



# CONSOLIDATED NON-FINANCIAL STATEMENT 2020

Pursuant to Italian Legislative Decree 254/2016

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**Avio Group**





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## Message to the stakeholder

Dear Sirs,

We present the fourth edition of the Consolidated Non-Financial Statement of the Avio Group, a document that tells the story 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 technological solutions that we are called to implement, the experiences and skills of all our people, the consolidation of our strengths points, the link with the territory and the careful management of risk areas

Avio's business model considers sustainability and innovation to be an indispensable combination. We are aware that the potential of the Space Sector in supporting the UN Sustainable Development Goals (SDGs) is very broad: 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.

To be even more effective in this direction, on the occasion of the inauguration of our new board of directors in April 2020, it was decided to set up a new internal board committee that has the sustainability of our Group as its strategic and priority instance and that can broaden and better define its vision with the aim of accelerating the operations of the entire Group in this direction, starting its path immediately in 2020.

The coronavirus emergency that hit the whole world in 2020 naturally led to important limitations and slowdowns in some activities. Nonetheless, which the Avio Group has managed to face while managing to maintain the entire production continuity thanks to the prefectural authorization issued on 24 March 2020 due to the strategic importance of the Group's activities for the Italian national economy. Among other things, the epidemic and the restrictive measures imposed by the government and the French authorities in charge also led to the temporary suspension of the preparation activities of the launches from the Kourou base in French Guiana.

The epidemic and the restrictive measures imposed by the government and the French authorities in charge led to the temporary suspension of launch preparation activities from the Kourou base in French Guiana.

In this context, the Group has always activated and worked in order to face the COVID-19 emergency by immediately implementing all government provisions, as well as putting into practice all the national protocols envisaged.

In this regard, Avio has set up an internal COVID-19 Committee which has put in place immediate risk mitigation actions. Among these, the use and facilitation of smart working and the so-called agile work for activities that can be carried out remotely, the limitation of movements and access to plants also extended to suppliers and consultants, methods of conducting meetings and meetings in compliance of the law, built additional offices in order to guarantee the correct distancing between employees, internal communication methods through timely dissemination of COVID-19 notices to all employees using the IT platform.

In line with the consolidated collaboration of the Group with local administrations of the areas in which it operates and the conscious role that Avio intends to play with respect to the economic and social needs of the local communities, it should be noted that the Board of Directors has approved two donations for a total of 500,000 Euro, respectively in favor of the Hospital of Kourou (in French Guiana) and the Civil Protection of Colleferro in order to help fight the COVID-19 emergency.

During the year, in line with the strategic and operational guidelines of the Industrial Plan, significant production and development activities were conducted despite the COVID-19 emergency. In particular, regarding to flight activities, 3 launches

of Ariane and 5 launches were successfully carried out while corrective actions were completed after the VV15 failure, for return to flight of Vega with the VV16 successfully carried out on September 2, releasing 53 satellites in a 'single mission by means of the new adapter called SSMS. The subsequent flight VV17 on 17 November unfortunately failed to place the satellites in orbit due to a loss of the launcher control, immediately downstream of the IV stage ignition. Following the failure, the work of an independent commission of inquiry chaired by Arianespace and European Space Agency (ESA) was started which identified in short time the causes of the mission failure and defined actions to be implemented for a return to flight of the launcher scheduled for April 2021 with the VV18.

The other significant activities carried out during the year also include the start of construction activities for the "Space Propulsion Test Facility" (SPTF), within experimental joint-force polygon of Salto di Quirra in Sardinia on construction of a test bench for liquid engines and a plant for the production of carbon-carbon components.

The people who work in Avio, with their experience and skills, are one of the main factors of our success. We strive to maintain strong internal cohesion, both through adequate incentives and improvements in corporate well-being and through the creation of motivating training courses and events for sharing behavior and objectives.

Furthermore, in line with the principles of environmental sustainability, the Company continued a series of actions to reduce the use of natural resources, particularly to water consumption, and carried out the commitment to redevelop and reclaim the areas of Colleferro district, a precondition activity for development and economic growth of the area in which we operate.

During 2020, we also made important steps forward in terms of responsible management of the supply chain by introducing, through specific procedures, a process of recording and evaluating the social and environmental policies of the suppliers themselves in order to have a global vision of their commitment to sustainability.

Finally, our approach is completed with further aspects such as a strong focus on the system value and human rights which were reflected, in 2019, in the continuous spread of the anti-corruption culture, in line with our Code of Ethics and Anti-corruption Code, as well as through the 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 2021, by the Board of Directors, of a new Diversity Policy of the Administration and Control Bodies.

