



CONSOLIDATED  
NON-FINANCIAL STATEMENT  
2019

Pursuant to Italian Legislative Decree 254/2016

---

Avio Group



# Index

<b>Message to the stakeholders</b>	<b>2</b>
<b>Note on methodology</b>	<b>5</b>
Applicative standards	5
Reporting boundary	6
Reporting process	6
<b>1. Avio Group</b>	<b>7</b>
1.1. The Group's structure	10
<b>2. The prioritization of relevant topics: Avio's materiality matrix</b>	<b>12</b>
2.1. The Sustainable Development Goals and Avio's priorities	15
2.2. Dialogue with stakeholders	20
<b>3. The Governance of Avio Group</b>	<b>22</b>
<b>4. Internal control and risk management systems</b>	<b>26</b>
<b>5. Avio's responsible business management</b>	<b>31</b>
5.1. The identity of the Group	31
5.2. Code of conduct	31
5.3. Policies for the management of Environmental, Social and Governance aspects	33
5.4. Business ethics and fight against corruption	33
<b>6. Avio people</b>	<b>37</b>
6.1. Human capital management and retention of talents	40
6.2. Training and skills development	42
6.3. Staff Remuneration	45
6.4. Health, safety and wellbeing of employees	46
6.5. Dialogue with trade unions	50
<b>7. Innovation</b>	<b>52</b>
7.1. Technological innovation	52
<b>8. Quality and safety in Avio</b>	<b>55</b>
8.1. The quality of the company's processes as a safeguard for the quality and safety of products and services	55
8.2. Safety in industrial management	57
8.3. Security of access to the premises	58
8.4. Cybersecurity	59
<b>9. The responsible relationship with suppliers</b>	<b>61</b>
<b>10. Avio Group's environmental impact</b>	<b>64</b>
10.1. Energy consumption and emissions	66
10.2. Management of water resources	70
10.3. Waste management	71
10.4. Environmental remediation and management of areas subject to potential environmental issues	73
<b>11. Relationship with the community</b>	<b>75</b>
<b>12. Table of connection between material topics and aspects of the GRI Standards</b>	<b>77</b>
<b>12. GRI Content Index</b>	<b>79</b>
<b>13. Auditor's report</b>	<b>90</b>

## Message to the stakeholders

Dear Sirs,

We present the third edition of the Consolidated Non-Financial Statement of the Avio Group, a document that tells the story of integration of Environmental, Social and Governance issues within our business model, and what has been achieved thanks to the management of all levers that can combine responsible development and competitiveness: the innovative technology solutions that we are called to implement, the experiences and skills of all our people, the consolidation of our strength points, the link with the territory and the careful management of risk areas.

During the year, based on the strategic and operational guidelines of the Industrial Plan, one Vega flight and four Ariane 5 flights were completed, in addition to the qualification tests of the new P120 C engine, first stage of the Vega-C launcher, and the new Zefiro 40 engine, second stage of the Vega-C launcher.

Another significant moment of 2019 was the ESA Ministerial Conference in Seville, which led to a substantial increase in the Italian budget to be used for space research programs and in particular for the sector of launchers (Vega C, Space Rider, Vega E and Vega C light).

The first few months of 2020 were also characterized by global impacts resulting from the Covid-19 virus pandemic. After leaving China, the virus spread all over the world, threatening the lives of millions of citizens and the economy of many states. In this regard, Avio acted promptly to ensure the health protection of its employees, suppliers and customers, adopting measures such as smart-working, sanitizing environments and managing staff shifts, also by defining specific union agreements in accordance with the provisions of the Protocol shared at national level by the social partners, aimed at limiting contagion as much as possible and at mitigating potentials risks associated with the safe continuation of production activities.

Despite the uncertainty gained following the Vega VV15 launcher failure, we have continued our commitment in the dialogue with the main categories of stakeholders, updating the Group's materiality analysis and systematizing interests, public and private, institutions and companies, employees and students, with the aim of creating shared value. We have started new collaborations, such as that with UNOOSA, the United Nations Office for Outer Space Affairs to which Avio will offer its contribution by launching nine mini-satellites favoring the member states of the United Nations and, in particular, developing countries; the one with Transparency International Business Integrity Forum, with the aim of supporting the dissemination in the country of best practices regarding compliance and risk prevention programs; the one with the National Museum of Science and Technology to which we have donated, together with the European and Italian space agencies, a permanent installation of the first Vega launcher, that will contribute to the spread of the culture of space in the world. We will continue to work to extend our scientific interchange network and partnerships for the development of new products through collaboration, also in the field of research, with universities and institutes both in Italy and abroad.

Avio's business model considers sustainability and innovation as an indispensable combination. We are aware that the potential of the Space Sector in supporting the UN sustainable development objectives (SDGs)

is very wide: starting from the countless satellite applications in the management of environmental resources and the local effects of climate change, to the facilitation of telecommunications and logistics management, to the application satellites used to monitor crops and make production and consumption more efficient. In this global context, Avio has launched a path aimed at contributing substantially to the 2030 Global Agenda through actions and initiatives that orbit around the following main areas: the promotion of a culture oriented towards innovation and research, health and safety of people, services and products, the quality of education and training and the enhancement of respect for the protection of the environment.

People who work with us, with their wealth of experience and skills, are one of the main factors of our success. We strive to maintain a strong internal cohesion, both through adequate incentives and improvements in corporate well-being, and through the creation of motivating training courses and events to share behaviors and objectives. This intention took shape this year in the realization of the second employee convention and in the management of the Ariane Cross, an international sporting event that involved around 500 people from the main companies in the European space sector. Still with regards to people, our Group has increased by almost one hundred units, reaching 937 employees divided into 2 different continents.

In addition, in line with the principles of environmental sustainability, the Company implemented a series of actions in 2019 to reduce the use of natural resources, with particular reference to water consumption, and continued the commitment to requalify and remediate the abandoned areas of the Colleferro district, the latter being a precondition for the development and economic growth of the area in which we operate.

During the year, we also made important steps forward in the responsible management of the supply chain by introducing, through specific protocols, a process of detection and evaluation of the social and environmental policies of the suppliers themselves, which we plan to extend and finalize over the next year.

Lastly, our approach is completed with further aspects such as a strong focus on the value system and Human Rights which in 2019 were reflected in the continuous updating of the Organization, Management and Control Models pursuant to Legislative Decree 231/01 - with particular focus on subsidiaries - and in the preparation and approval, in the first months of 2020, by the Board of Directors, of a new Policy on the diversity of the Administration and Control Bodies.

We are aware that this is a necessary path that will see us at the forefront every year to respond to the major global challenges of the sector, also in consideration of our strategic role and our positioning as an engine for development and growth of the Space Economy in the medium-long term.

CEO  
Giulio Ranzo

Chair  
Roberto Italia





Avio Colleferro plant

# NOTE ON METHODOLOGY

## Applicative Standards

The Avio Group Consolidated Non-Financial Statement 2019 (hereafter "Statement"), now in its third edition, reports on Group performance for the year ended on December 31, 2019, as required by Legislative Decree 254/2016 and, pursuant to art. 5 of the same Decree, constitutes a separate report marked with a specific wording in order to trace it back to the Statement required by law. The document contains information relating to the topics deemed relevant and foreseen by art. 3 of the aforementioned Decree, to the extent necessary to ensure an understanding of the activities carried out by the Group, its performance, its results and the impact produced.

This Statement, published on an annual basis, has been prepared in accordance to the "Global Reporting Initiative Sustainability Reporting Standards", published in 2016 by the Global Reporting Initiative (GRI), according to the "in accordance - Core" option. The data and information included in this document is derived from the Group's corporate information systems and from a non-financial reporting system specifically implemented in order to meet the requirements of Legislative Decree 254/2016 and the GRI Sustainability Reporting Standards. In order to facilitate the reader in tracing the information within the document, the GRI Content Index is reported on pages 79-86. Any references to other company documents are reported in the same index and within this document

The non-financial information presented in the document reflects the principle of materiality or relevance, an element provided by the reference legislation and characterizing the GRI Standards: the topics covered in this Statement are those which, following an analysis and evaluation of materiality as described on pages 12-14 of this document, have been considered relevant on the grounds that are able to reflect the social and environmental impacts of the Group's activities or to influence the decisions of its stakeholders.

Therefore, this document describes the main policies applied by the company, its management models and the results achieved by the Group during 2019, in relation to the issues expressly referred to in Legislative Decree 254/2016 (environmental issues, social, related to staff, respect for human rights, the fight against active and passive corruption), as well as the main risks identified, generated or suffered, connected to the aforementioned issues, and the related management methods adopted. In order to allow the comparability of data over time, a comparison with data for 2017 and 2018 was made. The restatement of comparative data and information previously reported, are clearly indicated in the text. Moreover, in order to guarantee the reliability of the data reported in this document, the use of estimates has been limited as possible and clearly indicated in the document.

Downstream of the materiality analysis, the aspects related to "Governance", and in general those related to regulatory compliance and economic performance, have been considered as prerequisites – although not explicit linked to any material theme – and are therefore reported in the present document.

In 2018 the Group set itself the goal of implementing a Sustainability Plan aligned with the Industrial Plan and in line with the SDGs, which is being developed. Chapter 2.1. "The Sustainable Development Goals and Avio's priorities" describes the results of a first mapping of the SDGs to which the Group can contribute with its activities.

For the progress of the objectives and commitments declared in the 2018 Statement, please refer to the relevant chapters contained in this Statement.

## Reporting boundary

As required by art.4 of the Legislative Decree 254/2016, this Statement includes the data of the parent company (Avio S.p.A) and of its subsidiaries consolidated line-by-line. In particular, for reporting purposes, the consolidation boundary of the non-financial information included in the Statement follows the provision of financial information according to the global integration method, with the exception of the companies ASPropulsion International B.V. and Avio India Aviation Aerospace Private Limited. Although fully consolidated, ASPropulsion International B.V. was excluded from the perimeter since, given the nature of the company (a financial holding company), it does not contribute to understanding the primary activity of the Group and the impact produced by the Group in the areas envisaged by the Decree and in the material topics identified. Avio India Aviation Aerospace Private Limited is in liquidation also in 2019. In 2019 the company Avio France S.A.S. was established, fully owned by Avio S.p.A., whose corporate purpose consists of engineering activities for studies and design of systems and subsystems in the space transport sector. This operation did not entail significant impacts on the year's data nor compromised the correct understanding of the Group's activities. The data relating to environmental impacts do not include Avio Guyane S.A.S. and Avio France S.A.S., as to date they do not manage any plant. The information on diversity, with reference to the indicator "Ratio between basic salary and remuneration for gender and category of employee"- GRI 405-2, do not include Avio France and Avio Guyane for confidentiality reasons. Any further perimeter limitations are expressly indicated in the text and do not compromise the correct understanding of the Group's activities.

Also in 2019, preliminary activities were started for the construction of the new industrial site intended for space activities for the implementation of the Research and Development Project called "Space Propulsion Test Facility (SPTF)", funded by Avio in collaboration with MISE and the Sardinia Region. The environmental impacts associated with the work in progress realization are not included in this report. For further information on the significant events that occurred during the year 2019, please refer to the Consolidated Financial Statement.

## Reporting process

The preparation of the Avio Group's consolidated non-financial statement for 2019 was based on a structured reporting process, foreseen in the "Procedure for the preparation of the consolidated non-financial declaration", approved in February 2019 and updated in December 2019, and composed of the following phases:

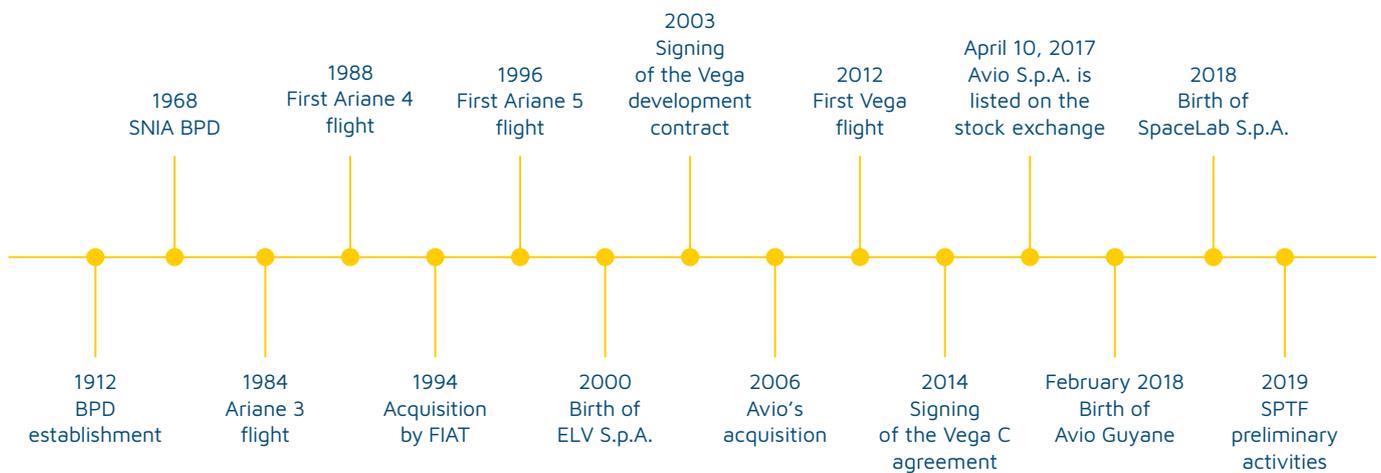
- planning, collection, control and certification of data, through the involvement of all the corporate departments responsible for the relevant areas and the related data and information covered by the Declaration. Once the material issues, the most significant projects and initiatives have been identified, quantitative data and qualitative information are collected and consolidated. The collection of data and information takes place through a special non-financial reporting system, consisting of data collection cards, built to meet the requirements of Legislative Decree 254/2016 and GRI Standards;
- definition of the first draft of the Non-Financial Statement by the Legal, Compliance & Corporate Affairs Department, on the basis of the qualitative and quantitative information collected in the data collection forms;
- approval of the Non-financial Statement by the Board of Directors of Avio S.p.A., convened on March 25, 2020 for the approval of the 2019 Consolidated Financial Statements;
- publication of the Statement on the corporate website and on the national business register, in order to make it available to all stakeholders in a transparent manner.

The declaration was also subject to a limited examination ("limited assurance engagement" according to the criteria indicated by ISAE 3000 Revised principle) by Deloitte & Touche S.p.A., who issued a special report on the compliance of the information provided in Avio's 2019 consolidated non-financial statement pursuant to Legislative Decree 254/2016.

# 1. Avio Group

The Avio Group (hereinafter also "Avio" or "Group") is a world leader in the field of Launch Systems for space transport and related disciplines, i.e. propulsion (solid and liquid), structures, avionics and pre-launch operations. Its history has its roots in the BDP - Defense and Space of Colleferro (Rome). The experience and know-how acquired during the over 100 years of activity allow Avio to have the role of sub-contractor<sup>1</sup> and prime contractor<sup>2</sup> respectively for the Ariane and Vega space programs, both financed by the European Space Agency (ESA), from the delicate stages of development up to the flight qualification. Avio is also Arianespace's prime contractor for the supply of Vega Launch Systems for the institutional and commercial market.

The Group directly employs 937 highly qualified people in Italy and abroad, at the Colleferro headquarters near Rome as well as at other sites in Campania, Piedmont and Sardinia. Further sites are present abroad, in France (Paris) and in French Guiana (Kourou).



**1912** BPD establishment by the entrepreneurs Bomprini and Parodi Delfino, a company with a focus exclusively on defense products.

**1968** SNIA BPD. The focus extends to the products of the chemical selector and, to a much lesser extent, to space products. At the turn of the 70-80s, the Group decides to have a role in the Ariane Program.

**1984** Ariane 3 flight.

**1988** First Ariane 4 flight.

**1994** Acquisition by FIAT. The FIAT Group acquires BPD Difesa e Spazio, a company founded in 1912 to carry out the development and production of ammunition for the Italian military administrations (about 4,000 people).

**1996** First Ariane 5 flight Module still operating today.

**2000** Birth of ELV S.p.A.. 70% controlled by Avio in collaboration with the Italian Space Agency (ASI), assumes the relevant role of project manager for the European launcher VEGA.

**2003** Signing of the Vega development contract.

**2006** Avio's acquisition. The Group is bought by BCV Investments, a company belonging to the Private Equity Fund Civen (81%), as well as to the Finmeccanica Group (14%) and other investors (5%).

**2012** First Vega flight. In the meantime, Avio's aviation sector changes to GE and Avio's Space Division becomes a separate company.

**2014** Signing of the Vega C agreement a more flexible version of the current Vega.

**2017** On April 10, Avio is listed on the stock exchange.

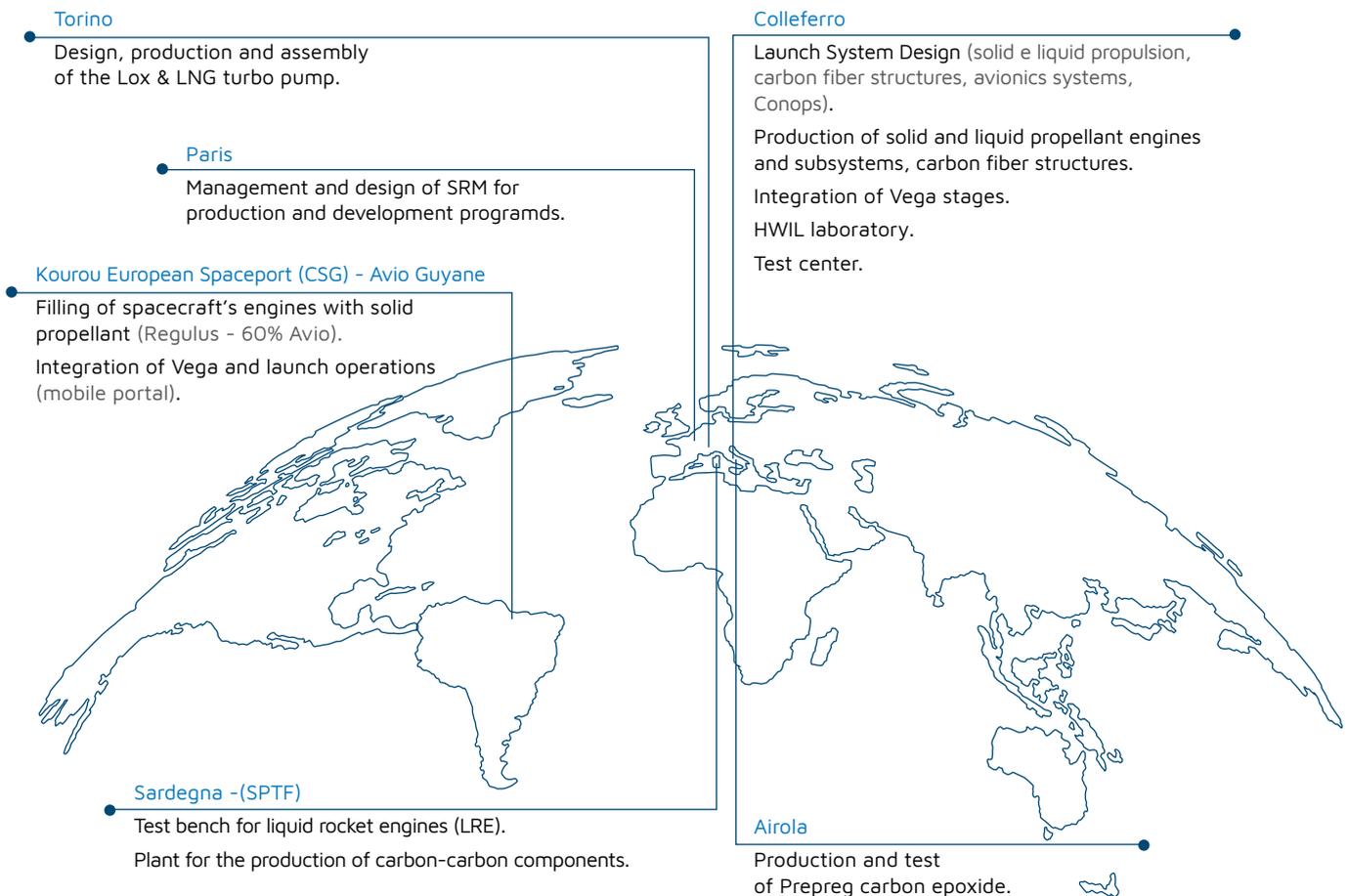
**2018** On February Avio Guyane born with the purpose of managing the VEGA launch site at the Space Center.

**2018** Birth of SpaceLab S.p.A.. On March 1, 2018, the subsidiary ELV S.p.A. has sold to Avio S.p.A. the business unit inherent in the development, production and marketing of launchers leading to the birth of Spacelab S.p.A. devoting itself to research and development of new technologies and testing of products for space transport.

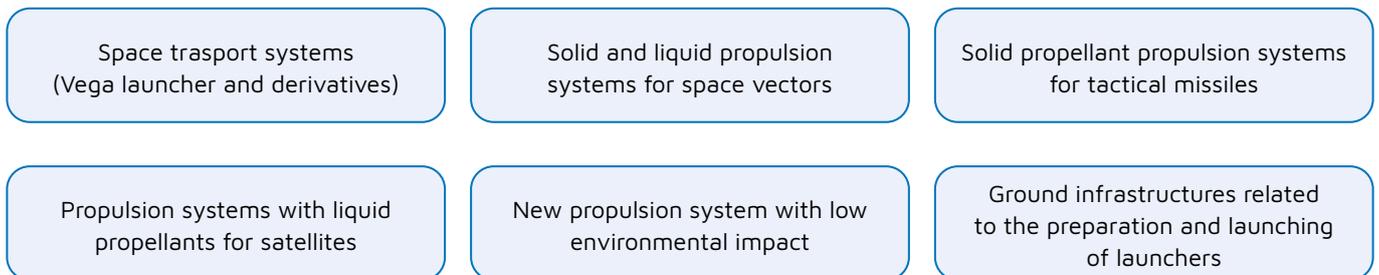
**2019** SPTF "Space Propulsion Test Facility" preliminary activities. Start of works for the new industrial site for space activities and financed by Avio in collaboration with MISE and the Sardinia Region.

<sup>1</sup> Sub-contractors are responsible for the development of and or / manufacturing of components or subcomponents of space launchers, for which they are also design authorities.

<sup>2</sup> Responsible for the development and / or product manufacturing of launch systems.



The Group currently operates in the field of Launch Systems and space propulsion, with a focus on design, development, production and integration of:



With regard to launch systems with Avio content, the Group is an important player in space programs oriented to the development and production of space launchers for civil use designed and built for positioning satellites. Specifically, **Vega** is a space launcher designed and built for positioning satellites in low orbit (Low Earth Orbit, LEO - between 300 and 2,000 km altitude). The project in which it takes part is supported by seven European nations, even though about 60% of the launcher is produced in Italy. Avio has developed and produced the solid propellant engines of the first 3 stages of the Vega launcher and the liquid propulsion module of the fourth; it is also responsible for the integration of the launcher as well as for the development, operations and maintenance of the ZLV ground segment (Zone de Lancement Vega). **Ariane 5** is a space launcher designed and built for positioning satellites in geostationary orbit (Geostationary Transfer Orbit, GTO - approximately 36,000 km in height after circularization). As previously specified, Avio operates as sub-contractor, having developed and produced the liquid oxygen turbopump (LOX) for the Vulcain 2 engine and the P230 solid propellant engine, which in double configuration provide the initial thrust to the launcher.

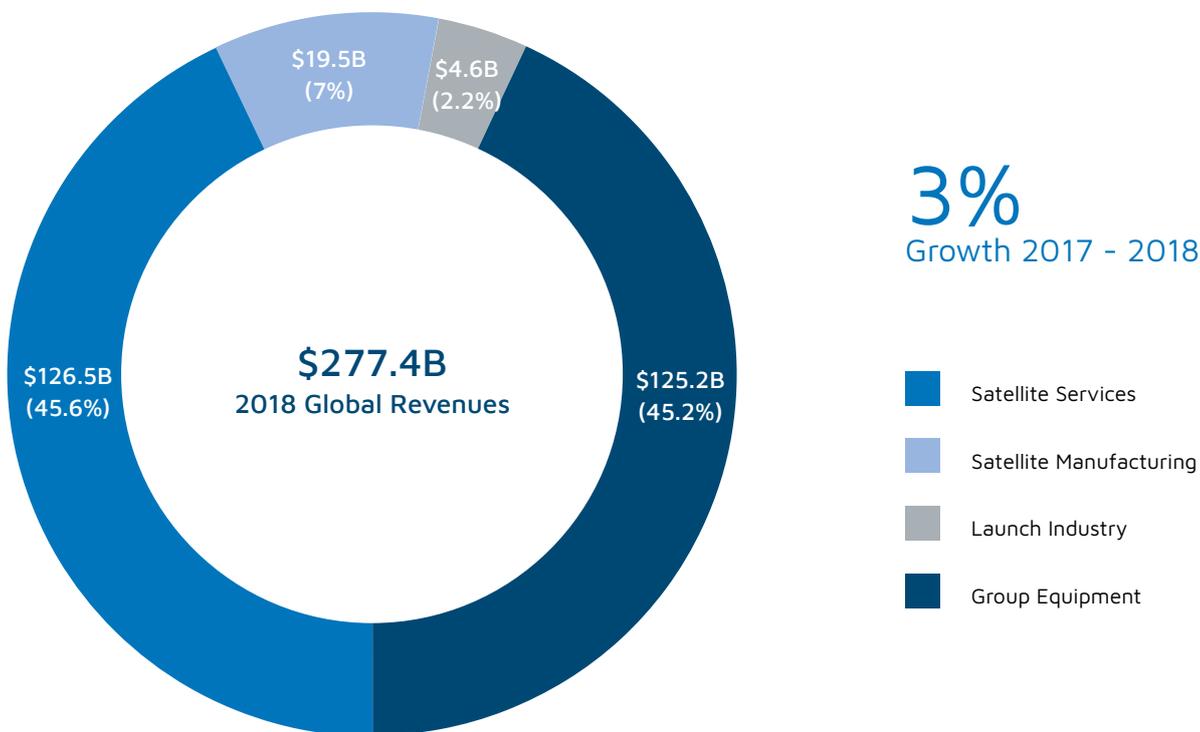
Arianespace, of which Avio holds a minority shareholding of approximately 3%, as launch service provider (LSP), purchases the Ariane and Vega launchers from the prime contractors of the respective programs and sells the launch service to institutional and commercial end customers who intend to position their satellites in orbit.

The Group is also active in the business of **propulsion systems for military tactical missiles**, producing in particular the components for the propulsion (booster<sup>3</sup> and sustainer<sup>4</sup>), the thrust orientation system (TVC) and the aerodynamics (wings) of Aster 30, considered one of the most powerful and technologically advanced tactical solid propellant engines in the world. These propulsion systems are sold to the prime contractor Matra BAE Dynamics Alenia ("MBDA"), the leading European manufacturer of missiles and defense technologies, operating on the European and international market. Avio also develops and manufactures the propulsion for the Aspide and Mars missiles and has recently started the development of the engine for the CAMM-ER anti-aircraft missile with extended range and high performance that will equip future terrestrial, maritime and air defense systems. In November 2019, the CAMM-ER engine passed the first operational tests brilliantly.

Lastly, in the field of satellite propulsion, Avio has created and supplied ESA and ASI with propulsion subsystems for launching and controlling various satellites, including the most recent SICRAL, Small GEO and EDRS-C. Since 1984, Avio has developed and produced more than 15 liquid propellant propulsion systems for satellites. Preparations for the launch of two new ESA satellites equipped with Avio liquid propulsion are currently underway.

In 2018, the launcher sector, to which the Group belongs, generated overall revenues of 6.2 billion dollars, equal to 2.3% of the value of the space industry (277.4 billion dollars, grown by 3% compared to the previous year).

There are three historical reference markets of Avio: the European institutional market, for the transport of satellites financed by ESA and by the European Community; the institutional market of governments linked to the European Community or having privileged relations with the Member States of the European Community; the world commercial market (specifically, the Middle Eastern, Asian, South American and, recently, North American) and which also includes the institutional market of States that do not have the technology necessary to launch satellites into orbit.

