euro 130,000 to the Chairperson of the **Board of Directors**. On May 9, 2023, 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. the 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 April 28, 2023 resolved, for the 2023-2025 three-year period, to grant the **Chairperson of the Board of Statutory Auditors** annual remuneration of Euro 55,000 and the **Statutory Auditors** annual remuneration of Euro 38,000, 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 2023 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, 2023, the Company's payable towards Space Holding S.r.l. amounted to Euro 130,000.

For the 2023-2025 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. In 2023, the perimeter of Senior Executives was revised, with a change at the helm of Programme Management, and the introduction of a Chief Operating Officer, replacing the Director of Operations as a Senior Executive.

### Chief Executive Officer/General Manager, Giulio Ranzo

The remuneration of **Giulio Ranzo** (Chief Executive Officer/General Manager) for 2023 includes the following components:

- (i) fixed remuneration as an Executive of the Company, amounting to Euro 500,000;
- (ii) annual variable remuneration relating to 2023, amounting to Euro 459,800.

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

incentive plan and actual results.

2023 Targets	Weighting	Performance scenarios	2023 Result	Performance level	Bonus vs target	Target bonus €	Actual bonus €
Adjusted EBITDA	50%	<u>Min</u> 25.0 €/m <u>Target</u> 28.0 €/m <u>Max</u> 31.0 €/m	28	Between minimum and target	100% of the target	363,000 Euro	459,800 Euro
Net Financial Position	50%	<u>Min</u> 50.3 €/m <u>Target</u> 60.3 €/m <u>Max</u> 70.3 €/m	76.1	Overperformance: 126% vs target (capped at 117% as the maximum value)	153% of the target (cap)		

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 or the 2021-2023 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 2023 includes the following components:

- (i) fixed remuneration as executives, amounting to Euro 736,081;
- (ii) annual variable remuneration relating to 2023, amounting to Euro 247,881;

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.

2023 Targets	Weighting	Performance scenarios	2023 Result	Performance level	Target Bonus €	Actual Bonus €
<b>Adjusted EBITDA</b>	25%	<u>Min</u> 25.0 €/m <u>Target</u> 28.0 €/m Max 31.0 €/m	<b>28</b>	<b>Target</b>	<b>216,449 Euro</b>	<b>247,881 Euro</b>
<b>Net Financial Position</b>	25%	<u>Min</u> 50.3 €/m <u>Target</u> 60.3 €/m Max 70.3 €/m	<b>76.1</b>	<b>Overperform ance: 126% vs target</b>		
<b>Function/ individual targets</b>	50%	<u>Min</u> 1 <u>Target</u> 2 Max 3	<b>2.0</b>	<b>Target</b>		

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.

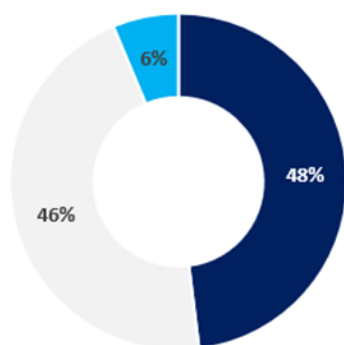
Therefore, no bonus is paid for the 2021-23 cycle of the 2020-2024 three-year monetary plan.

(iii) non-monetary benefits

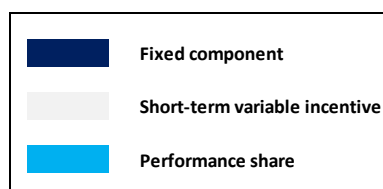
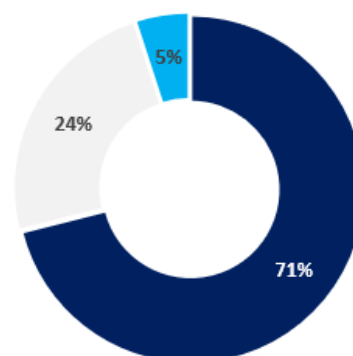
## 2. Pay mix in application of 2023 Policies

The pay mix of the Chief Executive Officer/General Manager and the Senior Executives is shown below with reference to the remuneration awarded during 2023, pursuant to the Policies described in Section I of the 2023 Report.