During 2020, Avio also confirmed its adhesion for the next two years to the Business Integrity Forum (BIF), an initiative of Transparency International Italia which brings together large Italian companies already active on the issues of integrity and transparency and through the BIF undertake to prevent and fight corruption in business practices, by adopting and disseminating anti-corruption tools and practices and a greater culture of legality as well as participating in the activities organized by the Italian Transparency and Anti-corruption Association.

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

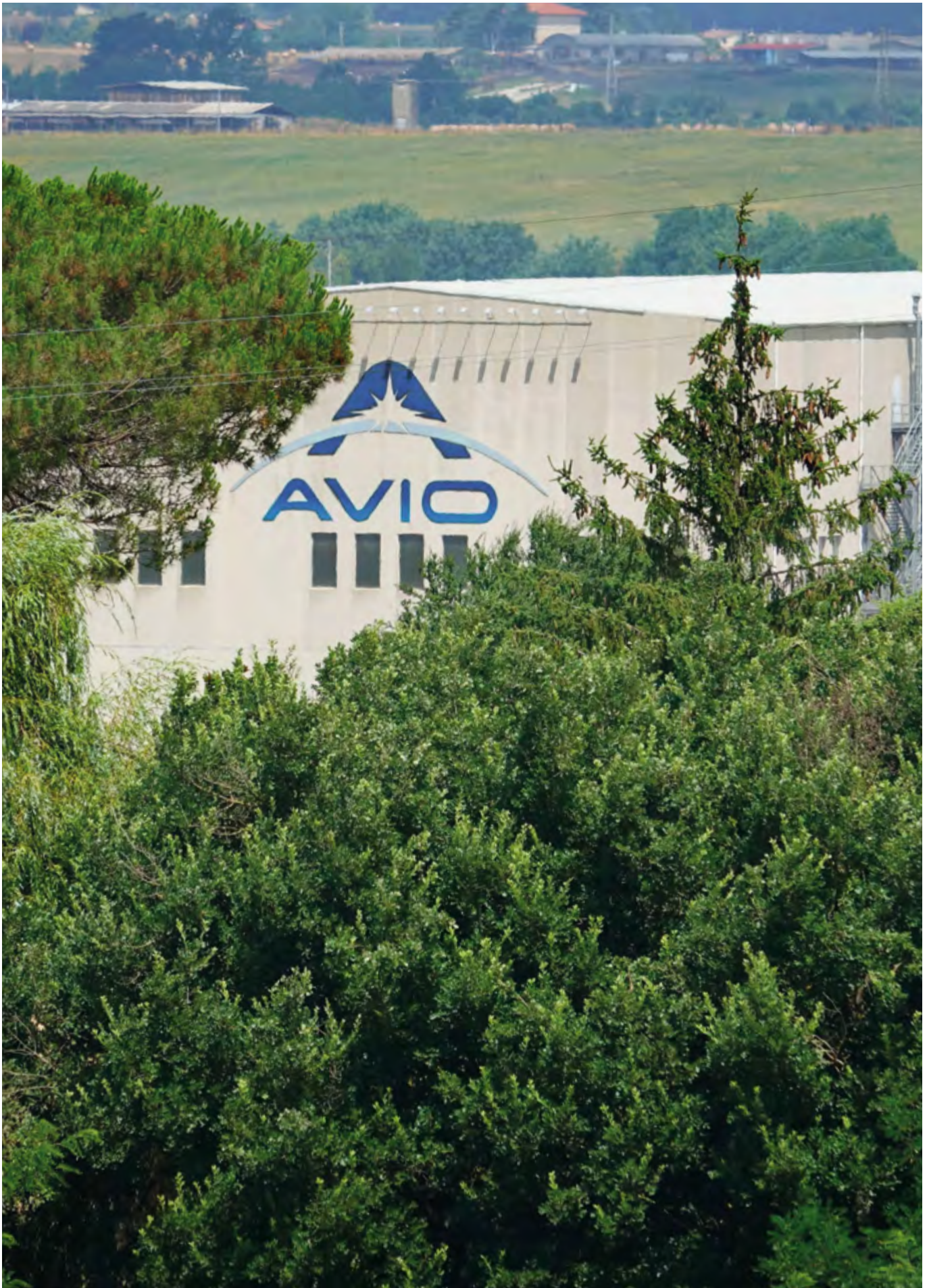
CEO  
Giulio Ranzo



Chair  
Roberto Italia







Avio Colleferro plant

# NOTE ON METHODOLOGY

## Applicative Standards

The consolidated non-financial statement 2020 of the Avio Group (hereinafter also the "Declaration" or "NFS"), now in its fourth edition, reports on the Group's performance for the year ended December 31 2020, 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 bring it back to the NFS required by law. The document contains information relating to the issues deemed relevant and envisaged by art. 3 of the decree, to ensure understanding of the activities carried out by the Group, its performance, its results and the impact produced.