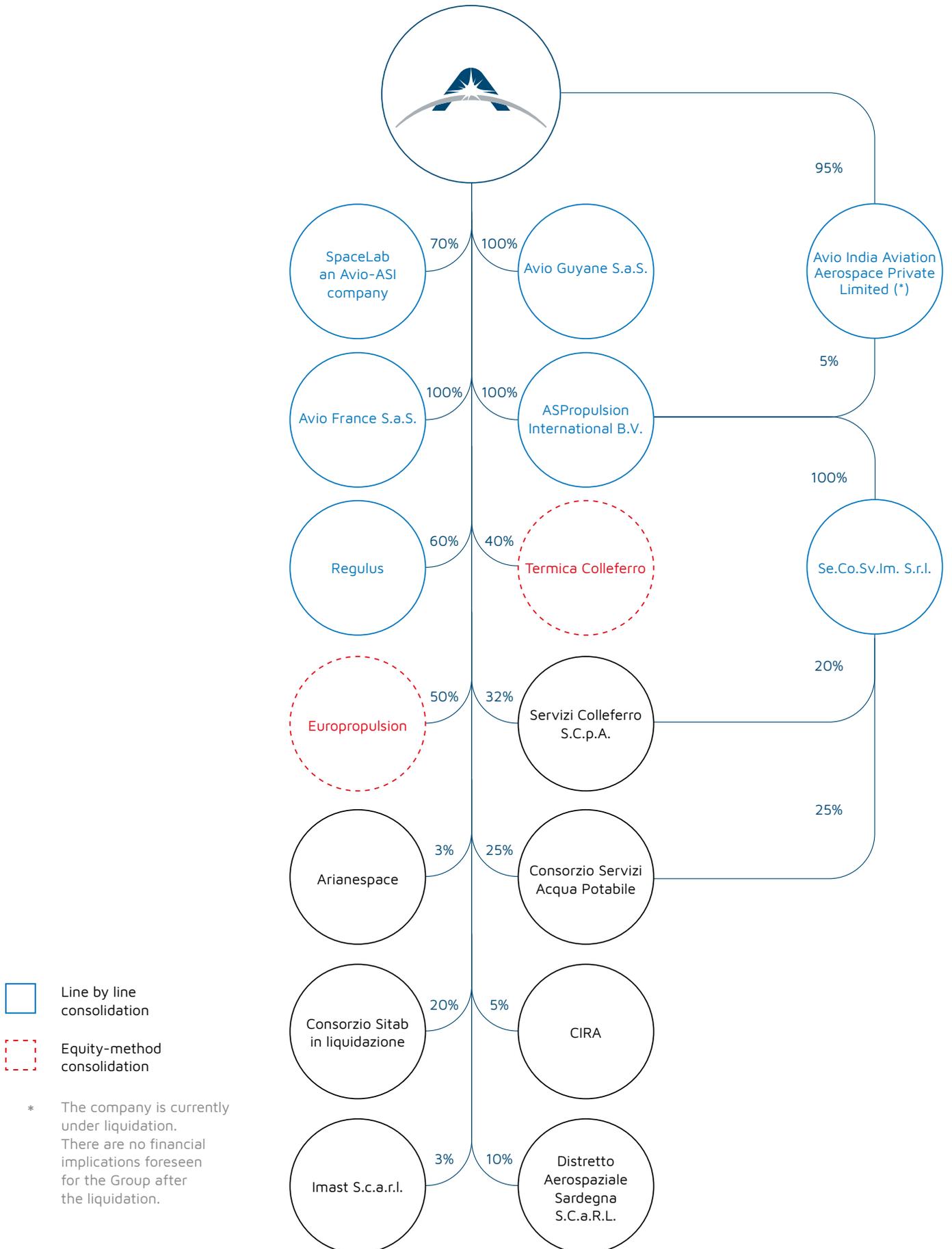


Source: SIA - State of the Satellite Industry Report, September 2019 - BRYCE Group.

<sup>3</sup> Thruster that generates an additional thrust to that provided by the main stage of a space launcher, allowing the launcher to reach the acceleration necessary to overcome the force of gravity.

<sup>4</sup> Solid cruise propellant engine of the Aster missile.

# 1.1. The Group's structure



**SpaceLab** is a company established in 2000 by Avio and ASI with the name "ELV S.p.A." until 9 May 2018, when it was renamed "Spacelab S.p.A.". Objective: development of innovative technologies in the segment of space access, which are not available in Italy, with the aim of creating a competitive advantage for Italy in general, as well as for Avio. The company mainly operates on behalf of Avio S.p.A. and the Italian Space Agency (ASI) and it takes part in projects financed by ASI and the European Union. The company's mission includes, among others, (I) research and development activities on new technologies and infrastructures in the space transport sector; (II) the creation and management of research structures, for development and testing; (III) participation to research, development and testing programs financed by private and public commitments and contractual agreements; (IV) consulting services.

Spacelab S.p.A. is 70% owned by Avio and 30% owned by ASI.

**Regulus** is a French company with registered offices in Kourou, French Guiana created in 1989 by the Italian BPD from Colleferro and from SNPE («Société National des Poudres et Explosifs»), which was property of the French State.

Objective: being a global leader in the production of solid propellant and for the loading of large rocket engines.

Regulus is currently owned by Avio S.p.A (60%) and by Ariane Group (for the remaining 40%).

**Se.Co.Sv.Im. S.r.l.** is the real-estate company of the Avio Group that owns about 910 hectares of land in the municipalities of Colleferro, Segni and Artena (Rome), with hundreds of properties, most of which are rented by the Group for industrial purposes (about 450 hectares) and by other companies which are present in the area: Simmel Difesa S.p.A. (occupies about 45 hectares), Italcementi (occupies about 65 hectares for the right-of-access to a power line) and Servizi Colleferro (occupies about 2.5 hectares). Se.Co.Sv.Im. directly manages the remaining unrented properties of about 350 hectares.

Se.Co.Sv.Im. is indirectly owned by Avio via its controlled entity AS Propulsion, which fully owns Se.Co.Sv.Im..

**Avio Guyane S.a.S.** was established on February 7, 2018. The company is incorporated under French law and is wholly owned by Avio S.p.A. and operating in French Guiana. The company deals with the coordination of the launch campaigns and the management of the ground infrastructure with a focus on the production activities for the assembly and preparation of the Vega launches, with the aim of optimizing industrial processes and increasing productivity in perspective of a future increase in the number of Vega launches.

**Avio France S.a.S.** was established in 2019, wholly owned by Avio S.p.A., whose corporate purpose consists of engineering activities for studies and design of systems and subsystems in the space transport sector.



## 2. The prioritization of relevant topics: Avio's materiality matrix

Avio Group has always considered Social Responsibility as an integral part of its values and strategy, as well as the basic pillar on which to build trust and credibility with its stakeholders. Avio Group is aware of how important it is to identify the relevant issues for its stakeholders and to choose the contents of this document in order to ensure an understanding of the activities carried out by the Group, its performance, its results and the impact produced by them, also in light of the GRI Standards principles of materiality, stakeholder inclusiveness, context of sustainability and completeness. For this reason, starting from 2018, annually, the Group is committed to carry out a materiality analysis process, aimed at identifying the areas in which Avio's activities can have a greater impact on the territory in which it operates, as well as on the well-being of the communities, of the people and all the Group's stakeholders.

In application of the standard for sustainability reporting defined by the GRI Global Sustainability Standard Board, the material aspects of sustainability have been assessed with respect to their ability to significantly influence the decisions and opinions of stakeholders, as well as in relation to their impact on performance of the Group.

The analysis carried out in 2019 by the Legal, Compliance & Corporate Affairs Department, through a structured process and in line with what is required by GRI, involved both the Group's Management and a group of external stakeholders (suppliers and sub-suppliers, customers and business partners, academia, employees and trade unions, government institutions, supervisory and control authorities). The materiality analysis process involved four phases:

- confirmation of the issues identified in previous years, referring to all the material aspects for Avio, identified through the analysis of company documentation (Code of Conduct, Annual Financial Report, Business Plan, Model 231, Anti-corruption Code etc.), external documents on scenario changes, evaluation questionnaires of sustainability rating companies and comparison with the reference sector;
- involvement of representatives of the company's top management and 39 external stakeholders in the process of updating and confirming the materiality matrix;
- approval by the Risk Control and Sustainability Committee (CCRS);
- presentation of the analysis to the Board of Directors on January 16, 2020 and subsequent approval.

In 2019, the top management confirmed the material issues assessed in 2018, not having intervened corporate situations such as to require an update of the same. In order to listen to the voice of the most relevant stakeholders for Avio and to give greater relevance to their evaluation, 39 representatives of stakeholder groups were involved (compared to the 9 involved in 2018). The assessments were collected on 18 topics identified as most material in 2018, with the aim of reviewing the relevance associated with each of them, also in light of the evolution of the main trends in the sector and their economic, financial and reputation impact as well as of the strategies defined by Avio. Themes were thus prioritized, and their positioning within the matrix was defined.

Downstream of the 2019 analysis, the aspects related to *governance*, *regulatory compliance* and *economic performance* were considered as prerequisites and therefore were not included in the process, but are still reported in this document.



- |  |  |   |
|--|--|---|
| <b>1</b> Quality and safety of products and processes            | <b>9</b> Responsible relationship with suppliers | <span style="color: blue;">■</span> Environmental topics      |
| <b>2</b> Quality of industrial processes                         | <b>10</b> Cybersecurity                          | <span style="color: yellow;">■</span> Staff management topics |
| <b>3</b> Innovation  | <b>11</b> Environmental remediation              | <span style="color: darkblue;">■</span> Social impact topics  |
| <b>4</b> Health, safety, wellbeing of employees and human rights | <b>12</b> Staff remuneration                     |   |
| <b>5</b> Safety in industrial management                         | <b>13</b> Relationship with the community        |   |
| <b>6</b> Training and skills development                         | <b>14</b> Waste management                       |   |
| <b>7</b> Management and retention of talents                     | <b>15</b> Management of water resources          |   |
| <b>8</b> Energy consumption and emissions                        | <b>16</b> Equal opportunities                    |   |
|  | <b>17</b> Dialogue with trade unions             |   |
|  | <b>18</b> Prevention of corruption               |   |

The materiality analysis highlights how the Group is strongly committed to ensuring a competitive advantage in the aerospace sector by aiming to guarantee quality products and services that arise from constant innovation favored by the safety and efficacy of the production processes as well as by Avio’s ability to enhance and develop the people who work in the Group.

The 18 themes identified as materials are punctually reported within the document. For a better understanding of these issues, a description is given below:

Material topic	Definition
Environmental remediation	Measures taken to remedy environmental pollution, by securing, removing and disposing of any polluting substances (such as, by way of example but not limited to, chemicals deliberately released or accidentally spilled into the soil and waters of rivers and sea, municipal waste and industrial waste), to restore the environmental conditions for the population and to achieve beneficial effects also for the productive, social and economic rebirth of degraded territories.
Energy consumption and emissions	Activities to further improve energy efficiency and reduce direct and indirect CO <sub>2</sub> emissions and other emissions in production processes, building management and maintenance, logistics processes and in the development of new products.
Waste management	Activities aimed at managing hazardous and non-hazardous waste and its recovery in production processes.
Management of water resources	Activities to manage water efficiency, discharges and water availability in production processes.
Dialogue with trade unions	Activities aimed at promoting a constant relationship with trade unions based on information sharing on issues of common interest, with the aim of ensuring compliance with the law and ensuring the wellbeing and protection of workers' rights.
Training and skills development	Training and development activities for the consolidation and transfer of an increasingly broader set of skills in order to guarantee a continuous process of valorization and growth of human capital.
Management and retention of talents	Activities and initiatives aimed at increasing the company's ability to implement strategies and policies to attract talented employees and keep them for a long time in the Group, guaranteeing a workplace made up of competent, motivated and satisfied employees.
Equal opportunities	Adoption of a remuneration and performance evaluation system aimed at enhancing the employees' contribution and commitment.
Staff remuneration	Adoption of a compensation and performance evaluation system aimed at enhancing the contribution and commitment shown by employees.
Health, safety and wellbeing of employees and human rights	Management of health and safety initiatives and training and prevention programs, as well as monitoring of accident rates, occupational diseases and accidents. Commitment to protect the human rights and working conditions of the people involved in various capacities in the Group's activities.
Relationship with the community	Involvement of communities and local authorities through targeted initiatives and corporate donations to support community development.
Safety in industrial management	Maintenance of high standards of compliance with law requirements in order to guarantee the careful handling of hazardous substances, processes, plants and access to sites.
Cybersecurity	Initiatives aimed at ensuring the security of the IT infrastructure, preventing illegal attempts of physical or remote access to sensitive information that could compromise the competitiveness of the company - which derives from the research and development of intellectual property - or that could make the products and services offered obsolete ahead of time.
Responsible relationship with suppliers	Transparent management of the supply chain by promoting constant dialogue with suppliers and carrying out engagement initiatives.
Innovation	Activities aimed at maintaining and developing the Group's ability to foster a culture of innovation and the development of new products, technologies, materials and services that increase the Group's competitiveness on the market.
Quality of industrial processes	Maintaining high standards of all business processes that contribute to the design, development and implementation of the Group's products or services.
Quality and safety of products and services	Maintaining high standards of quality and safety of products and services during use by the end user.
Prevention of corruption	Activities related to control systems aimed at the prevention of active and passive corruption.

## 2.1. The Sustainable Development Goals and Avio’s priorities



The Global Agenda for Sustainable Development, a program approved in September 2015 by 193 member countries of the United Nations, aims to motivate and require all Member States to make an effort to bring the world on a sustainable path for the benefit of people, the planet and prosperity.

The Sustainable Development Goals (SDGs) that make up the 2030 Agenda include various themes, including: acting for people, eradicating poverty in all its forms, acting for the planet, through conscious consumption and production and acting for prosperity, ensuring that all human beings can benefit from economic, social and technological progress. The definition of 17 common sustainable development goals (SDGs), divided into 169 targets to be reached by the year 2030, implies that all countries and all individuals are called to contribute to this goal, defining their own strategy for sustainable development and involving all members of the Company.

This active role is therefore also required to companies which, with their own resources and skills, can offer a fundamental contribution to the achievement of the SDGs. In this context, the **potential of the Space Sector in supporting the SDGs** is substantial and in many cases can represent the best solution to problems related to sustainable development. The potential of Space in the management of environmental resources and the effects of climate change as well as in the facilitation of telecommunications and logistics management, is already well documented and is attributable to the countless existing satellite applications. In this sense, the real challenge, at the moment, is not so much to create new space infrastructures, but to use existing ones, including new integrated functions and a management of Big Data made available by them, in innovative ways that can better respond to the objectives of the SDGs. The space sector must ensure proactive access to infrastructure, data and technological resources, while international, non-governmental organizations and states should improve their technological knowledge in order to strengthen building capacity, improve land infrastructure and reduce the environmental impact.

# SUSTAINABLE DEVELOPMENT GOALS

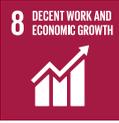


In this global context, Avio has begun a path aimed at making a concrete contribution to the Global Agenda 2030 through actions and initiatives that are an integral part of the Group’s strategy and which orbit around three main areas: the promotion of a culture oriented towards **innovation** and **research**, the **development** of our **people**, the quality of education and the enhancement of respect for the **protection of the environment and space**.

The Avio Group has therefore identified objectives that can be considered priorities, for which is reported a brief summary of the actions and initiatives to achieve them and the indicators used for their monitoring.

**Avio’s priorities**



Goal	Statement	Monitoring
	<p>The Group adopts a preventive approach which consists in the continuous improvement of general measures for the protection of Health and Safety in the Workplace and the improvement of the well-being conditions of employees.</p> <p>The Group promotes the maintenance of high quality, health and safety standards for products and services being used by the end user.</p>	<p>GRI 403: Occupational Health and Safety GRI 416: Customer Health and Safety</p>
	<p>The Group guarantees continuous differentiated training based on the specific roles and training needs of the employees as well as constant training and the development of the soft skills necessary for managerial growth.</p> <p>The Group promotes involvement and sponsorship initiatives aimed at incubating technical skills in the space sector, spreading the culture of innovation and bringing the younger generations closer to study paths and STEM disciplines.</p>	<p>GRI 404: Training and Education GRI 102: General disclosure</p> <p>Other indicators: Expenses and hours dedicated to scholarships and agreements with universities</p>
	<p>The Group guarantees industrial management safety, respect for diversity and human rights and condemnation of any form of discrimination. It also guarantees improved employment conditions and dignified work for all.</p> <p>The Group contributes to Italian and world economic growth through its production activity, technological development and investment in skilled work.</p>	<p>GRI 103: Management Approach GRI 405: Diversity and Equal Opportunity GRI 406: Non-discrimination GRI 401: Employment GRI 102: General disclosure GRI 412: Human rights assessment</p>
	<p>The Group pursues technological development activities to encourage continuous innovation and the search for new propulsion systems based on "green" propellants, not only for launch applications but also for orbital applications.</p> <p>The Group invests in research and development in order to allow progress on technological innovation and the development of enabling space infrastructures (upstream).</p>	<p>GRI 103: Management Approach GRI 102: General Disclosure</p> <p>Other indicators: Expenditure and hours devoted to research and related sources of funding</p>
	<p>The Group participates in urban redevelopment projects and contributes to economic and social progress within the territories in which it operates and the community of Ariane cities</p> <p>The Group is engaged in projects for sustainable enhancement and remediation of abandoned areas of its Colleferro (RM) area.</p>	<p>GRI 103: Management Approach</p>
	<p>The Group is committed to reducing the consumption of natural resources and promoting awareness campaigns on separate waste collection and the reduction and recovery of waste produced.</p>	<p>GRI 302: Energy GRI 303: Water GRI 306: Effluents and Waste</p>
	<p>The Group plays an important role in the development of enabled products and downstream services such as satellites for environmental monitoring and earth observation, weather forecasting, food security, enhancement of technological infrastructures and, more generally, data that improve the quality of human life on earth.</p>	<p>GRI 103: Management Approach</p>
	<p>The Group initiates partnerships and promotes agreements with institutions in order to promote sustainable use of space and decrease the technological gap between the various countries.</p> <p>The Group is committed to expanding the scientific exchange and partnership network for the development of new products with various players on the international scene.</p>	<p>GRI 102: General Disclosure</p>

## Space Debris

Objects defined as Space Junk or space debris (Source: ESA, [www.esa.int](http://www.esa.int)) are potentially dangerous for operational satellites and for those to be launched in the future. They are mainly concentrated in low orbit, and more precisely in a range between 600 and 1000 km of altitude, which is the destination of almost all the completed or future launches of the Vega launcher. They are generated as a consequence of about 9000 satellites positioned in orbit thanks to about 5500 launches since the beginning of the space age (of these only 1950 are still operational today), in just over 60 years, about 500 collisions / explosions have occurred that have generated:

- about 34000 "objects" of size > 10 cm;
- about 1 million "objects" whose dimensions are in the range 1 cm > d > 10 cm;
- about 128 million "objects" of size < 1 cm. To date, the American entity SSN (Space Surveillance Network) constantly monitors only a small subset of these "objects" (about 22,000).

In this context, Avio is actively engaging on several fronts in order to:

- 1) limit the build-up of new "objects" classified as space debris on the occasion of future Vega launches;
- 2) develop new technologies that allow launchers of the Vega family to remove space debris currently in LE orbit.

Regarding point 1, on the occasion of each launch from the Kourou space base, Avio must plan a mission that, at the end of the same, will place out of orbit the structures used for positioning the satellite, by direct return of the upper stage or by placing it in an orbit for decay over the next 25 years.

In parallel, as referred to in point 2, in the wake of the initiatives promoted by ESA Avio responded to the tender "Service Offer Request" aimed at removing some space debris in the LEO and GEO orbits. The concept proposed by Avio is called VIS (Vega In-Orbit Service) and is based on the use of: (i) an AOM (Avum Orbital Module) derived from that developed within the Space Rider program and (ii) an SM (Service Module). Once in orbit via the Vega launcher, the AOM module has the task of providing propulsion, avionics and the interface to the SM module, up to the rendezvous with the debris to be removed. The SM module has the task of approaching the debris and grasping it by means of a robotic arm. At this point the AOM module goes back into action and, in coordination with the ground stations, performs the de-orbiting maneuver. This maneuver may consist of a controlled return to earth, or the parking of the debris in a "graveyard" orbit. Avio's offer (leader of an international consortium formed by Avio, Telespazio, MDA, Sener), despite being between the two declared suitable ("eligible") by ESA for the award of the tender, was not a winner.

The VIS concept was presented at the World Space Forum organized by UNOOSA in Vienna from 18 to 22 November 2019, where the commitment that Avio is putting into the context of the sustainability of the environment Space was witnessed in front of an audience composed of delegates from all over the world.

At the present time, Avio is proposing a similar VIS concept in the context of a tender promoted by EC H2020 aimed at demonstrating the feasibility of removing space debris with a robotic arm. In this context, Avio is the leader of a European consortium and collaborates with companies that intend to pursue the same goal of removing debris. Finally, another Avio initiative in this sense consists in exploiting the potential of the Space Rider, which has obtained, within ESA, the funds to complete the development and carry out a qualification flight by 2022. The Space Rider, for its nature, lends itself very well to host in its Cargo Bay (or to release) a service module capable of capturing a garbage "object" and place it out of orbit.

## “Access to Space 4 all”



At the UN conference, the Company and the United Nations Office for Outer Space Affairs (UNOOSA) joined forces by announcing a collaboration agreement. As part of the initiative promoted by UNOOSA, “Access to Space 4 All”, Avio S.p.A. will offer its contribution through the launch of nine mini-satellites in favor of member states of the United Nations, particularly developing countries.

The initiative aims to reduce the consequences of the technological and financial gap between the various satellite user countries and encourage the entry into the space economy of developing countries that have still remained on the margins of it. The initiative is part of the pursuit of the United Nations sustainable development objectives: at least 30% of the sustainable development objectives depend to a greater or lesser extent on space and satellite technology. In particular, these are surveys from above of weather phenomena, climatic changes, soil erosion, status of buildings, migratory flows, natural resources and, also in the near future, communications and telecommunications, both by telephone and on the Internet. In this, Avio’s Expertise is fundamental, as it is specialized in satellites built to provide these types of service.

In the last months of 2019, the tender was drafted, which is expected to be published in the first trimester of February 2020.

## 2.2. Dialogue with stakeholders

Avio recognizes the importance of maintaining a continuous and solid relationship with all its counterparts.

This relationship is based on the dialogue with all parties through their active involvement and it is as well an expression of the Group's responsibility towards the social context with which it interacts. Indeed, stakeholders bring a wide range of different interests: establishing and maintaining stable and lasting relationships are two crucial elements for the creation of shared and long-term value.

By understanding specific needs and priorities, Avio is able to anticipate the emergence of potential problems and refine its actions in response to the interests of its stakeholders. The starting point for an effective engagement process consists in the timely identification of the stakeholders and the establishment of effective communication channels by continuously monitoring the expectations, needs and opinions of the various categories of stakeholders.

The Group is able to pursue a proactive approach towards its stakeholders with whom frequently interacts, via dedicated company functions that promote a constant dialogue and reconcile their needs. Avio is aware that these moments of exchange are opportunities for growth and enrichment.

The following table shows the stakeholders' maps, including the related methods of involvement, and it is updated periodically through internal investigations with the corporate structures that are responsible for the daily management of relations with the specific categories.

Stakeholder categories	Engagement activities and communication
Employees and trade unions	Dissemination of the Code of Conduct, training sessions, company intranet, dedicated meetings, newsletter.
Shareholders	Periodic financial reports, Corporate Governance report, Shareholders' meeting, Road show, Annual results presentation event, Participation in Investor Conferences all over the world, Site visit to the Kourou plant for financial analysts who follow the stock exchange.
Government institutions	Conferences, dedicated meetings.
Supervisory and control authorities	Technical panels, specific meetings, inspections.
Clients and Business Partner	Company website, dedicated meetings, brochures.
Suppliers and sub-suppliers	Company website, dedicated meetings.
Media	Social network, press releases, interviews.
Academia	Collaborations, conferences, dedicated meetings.
Local communities	Events, partnership.

## Sustainability Day

On 2 July Avio took part in the third edition of the Italian Sustainability Day organized by Borsa Italiana: a day dedicated to supporting dialogue between businesses and investors on ESG and Sustainability issues. During the intervention we presented our Group Non-Financial Statement and talked about our governance model, our ESG risk management approach and our objective of increasingly including ESG factors in our overall corporate strategy, also by virtue of transparent and effective communication with our stakeholders.

## ESA Council at ministerial level 2019

The periodic meeting of ESA Member States' ministers responsible for space was held in Seville, Spain, between 27 and 28 November, to decide on the cutting and allocation of priority government funding for space programs for the next few years. Italy was represented by the Undersecretary to the Prime Minister with responsibility for space activities Riccardo Fraccaro, the President of the Italian Space Agency Giorgio Saccoccia and the Secretary of COMINT (Inter-ministerial Committee for Space and Aerospace Policies) and Admiral Carlo Massagli.

The conference saw a sharp increase in resources allocated to space programs by all States (from 10.6 to 14.4 € Bln over three years, + 36%), Italy being a major player with a 72% increase in the amount of resources allocated, from € 1.3 billion in 2016 to € 2.3 billion in 2019.

The space launcher sector also received a substantial increase in the resources allocated to the new programs, which went from € 1.6 billion in 2016 to € 2.2 billion in 2019.

All the programs in which Avio is involved, especially Vega, Space Rider and Ariane have been met with great interest from all States, with a substantial increase in the number of States participating in these programs, essential to guarantee Europe's independent access to Space.



### 3. The Governance of Avio Group

As a reference model for its corporate governance, Avio adopts the provisions of the Corporate Governance Code promoted by Borsa Italiana. As indicated in the Report on corporate governance and ownership structures, which can be consulted on the Group's website in the "Corporate Governance" section and to which reference should be made for more details, Avio's corporate governance system is structured according to the traditional model of administration and control and it is characterized by the presence of the following corporate bodies:

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

Pursuant to the By-laws, there are distinct roles and responsibilities of the various corporate bodies within this model: the Shareholders' Meeting, as an expression of the interest of the generality of the shareholders, expresses, through its resolutions, the corporate will; the Board of Directors is the body with the broadest powers for the ordinary and extraordinary management of the Company, with the right to perform all the deeds deemed appropriate for the achievement of the corporate purpose, except for those reserved to the Shareholders' Meeting by law; the Board of Statutory Auditors supervises the financial reporting process and statutory audit, in particular for the provision of non-audit services. The Board of Directors of the Parent Company currently in office, as the highest governing body, is made up of nine members<sup>5</sup>, of which 4 independent, pursuant to art. 148 of the TUF and art. 3 of the Corporate Governance Code. As shown below, its composition complies with the gender balance provisions.

#### The Board of Directors of Avio S.p.A.

Name	Role
Roberto Italia	Chairman
Giulio Ranzo	CEO
Donatella Sciuto	Independent Director
Maria Rosaria Bonifacio	Independent Director
Monica Auteri	Independent Director
Giovanni Gorno Tempini	Independent Director
Vittorio Rabajoli	Director
Luigi Pasquali	Director
Stefano Ratti	Director

<sup>5</sup> Among them, two members of the Board of Directors are in the 30-50 years old range, while the remaining seven are more than 50 years old. The Board is composed of six men and three women. [GRI 405 - 1]

The Directors are appointed by the Shareholders' Meeting and remain in office for three years, through the list voting mechanism aimed at ensuring the presence on the Board of Directors of three directors elected by the minority, as well as compliance with the provisions on gender balance. All directors must meet the requirements of eligibility, professionalism, integrity and at least two must meet the independence requirement. [GRI 102-24]

The Board of Directors has the power to delegate part of its powers to an Executive Committee, determining the limits of the delegation, the number of members and the relative operating methods, as well as appointing one or more Chief Executive Officers, assigning powers and establishing one or more internal committees.