### Chief Executive Officer/General Manager



### Senior Executives



### 3. Changes in the Company's remuneration and performance

The following table shows, for the 2019-2023 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	2023
<b>Employees</b>					
Average remuneration (€/000)	46,347	47,139	46,450	46,534	47,798
% Change		2%	-2%	-	2%
<b>Giulio Ranzo, Chief Executive Officer/General Manager</b>					
Remuneration (€/000)	1,171,601	1,046,518	952,003	833,475	965,074
% Change		-11%	-9%	-13%	15%
<b>Roberto Italia Chairperson</b>					
Remuneration (€/000)	120,000	126,329	130,000	130,000	136,109
% Change		5%	3%	-	4%
<b>Monica Auteri, Director</b>					
Remuneration (€/000)	56,342	49,948	45,000	45,000	14,702
% Change		-11%	-10%	-	-68%
<b>Donatella Sciuto, Director</b>					
Remuneration (€/000)	55,000	60,822	65,000	65,000	70,934
% Change		11%	7%	-	9%
<b>Giovanni Gorno Tempini, Director</b>					
Remuneration (€/000)	66,342	63,459	60,000	60,000	65,055
% Change		-4%	-5%	-	8%
<b>Avio Performance</b>					
Net Financial Position (€ mln)	57.9	62.6	57.2	74.4	76.1
% Change		8%	-9%	31%	34%
Adjusted EBITDA (€ mln)	44	43.3	37.7	27.8	28
% Change		-2%	-13%	-27%	0%

**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, 2023; 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

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	1/1/2023-31/12/2023	Approval 2025 Accounts	126.438						136.109		
	Member Sustainability Committee	1/1/2023-31/12/2023	Approval 2025 Accounts		9.671							
Giovanni Gorno Tempini	Vice-Chairperson BoD	28/04/2023-31/12/2023	Approval 2025 Accounts	20.301						65.055		
	Director BoD	01/1/2023-28/04/2023	Approval 2025 Accounts	38.288								
	Chairperson Appointments and Remuneration Committee	01/1/2023-28/04/2023	Approval 2022 Accounts		6.466							
Giulio Ranzo	CEO and General Manager	1/1/2023-31/12/2023	Approval 2025 Accounts	484.000	-	459.800		21.274		965.074	63.456	
Monica Auteri	Director BoD	01/1/2022-28/04/2023	Approval 2022 Accounts	11.435						14.702		
	Member Appointments and Remuneration Committee	01/1/2022-28/04/2023	Approval 2022 Accounts		3.267							
Raffaele Cappiello	Director BoD	01/1/2023-31/12/2023	Approval 2025 Accounts	38.600						59.757		
	Member Appointments and Remuneration Committee	28/04/2023-31/12/2023	Approval 2025 Accounts		6.650							
	Member Control and Risks Committee	01/1/2023-31/12/2023	Approval 2025 Accounts		14.507							
Letizia Colucci (2)	Director BoD	01/1/2023-31/12/2023	Approval 2025 Accounts	38.288						52.795		
	Member Control and Risks Committee	01/1/2023-31/12/2023	Approval 2025 Accounts		14.507							
Donatella Isaia	Director BoD	01/1/2023-31/12/2023	Approval 2025 Accounts	38.503						57.167		
	Chairperson Appointments and Remuneration Committee	28/04/2023-31/12/2023	Approval 2025 Accounts		16.164							
	Member Appointments and Remuneration Committee	01/1/2023-28/04/2023	Approval 2025 Accounts		2.500							
Marcella Logli	Director BoD	01/1/2023-31/12/2023	Approval 2025 Accounts	38.503						48.237		
	Member Sustainability Committee	01/1/2023-31/12/2023	Approval 2025 Accounts		9.734							
Luigi Pasquali (3)	Director BoD	01/1/2023-31/12/2023	Approval 2025 Accounts	38.288						38.288		
Elena Pisonero	Director BoD	01/1/2023-31/12/2023	Approval 2025 Accounts	38.503						62.835		
	Chairperson Sustainability Committee	01/1/2023-31/12/2023	Approval 2025 Accounts		24.332							
Donatella Sciuto	Director BoD	01/1/2023-31/12/2023	Approval 2025 Accounts	38.503						70.934		
	Chairperson Control and Risks Committee	01/1/2023-31/12/2023	Approval 2025 Accounts		32.431							
Giovanni Soccodato (4)	Director BoD	28/04/2023-31/12/2023	Approval 2025 Accounts	27.068						27.068		

**Notes**

**(A) NON-EQUITY VARIABLE REMUNERATION:** annual bonus value for the period considered (2023 short-term incentive plan).

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

**(C) FAIR VALUE OF EQUITY REMUNERATION:** The fair value for 2023 of shares allocated by the extraordinary Performance Share Plan, approved by the Shareholders' Meeting on April 28, 2023, 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 his remuneration to Leonardo S.p.A.