This Declaration, published annually, is drawn up pursuant to Legislative Decree 254/2016 and according to the GRI Standards (option "in accordance – Core"), published in 2016 by the Global Reporting Initiative, which currently constitute the most widespread and internationally recognized in the field of non-financial reporting. The data and information included in this Statement derive from the Group's corporate information systems and from a non-financial reporting system specifically implemented to meet the requirements of Legislative Decree 254/2016 and the GRI Sustainability Reporting Standards. The data were processed through precise calculations and, where specifically indicated, through estimates. In order to facilitate the reader in tracing the information within the document, the GRI Content Index is shown on pages 83-91. Any references to other company documents are indicated in the same index and within this document.

The non-financial reporting presented in the Declaration reflects the principle of materiality or relevance, an element envisaged by the reference legislation and characterizing the GRI Standards: the issues dealt with in the Declaration are those which, following a materiality analysis and assessment, described on pages 12-14 of this document, were considered relevant as they are able to reflect the social and environmental impacts of the Group's activities or to influence the decisions of its stakeholder.

This document therefore describes the main policies practiced by the company, the management models and the results achieved by the Group during 2020 in relation to the issues expressly referred to by Legislative Decree 254/2016 (environmental, social, personnel, 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. In order to allow the comparability of the data over time, a comparison was made with the data relating to 2018 and 2019. In addition, for a correct representation of performance and to ensure the reliability of the data, the use of estimates has been limited as much as possible which, if any, are appropriately reported in the document. Any restatements of previously published comparative data are clearly indicated as such.

Downstream of the materiality analysis, the aspects related to "Governance" and in general those related to regulatory compliance and economic performance were considered as prerequisites and therefore find their reporting in this document even if they are not explicit in any material topic.

The Company has set itself the goal of starting the implementation in 2021 of a Sustainability Plan integrated with the Business Plan and Audit Plan in line with the SDGs with the aim of integrating sustainability issues into the Group's strategies also thanks to the activity that will be carried out by the Sustainability Committee and the Board of Directors. In the chapter "2.1. The sustainable development goals and priorities for Avio" in this document show the results of a mapping of the SDGs to which the Group could contribute with its activities.

For the status of the objectives and commitments declared in the 2019 NFS, please refer to the relevant chapters contained in this NFS.



## Scope of the Statement

As required by Legislative Decree 254/2016, art. 4, this Consolidated Non-Financial Statement includes the data of the parent company (Avio S.p.A.) and its fully consolidated subsidiaries. In particular, for reporting purposes, the scope of consolidation of non-financial information considers that applied to 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. ASPropulsion International B.V. was excluded from the scope since, although fully consolidated, given the nature of the company (financial holding) it does not contribute to the understanding of the Group's primary activity (aerospace sector) and to the impact produced by the Group in the areas envisaged by the Decree and in the topics identified materials. Avio India Aviation Aerospace Private Limited is also in liquidation in 2020. The data relating to environmental impacts do not include Avio France S.a.S. as it is not a plant manager to date, but starting from 2020 include Avio Guyane S.a.S. (reporting for the period February-December). The energy consumption of Avio Guyane SaS is not available at the moment, since the monitoring system in place does not allow the precise data to be detected or accurate estimates to be made, the company undertakes to disclose the dates given in 2021, as well as the relative emissions in the atmosphere.

Information on diversity, with reference to "Ratio between base salary and remuneration by gender and employee category" - GRI 405-2, do not include Avio France and Avio Guyane for confidentiality reasons.

Any further boundary limitations are expressly indicated in the text and do not compromise the correct understanding of the business activity. For further information on the relevant events that occurred during the year 2020, please refer to the Consolidated Financial Statements.

## Reporting process

The preparation of the Avio Group's consolidated non-financial statement for 2020 was based on a structured reporting process, envisaged in the "Procedure for the preparation of the Consolidated Non-Financial Statement", approved in February 2019 and updated in December 2019 consists of the following phases:

- planning, collection, control and certification of data, through the involvement of all the corporate structures / departments responsible for the relevant areas and the related data and information covered by the Declaration. Once the most significant material topics, projects and initiatives to be described in the Statement have been identified, the quantitative data and qualitative information are collected and consolidated. The collection of data and information takes place through a specific non-financial reporting system, consisting of data collection forms, built to meet the requirements of Legislative Decree 254/2016 and the 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 NFS by the Board of Directors of Avio S.p.A., called on March 19, 2021 for the approval of the Consolidated Financial Statements as of 31.12.2020;
- publication of the Declaration on the corporate website and filing in the register of companies, in order to make it available in a transparent manner to all stakeholder.