Taking into account that the Company is subject to Golden Power regulations, (I) it has been foreseen in the By-laws that the matters and activities in relation to which the Italian Government has a right of opposition pursuant to the Golden Power regulations applicable to companies operating in the defense and national security sectors, are the exclusive competence of the Board of Directors and cannot be delegated; (II) an ad hoc Committee, called the Strategic Activities Committee, has been set up to deal with issues related to Golden Power regulations; (III) an executive has been appointed to manage the strategic activities of the Company, with particular regard to Golden Power regulations.

The Board of Statutory Auditors is made up of three standing auditors and two alternate auditors. Shareholders who, at the time of presentation of the list, hold an amount of shares at least equal to that determined by Consob pursuant to the applicable laws and regulations, can present a list for the appointment of auditors. [GRI 102-24]

In accordance with the Corporate Governance Code, the Board of Directors has established:

- the Appointments and Compensation Committee: delegated to consultative and propositive functions regarding the professional figures whose presence is deemed appropriate within the Board and to define the remuneration policy for directors and employees with strategic responsibilities;
- the Risk and Sustainability Control Committee<sup>6</sup>: responsible for supporting the Board of Directors in assessments and decisions relating to the internal control and risk management system, as well as in those relating to the approval of periodic financial reports.

In particular, the following responsibilities on Environmental, Social and Governance (ESG) issues are assigned to the Risk Control and Sustainability Committee:

- examine and evaluate (I) the sustainability policies aimed at ensuring the creation of value over time for the majority of shareholders and for all stakeholders in a medium-long term horizon, in compliance with the principles of sustainable development; (II) the sustainability guidelines, objectives, and consequent processes and sustainability reporting submitted annually to the Board of Directors;
- monitor international initiatives on sustainability and the participation by the Company in such initiatives, aimed at consolidating its reputation on the international front;
- monitor the positioning of the Company with respect to financial markets on sustainability issues, with particular reference to the positioning of the Company in the ethical sustainability indices;
- examine the Company's profit and non-profit strategies;
- expressing an opinion on other sustainability issues at the request of the Board.

---

<sup>6</sup> Following the approval of the Board of Directors, the Control and Risk Committee has taken on the name of the Risk and Sustainability Control Committee from 13 September 2017, for the purpose of supervising sustainability activities in response to requests resulting from recent developments regulatory.

The Investments Committee and the Strategic Activities Committee, created by the Company on a voluntary basis, carry out advisory roles respectively with reference to matters such as the approval or modification of the annual budget, business plans, strategic plans and investment operations and issues related to compliance with Legislative Decree 21/2012, converted with amendments to L. 11 May 2012, n. 56 (Golden Power Regulations).

Within these control and administration bodies, the gender, cultural and professional diversity of people represents a key value and one of the greatest resources that gives value to the company system.

As expressly indicated in the Group's Code of Conduct, also included in the *Charte éthique* of the French subsidiary Regulus and, starting from 2019, also by the diversity policies of the administrative and control bodies, Avio supports and promotes the diversity of race, sex, age, nationality, religion and personal beliefs. This commitment is reinforced by the condemnation of any form of discrimination in every aspect of the employment relationship, starting from the activities of taking on and assigning duties, responsibilities and objectives, providing training and remuneration, until the termination of the relationship itself.

## The diversity of the administrative and control bodies in Avio

In 2019, in line with what was done in 2018, the Legal, Compliance & Corporate Affairs Department prepared a document relating to the diversity policies of the administration and control bodies, approved by the Board of Directors on February 28, 2020, after receiving a favorable opinion from the Appointments and Compensation Committee and after consulting the Board of Statutory Auditors.

For Avio, the issues of diversity and inclusion play an important role in corporate management, regardless of the requirements imposed by the legislation. In particular, these issues have fallen on the corporate bodies and management in terms of gender, age, qualifications, skills, training and professional profile.

With the diversity Policy of the administration and control bodies, Avio commits to define and formalize the criteria and tools adopted by the Group to ensure an adequate level of diversity in relation to its corporate bodies with the aim of guiding the candidates formulated by the shareholders when renewing the corporate bodies, ensuring on this occasion an adequate consideration of the benefits that can derive from a harmonious composition of these.

In particular, the Policy has the objective of guaranteeing a better knowledge of the needs and requests of the stakeholders, making the decision-making process more effective and in-depth, enriching the discussion in the Corporate Bodies thanks to specific general or technical strategic skills and allowing members of the Corporate Bodies to constructively challenge management decisions.

This Policy is addressed to all members of the Board of Directors, including the Intra-Board Committees, and the Board of Statutory Auditors of Avio.

The aforementioned policy of diversity of the administration and control bodies is also referred to in the Orientation Opinion on the size and composition of the Board of Directors of Avio S.p.A. for the three-year period 2020-2022, approved - in view of the renewal of the corporate bodies and in compliance with the recommendations of the Corporate Governance Code, as well as taking into account the provisions of the By-laws of Avio S.p.A. - by the Board of Directors on February 28, 2020, after consulting the Appointments and Compensation Committee and taking into account the self-assessment results.

Article 11.4 of the By-laws provides that a list for the appointment of directors, in addition to the outgoing Board of Directors, may be held by shareholders who, at the time of presentation of the list, are owners - alone or together with other presenting shareholders - of a share of participation at least equal to that determined by Consob pursuant to the applicable regulatory and regulatory provisions, equal to 4.5% for 2020.

On February 28, 2020, the Avio Board of Directors communicated to the market its intention to present its own list of candidates to be submitted to the shareholders' meeting, which will be convened for the approval of the draft financial statements for the year 2019 and for the appointment of the administrative body.

In light of the above, the opinion illustrates the orientation of the Board of Directors on the qualitative and quantitative composition of the administrative body, which the Board will take into account for the preparation of its list and which is also provided to Avio shareholders in support of their assessments when presenting the lists.

In particular, the opinion contains guidelines on:

- the size of the new Board of Directors;
- the composition referred to managerial and professional figures whose presence on the new Board of Directors is deemed appropriate, as well as;
- the personal and professional characteristics deemed suitable for the office of Chairman of the Board of Directors and the Chief Executive Officer.

The full version of the Policy for the diversity of the administrative and control bodies and the Guidance Opinion can be consulted on the Group website in the "Corporate Governance" section and to which you are referred for more details. [GRI 102-24]

The Group companies adopt business management, organization and control models based on a system of principles (Vision, Mission, Values, Policies, Code of Conduct, Model 231) and management and control tools (risk management, procedures, controls) aimed at monitoring relevant non-financial issues, in line with the regulations applicable in the various countries in which they operate, as well as with the main international standards and guidelines.

In particular, the companies Avio S.p.A., Se.Co.Sv.Im. and Spacelab have adopted their own Organization and Control Management Models pursuant to Legislative Decree 231/2001 and have appointed their own Supervisory Body, responsible for supervision on the functioning and observance of the Model. During 2019, the Avio S.p.A. Organization and Control Management Model pursuant to Legislative Decree 231/2001 has been updated and approved by the Board of Directors on May, 13, 2019. Moreover, on March, 20, 2020 the updated Organization and Control Management Models pursuant to Legislative Decree 231/2001 of Se.Co.Sv.Im. S.r.l. and SpaceLab S.p.A. have been approved by the Boards of Directors of those Societies.



## 4. Internal control and risk management systems

The qualifying and essential element of the Corporate Governance of the Avio Group companies (Avio S.p.A and its subsidiaries) is the Internal Control and Risk Management System (hereinafter "ICRMS"), inspired by the best practices in force and in particular the international standard Enterprise Risk Management-Integrated Framework (ERM Integrated).

This system assumes a fundamental role in the identification, measurement, management and monitoring of significant risks, making them compatible with the company's strategic objectives and thus contributing to the creation of value in the medium-long term.

It is made up of a set of rules and organizational structures, aimed at proactively contributing to the protection of the Avio Group's corporate assets and to an efficient and effective management of the Group, in line with corporate strategies.

The definition and functioning of the ICRMS are described within the Guidelines of the Internal Control and Risk Management System issued by Avio S.p.A.. The Guidelines summarize all the different aspects of the ICRMS to which the companies controlled by Avio S.p.A are called to adapt, limited to what is applicable to their business and company organization, without prejudice to compliance with the rules applicable in the countries in which these companies are based.

Avio S.p.A. has a transversal Risk Management structure specifically dedicated to the management of the Group's general strategic risks. Different forms of collaboration and coordination between the functions of Avio's internal control system are foreseen:

- the activities are carried out regularly in an integrated and coordinated manner, among the various control bodies such as the Risk and Sustainability Control Committee, the Board of Statutory Auditors, the Supervisory Body and the auditing firm;
- information flows and coordination activities are foreseen between the functions of the Group's internal control system, between the Avio's Board of Statutory Auditors and those of the subsidiaries;
- it is formally defined which functions are part of the "first / second / third level of control".

In addition, in order to have greater efficiency in the organization of company activities and greater effectiveness of controls, the various Compliance issues, considered relevant for the Risk Management function, are managed in an integrated manner through various methods such as:

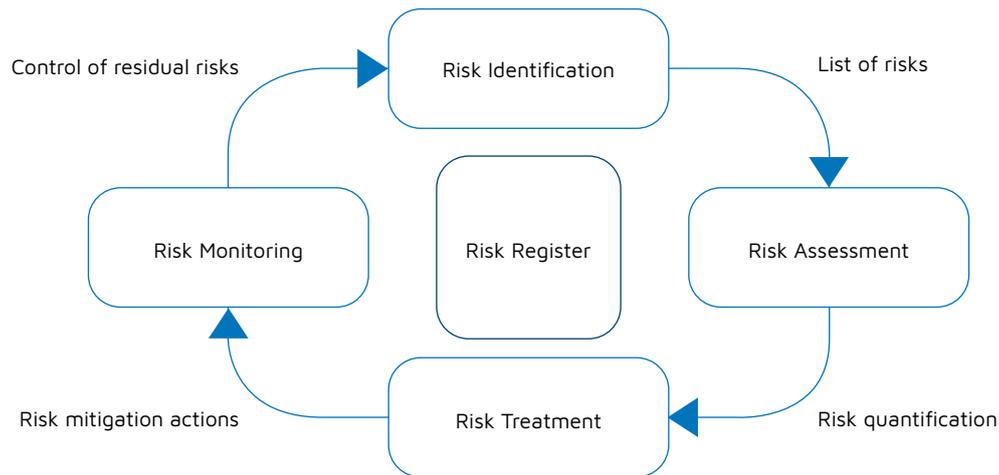
- use of the same methodology for the identification and evaluation of the various compliance and operational risks;
- identification and mapping of risks;
- mapping of risk treatment countermeasures;
- monitoring of risks and adequacy of controls;
- coordinated audit plan;
- conducting common audits that cover various risk areas and verify the effectiveness of controls;
- common reporting on the various Top Compliance issues;
- exchange of information on the results of risk assessment activities;
- use of the same risk management and monitoring tools.

In addition, Avio is equipped with a Quality Management System adopted voluntarily and in compliance with the international ISO 9001 standard.

Regarding the management of specific risks, on the other hand, the other Management Systems of the Group (Health and Safety in the workplace and Prevention of Relevant Accidents and the Environment, compliant with the OHSAS 18001 and ISO 14001 standards respectively) have their own dedicated procedures, responding to precise indications of the law and / or dedicated system.

The management process implemented can be summarized in four macro-phases, as shown in the figure below, with a final operational output represented by the "Risk Register" which lists and classifies all the identified risks (both already treated and under treatment) and that can potentially compromise corporate objectives.

#### The macro phases of the Avio Group's risk management process



The main company functions responsible for the risk management process are:

- **Risk Manager:** is the function responsible for coordination and management of the entire process. It reports directly to the Chief Executive Officer as Director in charge of the ICRMS and guarantees the correct application of the corporate risk management methods and requests, where necessary, the appropriate reserves or insurance coverage. Currently this figure is covered by the Head of the Legal, Compliance & Corporate Affairs Department of Avio S.p.A.;
- **Risk Owners:** are the Managers who cover all areas of possible corporate risk;
- **Risk Specialists:** they are, in the area of their competence, those who know how to manage risk, know how to analyze and evaluate the impacts and are able to propose and implement adequate mitigation actions.

The *Internal Audit* structure has the task of providing independent assurance on the ICRMS, aimed at improving the effectiveness and efficiency of the organization, and is in charge of verifying that the ICRMS is functional and adequate with respect to the size and Group operations. The *Internal Audit* also verifies that the risks are managed consistently with the resolutions of the Board of Directors, with the external rules and with the internal rules of the Group.

With reference to the main risks identified by the Group, in addition to those directly related to the space sector, such as operational, regulatory and market risks, linked for example to changes in space access policies and to the limited number of space programs<sup>7</sup>, also not purely financial risks are relevant.

In 2019, the Risk Management function has carried out the annual update of the risk register, among the usual Risk Assessment activities. The register also include ESG risks of which the main highlights are presented below. Avio Group is committed, for the upcoming years, to integrating its Risk Analysis according to the impacts generated and suffered due to "Climate Change" and the relative disclosure, also on the bases of the recent change in legislation.

<sup>7</sup> For further information, see the section "Group principal risks and uncertainties" of the 2019 Annual Financial Report.

Area	Risk	Mitigation actions
Social Safety in products, plants and classified information	Design flaws that can induce the occurrence of events that undermine safety.	Avio has delegated the supervision of the risks of non-compliance of the product as design with the requirements to the Engineering and Product Development Department, which signs its qualification status together with the Quality Department.
	Negative impacts due to the use of explosive material in plants.	The quality and safety of the products as well as the prevention of major accidents are managed by the Group companies through their respective management systems and in line with the principles of the policies adopted on the matter and the related organizational structure.
	Loss of classified data and information.	With specific reference to the risk of data loss, there are procedures and regulations in place which describe roles and responsibilities regarding classified information. Avio S.p.A. carries out training sessions on the correct handling of classified information and specifically observe the national legislation on this topics. Finally, the ICT Area is responsible for monitoring the risk of loss of electronic data and undertakes to ensure that classified information is treated according to current legislation, as certified by the approval granted following the 2018 inspection visit by the Presidency of the Council of Ministers Department for Information and Security.
	Risk that unauthorized external or internal entities fraudulently access strategic areas, steal strategic information / material, generating damage to structures, equipment, products and people.	The Company has equipped itself with advanced security systems (including CCTV cameras, security staff, alarm systems), has defined a system of procedures that describe roles and responsibilities in security matters.
Social Supply chain	Lack of transparency in supplier selection processes.	For Avio S.p.A., SpaceLab S.p.A., Avio Guyane, Avio France S.a.S. and Se.Co. Sv.Im S.r.l. purchasing management is centralized under the responsibility of the Purchasing Department. The selection process is formalized in internal qualification and performance evaluation procedures.  Regulus independently manages its suppliers by adopting the principles and guidelines issued by the parent companies (Avio S.p.A. and Ariane Group).
Governance Ethics and integrity, corruption prevention and regulatory compliance	Corruption events in the Group's processes and activities.	The Company has adopted the Group's Code of Conduct, which defines the prevention principles in this matter, as well as the Organization and Management Model pursuant to Legislative Decree 231/2001, which defines the control standards in the field of corruption, both active and passive. Furthermore, the Anti-Corruption Code was introduced in 2018.  The Group also disseminates anti-corruption policies to all staff through communication and training.
Environment	Environmental pollution liability.	Analysis of technical and operational risks and analysis of the environmental context.  Environmental management system certified in accordance with ISO 14001 certification.
	Inadequate management of environmental remediation.	The Group Companies operate for the management of remediation activities by virtue of Program Agreements signed with the Competent Authorities, permits and authorizations issued by the latter. The Group Companies also apply the procedures provided by the management systems in compliance with international principles and standards.
	Occupational Health and Safety Risks	The Group has adopted an Occupational Safety Management System pursuant to OHSAS 18001. In addition, the Group has implemented safety management systems defined in compliance with the Seveso III Directive and with national transposition rules.

Personnel	Compliance with Legislative Decree 81/08.	Analysis of technical and operational risks and analysis of the environmental context. Health and safety management system certified according to the "worker health and safety" certification, in compliance with the OHSAS 18001 standard.
	Work-related Accidents.	Analysis of technical and operational risks carried out through risk assessment pursuant to Legislative Decree 81/2008. Occupational health and safety management system certified according to OHSAS 18001.
	Risks associated with the use of explosive materials.	Impossibility of untraceable changes to the systems. Obtained certifications regarding plant safety. Insurance policies have been taken out.
	Work-related Accidents (Avio subcontractors).	<p>Procedures that describe roles and responsibilities are in place.</p> <p>A health and safety management system is in place. Training and auditing of external companies regarding health and safety.</p> <p>The internal control system is formalized and structured on current legislation (Legislative Decree 81/08 - health and safety at work).</p>
	Loss of strategic and technical know-how.	<p>The Group has progressively established a series of retention mechanisms consisting of benefits (i.e. car for middle managers and executives, extended car range).</p> <p>The monitoring of skills and the assignment of a variable bonus based on merit are currently in place. In addition, wage increases are provided.</p> <p>Compared to the adoption of succession plans, the Group has developed a structured delegation mechanism for the management of potential losses of key personnel and has completed the process of "mapping" potential successors. A wage analysis (market benchmark) and a weighting of the managers-officers-middle managers figures on the total workforce were conducted.</p>
	Bad management of relations with unions.	Avio constantly strives to forge profitable and positive relationships with unions. In this regard, Avio plans frequent meetings, both formal and informal, between the various Group companies and the unions. During such meetings, for example, changes to company regulations are discussed. The CEO meets union representatives once a year.
	Personnel selection process inadequate for attraction and talent input.	Avio has defined a system of personnel selection procedures that describe roles and responsibilities. In addition, Avio promotes brand awareness, underlining the Group's importance for Italy in the aerospace market, as a lever to attract new talent. The recruiting process is managed in collaboration with head hunting companies, in order to carry out targeted research in light of the technical skills that the Group needs.
	Risk related to the person and safety of Avio employees abroad (or business travelers) caused by episodes of violence (acts of terrorism, riots, accidents, etc.) or by weather emergencies (earthquakes, typhoons, floods, etc.).	The Group has put in place formalized procedures that describe roles and responsibilities in relation to the safety of Avio personnel abroad or on business trips.
	Human rights violations.	The Group recalled the ethical principles related to human rights within the corporate organizational model and the 231 guidelines.



A skilled worker at work in Vega plants

## 5. Avio's responsible business management

Avio has adopted a management and organization model based, on one hand, on a system of principles enshrined in the Mission and in the Company Values, which represent the identity pillars of Avio, affirmed and shared with the Code of Conduct and with the Policies; on the other hand, on management and control tools, which include risk management activities and the adoption of procedures and controls. In this way, corporate management expresses the Group's commitment to oversee relevant non-financial issues, in line with the reference regulatory framework, the main international standards and guidelines.

### 5.1. The identity of the Group

The Group's mission is focused on growth and value creation, through the supply of innovative products and services for maximum customer satisfaction, with due respect for the legitimate interests of all categories of stakeholders, the principles of equity and fairness in the management of the employment relationship, the rules on worker safety and the laws and regulatory provisions applicable to its various fields of activity.

Based on these principles, the Avio Group is committed to fair and impartial conduct.

All business relationships are based on integrity and loyalty and are maintained without any conflict between business and personal interests.

To achieve this, the Avio Group requires its employees to comply with the highest standards of conduct while carrying out their duties, as established in the Code of Conduct.

### 5.2. Code of conduct

The Company adopted its own Code of Conduct, updated in 2017, which defines the principles and rules of conduct that people who work for and with the Group are required to respect and which they must inspire in their daily activities.

The Code, approved by the Board of Directors of Avio S.p.A. and applicable to the entire Avio Group, defines the principles of conduct in business as well as the commitments and responsibilities of Group's employees in order to ensure effective prevention and detection of violations of laws and regulatory provisions applicable to its business, also in terms of health, safety, hygiene and the environment.

The Code represents a guide and a support for each employee, which allows him/her to pursue the Group's mission in the most effective way.

The Code constitutes a fundamental element of the internal control organizational model, which the Avio Group commits to continuously strengthen and develop.

I destinatari del Codice sono gli organi sociali di Avio S.p.A. e delle sue controllate, tutti i dipendenti delle società appartenenti The addressees of the Code are the corporate bodies of Avio S.p.A. and its subsidiaries, all employees of the companies belonging to the Group and all other subjects or companies that act in the name and on behalf of one or more Group companies or with whom they maintain business relationships on a lasting basis (suppliers, consultants, experts, agents and dealers). All addressees undertake to respect the values set out in the Code and certify this commitment by accepting and signing it.

Each of them must comply with the laws and regulations applicable in the different geographical contexts in which Avio operates and must behave in accordance with the provisions of the Code.

The Code of Conduct includes fundamental aspects, such as:

- Ethical principles: they represent the reference on which Avio employees must act; they are Integrity, Loyalty, Correctness, Reliability.
- Rules of conduct: they constitute the practical declination of ethical principles, which all the recipients of the Code must comply with; the rules of conduct contained in the Code of Conduct cover all non-financial issues covered in this declaration.
- Implementation and control: define the corporate controls in charge of supervising the application of the Code, as well as the reporting systems that can be used by the addresses.

Following the example of the Parent Company and in line with the high standards adopted by the same, Regulus has developed the *Charte Ethique* (hereinafter also "Ethical Charter") which, divided into three themes - protection and respect for employees, compliance with laws, regulations and partner regulations and requirements - applies to all company employees, internally and externally, insofar as an external commitment may be affected by a Charter clause.

## Avio's focus on Human Rights

Respect for the integrity of each collaborator represents for Avio an essential priority in the conduct of its business and a fundamental requirement for the development of a collaborative and reliable work environment inspired by loyalty, correctness, respect for company principles and legal obligations.

To this end, the Group undertakes not to enter into relationships with suppliers, partners and customers who employ practices related to violations or abuses of Human Rights. Moreover, Avio requires its suppliers and subcontractors to contractually accept the corporate Code of Conduct, in order to guarantee compliance with the same principles in the conduct of their activities.

The Group may potentially be exposed to the risk of discriminatory situations or behaviors towards individual workers or specific categories of workers regarding political and trade union opinions, religion, race, nationality, age and sex, sexual orientation and health status.

Within the Regulus Code of Conduct and Ethical Charter, the Group expresses its responsibility to contrast and safeguard workers from any form of harassment or unwanted behavior, such as those related to race, sex, religion or other personal characteristics with the purpose and effect of violating the dignity of the person. Furthermore, Avio does not tolerate any form of child labor.

These ethical principles are promptly referred to in the corporate Organizational Model and the 231 Guidelines. Failure to comply with such could expose the Group to sanctions and proceedings related to the offenses that fall within the perimeter of Decree 231. With reference to this risk, a training focus on the subsidiaries was implemented.

Avio's focus on human rights is demonstrated by the absence of detected or reported episodes of actual or alleged discrimination or violation of said rights during 2019. [GRI 406-1]

### 5.3. Policies for the management of Environmental, Social and Governance aspects

Together with the Code, the Group has adopted company Policies aimed at the main operating areas, briefly described below, which express corporate commitment to ensure socially responsible conduct and to manage the most relevant corporate processes.

The **Quality Policy** defines the fundamental guiding values that drive the conduct of Avio S.p.A., such as respect, people's motivation, customer satisfaction, in order to exceed their expectations, and the creation of value aimed at maintaining over time the highest levels of excellence in terms of Quality, product performance, competitiveness and level of service, in compliance with mandatory regulations.

The **Health and Safety at Work and Prevention of Relevant Accidents Policy** sets out the priority aspects for Avio S.p.A. in the conduct of its activities, namely the protection of the health and safety of workers and the community, the safety of plants, the control and minimization of risks, the prevention of accidents and occupational diseases, in full compliance with applicable legislation and other requirements regarding workers health and safety.

The **Environmental Policy** states the principles that govern and guarantee correct management of the environmental performance of Avio S.p.A. in terms of: compliance with legal requirements on the environment, protection and prevention, the optimization of the use of resources, the minimization of environmental impacts, the monitoring of indicators and willing to share the Policy with the interested parties.

The **Product Safety Policy** is based on compliance with company procedures, customer needs and current legislation, and is guaranteed by the continuous training and information of personnel on safety during maintenance activities and by the analysis and assessment of the Human Factor risk.

Since 2014, in line with the aforementioned policies, Regulus has adopted a *Politique en matière de Qualité, de Santé et Sécurité au travail et de respect de l'Environnement* (hereinafter also "Policy on Quality, Health and Safety at work and respect for the environment" ) in which it specifies the objectives at the basis of its corporate conduct - human health and safety, respect for the environment and customer satisfaction - declined in a series of commitments aimed at achieving the highest levels of protection and environmental protection and protection the health and safety of workers.

The Group has launched a process aimed at refining the Company Policies system in order to integrate monitoring and control activities on social issues relating to human rights and corruption risk processes, as well as to raise awareness among all internal and external stakeholders.

With regard to sustainability issues, Avio started the process of implementing a non-financial reporting system in 2017 that complies with the requirements of Legislative Decree 254/2016 and the GRI Sustainability Reporting Standards.

### 5.4. Business ethics and fight against corruption

Ethics and integrity, prevention of corruption and compliance with regulations represent the highest values on which Avio's corporate conduct is based. This therefore indicates a management of relations with all its stakeholders inspired by the utmost correctness, transparency and respect for internal rules and laws, without any conflict between corporate and personal interests.

On the issues related to ethics and business integrity, the following risks are particularly relevant:

- fraudulent behavior by employees such as corruption or donations towards a public official and / or third parties;
- failure to comply with the rules governing relations between States in the field of import / export, with consequent loss of the licenses necessary to operate the business.

Based on the provisions of the Group Code of Conduct as well as the Regulus Ethical Charter:

- the directors, managers, employees and other addressees of the Code and the Ethical Charter must comply with the standards of integrity, honesty and fairness in all relations within and outside the Group;
- Any kind of corruption is prohibited, both towards public officials and private citizens.

“Active” crime prevention is guaranteed by the Organizational Model adopted and implemented in Italy by the Board of Directors pursuant to Legislative Decree 231/2001 (hereinafter also “Decree 231”), as well as by the Supervisory Body (hereinafter “SB”), which carries out, among other things, the task of supervising the effectiveness and observance of the Model as well as overseeing its updating. The system provides suitable policies and measures to ensure that activities are carried out in compliance with the law and that crime-related risk situations are identified and eliminated. In fact, the Group, as mentioned in the Code of Conduct, scrupulously observes current legislation and the provisions issued by the SB, promptly complying with all their requests and avoiding obstructionist behavior.

Also, in 2019, with the support of the Legal, Compliance and Corporate Affairs Department, the Anti-corruption Code has been approved by the Board of Directors on March 14, 2019, following the opinion of the Risk and Sustainability Control Committee, the SB and the Board of Statutory Auditors.

The Code aims to:

- express Avio’s commitment to the fight against corruption and to comply with the provisions;
- define the principles for identifying and preventing potential episodes of corruption, in order to protect the Group’s integrity and reputation;
- clearly communicate the anti-corruption principles to interested parties inside and outside the Group.

The Code applies to all Group employees and to all those whom Avio comes into contact with.

In addition, the Model represents an opportunity to improve Corporate Governance and, at the same time, sensitizes and guides all the resources that operate in the name and on behalf of the Company with regard to the issues of control of corporate processes. In particular, following the corporate integration of Avio with Space2 S.p.A. and the listing of the Company on the STAR segment of Borsa Italiana, as well as the subsequent corporate reorganization, it was deemed necessary to update Model 231 regarding corruption between private individuals, as well as the inclusion of the new Special Chapter dedicated to crimes and market abuse offenses. Subsequently, the BoD, in the meeting of May 13, 2019 approved the new version of the Organizational Model, which became necessary in light of the new legislative measures. These included:

1. the introduction of the offense referred to in art. 346-bis of the Italian Criminal Code (“Illegal influence trafficking”) in the predicate offenses provided for by art. 25 of Legislative Decree 231/2001 which punishes anyone who exploits or boasts existing or alleged relationships with a public official or a person in charge of a public service (or one of the other subjects indicated by the law), unduly gives or promises to himself or to others, money or other benefits, such as the price of their illegal mediation towards a public official or a person in charge of a public service (or one of the other subjects indicated by law). The norm also punishes the subject;
2. the modification of some predicate offenses of Legislative Decree 231/2001, namely:
  - I. Article. 322-bis of the Italian Criminal Code (“Embezzlement, extortion, undue inducement to give or promise utility, corruption and incitement to corruption of members of international Courts or bodies of the European Communities or of international parliamentary assemblies or international organizations and officials of the European Communities and foreign states”) in relation to which the number of subjects who can commit the crime has been extended;
  - II. Article. 2635 c.c. (“Bribery between private individuals”) and art. 2635-bis of the Italian Civil Code (“Incitement to bribery between private individuals”) for which the provision for prosecution by the complaint of the offended person has been eliminated.