(4) Giovanni Soccodato reversed his 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	01/1/2023-28/04/2023	Approval 2025 Accounts	53,247						53,247		
Mario Matteo Busso	Statutory Auditor	01/1/2023-28/04/2023	Approval 2025 Accounts	36,934						36,934		
Michela Zeme	Statutory Auditor	01/1/2023-31/12/2023	Approval 2025 Accounts	36,934						36,934		

**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				626,442		213,185		54,746		894,373	53,787	

(\*) At December 31, 2023, 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. In 2023, the perimeter of Senior Executives was revised with a change at the helm of Programme Management.

**Notes**

(A) **NON-EQUITY VARIABLE REMUNERATION:** annual bonus value for the period considered (2023 short-term incentive plan).

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

(C) **FAIR VALUE OF EQUITY REMUNERATION:** The fair value for 2023 of shares allocated by the extraordinary Performance Share Plan, approved by the Shareholders' Meeting on April 28, 2023, 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 granted 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
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Giulio Ranzo	Chief Executive Officer	2022-2024 Extraordinary Performance Share Plan (April 28, 2022)	30,101 - Shares	01/01/2022-31/12/2024									
		2023-2025 Performance Share Plan (April 28, 2023)			29,624 - Shares	9.29	01/01/2023-31/12/2025	13/05/2023	10.127				63,456
Senior Executives		2022-2024 Extraordinary Performance Share Plan (April 28, 2022)	40,206 - Shares	01/01/2022-31/12/2024									
		2023-2025 Performance Share Plan (April 28, 2023)			25,110 - Shares	9.29	01/01/2023-31/12/2025	13/05/2023	10.127				53,787

(\*) At December 31, 2023, 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. In 2023, the perimeter of Senior Executives was revised with a change at the helm of Programme Management.



TABLE 3B

## MONETARY INCENTIVE FOR DIRECTORS, GENERAL MANAGERS AND OTHER SENIOR EXECUTIVES

Name	Office	Plan	Bonus for the year			Prior year bonuses			Other Bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Issuable/Issued (2A)	Deferred (2B)	Deferred period	No longer issuable (3A)	Issuable/Issued (3B)	Still deferred (3C)	
Giulio Ranzo	Chief Executive Officer	2023 short-term variable incentive plan (March 13, 2023)	459.800						
		2022-2024 long-term variable incentive plan (approved March 28, 2022)					-	268.800	
Senior Executives		2022 short-term variable incentive plan (March 13, 2023)	247.881						
		2022-2024 long-term variable incentive plan (approved March 28, 2022)						248.500	

(\*) At December 31, 2023, 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. In 2023, the perimeter of Senior Executives was revised with a change at the helm of Programme Management.

## NOTE

(3C) Deferred previous years' bonuses: 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 31.12.2023	No. of shares acquired in 2023	No. of shares sold in 2023	Number of shares held at 31.12.2023
Roberto Italia	Chairperson BoD	--	--	--	--	--
Giovanni Gorno Tempini	Vice-Chairperson BoD	--	--	--	--	--
Giulio Ranzo	CEO and General Manager	--	--	--	--	--
Giovanni Soccodato	Director BoD	--	--	--	--	--
Raffaele Capiello	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	--	--	--	--	--

**BOARD OF STATUTORY AUDITORS**

Name	Office	Avio Investee/Subsidiary	Number of shares held at 31.12.2022	No. of shares acquired in 2023	No. of shares sold in 2023	Number of shares held at 31.12.2023
<b>Vito Di Battista</b>	Chairperson of the Board of Statutory Auditors	--	--	--	--	--
<b>Mario Matteo Busso</b>	Statutory Auditor	--	--	--	--	--
<b>Michela Zeme</b>	Statutory Auditor	--	--	--	--	--

**SENIOR EXECUTIVES**

Name	Office	Avio Investee/Subsidiary	Number of shares held at 31.12.2022	No. of shares acquired in 2023	No. of shares sold in 2023	Number of shares held at 31.12.2023
<b>Senior Executives</b>		--	--	--	--	--