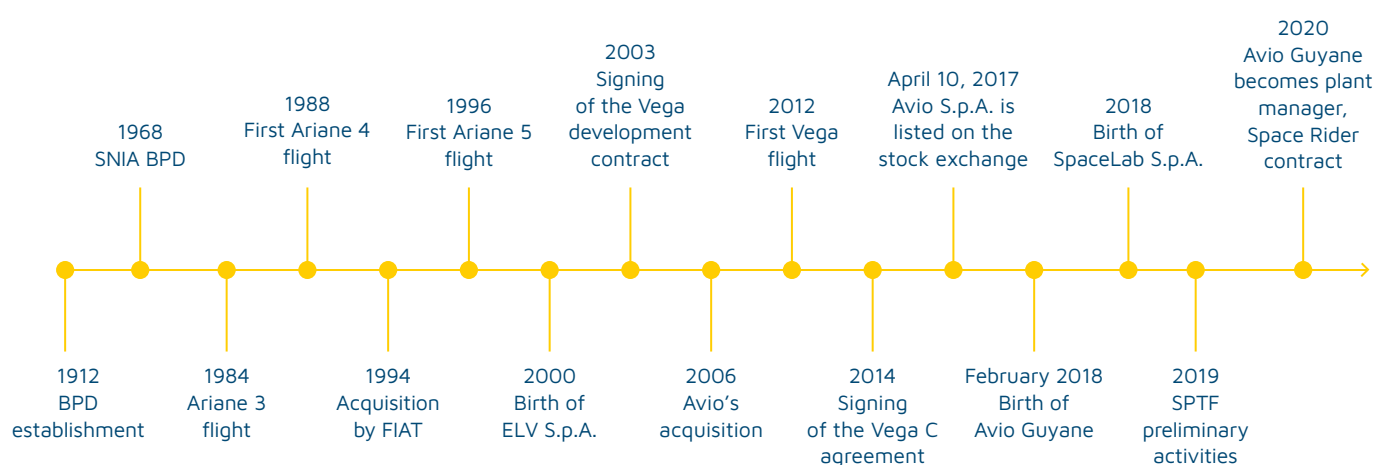
The Statement was also subject to a limited examination ("limited assurance engagement" according to the criteria indicated by the ISAE 3000 Revised standard) by Deloitte & Touche S.p.A. which, at the end of the work carried out, issued a specific report on the compliance of the information provided in the 2020 Consolidated Non-Financial Statement prepared by the Avio Group 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, namely propulsion (solid and liquid), structures, avionics and pre-launch operations. Its history has its roots in the historic BDP - Defense and Space of Colleferro (Rome). The experience and know-how acquired over more than 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) in the delicate stages of development up to flight qualification. Avio is also prime contractor of Arianespace for the supply of Vega Launch Systems for the institutional and commercial market.

The Group directly employs 950 highly qualified people in Italy and abroad, in its headquarters in Colleferro near Rome as well as in other sites in Campania, Piedmont and Sardinia. Additional 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 Vegalaunch site at the Space Center.