It should also be noted that Avio Model 231 is being updated to the new tax offenses that have fallen within the scope of operations as of December 24, 2019 following the enactment of Legislative Decree n. 124, October 26, 2019 (so-called "Tax Decree"), as well as crimes related to national cybersecurity, following the enactment of Law n. 133, 18 November 2019, through which Legislative Decree n. 105, 21 September 2019, containing "Urgent provisions regarding the cybernetic national security perimeter and the discipline of special powers in sectors of strategic importance" has been enacted into law.

Furthermore, in 2018, Avio's Board of Directors approved the Whistleblowing procedure, referred to in the updated Model 231, aimed at regulating the process of receiving, analyzing and processing reports relating to possible crimes, illegal behavior and, generally, of any conduct that is irregular or contrary to company procedures. To this end, the Group has set up an e-mail address of the Supervisory Body which guarantees the confidentiality of the reporting party and protection from any form of retaliation. This channel was created to strengthen the collection of reports of any malfunctions of the organizational structure or the internal control system as well as any other irregularity in the management or violation of the rules governing Avio's business. The aforementioned Model and the aforementioned Procedure were disclosed to all Avio employees and third party recipients.

Also, it should be noted that the Italian subsidiaries Spacelab S.p.A. and Se.Co.Sv.Im. S.r.l. have adopted their own separate Model 231 and have appointed, respectively, a monocratic and collegiate Supervisory Body. Moreover, on March, 20, 2020 the updated Organization and Control Management Models pursuant to Legislative Decree 231/2001 of Se.Co.Sv.Im. S.r.l. and SpaceLab S.p.A. have been approved by the Boards of Directors of those Societies.

Avio has also provided specific training and communication activities aimed at ensuring that all the Group's structures are aware of the key contents of Decree 231 and the Organizational Model.

In January 2018, in line with what was done in 2017, ad hoc training was provided to all managers of Avio S.p.A. and Spacelab S.p.A. (23 in total), in order to cover 100% of the personnel at risk. During 2019, training courses were held regarding the principles relating to the Code of Conduct and the 231 Model of Se.Co.Sv.Im..

In addition to training aimed at individuals at risk, the Code of Conduct and its periodic updates are subject to signature for acceptance by all employees of the Italian companies, including new employees. Regulus, on the other hand, despite not having provided ad hoc training courses on these issues, provided to communicate to all employees the Ethical Charter. [205-2]

With reference to the subsidiary Regulus, it should be noted that the latter adopted its own Anti-corruption Code, in line with the provisions of the Sapin 2 Law, in 2018.

During 2019, Avio became part of the Business Integrity Forum (BIF), a Transparency International Italia initiative that brings together large Italian companies already active on the issues of integrity and transparency and which, through the BIF, undertake to prevent and combat corruption in business practices by adopting and disseminating anti-corruption tools and practices, and a greater culture of legality. For further information, see the dedicated box on the next page.

Furthermore, for Avio, joining the Forum has the specific objective of continuing to raise awareness on the issues that characterize the Company, regarding transparency, integrity and corporate social responsibility, expressing its support in the fight against corruption, to achieve a system-wide impact. Lastly, it has to be noted that on January 29, 2020 Avio took part at the IBID event in Berlin, representing other important Italian companies. The event concerned Artificial Intelligence, new technologies and new approaches to the fight against corruption, and it was organized by Transparency International Italia with the Ministry of Foreign Affairs.

With reference to the Group's foreign companies, the Parent Company has prepared specific "231 Guidelines", in line with the Model pursuant to Legislative Decree 231/2001 adopted by the same, which outline the general and specific behaviors to be implemented in the conduct of the activities considered sensitive, in compliance with the rules applicable in the countries in which they operate. The Guidelines represent a point of reference for the Group's foreign companies, according to which the individual SBs can take advantage of the support and coordination activities provided by the Parent Company's SB.

Finally, it should be noted that all Group companies also provide for periodic assessment and audit activities on processes that may have an impact on the risk of corruption (e.g. purchases, financial transactions). [GRI 205-1]

#### [GRI 205-1] Number and percentage of Group processes assessed for risks related to corruption<sup>8</sup>

Processes assessed for risks related to corruption	u.m.	2017	2018	2019
Processes assessed for risk related to corruption	N.	16	20	20
Total processes		53	50	31
Percentage of processes assessed for risk related to corruption	%	30.00	40.00	65.00

The processes analyzed in 2019 decreased due to a postponement of some audit activities foreseen in the Plan to the next year.

Avio's commitment to integrity, prevention of corruption and regulatory compliance is rewarded by the absence, in 2019, of competition and antitrust lawsuits [GRI 206-1] as well as the absence of monetary and non-monetary sanctions received for the violation of economic and social laws and regulations and for the violation of regulations. [GRI 419-1]

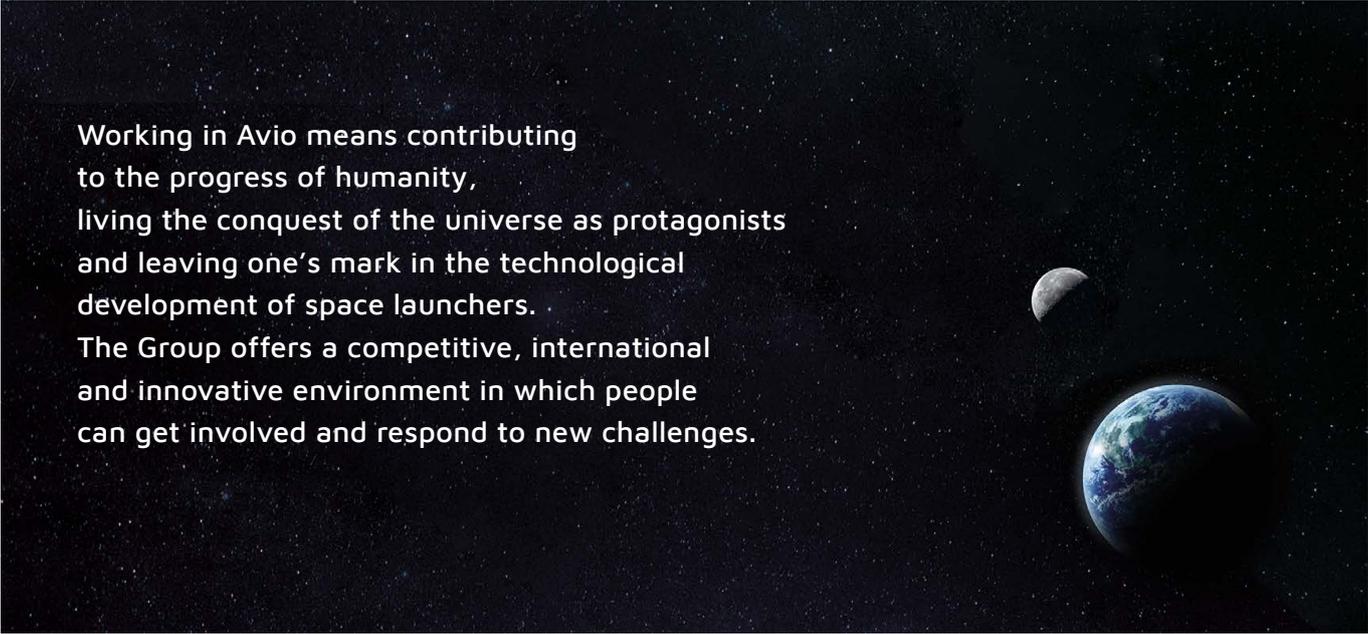
Furthermore, no corruption episodes were recorded in 2019. [GRI 205-3]

During 2019, Avio also joined the Transparency International Italia Business Integrity Forum, with the aim of supporting the dissemination of compliance best practices and risk prevention programs in the country, especially in favor of small and medium-sized companies, and to confirm the continuous commitment of the Avio Group on the issues of ethics, integrity and sustainability. The General Counsel, head of Avio's Legal, Compliance and Corporate Affairs Department, collected the award for best "In House Counsel of the Year - Compliance" at the 2019 Inhousecommunity Awards.

The event, organized by Inhousecommunity.it in collaboration with Aglatech14, DiliTrust, was held on October 17<sup>th</sup> in Milan, this year hosted by the Megawatt Court, with the participation of over 600 people. The aim of the organizers is to reward the excellence of the legal affairs departments in Italy.

<sup>8</sup> The data refers to the total number of processes assessed for risk related to corruption of Avio, Se.Co.Sv.Im., SpaceLab and Regulus. In order to improve the comparability of the information provided, the figure for 2017 has been reformulated in the NFS 2018 by including the total number of processes subject to assessment of the risk of corruption of Avio S.p.A., Se.Co.Sv.Im., ELV S.p.A. (now Spacelab S.p.A.) and Regulus. For the data published in the NFS 2017 please refer to the website [www.avio.com](http://www.avio.com).

## 6. Avio people



**Working in Avio means contributing to the progress of humanity, living the conquest of the universe as protagonists and leaving one's mark in the technological development of space launchers. The Group offers a competitive, international and innovative environment in which people can get involved and respond to new challenges.**

Motivation and professional development are two key elements to promote competitiveness and to ensure continuous innovation.

As of December 31, 2019 the total number of employees was 937, a 11% increase compared to 2018 (equivalent to 95 more people). This growth is in line with the goal of expanding staff in the various professional areas.

97% of the contracts are open-ended, substantially in line with the previous year.

During the year 2019, with regard to Italy, 51 supplied temporary workers with blue-collar qualification were stabilized within the organization. As of 12/31/19 there are still 22 supplied temporary workers with blue-collar qualification and 3 with white-collar qualification (staff leasing). In Italy, the temporary agency workforce is decreasing compared to 2018 (in 2018 there were 65 supplied temporary workers with blue-collar qualification).

With regard to Regulus, temporary workers are employed mainly for 2 activities: temporary reinforcement during peak of activity periods and maintenance activities of technical services.

Italy is the geographic area where most of the corporate population is concentrated. The professional categories that register the largest number of employees are those of white-collar workers and workers, as a direct consequence of Avio's business model.

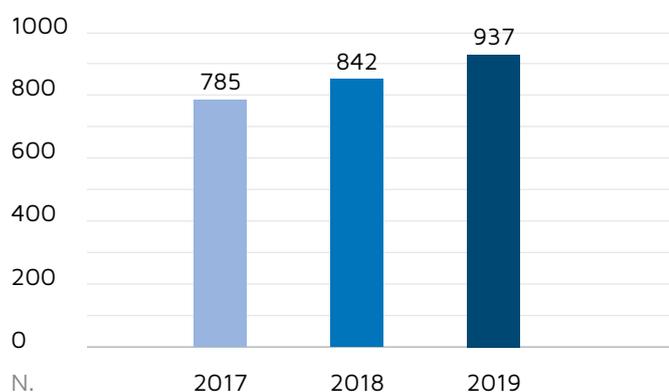
The majority of employees (70%) are in the 30 to 50 years old range; the average age of employees is 43 for Avio, 46 for Regulus, 39 for Avio France and 41 for Avio Guyane. With regard to company seniority, there is a greater concentration mainly in the "0-5 years" and "11-20 years" bands (equal to approximately 34% and 27% of the population respectively), a figure which confirms the growth within the Group and contextually the sense of belonging to it.

The table below shows the breakdown of employees by category, age group, gender and region:

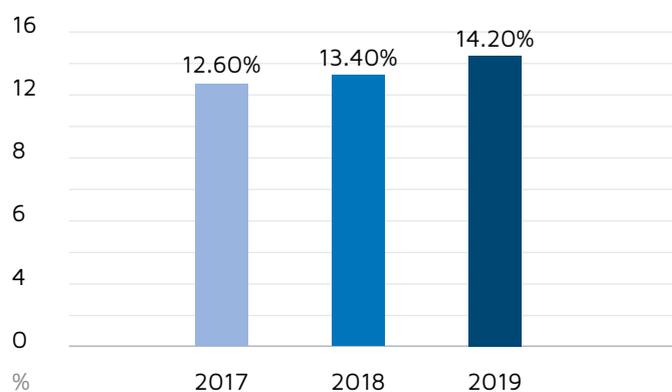
**[GRI 405-1] Composition of employees by category, gender, age group and region**

Employee category	2017			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>Executives</b>	<b>24</b>	<b>2</b>	<b>26</b>	<b>23</b>	<b>1</b>	<b>24</b>	<b>25</b>	<b>1</b>	<b>26</b>
Under 30 years	0	0	<b>0</b>	0	0	<b>0</b>	0	0	<b>0</b>
Between 30 and 50 years	7	0	<b>7</b>	9	0	<b>9</b>	8	0	<b>8</b>
Over 50 years	17	2	<b>19</b>	14	1	<b>15</b>	17	1	<b>18</b>
<b>Managers</b>	<b>171</b>	<b>21</b>	<b>192</b>	<b>182</b>	<b>24</b>	<b>206</b>	<b>192</b>	<b>28</b>	<b>220</b>
Under 30 years	0	0	<b>0</b>	2	1	<b>3</b>	0	1	<b>1</b>
Between 30 and 50 years	94	15	<b>109</b>	107	17	<b>124</b>	124	21	<b>145</b>
Over 50 years	77	6	<b>83</b>	73	6	<b>79</b>	68	6	<b>74</b>
<b>White collars</b>	<b>204</b>	<b>63</b>	<b>267</b>	<b>235</b>	<b>72</b>	<b>307</b>	<b>251</b>	<b>83</b>	<b>334</b>
Under 30 years	16	1	<b>17</b>	16	5	<b>21</b>	23	10	<b>33</b>
Between 30 and 50 years	139	51	<b>190</b>	168	55	<b>223</b>	182	61	<b>243</b>
Over 50 years	49	11	<b>60</b>	51	12	<b>63</b>	46	12	<b>58</b>
<b>Blue collars</b>	<b>287</b>	<b>13</b>	<b>300</b>	<b>289</b>	<b>16</b>	<b>305</b>	<b>336</b>	<b>21</b>	<b>357</b>
Under 30 years	36	2	<b>38</b>	19	3	<b>22</b>	27	1	<b>28</b>
Between 30 and 50 years	192	8	<b>200</b>	208	10	<b>218</b>	242	16	<b>258</b>
Over 50 years	59	3	<b>62</b>	62	3	<b>65</b>	67	4	<b>71</b>
<b>Total</b>	<b>686</b>	<b>99</b>	<b>785</b>	<b>729</b>	<b>113</b>	<b>842</b>	<b>804</b>	<b>133</b>	<b>937</b>

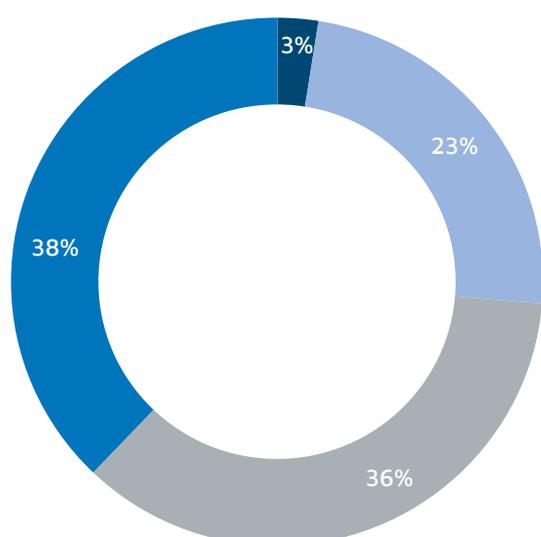
**Groups number of employees**



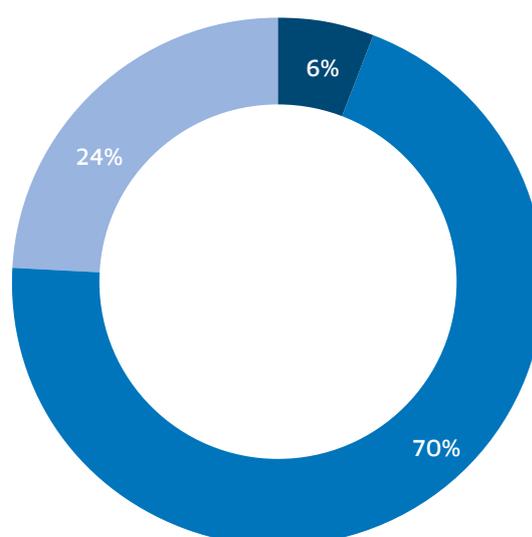
**Percentage of women among the Group's employees**



## Employees by category - 2019



## Employees by age - 2019



The following tables show the employee composition of the Group distributed by type of contract and employment, broken down by gender and region<sup>9</sup>:

**[GRI 102-8] Total number of employees by employment contract type (permanent or temporary) region and gender**

Contract type	2017		2018		2019	
	Italy	French Guiana	Italy	French Guiana	Italy*	French Guiana
Temporary contract	0	5	12	5	19	7
Permanent contract	683	97	726	99	812	99
<b>Total</b>	<b>683</b>	<b>102</b>	<b>738</b>	<b>104</b>	<b>831</b>	<b>106</b>

\* The figure includes two employees of Avio France.

Contract type	2017			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Temporary contract	4	1	5	13	4	17	21	5	<b>26</b>
Permanent contract	682	98	780	716	109	825	783	128	<b>911</b>
<b>Total</b>	<b>686</b>	<b>99</b>	<b>785</b>	<b>729</b>	<b>113</b>	<b>842</b>	<b>804</b>	<b>133</b>	<b>937</b>

<sup>9</sup> The operating personnel in French Guiana includes personnel from Avio Guiana and personnel from Regulus, including seconded employees of Avio S.p.A. and seconded employees of Ariane Group. A special Site Agreement, drawn up in the interests of the various social partners, defines the details of the Agreements that regulate the employment relationship of seconded staff.

**[GRI 102-8] Total number of employees by employment type (full-time e part-time) and gender**

Employment type	2017			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Full-time	686	99	785	729	112	841	803	131	<b>934</b>
Part-time	0	0	0	0	1	1	1	2	<b>3</b>
<b>Total</b>	<b>686</b>	<b>99</b>	<b>785</b>	<b>729</b>	<b>113</b>	<b>842</b>	<b>804</b>	<b>133</b>	<b>937</b>

The company is also working on the inclusion of disabled people. Avio manages diversity in accordance with the rules and practices established by applicable laws and encourages the various departments of the company to include resources with disabilities, who were 24 in the entire Group at the end of December 2019, of which 23 in Italy (of which 19 men e 4 women) and one in French Guiana (1 man).

## 6.1. Human capital management and retention of talents

The Human Resources Department (hereinafter also "HR" or "Human Resources"), which reports directly to the Chief Executive Officer, manages all aspects related to people management in Avio. This department is supported by corporate bodies that are active in the definition of needs and, if necessary, by external companies specialized in the selection and evaluation processes. The aim is to strengthen the scouting activity in line with established processes and aligned with national and international best practices, even in the absence of formalized policies.

The Group expresses its commitment to creating a collaborative and trusting work environment within the Group's Code of Conduct and the Regulus' *Charte Etique*, , in compliance with national laws and the fundamental Conventions of the International Labour Organization (ILO) in each phase of people management.

Avio wants to attract and find talented people who stand out for their high technical/professional skills as well as their managerial skills, difficult to replace. The company relies on its personnel dedicated to engineering activities, research and development both for their personal qualities, in line with the Group's values, and, last but not least, their ability to adapt to a continuously evolving context. From this point of view, the selection of personnel plays an important role, also in light of the challenge the Group faces in attracting and retaining competent, qualified and talented resources among those already present on the job market or within the company. Furthermore, the Group has adopted a procedure that regulates the management of the recruitment and hiring processes, so that they are carried out in compliance with Group's values and ensure the selection of adequate personnel to cover the various business roles. This procedure applies to the entire Group, compatibly with laws and internal regulations of foreign companies and defines the operating procedures that are necessary to:

- define and validate the needs (i.e. the criteria - in terms of role responsibility; planned activities; technical and management skills, education, professional experience - and the procedures for initiating prior authorization);
- define the recruitment and selection processes;
- manage the acceptance, which coincides with the entry of the new employee into the company.

Employee retention is an important element of personnel management. In this regard, the Group is committed to offering equal opportunities in work and professional advancement to all employees, encouraging the continuous commitment of its people. In a rapidly changing and highly competitive labor market, the main risks to which the organization is exposed in terms of retention are linked to remunerative policies and professional development opportunities, since competitors may be able to offer more attractive compensation packages. In addition, changes in shareholding structure and corporate governance structure may occur, as a result of the merger by incorporation of the company.

In order to reward its employees, during the year, there were 2 promotions from the position of manager to executive, 75 promotions within middle managers/employees qualification and 74 level changes within the workers category, for a total of 183 promotions, equal to 19% of the workforce. In addition, 4 women were promoted to the expert category, improving their classification within the framework category.

Furthermore, following the "People Survey" carried out in 2018 aimed at investigating "organizational well-being" in terms of well-being of people and preferences regarding welfare services, a series of initiatives were implemented to improve organizational well-being. These include the introduction, as a pilot project for a year, of flexible forms of work aimed at improving "work-life balance" such as smart working. In 2019, it has been activated smart working for 17 employees for some Departments.

In this perspective, in order to avoid repercussions on its business, Avio undertakes to manage its workforce and in particular any business changes. During 2019, 134 people were hired between Italy and France and 11 people were hired in French Guiana. Among the hired workers, in Italy 25% is represented by young people under the age of 30, demonstrating the Group's commitment to invest in new generations. During 2019, the negative turnover was 4.9% in Italy and 8.5% in French Guiana, linked to a total of 50 people who left the Group for retirement, resignation or layoff. Below is a detail of the hires and employees who left the Group:

#### GRI [401-1] Total number and rate of new employee hires by age, gender and region

Employee category	2017 <sup>10</sup>			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
	Italy*								
Under 30 years	5	1	6	14	5	19	25	9	34
Between 30 and 50 years	13	5	18	54	12	66	75	16	91
Over 50 years	4	0	4	3	0	3	9	0	9
<b>Total Italy (N.)</b>	<b>22</b>	<b>6</b>	<b>28</b>	<b>71</b>	<b>17</b>	<b>88</b>	<b>109</b>	<b>25</b>	<b>134</b>
<b>Total Italy (%)</b>	<b>3.70</b>	<b>6.90</b>	<b>4.10</b>	<b>11.10</b>	<b>17.00</b>	<b>11.90</b>	<b>15.31</b>	<b>21.01</b>	<b>16.13</b>
	French Guiana								
Under 30 years	3	0	3	2	1	3	2	0	2
Between 30 and 50 years	1	2	3	8	1	9	7	1	8
Over 50 years	0	1	1	2	0	2	1	0	1
<b>Total French Guiana (N.)</b>	<b>4</b>	<b>3</b>	<b>7</b>	<b>12</b>	<b>2</b>	<b>14</b>	<b>10</b>	<b>1</b>	<b>11</b>
<b>Total French Guiana (%)</b>	<b>4.40</b>	<b>25.00</b>	<b>6.90</b>	<b>13.20</b>	<b>15.40</b>	<b>13.50</b>	<b>10.87</b>	<b>7.14</b>	<b>10.38</b>

\* The figure includes two new hires of Avio France (a man and a woman between 30 and 50 years old).

<sup>10</sup> Data 2017 of new employees do not include seconded personnel. For this reason the data in 2018 is not comparable with what was published in the 2017 Non-Financial Statement.

**[GRI 401-1] Total number and rate of new employee hires by age, gender and region**

Employee category	2017 <sup>11</sup>			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
	<b>Italy</b>								
Under 30 years	0	0	<b>0</b>	3	0	<b>3</b>	3	2	<b>5</b>
Between 30 and 50 years	6	0	<b>6</b>	14	3	<b>17</b>	14	4	<b>18</b>
Over 50 years	7	0	<b>7</b>	12	1	<b>13</b>	18	0	<b>18</b>
<b>Total Italy (N.)</b>	<b>13</b>	<b>0</b>	<b>13</b>	<b>29</b>	<b>4</b>	<b>33</b>	<b>35</b>	<b>6</b>	<b>41</b>
<b>Total Italy (%)</b>	<b>2.20</b>	<b>0.00</b>	<b>1.90</b>	<b>4.50</b>	<b>4.00</b>	<b>4.50</b>	<b>4.92</b>	<b>5.04</b>	<b>4.93</b>
	<b>French Guiana</b>								
Under 30 years	1	0	<b>1</b>	1	0	<b>1</b>	1	0	<b>1</b>
Between 30 and 50 years	0	2	<b>2</b>	7	1	<b>8</b>	6	0	<b>6</b>
Over 50 years	0	1	<b>1</b>	3	0	<b>3</b>	2	0	<b>2</b>
<b>Total French Guiana (N.)</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>11</b>	<b>1</b>	<b>12</b>	<b>9</b>	<b>0</b>	<b>9</b>
<b>Total French Guiana (%)</b>	<b>1.10</b>	<b>25.00</b>	<b>3.90</b>	<b>12.10</b>	<b>7.70</b>	<b>11.50</b>	<b>9.78</b>	<b>0.00</b>	<b>8.49</b>

In order to facilitate the reconciliation between working and private life, in 2019, a regulation that establishes the right to request changes to normal working hours for personal needs was adopted. In addition, on the subject of maternity, an agreement was signed on 17 June 2019 with the RSU and ratified by the local OOSS, for the extension of the FASCHIM coverage in favor of women absent from work due to pregnancy risk. The information booklet was updated and distributed to all staff, with the aim of raising employee awareness on the issue.

## 6.2. Training and skills development

Avio considers training as an essential tool for achieving professional growth objectives and for the satisfaction of its human resources. With this in mind, the Group pays particular attention to the provision of training and professional growth systems aimed at achieving long-term results, capable of promoting the attraction of talents and affecting the Group's ability to retain and motivate key resources, reducing turnover, as well as guaranteeing stability and management continuity. In a rapidly changing and highly competitive labor market, the main risks to which the organization is exposed, in the context of retention, are linked to remuneration and professional development policies of competitors, which may be more attractive, as well as to the change of shareholding structure and corporate governance structure, as a result of the merger by incorporation. With this in mind, in order to avoid repercussions on its business, Avio undertakes to manage its workforce and in particular corporate changes with specific attention to individual resources, their professional growth and salary. As also referred to in the Group Code of Conduct and in the Regulus Charte Etique, the Group is committed to offering equal opportunities in the work and professional advancement to all employees, encouraging the continuous commitment of its people.

<sup>11</sup> Data 2017 on employees who left the Group do not include seconded personnel. For this reason the data in 2018 is not comparable with what was published in the 2017 Non-Financial Statement.

Avio S.p.A. has adopted a specific staff training procedure which aims to establish the process and criteria for preserving knowledge as well as providing support for the acquisition and development of skills and awareness of staff. Based on the guidelines defined by the Group's HR Department, the companies define and implement an annual Training Plan at local level, in order to develop and extend the knowledge of the organization and ensure a business experience that adapts to the local reality.

In light of the new businesses emerged and changes in the corporate context, the Group companies start from an analysis of training needs and, in collaboration with the HR Department and within the assigned budget, plan training activities useful for updating knowledge and skills, identifying the appropriate training method in order to fill the gaps. Among the main training methods used by Avio are: classroom training, e-learning training and on-the-job training. Furthermore, periodic evaluations are carried out through questionnaires to ascertain both the achievement of the required level of competence and the level of satisfaction of the resources.