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

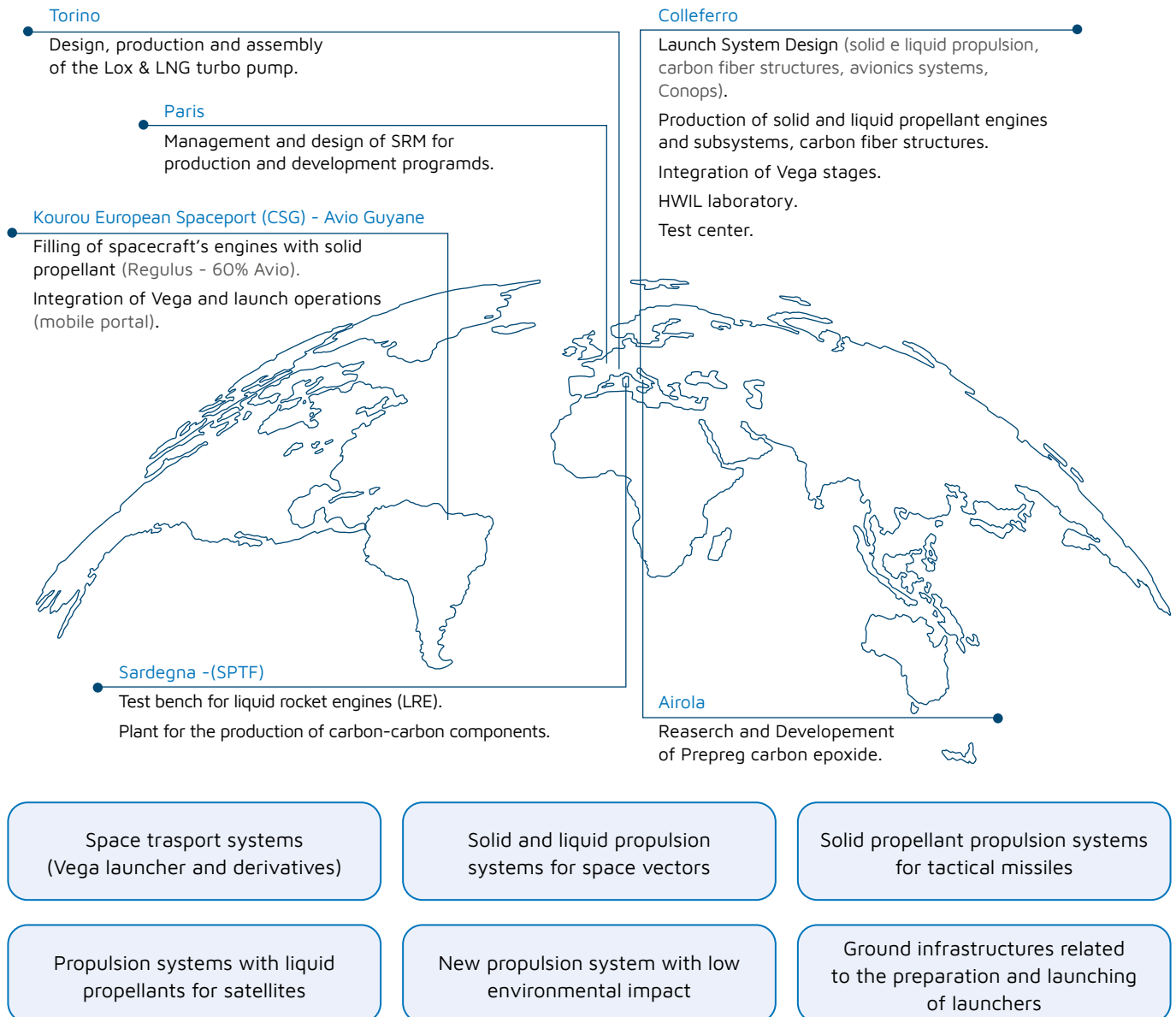
**2019 Launch of SPTF preparatory activities "Space Propulsion Test Facility"** and start of works for the new industrial site for space activities and financed by Avio in collaboration with MISE and the Sardinia Region.

**2020 Avio Guyane acquired responsibility for the VEGA launch production site** at CSG in French Guiana in 2020 becoming plant manager;

**2020 Avio Guyane becomes plant manager - Space Rider contract signed.** Thales Alenia Space (Thales 67%, Leonardo 33%) and Avio S.p.A., as co-Prime contractors, sign a contract with the European Space Agency (ESA) for the development of the Space Rider automated and reusable transport system, which it will be deployed in low earth orbit (LEO) by the new light launcher Vega C. Space Rider is the European solution for integrated space transport at low cost.

<sup>1</sup> Responsible for the development and/or production of components or subsystems of space launchers, to which the Group is generally also design authority.

<sup>2</sup> Responsible for the development and/or production of a launch system.



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).

**The Vega C**, an evolution of the current Vega, is a launcher under development within the space program of the European Space Agency. Vega C is designed for a higher payload than the Vega and at the same time optimizes production costs by sharing the new first stage (P120C) with Ariane 6.

**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.

**Ariane 6**, currently in its development phase, is a launcher that has two distinct configurations according to its possible missions in order to ensure greater flexibility in terms of possible payloads. In particular, A62 (with two solid propulsion P120C boosters) and A64 (with four solid propulsion P120C boosters) will be used both for the positioning of satellites in geostationary orbit GEO (altitude 36,000 km) and to cover other types of missions, such as the launch in LEO orbit, in helium-synchronous polar orbit (SSO), in medium earth orbit (MEO), for the insertion of satellites that can range between 4.5 tons of mass towards GEO orbits and 20 tons towards LEO orbit. In this context, Avio supplies solid boosters for both Ariane 6 configurations as well as the two oxygen turbopumps of the Vulcain 2 and Vinci engines of the liquid stages;