In 2019, the training priorities for the Group's Italian offices concerned the regulatory and legal updates provided for by the State-Regions Agreement in the field of health, safety and the environment. Moreover, Avio guarantees technical and specialist updates for the group's employees in the areas of engineering and manufacturing, focusing on the improvement of linguistic knowledge and the strengthening of soft skills. In particular, the training architecture was improved by structuring a path aimed at managers and a training path for new recruits, in particular for health and safety issues. Also, the e-learning platform was implemented.

## Soft skills for business

2019 can be considered a year of continuity with respect to the training initiatives planned and provided in the previous year on the development of soft skills. 4,700 hours of training were provided in the soft skills area, involving the company population through the programming of specific courses. In particular, the participation of Executives and Managers in the managerial path "Building the future" was implemented by organizing two dedicated editions. The path, consisting of three different preparatory modules (Communication Skills, People Management and Team Building), has become a tool to support Managers in the development of their management skills, as well as creating a strong team spirit and sense of belonging. Thanks to this training course, for the first time in Avio, we have managed to participate in a charity project, through emotional team building. Transversally to this activity, individual courses were organized responding to some needs expressed regarding the topics of: Negotiation, Time Management, Effective Communication, Public Speaking and Training for Trainers. We have maintained the Finance for non-Financial Manager path, the purpose of which is to implement financial skills. A training course was also designed for newly hired workers, with the aim of enhancing organizational behavior in compliance with the company's vision and mission and to prepare them for any travel abroad (French Guiana).

The training initiatives are differentiated according to the specific roles and needs of education and training, established through careful planning by the Training Area of the Human Resources and Organization Department of each individual company.

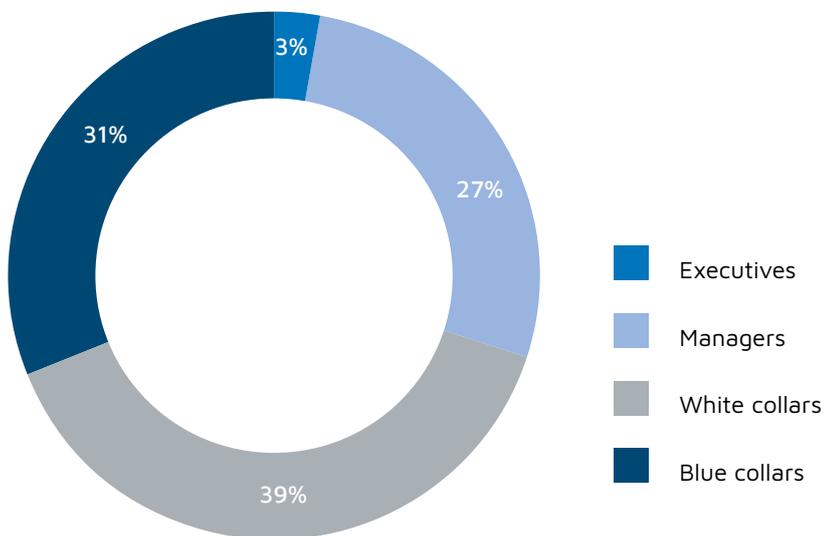
Based on the different professional contributions, the Group favors various training courses in a structured way: "general", relevant to the concepts of quality management; "targeted", for individual specialist activities; "technical training", for personnel whose operational ability has influence on the quality of the product, including the qualifications in accordance with the provisions of the applicable legislation.

In 2019, a total of 16,961 hours of training were provided (approximately 25% less compared to 2018). The decrease in hours is due to a multiplicity of factors such as: training plans that are characterized by multi-year periodicity and therefore follow annual fluctuations even important, slowdown and postponement to the following year of some training activities as a result of the failure of Vega occurred in July 2019, greater use of the e-learning platform that allows to efficiently plan the duration of activities and focusing on managerial skills that has involved limited number of employees. Training hours are distributed as follows: 2.7% executives; 27.2% managers; 38.5% white collars; 31.5% blue collars.

### Total training hours by employee category and gender

Employee category	u.m.	2017 <sup>12</sup>	2018		2019			
		Total	Male	Female	Total	Male	Female	Total
Executives	N.	413	1,286	59	1,345	447	13	460
Managers		4,901	3,880	945	4,825	3,852	763	4,615
White collars		8,765	7,975	1,914	9,889	4,770	1,766	6,536
Blue collars		7,082	6,198	399	6,537	5,160	190	5,350
<b>Total</b>	<b>N.</b>	<b>21,161</b>	<b>19,339</b>	<b>3,257</b>	<b>22,596</b>	<b>14,229</b>	<b>2,732</b>	<b>16,961</b>

### Percentage of training hours by employee category - 2019



### [GRI 404-1] Average training hours by employee category and gender <sup>13</sup>

Employee category	u.m.	2017	2018		2019			
		Total	Male	Female	Total	Male	Female	Total
Executives	N.	16	56	59	56	18	13	18
Managers		26	21	39	23	20	27	21
White collars		33	34	27	32	19	21	20
Blue collars		24	21	25	21	15	9	15
<b>Total</b>	<b>N.</b>	<b>27</b>	<b>27</b>	<b>29</b>	<b>27</b>	<b>18</b>	<b>21</b>	<b>18</b>

The Group has also entered into collaboration with the best Italian and European universities to launch and promote research projects on aerospace activities.

<sup>12</sup> The breakdown by professional category is a reworking of the final data relating to the training courses, whose reporting system for 2017 did not include this detail.

<sup>13</sup> Following an improvement of the reporting process, in respect of GRI Standards, the data of average training hours by employee category of 2017 and 2018 have been restated without geographical area's subdivision. For the previously reported data, please consult NFS 2018.

Finally, with a view to enhancing and developing its people, Avio S.p.A. defines the framework for the evaluation and development of personnel within the Company Quality Policy. The Group is especially committed to enhancing and respecting its people, with an approach based on the mobilization of knowledge, motivation and personal satisfaction.

The Group has developed two specific evaluation systems:

- the **Performance Assessment System**, which annually provides for the evaluation of the performance of a segment of the company's employees (professionals and managers), with respect to the individual and company objectives set for the year. The assessment is carried out by the managers, who are responsible for assigning and sharing the yearly work objectives with their collaborators. The Assessment System is communicated in writing to the persons concerned, while the objectives and the assessments are tracked on a company software;
- the **Skills Assessment System**, updated in 2018 by the HR Department, consists of a project to refocus the management competencies' framework, with the aim of adapting it to future challenges. In 2019, this framework has been used for personnel assessment, also in the context of promotions.

### 6.3. Staff Remuneration

The Group pays particular attention to the management of remuneration policies, with attention to compliance with current regulations and the Corporate Governance Code, in terms of delivery methods and tools. In particular, Avio is aware of the fact that professional growth and meritocratic remuneration policies represent two fundamental levers to attract, motivate and retain young people and professionals in the company. In this regard, the Group has adopted a Compensation Policy in line with best market practices, based on the principles of equity, equal opportunities and meritocracy. This Policy expresses Avio's commitment to building development paths for employees, professionals and workers, with an overall budget of 339.70 thousand Euros in 2019. Defined by the Human Resources Department at central level, the Policy is subsequently shared and validated by the General Management, which has the final approval of the bonuses and the responsibility for establishing the overall reference thresholds in advance.

The compensation packages are structured in such a way as to ensure the balance between the fixed and variable component. The fixed remuneration is related to the value of the role and / or the skills of the resource for the organization, within the reference values of the National Collective Labor Agreement (CCNL) and thanks to periodic remuneration analyzes, carried out by external specialized companies. These packages are completed by a variable portion, linked to the achievement of general corporate performance objectives. In French Guiana, the Variable Remuneration is also related to the treatments due to staff as workers of the space base. The share is assessed collectively with the Participation Bonus (PdP) and individually, for some categories of employees, based on the achievement of the annual objectives established with the Variable Bonus. The performance evaluation with respect to the defined objectives is carried out by the employee's direct manager, in compliance with the principles of correctness, consistency and objectivity of judgment. On an annual basis, the Company Management issues a Merit and Development Policy, inspired by differentiation, in which qualitative and quantitative selectivity criteria are defined, consistent with the role and responsibilities of employees, for salary or categorical adjustments. It is also reported that, in addition to the variable remuneration which is paid to employees on the basis of the achievement of individual and company objectives, the Group implemented a long-term incentive plan for senior Group managers.

The Group is committed to promoting greater involvement of the Departments in the assessment of positions, in order to increase awareness linked to the objectivity of the assignment of levels, currently detected according to an internationally recognized methodology (HAY). In addition, also in 2019, a Development Plan relating to workers' labor was shared with the unions, through which 39 workers were rewarded for having proposed improvements to industrial processes (Prize for Ideas). In Avio Guyane, on the other hand, in order to incentivize and reward the work done by the staff, an ad hoc award was set up, paid in the form of a one-time bonus, to the staff with manager qualification, based on the objectives agreed.

The following tables show the ratio of the basic salary and the average remuneration broken down by gender, category of workers and geographical area. The table shows the high impact of variable remuneration in French Guiana which exceeds 50% of the total blue collar remuneration. This impact is due to the peculiarities of the activities of the production site, which guarantee the staff adequate economic benefits, as established by the Site Agreement.

For Avio France, the remuneration of staff (two employees in 2019) is determined based on the framework levels. The salary and income of Avio France staff and Avio Guyane staff are not included in the data presented below for confidentiality reasons.

**[GRI 405-2] Ratio of the basic salary and breakdown for employee category and region<sup>14</sup>**

Employee category	2017		2018		2019	
	Italy	French Guiana	Italy	French Guiana	Italy	French Guiana
	Female/male ratio					
Executives	78.38%	-	75.95%	-	78.00%	
Managers	95.73%	-	99.16%	-	98.00%	80.36%
White collars	102.40%	96.96%	95.03%	96.96%	99.00%	98.67%
Blue collars	94.21%	-	90.37%	-	95.00%	

**[GRI 405-2] Ratio of the remuneration and breakdown for employee category and gender<sup>14</sup>**

Employee category	2017		2018		2019	
	Italy	French Guiana	Italy	French Guiana	Italy	French Guiana
	Female/male ratio					
Executives	73.83%	-	76.40%	-	76.00%	
Managers	96.20%	-	98.16%	-	99.00%	68.99%
White collars	101.19%	81.11%	90.74%	69.25%	99.00%	81.64%
Blue collars	94.45%	-	81.36%	-	86.00%	

The average remuneration includes, for Italy, in addition to the basic salary, also the Participation Prize (PdP), the variable (VRL) and overtime while for French Guiana it includes, in addition to the basic salary, the variable bonuses regulated by the Space Center Convention.

## 6.4. Health, safety and wellbeing of employees

In Avio, the themes of health and safety play an important role; worker well-being is indeed not only a moral principle, but also the key to a successful performance at individual and company level. For this reason, the Group focuses and invests a great deal of energy in the management of issues related to health and safety at work, in order to limit as much as possible accidents in its offices and production plants.

The Group, in compliance with the provisions of the legislation, adopts a preventive approach, which consists in a continuous improvement of general measures for the protection of Health and Safety in the Workplace, in activities involving its employees so that they are consulted, informed, trained and sensitized on the issue and in the development of research and technological innovation for the promotion of substances, products and processes increasingly compatible with the safety and protection of workers' health.

<sup>14</sup> With regard to 2017 and 2018, for the populations of less than three individuals, the basic salary and remuneration data referring to the French Guiana population considered to be sensitive was not provided, being referred to a few subjects.

In addition, Avio is aware of the importance, on the one hand, of informing and sensitizing suppliers and contractors, and on the other of verifying that the latter adopt behaviors, practices and procedures consistent with the principles of the Group Policy.

The main risks assessed by the organization are related to the use of explosive material and other dangerous materials used for propulsion systems of launchers and missiles and related regulatory changes. Although different and specific activities are carried out in accordance with the regulations in force, the use and production of dangerous material could cause accidents which, in addition to personal injury, would be able to cause delays or interruptions in industrial activities, with possible negative effects in reputational terms as well as on the Group's economic and financial conditions.

In order to fully protect and guarantee the health and safety of workers and the prevention of major accidents in all its activities, the Group has adopted policies and procedures that guarantee correct and uniform management of these issues.

The Group declares its commitment to ensuring effective management of workers' health, safety and hygiene in the Code of Conduct and *Regulus Charte Etique*, and considers these factors decisive for its success. For this reason, in compliance with corporate values, the Group is committed to promoting the application of the highest standards in terms of health and safety and the prevention of major accidents, as well as preserving the physical and moral integrity of people, starting from prevention and continuous monitoring of risks in the workplace, up to the preparation of specific mitigation measures, consolidating a culture of safety, promoting communication, involvement and awareness of all people.

Specifically, Avio S.p.A. has implemented a workplace health and safety management system (SSL), in compliance with OHSAS 18001 and certified by an external body, and a safety management system for the prevention of major accident hazards (PIR), complying with the Seveso III Directive on major accident risks ex. Legislative Decree 105/2015 and the Consolidated Law 18/06/1931 and subsequent amendments of the public safety laws -TULPS. The Organizational Unit for Materials and Process Engineering and Health, Safety and Environment is entrusted with the overall responsibility for the implementation and control of the integrated management system SSL-PIR. In line with this system, Avio S.p.A. has adopted the Occupational Safety and Health Policy for the Prevention of Relevant Accidents, which describes the Group's objectives in the field of occupational health and safety and prevention and control of accidents relevant to the protection of workers, the community and the environment. Moreover, the Company has adopted an SSL-PIR Integrated Management System Manual and has defined a series of procedures which regulate the activities of the various Bodies and Functions aimed at coordinating their actions, identifying potential accidents and emergency situations and define suitable response plans in order to prevent and mitigate the related risks. In particular, the response to emergency situations is defined with the preparation of an "Internal Emergency Plan" (PEI). The PEI is subject of education and training for the plant personnel, and its procedures are tested to verify and improve their effectiveness, involving the interested parties whenever possible. Intending to maintain the highest levels of excellence in the field of health and safety in the workplace over time, Avio S.p.A. has set itself the objectives of "zero accidents at work and zero occupational diseases" and "zero potentially at risk events of a major accident".

The French company *Regulus* adopted the *Manuel Qualité, Sécurité, Environnement* (hereafter also the "Quality, Safety, Environment Manual") in which it describes the integrated management system. In terms of safety, the manual is mainly based on the international standard OHSAS 18001. The special attention paid to the protection of health and safety of workers is also expressed in the Policy on Quality, Health and Safety at and respect for the Environment, through which *Regulus* presents a series of commitments. The company commits to favoring continuous improvement thanks to the adoption of an adequate and effective organizational model, ensuring a rigorous management of dangerous chemical agents, and adopting practices and processes that minimize risks and reduce the probability of accidents occurring. The health and safety aspects related to workers are entrusted to the Head of the Safety and Environmental Service and the ACACIA database -*Analyse des Causes et Conséquences d'Incidents et d'Accidents* (Analysis of the Causes and Consequences of the Incidents and Accidents) - through which it is possible to report incidents, accidents or potential dangerous situations in terms of safety.

In 2019, 12 accidents occurred, 11 of which referred to the Colleferro plant (3 of which were *in itinere* and 2 abroad) and 1 in French Guiana. No fatal accident was recorded, neither among employees nor among supplied workers and no cases of occupational disease were recorded. [GRI 403-2]. Moreover, no accidents occurred for Group temporary workers.

**[GRI 403-2] Types of injury breakdown by gender and region<sup>15</sup>**

Types of injury	2017 <sup>16</sup>			2018 <sup>17</sup>			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
	<b>Italy</b>								
Workplace	1	-	<b>1</b>	1	-	<b>1</b>	8	-	<b>8</b>
In itinere	1	1	<b>2</b>	2	-	<b>2</b>	1	2	<b>3</b>
<b>Total Italy (N.)</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>3</b>	-	<b>3</b>	<b>9</b>	<b>2</b>	<b>11</b>
<b>Injury rate (IR)<sup>18</sup></b>			<b>2.64</b>	2.82	-	<b>2.47</b>	7.62	11.31	<b>8.09</b>
<b>Lost day rate (LRD)<sup>19</sup></b>			<b>0.02</b>	0.05	-	<b>0.05</b>	0.47	0.48	<b>0.47</b>
	<b>French Guiana</b>								
Workplace	2	-	<b>2</b>	1	-	<b>1</b>	1	-	<b>1</b>
In itinere	-	-	-	-	-	-	-	-	-
<b>Total French Guiana (N.)</b>	<b>2</b>	-	<b>2</b>	<b>1</b>	-	<b>1</b>	<b>1</b>	-	<b>1</b>
<b>Injury rate (IR)<sup>18</sup></b>			<b>12.94</b>	6.49	-	<b>5.88</b>	8.15	-	<b>7.17</b>
<b>Lost day rate (LRD)<sup>19</sup></b>			<b>0.67</b>	0.89	-	<b>0.89</b>	0.06	-	<b>0.05</b>

Given the increase in the number of accidents in 2019, the Parent Company carried out a detailed analysis of both the accidents that occurred in Italy and the two that occurred abroad. The accidents, on average, had a limited initial prognosis and also significant subsequent extensions; they do not appear correlated to each other in terms of dynamics and in some cases the failure to comply with the safety regulations was highlighted as the cause, followed by the disciplinary citations.

In addition, initiatives aimed at prevention have been implemented:

- 1) sharing the results of the analysis of the causes with both the managers and the workers through their representatives;
- 2) references to the observance of safety rules with a vigilant and proactive spirit, in particular with awareness of the reporting of near accidents;
- 3) progress for monitoring the fortnightly briefings on the department DVRs.

The absentee rate<sup>20</sup> in 2019 was 5.8% (4.7% for men and 13% for women) for Italian companies and 2.4% for employees working in French Guiana (1.2% for men and 10.1% for women).

<sup>15</sup> The accident rates are calculated according to the INAIL method.

<sup>16</sup> Due to an improvement in the collection and calculation methods, the data on 2017 has been reformulated compared with what was published in 2017. The distinction between men and women is still not available for 2017 due to the recording system which did not allow such distinction. In order to find the data published in the 2017 Statement please refer to the website [www.avio.com](http://www.avio.com).

<sup>17</sup> The number of hours worked used for the calculation of the injury indexes for French Guiana in 2018 has been estimated based on days actually worked during the year and the working hours included in the contracts. The distinction of hours worked by men and women has been estimated based on the number of workers.

<sup>18</sup> The frequency index (IR) is calculated according to the formula: [(number of accidents + number of deaths) \* 1000000] / total hours worked.

<sup>19</sup> The Lost Day Rate is calculated according to the formula: (number of days of absence due to accidents / total hours worked) \* 1000.

<sup>20</sup> The absentee rate is the percentage ratio between the number of days lost due to illness, accident, unpaid leave, delay, unjustified absence or strike and theoretical working days.

In addition, the first months of 2020 were characterized by the global impacts deriving from the lung virus pandemic Covid-19. Starting from China, it then spread all over the world, threatening the lives of millions of citizens and the economy in many states. In this regard, Avio took prompt action to guarantee the protection of its health collaborators, suppliers and customers, activating, in accordance with the regulations issued by the Government, provisions and protective measures additional to what is already in force on the sites, aimed at limiting contagion as much as possible and mitigating potential risks connected to the safe continuation of production activities.

In particular, a series of gradually stringent provisions were issued by Avio's COVID-19 Committee, set up for this purpose, for the contrast and containment of the spread of the virus, in accordance with the Protocol signed between the Government and the trade unions on March 14, 2020, including, by way of example and not limited to, the following:

- limitation of travel to and from work and access to plants, with an obligation of self-certification extended also to suppliers, consultants and external contractors, control of the body temperature of the staff at the entrance;
- conduction of company meetings / meetings in compliance with the minimum interpersonal legal distances;
- management of common areas such as canteens / toilets / smoking areas / break areas, the use of which has been partially prohibited, suspended or in any case largely limited in compliance with the assembly ban;
- methods of continuing the work activity in the production departments through the use of additional specific PPE, where necessary;
- internal communication methods through timely dissemination of Covid-19 press releases to all employees with use of the existing IT platform in the Company and activation of a specific email box (emergenza@avio.com) to be used for all needs relating to the Covid-19 emergency and to report the presence of suspected and / or ascertained cases of contagion;
- procedures and protocols for the sanitation and extraordinary cleaning of the production departments and offices;
- use of smart working for the activities that may be carried out remotely, with incentives for all forms of flexibility such as holidays, paid leave, and other instruments foreseen by collective bargaining.

In addition, some initiatives have been activated to support all employees such as:

- activation of additional health insurance coverage to support the worker in the event of a Covid-19 infection;
- activation of a free online psychological support desk for all workers in order to manage any doubts, fears and concerns connected with the Covid-19 emergency.

On March 16, 2020 a specific Agreement was signed between the Avio Company Management and the Trade unions representatives with the aim of defining further measures (such as the possibility of use of company ROLs in a flexible way, the identification of priorities in the planning of some company areas and staff turnover), to ensure the protection of the safety and health of workers in the execution of the work activities considered indispensable.

Lastly, on March 22, 2020, a new, more restrictive government decree came into force, which suspended all non-essential production activities in Italy until April 3, 2020.

At present, therefore, the epidemic and the restrictive measures imposed by the governments and the authorities in charge have led to the temporary suspension of preparations for the next launches from the Kourou base, while they did not significantly affect Avio's industrial, engineering and commercial activities.

## 6.5 Dialogue with trade unions

Promoting a constant informative and consultative relationship with trade unions on issues of common interest is a priority for the Group, which is committed to ensuring the well-being of its workers and protection of their rights.

In accordance with the existing legislation of the countries in which it operates, Avio ensures and safeguards the right and freedom of association and collective bargaining, and adopts an open attitude towards the organizational activities promoted by trade unions. In this regard, it should be noted that all the Group's employees in both Italy and French Guiana are covered by collective bargaining agreements. [GRI 102-41]

The Group may potentially be exposed to the risk of conflicts (for example strikes, petitions) in the workplace linked to situations of disagreement on certain company choices (for example negotiation of contractual conditions not properly advantageous towards individual workers or specific categories of these) or to external factors (for example national and / or sector protests against government actions). The occurrence of these conditions and the presence of strikes or work interruptions may expose the Group to the risk of a worsening of the working environment, leading to a lower productivity, a higher turnover of personnel and, potentially, deterioration of the corporate reputation.

The management of the dialogue with the social partners is delegated to the HR central management and to the respective departments of the operating companies, which guarantee open communication through periodic meetings with trade union organizations, respect for the rules and equal opportunities.

In 2019, the dialogue with the Italian and European social partners involved reports regarding the entire corporate life, including reports on the cleaning of premises, restaurants and common areas, as well as the provision of specific discussion tables concerning the implementation of agreements relating to funded training, welfare and working hours, classification and promotion of the workforce.

The foreign company Regulus has signed three agreements with local union representatives regarding the bonuses provided to employees, compensation and profit sharing. In addition, thanks to an agreement on "professional equality between men and women" signed in 2015, starting from March 2020 the French company will monitor specific social and economic indicators and the performances will be regularly communicated to employee representatives.

In the event of significant operational changes, it should be noted how the Group companies manage the notice period provided to employees. For this, each Group company refers to the current local regulations. With reference to Italy, the notice period depends on the current legislation. About the foreign company Regulus, it should be noted that in French Guiana the notice is governed by the "Convention Collective Nationale des Industries Chimiques (CCNIC)", and provides for an information and consultation meeting which must be held at least two months before the organizational change. [GRI 402-1]

Lastly, it should be noted that there have been no strikes nor disputes by employees against the Group companies in the last three years.



Motor M10 firing test, last stage VEGA E

# 7. Innovation

## 7.1 Technological innovation

Identifying, interpreting and promoting change are three key components in the creation of an innovation-oriented culture that ensures the development of new products and the competitiveness of Avio in a constantly evolving market.

Ever since it was founded, the Group has demonstrated its ability to effectively manage the innovative transformation within its business activities, supported by the use of revolutionary technologies and by implementing projects designed to support the improvement of the Group's business performances.

The aerospace sector is characterized by the rapid evolution of technologies and the high level of competitiveness. It is a unique economic sector and requires firms operating in this market to carry out significant research and development activities, in order to create cutting-edge technologies and products. In this context and in line with the company's mission, Avio considers research and innovation of products and services as basis for its competitive advantage.

In 2019, the Group introduced among its objectives the implementation of corrective actions and the overcoming of technological gaps highlighted downstream of the incident of flight VV15. The main elements of innovation introduced include the understanding of the operating mechanisms of the internal thermal protections of solid propellant engines, the permeability and thermo-structural characteristics of composite laminates, the identification of new technologies for non-destructive testing. In addition to this, Avio continued its technological development activities in five main areas. In detail:

- research on future applications and versions of Vega, as starting point for new research and exploration opportunities, such as: accessible exploration projects of the solar system on the routes of NEO (Near-Earth Objects), In-Orbit Servicing missions, conduction of low-cost experiments for educational and scientific purposes and payload recovery with return and landing on airport runways;
- development of new materials and processes for the construction of structures and components intended for propulsion systems, including the study of innovative alloys for the production of components in ALM (Additive Layer Manufacturing), the study of new ceramic matrix composites and of polymer matrix thermal protections;
- extension in the cryogenic field of the production chain related to high performance composite materials, for the creation of large cryogenic tanks in composite material;
- use of composite materials as alternative to conventional metallic parts for solid rocket engine structural components;
- research on new propulsion systems, based on "green" propellants, not only for the launch applications where Avio's Lox-LNG technology has already achieved a maturity level in line with the industrial development, but also for orbital applications that necessitate longer storing capacity for their propellants.

In order to create the cutting-edge technologies necessary to offer competitive products, Avio extends its scientific exchange network and partnerships for the development of new products also through collaboration in the field of research with prestigious Italian and foreign universities and research institutes. In addition, Avio supports technical and operational collaboration with the main European Space Agencies, in particular the Italian Space Agency (ASI), the Centre National d'Études Spatiales (CNES) and the European Space Agency (ESA).

The reliance of research and development activities on public clients, (e.g. ESA, ASI, ministries of the Member States, etc.) and / or the granting of public subsidies from government funds, EU funds and other entities funds, exposes the Group at the risk of not being able to find the necessary resources to carry out such activities in the case of the Italian government or other national and EU public authorities permanently stopping the disbursements.

Avio S.p.A. plans research and development activities in a competitive and pre-competitive environment, through the revision of its Research Plan on an annual and five-year basis, in line with the company's mission and vision, including self-financed or partially co-financed activities. Each activity in the Research Plan is managed through the classic corporate program development methodology, the recordings of which are reported on the EPM (Enterprise Project Management) system which monitors the relative progress. In addition, three formal reviews of the activities are carried out during the year.

The costs for the pre-competitive research activities incurred by the Group in 2019 increased by 50% compared to the previous year, reaching a total of € 6,432.967 of which approximately 31% self-financed and 69% co-financed. Research and development activities also required the important contribution of Avio people who spent over 50,000 hours in these activities, over than 50% more on 2018. The period saw a significant increase in innovation activities, in particular as concerns self-financed or co-financed activities, in line with the research plan. This increase in volumes is a consequence of the activities related to the development of the Space Propulsion Test Facility (SPTF) activities and innovation activities in the field of materials and technologies for Additive Layer Manufacturing.