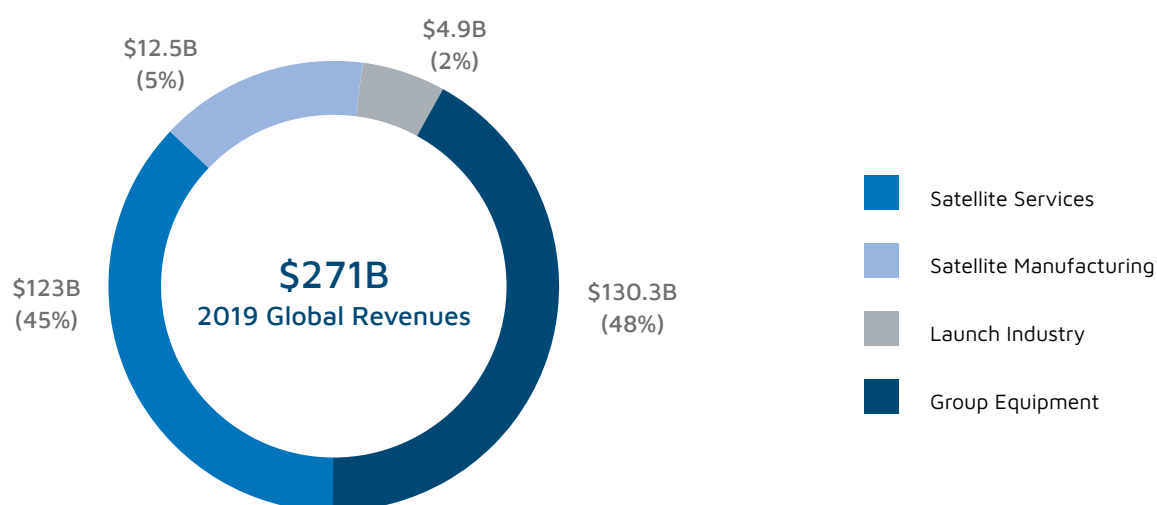
**Arianespace**, of which Avio holds a minority shareholding of approximately 3%, as launch service provider (LSP), purchases the Ariane and Vega launchers from the prime contractors of the respective programs and sells the launch service to institutional and commercial end customers who intend to position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

In 2019, the launcher sector, to which the Group belongs, generated global revenues of 4.8 billion dollars, equal to 1.8% of the value of the space industry (271 billion dollars, down 3% compared to the previous year).

Avio has three historical reference markets: the European institutional market, for the transport of satellites financed by ESA, by the European Community; the institutional market of governments linked to the European Community or which have privileged relations with 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 necessary technology to launch satellites into orbit.



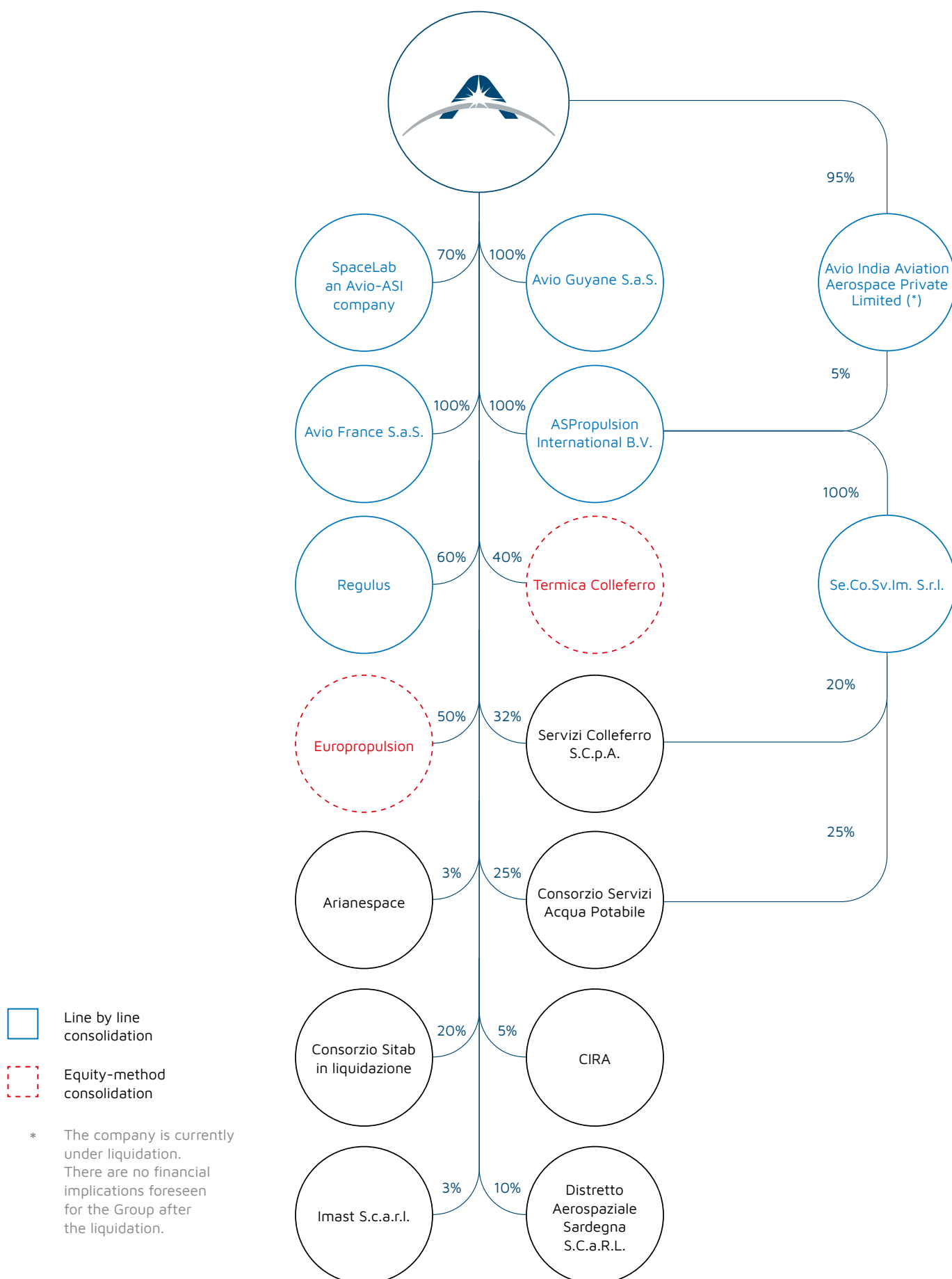
Source: SIA - State of the Satellite Industry Report, 2020 - Redatto dal Gruppo BRYCE