In order to ensure high levels of research and innovation and increase its role in the aerospace sector, Avio is committed to expanding the scientific exchange network and partnerships for the development of new products with various players on the international scene, as well as joining associations category such as the Union of Industrialists of Rome (of the Confindustria circuit) and Assonime. [GRI 102-13]

#### International clients, collaborations and partnerships

	<p>Avio partners with the European Space Agency (ESA) in the space sector by participating in the development programs of the Ariane and Vega European launchers, as well as the study of new technologies in the field of space propulsion.</p>
	<p>Avio collaborates with the Italian Space Agency (ASI) in the development and technological innovation activities related mainly to solid, liquid and hybrid space propulsion. In addition, ASI participates in the ELV joint venture (70% Avio and 30% ASI) which develops and manufactures the Vega launcher as "prime contractor".</p>
	<p>Avio is a partner of Arianespace, holding a 3.38% stake. Arianespace is responsible for the marketing of launchers: Ariane and Vega. Furthermore, Avio supplies to Arianespace the Vega launcher, ready for launch.</p>
	<p>The partnership with ArianeGroup comes from consolidated partnerships carried out through Regulus (60% Avio, 40% ArianeGroup) and Europropulsion (50% Avio, 50% ArianeGroup) for the program Ariane 5 and for cooperating in the building of the first stage of VEGA rocket.</p>
	<p>Avio partners with the German company OHB, which develops and manufactures satellite platforms, for the supply of the propulsion system, and is a client of the subsidiaries of OHB, MT-Aerospace and CGS, for the supply of components related to the Ariane 5 launcher.</p>
	<p>Avio partners with Vitrociset as "prime contractor" for the entire land segment of the French Guiana Space center dedicated to the Vega launcher, in particular for the activities on the control bench.</p>
	<p>Avio partners with Telespazio, the company that supports Vega launches from the Kourou Space Center by providing weather, radar, telemetry and control services for the Vega launches. Telespazio, also supplies elements of the flight software of the Vega launcher and elements of the control bench software.</p>

	<p>CIRA is a company with public and private sector shareholders such as research bodies, government and aeronautics and space industries, including Avio. Avio partners with CIRA for the activities of research linked to the Space propulsion.</p>
	<p>SABCA is one of the main aerospace companies in Belgium. SABCA collaborates with Avio mainly in the thrust control system of solid propulsion.</p>
	<p>RUAG Space collaborates with Avio for the development and supply of Fairings and other components of Vega such as the OBC (on board computer).</p>
	<p>Yuzhnoye SDO supplies Avio with the fourth-stage Vega engine and cooperates in research and development activities.</p>
	<p>GKN Space Sweden partners with Avio for the development and supply of Avio's turbines and the turbopumps.</p>

In the field of research, Avio partnerships with prestigious universities and Italian and foreigner research institutes. The Group supports the technical and operational collaboration with the main European Space Agencies, in particular the Agenzia Spaziale Italiana (ASI), the Centre National d'Études Spatiales (CNES) and the European Space Agency (ESA).

Along the same line, by attributing value to the connection with the territory and the local community, in Italy the Group has promoted various involvement initiatives and sponsorship aimed at incubating technical skills in the space sector, as better detailed in paragraph 11 "Relationship with the community".

Avio's ability to innovate and to use its know-how as a strategic lever to maintain its technological and commercial competitiveness can also be measured by the number of patents filed by the Group over time. As a matter of fact, in order to protect intellectual rights, at the end of 2019, 18 patents were filed (already recognized or awaiting feedback from the competent offices) mainly focused on products and technologies integrated in the manufacturing processes.



## 8. Quality and safety in Avio

### 8.1. The quality of the company's processes as a safeguard for the quality and safety of products and services

The quality and reliability of a product or a service are directly related to the ability of the Group in creating the right conditions to enable the discovery of new applications and technologies. Technologies represent the necessary tool to optimize the working processes, guaranteeing products with excellent quality standards compatibly with the protection of the health and safety of workers and respect for the environment.

As evidence of the primary importance of quality within the corporate development strategies, all the Group's processes that contribute to the design, development and realization of a product or service, as well as the transversal processes, are subject to mapping in the context of quality management systems, respectively the ISO 9001: 2015 and EN 9100: 2016 standards for Avio S.p.A., and ISO 9001: 2015 for Regulus. Due to the three-year deadline (scheduled for March 2020) of the Avio certification, RINA underwent a certification renewal audit in December 2019; the audit ended without recommendations from RINA, which therefore extended the renewal of the certification for another 3 years.

This system, documented and active, is aimed at ensuring that the products and services provided meet customer expectations and the applicable mandatory requirements, as well as allowing continuous improvement of performance, in order to increase the Group's competitive position on the market. This system represents a fundamental tool for defining the rules and limits applicable to quality control at all levels. The main processes are therefore regulated by procedures and practices that implement contractual rules and regulations, aimed at maximizing the quality levels of each product and process.

The Group's commitment to the quality and safety of its products and services is underlined both in the corporate Quality Policy of Avio S.p.A. and in the Regulus' Quality, Health and Safety at work and respect for the Environment Policy. In fact, both policies express a commitment to achieve and maintain over time the highest objectives of excellence in terms of quality, product performance, competitiveness and service level, always in compliance with mandatory standards. The Quality Policy of Avio S.p.A., reported in the Quality Manual and disseminated to all staff, is expressed in the following key principles and objectives:

- compliance: meeting customer needs and expectations in a timely manner;
- improvement: maintaining a process of continuous improvement, extended to all business processes;
- competitiveness: conceiving and implementing products and services in a competitive way;
- integration: establishing relationships of mutual benefit with suppliers;
- communication: facilitating transparent access to information.

The guiding principles of the product safety products identified are the compliance with the regulations issued by the Supervisory Authorities, the company procedures and customer requirements, as well as the continuous training and information of personnel on the subject and the analysis and assessment of the Human Factor risk.

In the process of introducing a new product (defined in the Quality System Procedures), the requirements related to aspects of safety, the environment, availability, maintainability and reliability are identified in the initial stages of development and are already traced in the high specifications level. Most of the safety requirements are mandatory and are therefore incorporated in national and international laws, or in laws of the country in which the operational life of the product will take place. During the development and qualification process, the status of verification and validation of the requirements is subject to a design review, and any residual critical points are examined and judged in their state of implementation. For operational applications, the review is normally carried out by government bodies through a delegation process which enables or disables operations on the product

and / or its exercise. The product compliance manager is responsible for product engineering and signs the qualification status in cooperation with the product quality manager. The process of establishing the conformity of the product with the requirements is articulated on the chain of technical responsibilities that corresponds to the technical organization chart of the product.

In accordance with contractual requirements, the Group, in the sale of its products (components, assemblies or integrated launchers), is required to certify, through the Register of Individual Controls (RCI), their compliance with the requirements and to highlight any deviations. The compliance status of a product being developed to its own requirements (including safety ones) is identified in correspondence with the main design review events, through the compliance status traced in the compliance matrixes, often collected in the Verification Control Document or in the Supporting dossier. The status of the critical points (in particular with regard to operational safety) is traced in the critical item booklet (Critical Item List). These registers, potentially subject to revision during the development phases, become definitive in the qualification and / or certification phase. In consideration of the use of chemical products in its industrial activities, the use of which is subject to legal requirements for both personnel and environmental safety, any regulatory changes in this area may require industrial adaptation measures to protect the environment and the employees, with economic and business continuity impacts.

The Quality Department is responsible for monitoring the quality of the product and business processes and certifying that the product produced complies with the technical standards required in all Group companies. This Department works in close coordination with the Technical Bodies, which are responsible for drawing up and validating the technical dossiers that certify the conformity of the components made to the acceptance specifications. The role of these functions is fundamental for a Group like Avio, where the quality and safety of products and services must be guaranteed right from the product design stage. For Avio, designing unsafe and unreliable products would mean risking the loss of space missions with an impact not only of financial nature for the company, but also for its customers and in some areas (for example in the case of unavailability of surveillance systems and / or telecommunications) for national security. For this reason, a total of 48 audits were carried out during 2019, 12 of which on the product, 17 on the process and 19 on the suppliers. Regarding the assessment of the risks related to the health and safety of the products, all the qualified products are subject to a hazard analysis carried out by Avio S.p.A. (which owns the "design authority" of the products). For products in development, the process is linked to the level of maturity reached. To date, out of 22 final products in the portfolio, 19 products have been analyzed for health and safety risks. [GRI 416-1]

The Avio Group believes it is essential that relations with its customers are based on the search for maximum transparency and fairness, in the constant commitment to meet their expectations. Therefore, also in the Corporate Code of Conduct, it is emphasized that the Group companies are required to establish honest, fair, professional and transparent relationships with customers, in order to be able to rely on profitable and lasting relationships, offering safety, assistance, quality and value through continuous innovation. In this regard, Avio S.p.A., as required by the quality management system, measures customer satisfaction, once the metrics have been agreed with them for the evaluation of its performance. Thanks to this survey, the Group understands the customer's expectations in terms of quality (absence of defects) of the product delivered and service offered, as well as in terms of compliance with contractual deadlines (punctuality). The results of these investigations are analyzed periodically, and in the face of any critical issues that emerged during the execution phase, they allow identifying the actions of the improvement plans.

Among the most significant objectives achieved in 2019 with a structural value in the medium to long term, mention should be made of the development of products towards "green" propulsion technologies. In particular, in 2019 the liquid oxygen and natural gas (LOx-LNG) M2 engine was developed and tested, as the precursor of the M10 engine that will equip the future Vega E. The LOx-LNG propulsion is considered, thanks to its non-toxicity and reduced emissions, the propulsion technology with the lowest impact on the environment. This generation of engines will reach maturity for in-flight use by 2025, defining a new "green" standard for space applications of chemical propulsion. The main corporate functions involved in the development processes will contribute to achieving the objective, with the technical management of the Engineering and Product Development body and the participation of various national and international partners.

Furthermore, downstream of the incident VV15 (which occurred during the Vega flight on 15 July 2019), the lessons learned through the subsequent analysis of the causes and corrective actions taken resulted in a further improvement of product safety in the field of space transport systems.

## 8.2. Safety in industrial management

The Group ensures that the health and safety requirements of the structure are taken into consideration from the very beginning of each phase of new project activities, as to guarantee its commitment to have an appropriate and effective industrial and plant model.

The responsibility for compliance with workplace health and safety policies lies with the individual employers of the various organizational units, who make use of regularly trained supervisors. Employers receive support from SPP (Prevention and Protection Service) and HSE, for the assessment of specific risks and the definition of prevention and protection measures to be implemented.

In order to adequately support its technical, industrial and management processes, Avio uses a series of applications that form the Information and Communications Technology (ICT) platform. The Group has foreseen significant investments for the construction and for the implementation of safety equipment and the creation of means of protection in the infrastructure. All anomalies are duly recorded and reported, thanks to the implementation of periodic audits and checks.

The activities of the Avio plant in Colleferro that involve the use of substances and preparations classified as explosive and / or oxidizing, are authorized and controlled by the Ministry of Internal Affairs, in order for them to be designed and operated in compliance with the safety criteria set by the R.D. 635 of 18/06/1931, Consolidated Act of Public Safety Laws. The Avio S.p.A. plant of Colleferro falls within the obligations established by Legislative Decree 105/15 (upper threshold) for the possession of substances classified as Oxidizing and Explosive. Consequently, the Group has adopted a series of company procedures to ensure a controlled use and management of such substances, in line with the laws and regulations in force.

Furthermore, the activities of Avio's Colleferro plant which involve the use of X-ray machines for controls on the components of the propulsion systems are subject to the provisions of Law 230/95, governing the possession and use of radiogenic sources.

The Internal Emergency Plan (PEI) for Avio's plant of Colleferro was predisposed, pursuant to art. 20 of Legislative Decree 105/15, with the specific objective of establishing the rules of conduct and defining the operating methods of both the individuals and the various company departments involved in the management of emergencies. In particular, this document details: checking and circumscribing incidents; implementing the necessary measures to protect human health and the environment from the consequences of major accidents; adequately informing the competent local workers and services or local authorities; providing for the restoration and clean-up of the environment following a major accident. The Plan is the object of dissemination, training and education of the plant personnel performing its activities, and its procedures are tested to verify and improve their effectiveness, involving the interested parties, where possible. Since Avio S.p.A intends to maintain over time the highest levels of excellence in the field of health and safety in the workplace, it has set the objectives of "zero accidents at work and zero diseases" and "zero potentially at-risk events of a major accident".

Concerning industrial operations and the processing of explosive/chemical materials, the most influential risks are those reported in Legislative Decree 81/2008, such as explosion risk, chemical and carcinogenic risk, electrical risk, fire risk, handling and transport of active materials. Any potential industrial event caused by human error, the failure of a security system or related to a natural disaster, whose probabilities can be mitigated thanks to an adequate evaluation of related risks, could negatively affect production.

The Group recognizes and is aware that the use of hazardous, explosive or oxidizing substances, represents, in a general sense, an operation with potential impact that could have effects outside the plant's premises. This impact is appropriately monitored by the Colleferro industrial district, which evaluates its impact both in the Risk Assessment Document and in the Safety Report pursuant to Legislative Decree 105/2015, in which the different areas of impact, the reversibility and the probability of occurrence are reported for each possible individual event. Likewise, all the buildings part of the French Guiana plant, which comply with local French legislation and are located at an adequate distance from the urban center of the city, are regularly monitored in terms of the impact of their activities on the local communities. At the creation of the document, no significant residual risks were identified for the external population related to these issues. [GRI 413-2]

The management systems implemented by the Group's companies - in line with the international OHSAS 18001 standard and with local regulations for the prevention of major accidents - include the presence of resources that verify the adequate management in the prevention of health and safety risks in the working environment. Specifically, concerning Avio's plant in Colleferro, the Head of the Industrial Operations Department, as the Holder of the licenses for the possession, manufacture, transport, sale of explosives and explosive products, according to the Consolidated Act of Public Safety Laws (TULPS), is responsible for the application and compliance with TULPS and its regulation for the manufacture of explosives. The Head of the Infrastructures, Industrial Planning and Profit Improvement Department, through their role of "PIR Manager" (Major Incident Prevention), as head of plant maintenance, is delegated the operational powers for the management of plants at risk of major accidents, according to the Legislative Decree 151/15 and subsequent amendments.

Among the organizational functions involved, Avio S.p.A. has also identified the Engineering of Materials and Processes and Health, Safety and Environment structure, which has overall responsibility for the implementation and control of the Health and Safety Management System in the Workplace and for the Prevention of Relevant Accidents (SG SSL-PIR). The person responsible assumes the role of Representative for the General Management of the Health and Safety at work Management System (SG SSL) and of the Environmental Management System (SGA), as well as the role of Representative of the Manager for the Management System for the Prevention of Major Accidents (RDGS).

Within Regulus, the plant Department is responsible for the implementation and maintenance of an appropriate management system, in line with the international standard of reference, an adequate security system with the aim of assessing the importance of the impacts and risks associated with production activities, as well as ensuring the protection of industrial sites and safety of the people on the premises (workers or visitors). In addition, information and training programs on safety for employees and refresher courses for safety operators are defined and implemented.

### 8.3. Security of access to the premises

Given the nature of Avio's business, the topic of physical security of people and things is very relevant, including the security of premises, documentation and any other asset necessary to the functioning of the company. For this reason, Avio has set up an internal company security structure, which deals with the issues related to the physical security and management of classified documentation. This structure is dedicated to the protection of the site and is supported by a surveillance institute, equipped with a Special Sworn Guard Decree (issued by the Prefect of Rome) which, in addition to carrying out armed surveillance activities in the concierge area, contributes to the protection of information, materials, sensitive and classified areas through a whole series of activities that implement the provisions reported in the Prefectural License.

The Security & Facility & Risk Management function carries out its activity in accordance with the guidelines foreseen in the various operating instructions and, as far as it is concerned, with the provisions set out in the HSE procedures. Every activity is carried out in strict compliance with current regulations, including, for its importance, the Prime Ministerial Decree of 2 October 2017, n°3 ("Provisions for the administrative protection of state secrecy and classified information and for exclusive disclosure"), as amended. During 2019, the department installed the first radar station connected to a camera (state-of-the-art military technology) in order to increase the scope and effectiveness of monitoring particularly sensitive areas of the premises, and the installation of turnstiles at the main entrances for the purpose of simpler and more efficient control of internal and external personnel entering and leaving. The department has the aim of installing cameras for reading the number plates on the main gates in 2020, in order to have greater control on the vehicles entering the plant. Additionally, a radar systems and a gate will be installed with the purpose of blocking access to unauthorized vehicles from the municipal provincial road. Furthermore, a procedure is being implemented which provides for the affixing of further seals to premises and / or containers in which strategic materials for the Company may be located. Finally, a function for checking compliance with the requirements has been set up, in order to ensure that all the internal and external parties involved adopt the appropriate security measures.

## 8.4. Cybersecurity

For Avio, security also concerns the IT infrastructure. Indeed, the Group has access to sensitive information, including personal data and other confidential information which, as also described in the Code of Conduct, Avio undertakes to treat in compliance with all applicable privacy laws, as their unauthorized access and dissemination could lead to serious crisis situations. The occurrence of data breach events, for example, could compromise the competitiveness linked to the research and development of intellectual property, making the products and services offered potentially obsolete ahead of time and causing the Group to incur contractual penalties, with effects on the activity and its prospects. In this context, Avio pays particular attention also in the selection and use of its IT systems intended for the processing of personal data and confidential information, in accordance with current legislation.

Furthermore, the execution of public contracts for the construction of classified material requires the treatment of confidential information covered by state secrecy or classified, within the framework of the North Atlantic Treaty, of the European Union or of international agreements, as governed by the Law n. 124 of August 3, 2007, ("Sistema di informazione per la sicurezza della Repubblica e nuova disciplina del segreto") and s.m.i.

In fact, Avio carries out classified activities in compliance with current legislation relating to the protection and protection of classified information D.P.C.M. n. 5/2015 ("Disposizioni per la tutela amministrativa del segreto di Stato e delle informazioni classificate e a diffusione esclusiva") as modified and integrated by the D.P.C.M. 3/2017, and is authorized to process such information on the basis of specific clearances (Nulla Osta Sicurezza -NOS and Nulla Osta di Sicurezza Industriale - NOSI). All classified level information is processed in dedicated areas. These areas are built according to the criteria provided by the relevant legislation.

Access to information is regulated according to the safety criteria and procedures planned for processing and consulting classified material. The IT management of classified level information within the designated areas is managed by applying all the security policies described in DPCM 3/2017, including, for example: controlled access to classified areas through the enabling of a badge, access to workstations with mandatory password<sup>21</sup> change at first access and every 60 days with a history of passwords, use of USB keys with encryption system. The entry of occasional personnel who need to access classified areas is authorized by the Industrial Safety Office and registered in a special register.

In 2019, Avio adopted a holistic approach to cybersecurity by investing significantly both in IT security (which represents the technological element of cybersecurity), and in the training of its employees.

2019 was the first year for Avio to provide a training plan called "Cybersecurity awareness" consisting of 12 training modules and intended for all employees. Each module addressed a specific IT security issue: from phishing to correct password management, from the safe use of mobile devices to the GDPR. The training covered all the main safety issues and provided food for thought but also rules of correct management. To verify the effectiveness of the training plan, the classic end-of-module tests were accompanied by 8 "instructive phishing test" campaigns during which the ICT department randomly sent phishing e-mails to employees to register their behavior. The results of these test campaigns showed a significant improvement in the "click rate" (intended as the number of employees who fell into the simulated phishing trap).

In the technological field, Avio started 2019 by carrying out a penetration test and a vulnerability assessment on its IT infrastructure. These activities were followed by an intense technological update program of the HW aimed at eliminating vulnerabilities related to the phenomenon of IT obsolescence and an application refresh program aimed at eliminating SW vulnerabilities. A further penetration test and vulnerability assessment - carried out at the end of 2019 - confirmed the effectiveness of the activities performed by the ICT department during 2019 and allowed to identify the main lines of intervention for 2020.

---

<sup>21</sup> It is not possible to use the same password within 5 times of the last use.

Avio has also purchased an "Intrusion Prevention System (IPS)" which will be installed to protect the company internal network and which will be added to the IPS already in operation to protect the company perimeter.

Even the Microsoft world - and in particular the Office365 suite that Avio mainly uses for the provision of the e-mail service - has been the subject of analysis and improvement measures: the main measures introduced in 2019 in this area were the Multi -Factor Authentication (MFA), blocking the automatic forwarding of emails, the adoption of an anti-spoofing filter and the creation of a whitelist of 'trusted countries' from which it is possible to access e-mail. In addition, a security assessment of the Office365 tenant was commissioned and performed in 2019, which identified a further set of measures currently being implemented.

Lastly, 2019 was the year of the transition to Windows 10. At Avio, intense work was done to update all the company's PCs / laptops / workstations and to ensure that they could continue to be protected even after January 15, 2020 (End Of date Support for Windows7) from security patches distributed by Microsoft. As of December 31st, 85% of corporate devices had been updated to the most recent version of the new operating system.

Avio intends to continue its path towards cyber-resilience also in 2020 by expanding its staff with the inclusion of a new figure with the role of "IT-compliance manager" and introducing new technical measures - currently under consideration - such as cryptography for emails or Data Loss Prevention measures.

During 2019, it should be noted that no requests were received from the Privacy Authority and that the Company did not receive complaints relating to alleged violations of privacy obligations. [GRI 418-1]



## 9. The responsible relationship with suppliers

Responsible supply chain management plays a fundamental role in improving the competitiveness of the Avio Group. In fact, Avio carries out a careful selection towards its suppliers in order to guarantee the sustainability and relative traceability of supplies.

As part of its business, the Group mainly uses suppliers and sub-contractors for the supply of components, semi-finished products and raw materials. Some suppliers and sub-contractors are difficult to replace or, in any case, their replacement results in significant additional costs.

The production model of the Group requires, for the realization of its products (engines and launchers), raw materials and components, classifiable as Direct materials, attributable to the following macro-areas of goods:

- commodity: chemicals / metallic materials;
- flight components: solid and liquid propulsion engines / stage components / electronic components / structural components.

In addition, to ensure the internal operation and the realization of the products delivered to customers, Avio supplies so-called Indirect materials (systems, equipment, PPE, etc.) and services (ICT, security, etc.). The purchase policies of these Indirect materials and Services follow the same rules as the Direct materials and are governed by common internal procedures.

The supplier system plays a fundamental role in improving the competitiveness of the Avio Group. In fact, in order to constantly guarantee the highest level of customer satisfaction, the Group selects suppliers based on their ability in terms of quality, innovation, costs and services. As defined in the Corporate Code of Conduct and in the Regulus *Charte Etique*, the performance indices that guide the Group in the choice of suppliers are based on adequate and objective methods, taking into consideration, in addition to the quality, innovation, costs and services offered, the subjective requirements of integrity and professionalism.

In consideration of the business sector and the uniqueness of its supply chain, the absence of any past or present suspicion of involvement in terrorist or subversive public order activities is of particular importance in the selection of suppliers. Avio undertakes to verify the non-registration in the reference lists for subjects connected to international terrorism, i.e. in the so-called Black Lists issued by the European Community, the United States Treasury Department and the UN in support of the prevention and contrast activities money laundering and international terrorist financing.

Moreover, the Avio Group guarantees all suppliers equal opportunities and equal treatment in the negotiation, stipulation and execution of contracts relating to the availability of information, the terms and conditions of supplies and the technical decision-making criteria. In particular, regarding the phase of stipulation of the contract, the Italian companies of the Group require their suppliers and subcontractors, foreign and Italian, to sign, together with the signing of the contract, the corporate Code of Conduct; while, to date, suppliers managed by companies in French Guiana are not required to sign the Group's Code of Ethics or Code of Conduct. In addition, the Group requests to its Italian suppliers the delivery of the tax compliance certificate (DURC).

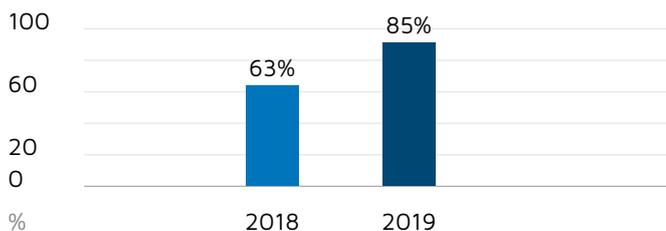
At the beginning of 2019, specific training courses were provided to the resources of the Purchasing Department on the issue of sustainability. Raising awareness on these issues has led to launching a series of actions, some completed, other in progress, aimed at improving the Group's environmental impact. As an example, a contract has been closed for the replacement of multifunction printers at the end of their life cycle with printers that can be activated with the company badge. The goal is to reduce the number of prints and consequently the consumption of paper.

Taking advantage of the courses provided on the topic of sustainability, the internal procedure for the selection of suppliers has been revised, in order to introduce criteria on the selection of suppliers linked to their sustainability performance (PR4.3.1-3 Offer Evaluation and Supplier Selection). Specifically, during the process of introducing new suppliers, the social and environmental policies of the supplier will also be considered. By the end of 2020, all the suppliers present in Avio's database will be surveyed on the same aspects in order to have a global vision of their commitment to sustainability.

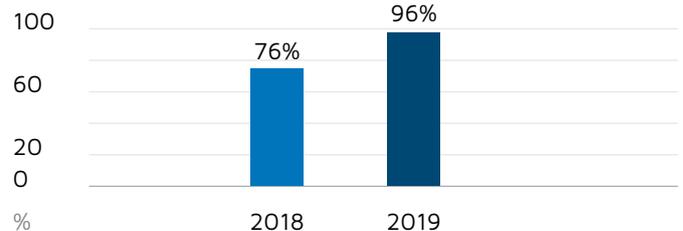
Furthermore, a survey was introduced connected to the MANF (Modulo Anagrafica Nuovo Fornitore) module, used for the insertion of the supplier in the master data, through which the environmental and social data are collected via a checklist compiled by the suppliers and taken into consideration by the Buyers when selecting the suppliers for the tenders (PR4.3.1-2 Issue of the offer request). These changes will be operational from 2020.

In 2019 the Purchasing department further refined its process on verifying supplier information. Thanks to this further monitoring, the percentage of suppliers who signed the Code of Business Conduct went from about 63% in 2018 to 85% in 2019, while 10% adopt their own code of conduct with values shared with Avio. In addition, 96% of the suppliers introduced in 2019 signed the Avio code of conduct (compared to 76% in 2018) and the remaining 4% adopt their own code of conduct with values shared with Avio. [GRI 412-3]

#### Percentage of suppliers who signed the code of business conduct



#### Percentage of new suppliers introduced in 2019 who signed the code of business conduct



The sub-contractors for flight components are selected in the development phase among the companies that have worked or work in similar areas on the other European launchers. The selection takes place in the development phase based on the contributions of the individual ESA member states to the program. In this case, compliance with local ethical, legal, occupational health and safety and environmental laws is guaranteed by the mechanisms activated through ESA for sub-contractors from a European member country. Exceptions are non-European sub-contractors - selected on the basis of their skills acquired through participation in the creation of non-European launchers - mainly from Ukraine, Russia and the USA. However, since these are companies participating in the government programs of the respective countries, the same principle applies to European suppliers regarding compliance with national laws.

As for commodities, suppliers are selected on the basis of skills in the specific commodity class. In the pre-selection phase, suppliers are subjected to a verification process in relation to their compliance with the requirements of technical and industrial competence and more generally, their compliance with ethical, legal, environmental, social and Health & Safety requirements. For their inclusion in the supplier register, beyond a technical validation process, the signature of the general Avio purchase conditions, the declaration pursuant to Legislative Decree 231/2001 and the Code of Conduct is required. With the signature, the suppliers self-assess their adequacy to the requirements. The commodities are supplied in Europe, USA and Japan.

The Group pursues a policy aimed at favoring suppliers with whom it has established consolidated relationships over time and who have participated with similar products in other launcher development programs. In fact, given the nature of aerospace products, sub-contractors and major suppliers are subject to a certification process. Relations with these subjects are mainly managed with multi-year contracts in order to ensure continuity of production for these suppliers. Following serious defaults or inefficiencies or the unavailability of strategic suppliers, the Group is called to replace them. In order to limit these occurrences, the Group has adopted, where economically possible, a "dual sourcing" supplier selection policy, providing for the availability of two suppliers.

Avio has implemented a general policy aimed at the gradual minimization and, where possible, the elimination of raw materials dangerous for health pursuant to REACH and the consequent reduction of suppliers of these materials. The type and relevance of the Group's supplies exclude the use of supplies from countries in a state of conflict, such as the so-called conflict minerals. The management of purchases in Group companies is overseen by the relevant competent functions and formalized in internal procedures for qualifying and evaluating performance. Suppliers are constantly monitored on the basis of indices relating to the quality and punctuality of supplies and through specific audits that allow identifying any critical issues and implementing the relative corrective actions.

In 2020, the Avio Purchasing Department, in addition to consolidating the actions decided in 2019 on the implementation of the new internal purchasing procedures, has set itself the objective of participating in a working group led by ESA CSR Area (Corporate Social Responsibility) ("Sub-group on Sustainable supply chain") which involves other Italian and European companies in the aerospace sector with the aim of defining a common approach for supply chain management. The results of this working group will then be evaluated by Avio to incorporate any improvements to be implemented in the internal Avio supply chain management process.