<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 Nationale 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.

**Objective:** to optimize industrial processes and increase productivity with a view to a future increase in the number of Vega launches.

Avio Guyane S.a.S. is owned by Avio.

**Avio France S.a.S.** was established, 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.

Avio France S.a.S. is wholly owned by Avio S.p.A..



## 2. The prioritization of relevant topic: 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 stakeholder. Avio Group is aware of how important it is to identify the relevant issues for its stakeholder 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 stakeholder.

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 stakeholder, as well as in relation to their impact on performance of the Group.

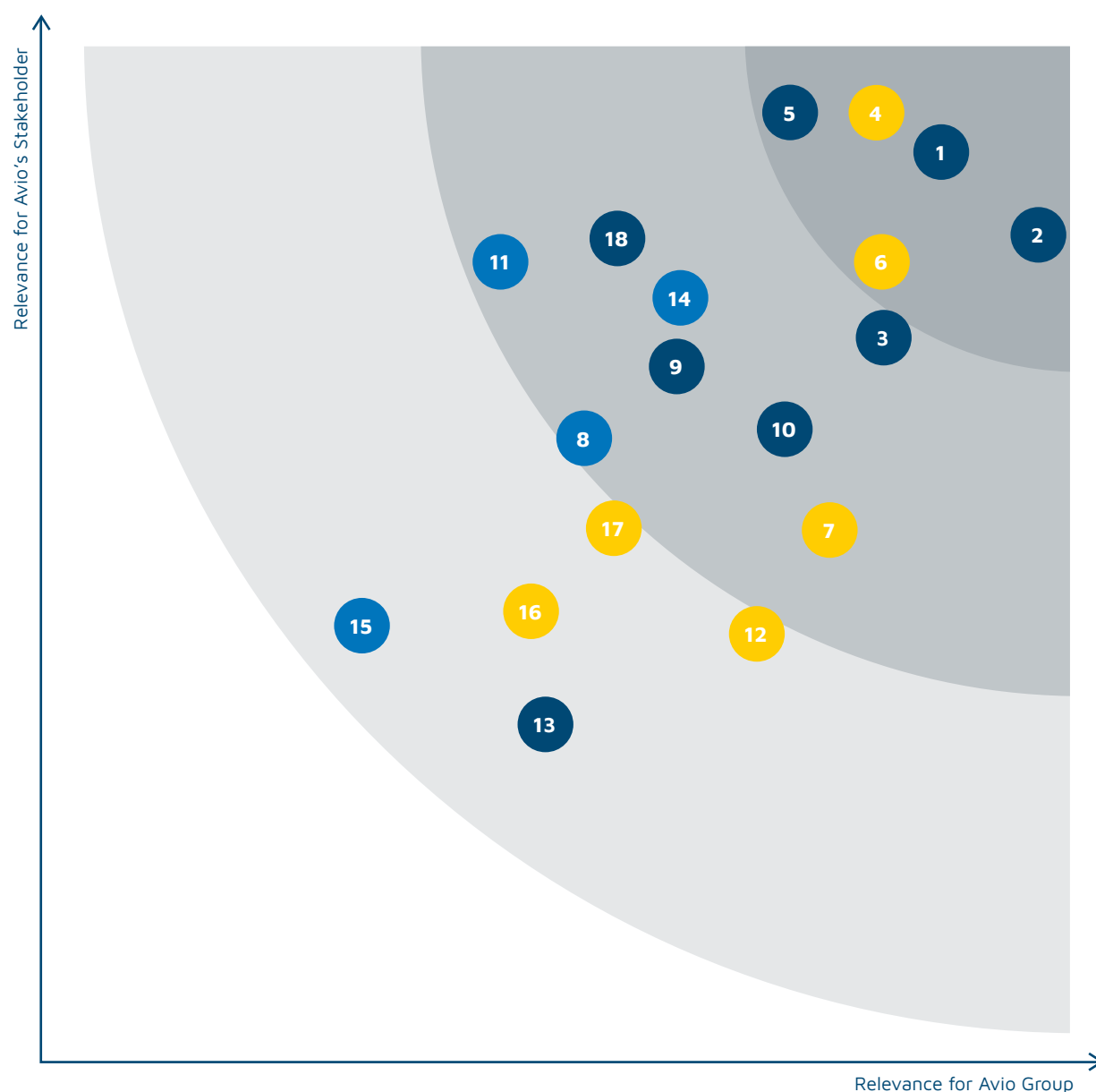
The analysis carried out in 2020 by the Legal, Compliance & Corporate Affairs Department, through a structured process and in line with what is required by GRI, involved both the Group's Management and a group of external stakeholder (suppliers and sub-suppliers, customers and business partners, academia, 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 material aspects for Avio, identified through the analysis of company documentation (Code of Ethics, Annual Financial Report, Business Plan, Model pursuant to Legislative Decree 231, Anti-corruption Code, etc.), external documents on changes in the scenario, evaluation questionnaires from sustainability rating companies and comparison with the reference sector;
- involvement of top management representatives and 52 external stakeholder in a process of updating and confirming the materiality matrix;
- approval by the Sustainability Committee on January 26, 2021;
- presentation of the analysis to the Board of Directors on January 27, 2021 and subsequent approval.