## 10. Avio Group's environmental<sup>22</sup> impact

Avio Group has formalized its Environmental policy, which restates its constant attention to follow all applicable legislative and normative requirements and formalizes the commitment to continuously improve its environmental performance, minimizing the impact of its production plant and its premises. For Avio, environmental protection means to avoid polluting, to constantly optimize the use of natural resources and to develop products that are increasingly compatible with the environment.

Likewise, the foreign company Regulus makes clear its commitment to promoting eco-efficiency in its Ethical Charter. In fact, the French company recognizes its responsibility towards the local community in terms of environmental protection and expresses its willingness to direct the choices towards reducing its environmental footprint, in compliance with the applicable environmental provisions and regulations.

Given the context in which it operates, as well as the type of business activities the Group carries out, the main environmental risks may stem from uncertainties and changes in the regulatory framework and in the interpretative practice, failure to obtain and renew the necessary environmental authorizations, from incomplete or inadequate assessment of the environmental impact of products, as well as from adverse environmental conditions (e.g. extreme natural or atmospheric events). The incorrect monitoring and assessment of risks and related management and mitigation actions could cause an inefficient use of natural resources, the imbalance of one or more environmental aspects (e.g. soil, water, air), potential negative impacts on functioning and subsequently on the economic, patrimonial and financial position of the Group, which may ultimately cause reputational damages to the company.

In line with these needs and with international standards, Avio has adopted an Environmental Management System that is certified according to the international standard UNI EN ISO 14001. The certification gave way to a transition process that started in 2017 and finished in 2018, which led to the updated 2015 version of the regulatory framework, which focuses more in depth on new concepts such as the analysis of the context, the *Life Cycle Perspective* and systematic risk assessments. The system is made of internal environmental management standards, implemented to ensure the timely identification of the most significant environmental impacts and the adoption of the most effective management and mitigation measures, through a structured system to monitor the performances.

Avio's care for the environment is further confirmed by the Integrated Environmental Authorization (in Italian "Autorizzazione Integrata Ambientale", so called "AIA") obtained from the Province of Rome on June 30th, 2010, by Executive Decision R.U. 4730 in accordance to the Legislative Decree 59/2005, for the exercise of activities related to chemical plants and to the production of explosives. With this authorization, Avio S.p.A. must guarantee compliance to specific operating requirements and limits to the emission amounts. The authorization requires the Group to monitor periodically its environmental impacts resulting from activities carried out within the plants, based on a defined Plan of Monitoring and Control and to communicate the data obtained to the competent bodies. [GRI 413-1]

Within the Environmental Management System, Avio S.p.A. has adopted an Environmental Policy, which defines the main management and development strategies to safeguard the environment and to ensure a constant effort to prevent pollution and to improve environmental performance. Specifically, the Environmental Policy aims to ensure:

- compliance with EU, national and international requirements regarding the environment;
- rationalization of resource usage, by reducing consumption and improving their utilization starting from the planning phase;
- identification of the best available techniques aimed at minimizing the environmental impact of production processes and of the products produced;
- -continuous monitoring, in order to prevent accidents;

<sup>22</sup> The data relating to environmental impacts do not include Avio Guyane S.a.S and Avio France S.a.S, as to date they do not manage any plant.

- sharing the principles and commitments made in the environmental field with suppliers;
- involvement of employees and external staff, through awareness raising initiatives, informative sessions and dedicated training;
- transparent communication of the environmental results achieved.

Consistently with these principles, the Company issues and adopts an Improvement Program which constitutes the reference framework for defining the organization's objectives and, therefore, the actions aimed at ensuring the continuous improvement of its environmental performance. Based on its production processes, the Company has defined a series of improvement objectives related to its main environmental impacts, with the aim of governing and minimizing them<sup>23</sup>. Those objectives are reported below:

- improvement measures on atmospheric emission plants;
- improvement of the management of energy consumption;
- rationalization of the usage of industrial water;
- improvement of waste management;
- rationalization of the use of substances and preparations that are harmful and dangerous for the environment.

In order to achieve the aforementioned objectives, the Company has implemented a set of measures. Among them, the distribution of utilities (steam, industrial water and electricity) was improved, especially water resources, with a consequent benefit in terms of consumption of the drinking and industrial water fractions. In addition, June 2019 saw the update of the regulation for the management of company cars, with the aim of prohibiting the assignment of company vehicles powered by Diesel.

The HSE (Health, Safety and Environment) Department, with the support of all the functions responsible for carrying out production or development activities, is responsible for the implementation and control of the Environmental Management System (Environment Manager). Each objective reported in the Environmental Management System has a specific owner, assisted by HSE and in support of the Environment Manager.

The Se.Co.Sv.Im company, on the other hand, entrusts the choice of operating methods for the treatment of environmental aspects to the company's Sole Director who, with the support of his collaborators, adopts management methods and practices in line with the management model of the parent company.

Regulus, in compliance with the general principles set out in the Group Code of Conduct, has adopted a Policy on Quality, Health and Safety at work and respect for the Environment and a Quality, Safety, Environment Manual which is inspired by the provisions of the international standard UNI EN ISO 14000. To this end, the Company has defined a dedicated structure of experts, assigned to manage and monitor environmental performance.

In accordance with local laws, Regulus annually reports on the management of its environmental and energy aspects to the DEAL (Direction de l'Environnement, de l'Aménagement et du Logement) [GRI 413-1]. The authority also audits the company, with the same frequency, on specific environmental areas. In this regard, Regulus has made a commitment to intensify control indicators in order to further strengthen the monitoring system of its environmental performance, providing investments for the first quarter of 2020.

In carrying out its production process, the Group generates impacts related to polluting emissions into the atmosphere, the management of water and the disposal of waste.

The following chapters report the data and information relating to the performance linked to the most relevant environmental aspects (energy, water and waste) of the Group companies in 2019.

<sup>23</sup> Additional information on the environmental policies is given in the dedicated chapters of the Management Report, included in the Annual Financial Report 2019.

## 10.1. Energy consumption and emissions

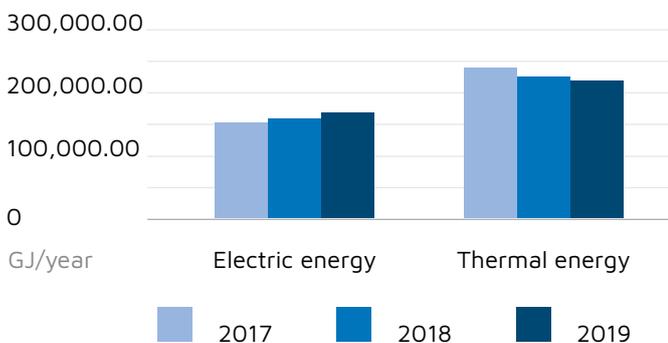
The Group's energy consumption derives mainly from the supply of electricity and thermal energy for the conduct of its production activities. In 2019, in line with what was carried out in the two previous years and in compliance with the requirements of Legislative Decree 102/2014, energy audits were conducted in Italy, which highlighted some possible areas of intervention in order to improve the Company's energy performance.

### [GRI 302-1] Energy consumption

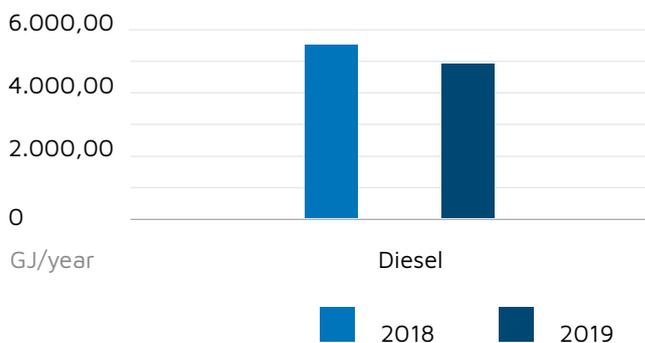
Type of energy consumption (expressed in GJ/year)	2017			2018			2019		
	Italy	French Guiana	Total	Italy	French Guiana	Total	Italy	French Guiana	Total
Electric energy consumption <sup>24</sup>	83,397.60	68,429.21	<b>151,826.81</b>	90,430.13	64,521.29	<b>154,951.42</b>	92,989.65	68,569.99	<b>161,559.64</b>
Non-renewable	83,397.60	68,429.21	<b>151,826.81</b>	90,430.13	64,521.29	<b>154,951.42</b>	92,989.65	68,569.99	<b>161,559.64</b>
Renewable	-	-	-	-	-	-	-	-	-
Thermal energy consumption	245,109.60	-	<b>245,109.60</b>	233,591.69	-	<b>233,591.69</b>	227,708.75	-	<b>227,708.75</b>
Non-renewable	245,109.60	-	<b>245,109.60</b>	233,591.69	-	<b>233,591.69</b>	227,708.75	-	<b>227,708.75</b>
Renewable	-	-	-	-	-	-	-	-	-
Diesel <sup>25</sup>	n.d.	n.d.	n.d.	2,341.24	3,075.79	<b>5,417.03</b>	2,174.47	2,737.12	<b>4,911.59</b>
<b>Total</b>			<b>396,936.41</b>			<b>393,960.14</b>			<b>394,179.98</b>

The conversion coefficient value applied to Electric and Thermal energy consumption is 0.0036 GJ/kWh (Source: GRI Sustainability Reporting Guidelines, Version 3.1).

#### Electric and thermal energy consumption (GJ/year)



#### Diesel consumption (GJ/year)



The conversion coefficient value applied to Diesel is 1 L=0.0381 GJ (Source: Defra 2019 -Diesel average biofuel blend).

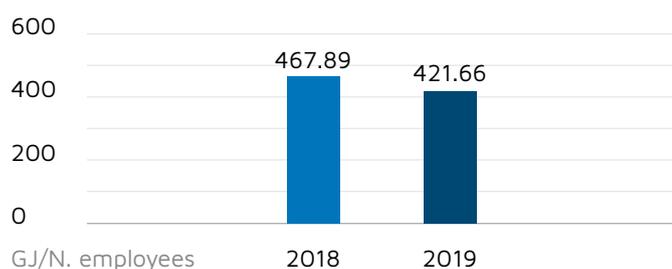
### [GRI 302-3] Energy intensity<sup>26</sup>

Energy intensity	2018			2019		
	Italy	French Guiana	Total	Italy	French Guiana	Total
Total energy consumption (GJ) /number of employees	442.23	649.97	<b>467.89</b>	389.47	672.71	<b>421.58</b>

<sup>24</sup> Se.Co.Sv.Im. is also included in the calculation of the total electricity consumption by means of a data collection improvement process. Despite the extension of the perimeter, electricity consumption is in line with 2018 (+0.06%).

<sup>25</sup> Starting from 2018, the Group includes Diesel fuel consumption in the calculation of energy consumption which relates to the use of the company car fleet. As for Italy, 2019 diesel consumption has been estimated.

<sup>26</sup> The data of the employees of Italy used for the calculation of the energy intensity of 2019 does not include the two employees of Avio France.

**Energy intensity - Total energy consumption (GJ) /number of employees**

Electricity consumption at Group level is slight increase compared to 2018. It should also be noted that in the event of an emergency Regulus has an auxiliary energy source consisting of a generator owned by the CNES (Center national d'études spatiales), fueled by diesel. The third-party owned generator, also used by entities other than Avio, recorded a consumption of 5,340.80 GJ in 2019, down 70% compared to 2018 (14,458.76 GJ in 2018).

**[GRI 305-2] Indirect GHG emissions by type (Scope 2)**

Indirect GHG Emissions* by type of energy consumption (expressed in tons CO <sub>2</sub> eq/year)	2017			2018			2019		
	Italy	French Guiana	Total	Italy	French Guiana	Total	Italy	French Guiana	Total
	Location based								
Electric energy	8,339.76	2,946.26	<b>11,286.02</b>	9,043.01	2,778.00	<b>11,821.01</b>	9,273.13	2,990.41	<b>12,263.55</b>
Thermal energy	12,763.40	-	<b>12,763.40</b>	12,163.64	-	<b>12,163.64</b>	11,136.22	-	<b>11,136.22</b>
<b>Total</b>	<b>21,103.16</b>	<b>2,946.26</b>	<b>24,049.42</b>	<b>21,206.65</b>	<b>2,778.00</b>	<b>23,984.65</b>	<b>20,409.36</b>	<b>2,990.41</b>	<b>23,399.77</b>
	Market based								
Electric energy	11,039.29	2,946.26	<b>13,985.55</b>	11,970.19	2,778.00	<b>14,748.19</b>	12,579.43	2,990.41	<b>15,569.85</b>
Thermal energy	13,998.48	-	<b>13,998.48</b>	12,163.64	-	<b>12,163.64</b>	11,136.22	-	<b>11,136.22</b>
<b>Total</b>	<b>25,037.78</b>	<b>2,946.26</b>	<b>27,984.03</b>	<b>24,133.82</b>	<b>2,778.00</b>	<b>26,911.82</b>	<b>23,715.66</b>	<b>2,990.41</b>	<b>26,706.07</b>

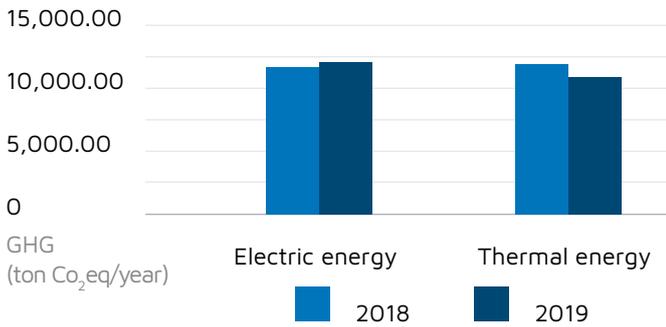
\* The reporting standard used for emission of Scope 2 is based on two calculation approaches: "Location based" and "Market based".

The "Location based" approach uses emission factors related to specific national energy mix of electricity production. In particular, in 2019 the emission factor used for electricity has been updated [for Italy: 359 gCO<sub>2</sub>/kWh. Source: Terna 2017 "international Comparisons"; for French Guiana, in line with 2018, it was used the coefficient relative to Brazil: 157 gCO<sub>2</sub>/kWh. Source: Terna 2017 "International Comparisons"] compared to the one used for the year 2018. The emission coefficient for thermal energy for Italy has been updated [176.06 gCO<sub>2</sub>eq/kWh. Source: DEFRA 2019] compared to 2018.

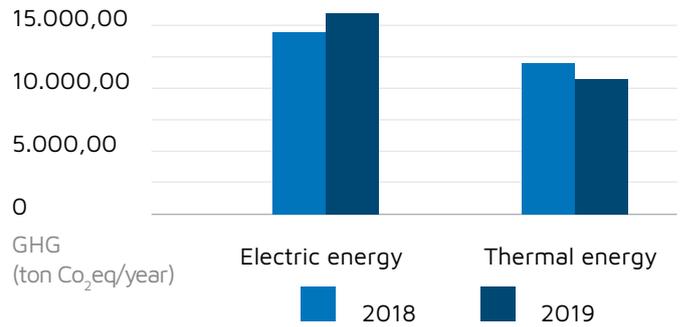
The "Market based" approach foresees the use of emission factors defined on a contractual basis with the electricity supplier. In the absence of specific contractual agreements between the Group Companies and the electricity supplier (e.g. purchase of Guarantees of Origin), for this approach has been used the emission factor relative to the national "residual mix" for Italy in 2019 equal to 487 gCO<sub>2</sub>eq/kWh, [Source: European residual mixes 2018, AIB]. In line with 2018, for French Guiana was used the coefficient of Brazil provided by Terna: 157 gCO<sub>2</sub>/kWh (Source: Terna 2017: "international comparisons". For thermal energy, the emission coefficient for Italy has been updated: 176.06 gCO<sub>2</sub>eq/kWh [Source: DEFRA 2019]. Data on thermal energy have therefore also been consistently restated, using the following emission factor: 187,46 gCO<sub>2</sub>eq/kWh. [Source: DEFRA 2018.]

Moreover, it is noted that the Scope 2 GHG emissions "Location based" for electric energy are expressed in tCO<sub>2</sub>, yet the percentage of natural gas and nitrous oxide have a negligible effect on total GHG emissions (CO<sub>2</sub> equivalent) as evidenced by the technical literature on those topics.

**Scope 2 GHG emission:**  
**"Location based"**



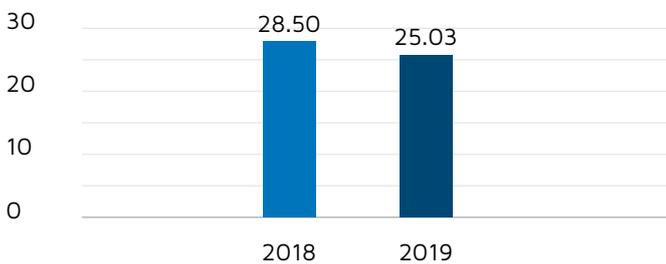
**Scope 2 GHG emission:**  
**"Market based"**



**[GRI 305-4] Emission intensity<sup>27</sup>**

Emission intensity	2018			2019		
	Italy	French Guiana	Total	Italy	French Guiana	Total
Total GHG Emissions (tCO <sub>2</sub> eq) /number of employees	28.74	26.71	<b>28.50</b>	24.62	28.21	<b>25.03</b>

**Emission intensity - Total GHG Emissions\***  
**(ton CO<sub>2</sub>eq/year)/employees**



\*The calculation on emission intensity is based on Scope 2 GHG emissions "Location based"

The Group has also estimated the environmental impacts deriving from business trips. CO<sub>2</sub> emissions associated with company car journeys totaled to 333.99 tons in 2019 (157.86 for Italy and 186.12 for French Guiana)<sup>28</sup>, down 10% compared to 2018 (371.41 tCO<sub>2</sub>eq).

With regards to the pollutant emissions in the atmosphere, the manufacturing process of the companies does not produce Nitrogen Oxides (NOx) or Sulfur Oxides (SOx). The auxiliary engines used in the site where Regulus operates are the only sources of emission for which no monitoring is planned. The responsibility of these emissions lies with the site manager in French Guiana. Information on the other emissions was provided by the companies, in line with the units of measurement required by the local regulations, which have been communicated to the competent authorities (for Avio S.p.A., the mean concentration is measured in mg/Nm<sup>3</sup> while for Regulus it is measured in Kg/year).

<sup>27</sup> The two employees of Avio France are not included in the figure of Italian employees used for the calculation of the emission intensity.

<sup>28</sup> Emission coefficient used: 2,594 kgCO<sub>2</sub>eq/l (Source: Defra 2019 - Diesel Average biofuel blend).

**[GRI 305-7] Significant air emissions**

Significant pollutants (expressed in mean concentration mg/Nm <sup>3</sup> )	2017	2018	2019
	Italy		
Volatile organic compounds (VOC)	0.90	1.32	2.30
Particulates	0.51	0.53	0.62
<b>Total</b>	<b>1.41</b>	<b>1.85</b>	<b>2.92</b>

**[GRI 305-7] Significant air emissions<sup>29</sup>**

Significant pollutants (expressed in Kg/year)	2017	2018	2019
	French Guiana		
Volatile organic compounds (VOC)	1,329	3,100	1,685
<b>Total</b>	<b>1,329</b>	<b>3,100</b>	<b>1,685</b>

The emissions into the atmosphere deriving from the plant activities are controlled regularly and according to legal requirements, thanks to suction and abatement systems for pollutants. Self-control analysis of pollutant concentrations are carried out, as per authorization prescriptions.

The value of the average concentration of VOCs is in line with the prescriptions and significantly below the limits established by the AIA. The trend is linked to the progressive change in the size of the product processed in the transition between the Ariane program and the Vega C / Ariane 6 program. The figure is also affected by the setting up of chimneys E31 and E32.

The emissions of significant pollutants by Regulus are in line with those recorded in 2017, since in 2019 it was not necessary to resort to the generator frequently, contrary to what happened in 2018.

<sup>29</sup> Data estimated on the basis of the quantities of material used and the product specifications.

## 10.2. Management of water resources

Water resources are mainly used by the Group for industrial and civil purposes. Specifically, the companies carry out three different water withdrawals based on use:

- industrial water: supplied by Società Consortile Servizi Colleferro (SC), which collects water from the Sacco River and from the wells authorized for industrial water or recirculation from the emission of the purifier. The water leaving the consortium purifier is duly analyzed, and if it complies with legal limits, is fed into the industrial water network and allows the reduction of natural water withdrawals;
- fire-fighting water: supplied by Società Consortile SC and accumulated in water basins which constitute the emergency reserve;
- drinking water: supplied by Consorzio delle Acque Potabili (CSAP), partially owned by Avio S.p.A. and Se.Co.Sv.Im., which manages the drinking water wells from the deep aquifer, whose authorization belongs to Se.Co.Sv.Im..

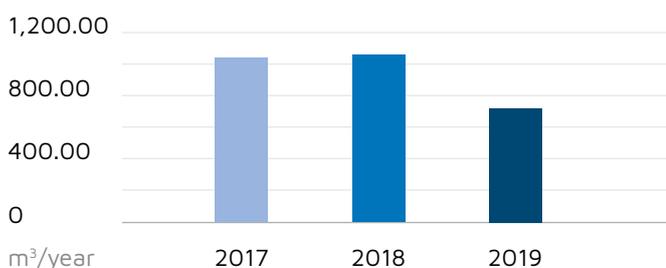
At the foreign company Regulus, all water resource management activities are subject to regular checks by the Directorate de l'Environnement, de l'Aménagement et du Logement (DEAL) in order to obtain and / or maintain the necessary authorizations to operate.

In 2019, the water consumed in French Guiana and in Italy is respectively 8,427 m<sup>3</sup> and 679,315 m<sup>3</sup>. In French Guiana, consumption increased following a loss in the water system, which was promptly repaired; consumption is still much lower than in 2017 thanks to the improvement activity carried out starting from 2018. In Italy, however, thanks to the water system improvement activities carried out in 2019, consumption has decreased significantly. These are structural improvements that will allow us to maintain and improve water consumption in the years to come.

### [GRI 303-1] Water Withdrawal by source

Volume of water by source (expressed in m <sup>3</sup> /year)	2017 <sup>30</sup>			2018			2019		
	Italy	French Guiana	Total	Italy	French Guiana	Total	Italy	French Guiana	Total
Surface water	892,448	-	<b>892,448</b>	896,163	-	<b>896,163</b>	563,037	-	<b>563,037</b>
Ground water	116,102	-	<b>116,102</b>	137,919	-	<b>137,919</b>	116,278	-	<b>116,278</b>
Municipal water supplies or other public or private water utilities	-	17,615	<b>17,615</b>	-	6,47	<b>6,147</b>	-	8,427	<b>8,427</b>
<b>Total</b>	<b>1,008,550</b>	<b>17,615</b>	<b>1,026,165</b>	<b>1,034,082</b>	<b>6,147</b>	<b>1,040,229</b>	<b>679,315</b>	<b>8,427</b>	<b>687,742</b>

### Group's Water Withdrawal



<sup>30</sup> The data refer to the following companies of the Group: Avio S.p.A. and ELV S.p.A. (now Spacelab S.p.A.).

The management of water discharges is directly linked to national legislation. Avio follows what is prescribed by the Integrated Environmental Authorization (AIA) and by the Italian national legislation (Legislative Decree 152/2006). The discharges of wastewater are managed by Società Consortile SC. Avio's plant sewage system is mixed and collects both industrial and domestic wastewater before reaching the purification plant. After undergoing treatment, the wastewater is discharged by SC into a surface water body of the Sacco River. Wastewater, which is treated in appropriate purification plants with regularity and according to legal requirements, is partially recycled in the production process and discharged into the sewage system. It should be noted that the monitoring of the discharged water is not prescribed by the AIA Authorization, therefore the management of volumetric data is not certified as in the case of withdrawals. For this reason, data relating to the Colleferro factory is not provided. Concerning Regulus, in the year 2019 the volumes of discharged water of industrial nature amounted to 1,377 m<sup>3</sup>, fully treated in two separate purification plants.

### 10.3. Waste management

Waste management is a significant issue for the Group due to the presence of hazardous waste that requires specific management. For this reason, in recent years Avio has made a particular commitment to making industrial waste management more efficient by refining its collection and management processes. In particular, Avio has focused on:

- the improvement of temporary storage process, since 2017, through the commissioning of a new temporary deposit inside the Colleferro plant, in line with legislative requirements (i.e. segregation, containment tanks, etc.). The new Temporary Deposit has been put into service in compliance with the AIA prescription and allows to reduce the internal handling of waste from the end of the line to the deposit;
- the maximization of waste sent for recovery, by searching for destination plants capable of receiving and recovering it. The percentage of waste sent for recovery during 2019 is decreasing, in line with what happened in 2018, as a consequence of national problems related to waste management. Avio has adopted a series of mitigation actions in order to maintain high standards for the recovery of waste produced;
- the improvement of separate waste collection.

The Italian plant has two areas designated for temporary storage of waste, which are managed according to the provisions of the law. The waste will partly be allocated to external treatment/recovery plants, and partly to disposal plants.

Se.Co.Sv.Im., whose waste derives mainly from the ordinary and extraordinary maintenance of buildings, entrusts its waste management to the contractors responsible for maintenance interventions. The contractors are responsible for the regular disposal and/or recovery through the use of external companies, authorized according to the relevant CER code.

According to the type of waste, Regulus defines the appropriate treatment method together with the collection authority. For years, the French company has only worked with two suppliers of such services which are chosen based on reliability and efficiency of service. Furthermore, the Company regularly conducts awareness campaigns about the correct differentiation of waste.

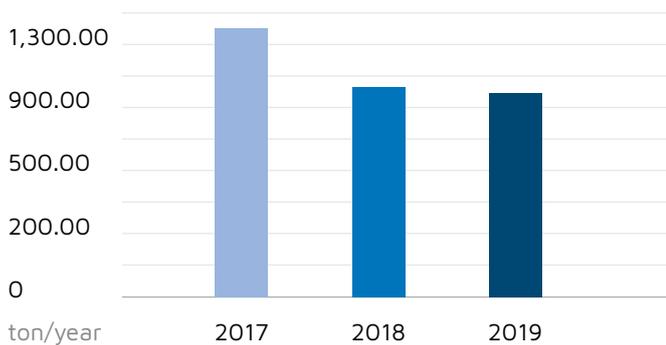
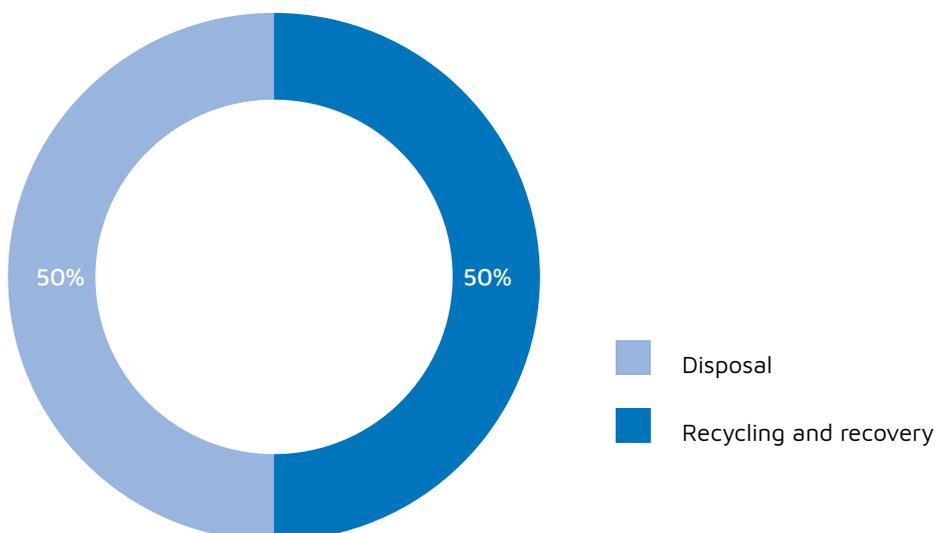
In Italy, Avio has also introduced separate waste collection in its plants and has set itself the goal for 2020 to adopt a plastic free policy by gradually replacing the plastic bottles inside the automatic vending machines for drinks and inside the company restaurant.

In 2019, the Group generated a total of 1,032.34 tons of waste, of which 468.54 tons (45%) of hazardous waste and 563.80 tons (55%) of non-hazardous waste. [GRI 306-2]

**[GRI 306-2] Hazardous and non-hazardous waste by type of disposal method<sup>31</sup>**

Total weight of waste (ton/year)*	2017			2018			2019		
	Italy	French Guiana	Total	Italy	French Guiana	Total	Italy	French Guiana	Total
	<b>Hazardous waste</b>								
Recycling and recovery	97.50	38.40	<b>135.90</b>	47.08	71.78	<b>118.86</b>	3.75	18.94	<b>22.69</b>
Disposal	53.60	398.6	<b>452.2</b>	139.09	254.00	<b>393.09</b>	205.61	240.24	<b>445.85</b>
<b>Total hazardous waste</b>	<b>151.10</b>	<b>437.00</b>	<b>588.10</b>	<b>186.17</b>	<b>325.78</b>	<b>511.95</b>	<b>209.36</b>	<b>259.18</b>	<b>468.54</b>
	<b>Non-hazardous waste</b>								
Recycling and recovery	374.50	322.80	<b>697.30</b>	277.83	168.40	<b>446.23</b>	305.99	191.72	<b>497.71</b>
Disposal	5.40	104.20	<b>109.60</b>	14.42	72.11 <sup>32</sup>	<b>86.53</b>	12.96	53.12	<b>66.09</b>
<b>Total non-hazardous waste</b>	<b>379.90</b>	<b>427.00</b>	<b>806.90</b>	<b>292.25</b>	<b>240.52</b>	<b>532.77</b>	<b>318.95</b>	<b>244.84</b>	<b>563.80</b>
<b>Total waste</b>	<b>531.00</b>	<b>864.00</b>	<b>1,395.00</b>	<b>478.42</b>	<b>566.3</b>	<b>1,044.70</b>	<b>528.31</b>	<b>504.02</b>	<b>1,032.34</b>

\* The waste amount is measured through loading and unloading registers.

**Group's Waste production (ton/year)****Waste by treatment method - 2019**

<sup>31</sup> Thanks to improvement process of data collection, in 2019 the Airola plant was also included in the calculation of the Group's waste.

<sup>32</sup> The figure includes both landfill disposal operations and D9, D14 and D15 disposal operations.

## 10.4. Environmental remediation and management of areas subject to potential environmental issues

The territory of the industrial area of Avio in Colleferro is located in the area which, starting from November 2016, has been identified as the Site of National Interest "Sacco River Basin" and is managed, with regards to monitoring and soil, subsoil and groundwater remediation activities, by Se.co.sv.im, the Avio Group real estate company. The company acquired the Colleferro industrial site only in the mid-1990s, having therefore inherited previous situations as the successor owner, not responsible of the pollution. These pollution events have been subject to final judgments to which Se.co.sv.im is obviously unrelated. Despite this, the company has taken charge, even with an important economic effort, of the remediation measures that are legally due to the owners even when they have not caused the pollution.

The structured collaboration of Se.co.sv.im with the Institutions consolidates the Group's strategy based on the great effort that has been invested on the territory for years for its complete requalification, and highlights the objective of supporting policies that promote sustainable development through the reduction of environmental pressures and the relocation of areas in complete safety. We have offered our contribution, believing that these environmental remediation measures have not only a conservative or restoration value, but are an important precondition for the development and economic growth of the territory.

Within the general framework of the territorial planning process of the drafting of the General Regulatory Plan, the Municipality of Colleferro and the company Se.co.sv.im shared the strategic value of the disused industrial area in terms of reusable territorial extension in order to limit the consumption of new land, protect the inhabited area and green heritage. With this premise, a project was launched in agreement between the parties for the drafting of an Urban Regeneration Program, consisting of a coordinated set of urban, construction, socio-economic and environmental interventions, with purposes of common interest, through the development of one or more integrated intervention plans. This Urban Regeneration Project will be based on a mix of functions (executive, commercial, environmental and only marginally residential) such as to promote the integration between the former production areas and the city and, simultaneously, to carry out a process of redevelopment of the areas "Scalo" and "Villaggio Vecchio", today border areas, also through the progressive reopening to traffic of the Via Romana that will link these areas to the rest of the city and the creation of cycle paths that will join the Scalo area with the neighborhood "IV Chilometro".

With reference to all the activities to complete the land reclamation and permanent safety interventions still to be executed, these will be carried out in accordance with the Program Agreements signed with the Competent Authorities during the Commissarial Management (Valle del Sacco Regional Office), and / or with further provisions accepted in the context of specific Conferences of Services, under the coordination of the Ministry of the Environment and the Protection of the Territory and the Sea. In order to ensure compliance with the timescales and execution methods set out in the Remediation Plan, the company carries out continuous documented monitoring activities to the Competent Authorities through the transmission of the related reports and results of the monitoring campaigns. Pursuant to these laws and regulations, the Group, in order to conduct its business, operates by virtue of the issue of permits and authorizations, which are also subject to periodic renewal as well as the possible modification, suspension or revocation by the Competent Authorities. The adoption of new regulations that limit or further regulate the sectors in which the Group operates or the change in current legislation and / or interpretative practice could have economic impacts and impact on corporate reputation. It should be noted that in 2019 there were no monetary and non-monetary sanctions received for the violation of environmental laws and regulations. [GRI 307-1] In order to ensure the adoption of the most effective environmental management and control measures, the Company adopts, where applicable, the procedures in force at the parent company Avio S.p.A., in compliance with the requirements of the UNI EN ISO 14001: 2015 standard, with particular attention to the implementation and control of the progress of the Remediation Plan and Asbestos removal Plan. With reference to the management and conservation of asbestos artefacts, these are present in the roofs of some buildings of the industrial complex of Colleferro that are currently largely abandoned. The management of these covers meets the requirements of the current legislation in terms of monitoring and conservation in order to exclude current risks for people and the environment. At the end of 2019 96% of the remediation activities provided for in the asbestos removal plan have been carried out and the remaining part is expected to be completed by March 2020.

In the context of the Remediation Plan, the main remediation works performed by Se.Co.Sv.Im. are represented by:

- securing the Cava di Pozzolana site;
- remediation of the ARPA 1 site;
- construction of a permanent storage site for the remediation of the ARPA 1 site;
- securing the ARPA 2 site (by the Lazio Region, started in 2019 and to be completed);
- emergency safety and aquifer remediation carried out by means of hydraulic barrier systems, equipped with specific pre-treatment systems.

All the above activities, with the exception of Arpa 2, have been completed operationally and are awaiting the closure of the related administrative procedure by the competent bodies. With regard to the Arpa 2 site, in March 2019 the Program Agreement was signed between the Ministry of the Environment and the Protection of the Territory and the Sea and the Lazio Region which provides for the establishment of a works control committee with representatives of Ministry, Region, Ispra and Arpa Lazio. The construction site was inaugurated in October 2019, with the presence of public institutions.

Se.Co.Sv.Im. is committed to the operational continuation of the reclamation plan and the asbestos removal plan and is constantly active in the responsible management of the related environmental impacts attributable to the generation of waste and the consumption of water. The Company's programmatic objective is to obtain the certification of the interventions already carried out, the return to legitimate uses of the areas that have not been contaminated and an adequate post-operative management of the interventions carried out according to the agreed times and / or to be agreed with the Competent Bodies.

Lastly, on August 2, 2019, the Avio Group and FCA Partecipazioni S.p.A. reached a settlement concerning environmental charges. Please consult Avio 2019 Financial Report for more information.

## New remediation sites

Avio's structured collaboration with the Institutions consolidates the Group's strategy based on the effort that has been invested on the territory for years for its complete requalification and highlights the objective of supporting policies that promote sustainable development through the reduction of environmental pressures and the relocation of areas in complete safety.

The intervention for the safety of the Arpa 2 site, inaugurated in October 2019, is part of the interventions foreseen by the Program Agreement signed on 7 March 2019 between the Ministry of Land and Sea Protection and the Lazio Region, in Frosinone for the "Safety and remediation of the Site of National Interest Basin of the Sacco River" interventions. The site extends for about 1 and a half hectares within the Colferro industrial area. The final reconversion project was drawn up by the University of Rome "Sapienza" and provides for the permanent safety of the site by creating a definitive confinement tank, to be carried out in successive stages.

# 11. Relationship with the community

Avio recognizes the importance and its leading role towards the territories and communities in which it operates. For this reason, it makes its resources available in order to contribute to social development.

Attention and care for the society are principles of social responsibility which represent an integral part of the Group's values and strategies, and are reflected in the numerous projects to which the Group adheres, both nationally and internationally.

In 2019, through Caritas, Avio adopted a policy of reducing food waste and decided to donate part of the food prepared in the canteen to the organization.

These projects include sponsorships of the main sports associations in the area (Pallacanestro Colleferro, Piscina Colleferro, Rugby Colleferro e calcio giovanile Cagliari), to associations and charitable foundations, Caritas and the Food Bank Foundation, and to Cultural Associations and Schools (Museo della scienza e Tecnica Milano; Associazione Civita; Summer School UniRoma). Furthermore, in 2019 Avio continued to collaborate with Alma Mater Studiorum University of Bologna (Ondasolare Project), in order to contribute to the improvement of the first solar car Made in Italy.

In Italy, the Group has therefore promoted various engagement and sponsorship initiatives aimed at incubating technical skills in the space sector, stimulating the development of innovative technologies and creating awareness of the opportunities provided by space access systems. With this in mind, the main initiatives of financial support for training activities also continued. Among the main ones:

- sponsorship of the Master in "Space Transport Systems" organized by the University of Rome "La Sapienza";
- provision of scholarships for doctorates and masters in technical disciplines, for which 117.600 euros were invested;
- definition of agreements with Italian and foreign universities for the provision of 4,125 hours of internships and curricular internships for theses on technical disciplines;
- organization of events, including national and international conferences and workshops;
- educational visits for students of technical disciplines;
- identification and implementation of investments in research, innovation and new technologies on the national territory, with the involvement of SMEs, universities and research bodies.

Moreover, in 2019 Avio perfected relations not only with the University of Bologna, but also with the University of Rome "La Sapienza", with the Polytechnic of Milan, the University of Padua and completed the first cycle of internships with the grouping of European universities and companies in the ASTRI aerospace.

The combination of these activities and initiatives within local communities brings important benefits, including the creation and incubation of state-of-the-art skills for the space sector, with opportunities for internalization of exchanges and spin-offs to other industrial and service sectors; the creation of a supply chain in innovative and critical technologies with the opening of value chains of SMEs in the area; awareness for the community of the opportunities provided by the availability of space access systems as demonstrated by the space missions proposed by Italian universities or research bodies, including those of demonstration in orbit and education, based on access to space through Vega.

In addition, 2019 saw the intensification of collaboration with local authorities for development projects at municipal, provincial and regional level. In particular, a partnership has been launched with LazioinNova and with the Municipality of Colleferro for a challenge relating to urban furniture and accessibility. The initiative, which takes the form of a competition of ideas with the patronage and professional support of Avio, was officially presented to the Municipality of Colleferro in December 2019, in the presence of the Undersecretary for Economic Development.

With this in mind, Avio has revitalized its participation in the European Space Cities Community, a non-profit association that brings together European urban centers, home to industrial plants that collaborate on the Ariane and Vega projects and which contribute to the European independent access to space. The Italian participation in the Community is now exclusively entrusted to Avio in tandem with the Municipality of Colleferro, who in 2019 organized the Summer School 2019 in partnership with La Sapienza University.

Avio sponsored the participation of the Municipality of Colleferro in the Ministerial Council of the European Space Agency in Seville, where the Mayor addressed a message to the 22 political delegations present, underlining the meaning not only economic, but also social and political of the productive reality of his city. In close connection with the Secretary General of the Community, with the Mayor and the Regional Authorities, a memorandum of understanding has been prepared with local authorities, to be signed in the first weeks of 2020, to define the reference framework for the joint participation of Avio and the Municipality of Colleferro to the presidency of the community of European space cities.

Other important events organized during the year were Arianecross and the corporate convention. The first event was held in September and involved around 500 people from all the main space sector companies from European countries. They met in Fiuggi (FR) for a weekend, organized and coordinated by our company, dedicated to sport and friendship, in one of the traditional events of the sector that is held in a different country every year. The event had an important impact on the Colleferro area and, in general, throughout the Valle del Sacco and Frusinate areas. The suppliers selected were all from Lazio and the areas surrounding the Colleferro plant. Another important initiative was the employee convention which was also held in the Colleferro area and which involved around 700 people from all Avio offices: an important moment of sharing, after the failure in July, of the company's priorities and path in the next years.

Finally, in 2019 Avio S.p.A. committed to spreading awareness on disability issues. In particular, the Company contributed to the celebration of World Disability Day, on December 4, with an event held in the Roman headquarters of the EU Commission and Parliament, and with the participation of the Deputy Minister of Foreign Affairs, Manuela del Re. The Company started a collaboration with the project "Swimming in the seas of the world" promoted by the disabled athlete Salvatore Cimmino. It also laid the foundations for a collaboration with the city of Padova, European Capital of Volunteering for the year 2020, making available a series of assets to be used in the programming of the event, starting with the official inauguration by the President of the Republic Mattarella on February 7, 2020.

## The Vega lands in Milan

The skyline of Milan has been improved with something new: the model of the Vega rocket, 30 meters high by 3 meters in diameter, has been installed in December in the external spaces of the National Museum of Science and Technology. It faithfully reproduces the first Vega launcher that flew in 2012, and is the only existing full-size model in the world. The visit to the Vega, which will be part of the regular museum ticket, takes place through special effects and suggestive lights that retrace the phases of the launch into orbit. The installation of the launcher tells a very Italian story about an important European collaboration, made of competence, innovation and progress, recalling the importance and competitiveness of our country in the aerospace sector. Avio's aim through the exhibition of the model is also to bring the general public closer to the space industry, illustrating how investments in this sector, and the technological innovation that derives from it, have important repercussions in everyday life.

## 12. Table of connection between material topics and aspects of the GRI Standards

Topics of Legislative Decree 254/2016	Material topics identified	Link with GRI Standards	Impact boundary		Type of impact
			Outside impact	Limitazioni	
Environmental	Energy consumption and emissions	Energy Emissions	Group; Society	The data relating to environmental impacts do not include Avio Guyane S.a.S and Avio France S.a.S, as to date they do not manage any plant.	Caused by the Group; To which the Group contributes
Environmental	Environmental remediation	Environmental Compliance	Se.Co.Sv.Im; Local Communities		
Environmental	Waste management	Effluents and Waste	Group; Society		
Environmental	Management of water resources	Water	Group; Society		
Social	Relationship with the community	Local Communities	Group; Local Communities	-	Caused by the Group; To which the Group contributes
Social	Cybersecurity	Customer Privacy	Group; Clients	-	Caused by the Group; To which the Group contributes
Social	Safety in industrial management	Local communities	Group; Community; Clients	-	Caused by the Group; To which the Group contributes
Social	Quality of industrial processes	Customer Health and Safety	Group;	-	Caused by the Group
Social	Quality and safety of products and processes	Customer Health and Safety	Group; Clients	-	Caused by the Group; To which the Group contributes
Employment	Staff remuneration	Diversity and equal opportunities	Group	The salary and income of Avio France S.a.S. staff and Avio Guiana S.a.S. staff are not included in the data presented below for confidentiality reasons.	Caused by the Group
	Equal opportunities	Diversity and equal opportunities	Group	-	
	Management and retention of talents	Employment	Group	-	
	Training and skills development	Training and education	Group	-	
	Dialogue with trade unions	Employment, Labor/ Management Relations	Group	-	
Employment, Social, Human Rights	Health, safety, wellbeing of employees and human rights	Occupational Health and Safety, Non discrimination	Group	-	Caused by the Group
Anti-corruption active and passive	Prevention of corruption	Anti-corruption; anti-competitive Behavior; Socioeconomic compliance	Group; Suppliers	-	Caused by the Group; Caused by the Group and directly connected through one business relationship
Social, Human Rights	Responsible relationship with suppliers	Supplier's social assessment; Human Rights' assessment	Group; Suppliers	-	Caused by the Group; Caused by the Group and directly connected through one business relationship
Social	Innovation	N/A	Group; Clients	-	Caused by the Group; To which the Group contributes



Launch of Vega seen from the beach of Kourou in French Guiana

## 13. GRI Content Index

Page number in this document and reference to other sections of the Management Report or other external documents (The page numbers refer to the paragraph of the Statement that includes the disclosure)

Standard Disclosure	Standard description	Page number	Omissions
<b>GRI 101: FOUNDATION 2016</b>			
<b>GRI 102: GENERAL DISCLOSURES 2016</b>			
<b>ORGANIZATIONAL PROFILE</b>			
102-1	Name of the organization.	Avio S.p.A.	
102-2	Activities, brands, products and services.	pp. 7-11 Management Report: Profile, Business areas	
102-3	Location of headquarters.	Rome, Italy	
102-4	Location of operations.	p.8	
102-5	Ownership and legal form.	Report on corporate governance and ownership structure.	
102-6	Markets served.	pp. 8-9, Management Report: Profile, Business areas.	
102-7	Scale of the organization.	pp. 7-8, 37-40 Management Report: Analysis of the economic results and the financial and equity situation of the Group, Human Resources, Profile, Business Areas.	
102-8	Total number of employees by employment contract, region and gender.	pp. 39-40	
102-9	Supply chain description (activities, products, numbers of suppliers, suppliers breakdown by geographical area, order value).	pp. 61-63	
102-10	Significant changes to the organization's size, structure, ownership, or supply chain during the reporting period.	pp. 5-6 There have been no significant changes in the supply chain compared to the previous period.	
102-11	Precautionary Principle approach.	pp. 26-29, 64-65	
102-12	Adoption of international economic, social and environmental standards.	Currently the Group has not adhered to codes, external Standards in the ESG field.	
102-13	Membership of national and international associations.	pp. 53-54	
<b>STRATEGY</b>			
102-14	Statement by the President and the CEO.	pp. 2-3	
102-15	Key impacts, risks and opportunities.	pp. 26-29	

<b>ETHICS AND INTEGRITY</b>			
102-16	Values, principles, standards, code of conduct and ethical code.	pp. 32-36; Code of Conduct, Charte Ethique.	
<b>GOVERNANCE</b>			
102-18	Governance structure of the organization, including committees of the highest governance body. Committees responsible for decision making on economic, environmental, and social topics.	pp. 22-25	
102-24	Appointment criteria for members of the governing and control bodies.	p. 23	
102-35	Remuneration policies.	pp. 45-46	
<b>COINVOLGIMENTO DEGLI STAKEHOLDER</b>			
102-40	List of stakeholders involved.	pp. 12, 20-21, 52-54, 75-76	
102-41	Percentage of total employees covered by collective bargaining agreements.	p. 50 In 2019, 100% of employees is covered by collective bargaining agreements.	
102-42	Identification and selection process of the stakeholders to be involved.	pp. 12, 20-21	
102-43	Approach to stakeholder involvement.	pp. 12, 20-21	
102-44	Key and critical topics emerged from stakeholder involvement and related actions.	pp. 12, 20-21	
<b>REPORTING PRACTICE</b>			
102-45	Entities included in the consolidated financial statements and those not included in the sustainability report.	p. 6	
102-46	Explanation of the process for defining the report content	pp. 12-14	
102-47	List of material topics.	pp. 12-14	
102-48	Explanation of the effects of any restatements of information given in previous reports, and the reasons for such restatements.	pp. 5-6	
102-49	Significant changes compared to previous reports.	pp. 5-6	
102-50	Reporting period.	p. 5; Year 2019.	
102-51	Date of most recent report.	p. 5 The non-financial statement was published following the approval of the Board of Directors held on March 25, 2020.	

102-52	Reporting cycle.	p. 5. Yearly.	
102-53	Contact point for questions regarding the report.	comunicazione@avio.com investor.relations@avio.com	
102-54	Choice of "in accordance" option.	p. 5	
102-55	GRI Content Index.	pp. 79-86	
102-56	External assurance.	pp. 90 - 92	

## TOPIC-SPECIFIC DISCLOSURES

### GRI 200: ECONOMIC PERFORMANCE 2016

### GRI 205: ANTI-CORRUPTION 2016

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 33-36	
103-3	Evaluation of the management approach.	pp. 33-36	
205-1	Total number and percentage of operation areas assessed for risks related to corruption.	p. 36	
205-2	Communication and training about anticorruption policies and procedures.	p. 35	During 2019 the Group approved the anti-corruption code which has been communicated to all the new Italian suppliers and/or business partners of the reporting period. The Group undertakes to communicate the Code to all its suppliers and/or commercial partners in Italy during next year (2021).
205-3	Confirmed incidents of corruption and actions taken.	p. 36	

### GRI 206: ANTI-COMPETITIVE BEHAVIOUR 2016

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 5, 34-36	
103-3	Evaluation of the management approach.	pp. 5, 34-36	
206-1	Total number of legal actions relating to unfair competition, anti-trust and monopolistic practices and related judgements.	p. 36	

## GRI 300: 2016 ENVIRONMENTAL PERFORMANCE

### GRI 302: ENERGY 2016

103-1	Explanation of the material topic and its boundary.	p. 14, 77	
103-2	Management approach and its components.	pp. 64-66	
103-3	Evaluation of the management approach.	pp. 64-66	
302-1	Energy consumption within the organization.	p. 66	
302-3	Energy intensity.	p. 67	

### GRI 303: WATER 2016

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 64-66, 70	
103-3	Evaluation of the management approach.	pp. 64-66, 70	
303-1	Water withdrawal by source.	p. 70	

### GRI 305: EMISSIONS 2016

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 67-69	
103-3	Evaluation of the management approach.	pp. 67-69	
305-2	Energy indirect (Scope 2) GHG emissions generated by energy consumption.	pp. 67-68	
305-4	Emission intensity.	p. 68	
305-7	NOx, SOx, and other significant emissions.	pp. 68-69	

### GRI 306: EFFLUENTS AND WASTE 2016

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 64-66, 71-72	
103-3	Evaluation of the management approach.	pp. 64-66, 71-72	
306-2	Total weight of waste by type and disposal method.	p. 72	

**GRI 307: COMPLIANCE 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 33, 64-66, 73-74	
103-3	Evaluation of the management approach.	pp. 33, 64-66, 73-74	
307-1	Significant fines and non-monetary sanctions for noncompliance with environmental laws and/or regulations.	In 2019, as proof of the fact that the Group operates in compliance with all applicable laws and regulations, no monetary and/or non-monetary sanctions received for violation of environmental laws and regulations were recorded.	

**GRI 400: SOCIAL PERFORMANCE 2016****GRI 401: EMPLOYMENT 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 37, 40-42	
103-3	Evaluation of the management approach.	pp. 37, 40-42	
401-1	Total number and rate of new employee hires and staff turnover by age, gender and geographical area.	pp. 40-42	

**GRI 402: LABOR/MANAGEMENT RELATIONS 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	p. 50	
103-3	Evaluation of the management approach.	p. 50	
402-1	Minimum notice period for organizational (operational) changes and declaration of notice period in collective labor agreements (if present).	p. 50	

**GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 46-48	
103-3	Evaluation of the management approach.	pp. 46-48	
403-2	Types of injury, injury rate, occupational disease rate, lost day rate, absentee rate, and work-related fatalities, for all employees, with a breakdown by region gender.	p. 48	The injury indexes are calculated according to the INAIL methodology.

**GRI 404: TRAINING AND EDUCATION 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 42-44	
103-3	Evaluation of the management approach.	pp. 42-44	
404-1	Average hours of training by gender and employee category.	p. 44	

**GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 22-25, 37-39, 45-46	
103-3	Evaluation of the management approach.	pp. 22-25, 37-39, 45-46	
405-1	Diversity of governance bodies and employees breakdown by gender, age, minority or vulnerable groups and other indicators of diversity.	pp. 22, 37-39	
405-2	Ratio of basic salary and remuneration of women to men.	p. 46	The salary and income of Avio France S.a.S. staff and Avio Guyane S.a.S. staff are not included in the data presented below for confidentiality reasons.

**GRI 406: NON-DISCRIMINATION 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 31-32	
103-3	Evaluation of the management approach.	pp. 31-32	
406-1	Incidents of discrimination and corrective actions taken.	p. 32	

**GRI 412: HUMAN RIGHTS ASSESSMENT 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 31-32, 61-63	
103-3	Evaluation of the management approach.	pp. 31-32, 61-63	

412-3	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	p. 62	To date, suppliers managed by the Company in French Guiana are not required to sign the Charte Ethique or the Group's code of conduct. The Company has set itself this objective within the next years.
-------	--	-------	---

#### GRI 413: LOCAL COMMUNITIES 2016

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 55-60, 64-66, 75-76	
103-3	Evaluation of the management approach.	pp. 55-60, 64-66, 75-76	
413-1	Percentage of operations with implemented local community engagement, impact assessments, and/or development programs.	pp. 19, 74, 75-76	
413-2	Operations with significant actual and potential negative impacts on local communities.	pp. 55-60	

#### GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 61-63	
103-3	Evaluation of the management approach.	pp. 61-63	
414-1	Percentage of new suppliers that were screened using social criteria.	p. 62	The Purchasing Department has set itself the objective of launching reward systems in the selection phase of suppliers and / or commercial partners linked to the possession of certifications or more generally on sustainability aspects by 2020.

#### GRI 416: CUSTOMER HEALTH AND SAFETY 2016

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 55-60	
103-3	Evaluation of the management approach.	pp. 55-60	
416-1	Percentage of categories of products and services for which health and safety impacts of customers are assessed.	p. 56	

**GRI 418: CUSTOMER PRIVACY 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 59-60	
103-3	Evaluation of the management approach.	pp. 59-60	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	p. 60	

**GRI 419: SOCIO-ECONOMIC COMPLIANCE 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	p. 33-36	
103-3	Evaluation of the management approach.	p. 33-36	
419-1	Monetary value of significant fines for noncompliance with laws and/or regulations concerning the supply and use of products or services.	p. 36	

**INNOVATION**

103-1	Explanation of the material topic and its boundary.	pp. 14, 77	
103-2	Management approach and its components.	pp. 52-54	
103-3	Evaluation of the management approach.	pp. 52-54	

For further inquires on the topics an indicators reported in the Statement, please contact:

Avio S.p.A.  
Legal, Compliance & Corporate Affairs Department  
Via Latina, snc (SP 600 Ariana km 5.2)  
00034 Colferro (RM) – Italy



Firing test of the Z23 engine from the Salto di Quirra range in Sardinia



# 14. Auditor's report



Deloitte & Touche S.p.A.  
Via della Camilluccia, 589/A  
00135 Roma  
Italia

Tel: +39 06 367491  
Fax: +39 06 36749282  
www.deloitte.it

**INDEPENDENT AUDITOR'S REPORT  
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,  
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND  
ART. 5 OF CONSOB REGULATION N. 20267/2018**

**To the Board of Directors of  
AVIO S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter also "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Avio Group (the "Group") as of December 31, 2019 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 25, 2020 (the "NFS").

**Responsibility of the Directors and the Board of Statutory Auditors for the NFS**

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and "Global Reporting Initiative Sustainability Reporting Standards" established in 2016 by GRI – Global Reporting Initiative (hereinafter also "GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by Law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

**Auditor's Independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220.00 i.v.

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 – R.E.A. Milano n. 172039 | Partita IVA IT 03049560166

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo [www.deloitte.com/about](http://www.deloitte.com/about).

© Deloitte & Touche S.p.A.



### **Auditor's responsibility**

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter also "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree.
3. Understanding of the following matters:
  - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
  - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
  - main risks, generated or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 4, letter a) of this report.

4. Understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Avio S.p.A., SE.CO.SV.IM. S.r.l. and Regulus S.A. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.



In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
  - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
  - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following subsidiaries and sites, Avio S.p.A. and SE.CO.SV.IM. S.r.l, which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

#### **Conclusion**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Avio Group as of December 31, 2019 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Francesco Legrottaglie**  
Partner

Rome, Italy  
March 30, 2020

*This report has been translated into the English language solely for the convenience of international readers.*





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