In 2020, the top management confirmed the material issues, assessed and approved in 2019. In order to listen to the voice of the most relevant stakeholder for AVIO and give greater relevance to their assessment, 52 representatives of groups of stakeholder were involved (employees and trade unions, financial analysts, customers and business partners, suppliers and subcontractors, government institutions, local communities) compared to 39 involved in 2019. 20 assessments were collected on the 18 issues identified as the most material in 2019 and again in 2020 with the aim of reviewing the relevance associated with each of them also in consideration of the evolution of the main trends in the sector and their economic - financial and reputational impact as well as the strategies defined by Avio. The issues were thus prioritized, defining their positioning within the matrix.

Downstream of the 2020 analysis, 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.





- |   |   |   |
|---|---|---|
| 1 Quality and safety of products and processes            | 9 Responsible relationship with suppliers | <div style="display: inline-block; width: 15px; height: 15px; background-color: #0070C0; margin-right: 5px;"></div> Environmental topics<br><div style="display: inline-block; width: 15px; height: 15px; background-color: #FFD700; margin-right: 5px;"></div> Staff management topics<br><div style="display: inline-block; width: 15px; height: 15px; background-color: #003366; margin-right: 5px;"></div> Social impact topics |
| 2 Quality of industrial processes                         | 10 Cybersecurity                          |   |
| 3 Innovation  | 11 Environmental remediation              |   |
| 4 Health, safety, wellbeing of employees and human rights | 12 Staff remuneration                     |   |
| 5 Safety in industrial management                         | 13 Relationship with the community        |   |
| 6 Training and skills development                         | 14 Waste management                       |   |
| 7 Management and retention of talents                     | 15 Management of water resources          |   |
| 8 Energy consumption and emissions                        | 16 Equal opportunities                    |   |
|   | 17 Dialogue with trade unions             |   |
|   | 18 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.

The company has set the goal of contributing to the global UN 2030 Agenda through the implementation of a Sustainability Plan (with measurable objectives) integrated with Avio's strategic Industrial Plan as well as with the Audit Plan by providing specific audits on sustainability issues.

During 2021, the Company will prepare a Sustainability Policy as a driver for the implementation of a Sustainability Plan increasingly integrated.

The issue of climate change and the contribution that the various operators can make to mitigate the risks are assuming an increasingly central connotation also in the strategies of the players in the aerospace sector, as well as of other sectors. In this sense, Avio is aware of the role it can play in combating climate change. In this regard, in the course of 2021, the Company will include projects in its strategy aimed at guaranteeing a contribution to the reduction of climate change.

The Avio Group has therefore identified objectives that can be considered as priorities.

### Avio's priorities



The Group also undertakes to strengthen involvement and dialogue with stakeholder by stimulating and participating in opportunities for discussion with different bearers of interest in sustainable development issues.

On 25 March 2020 the Board of Directors approved the Report on the remuneration policy and the remuneration paid pursuant to art. 123-ter TUF and 84-quater Consob Issuers' Regulation, which acknowledges - among other things - that the administrative body on the same date approved the 2020-2022 Incentive Plan, whose recipients are the Chief Executive Officer / General Manager, Executives with Strategic Responsibilities and other Managers with strategic impact roles for the Company. The Plan is divided into three assignment cycles, starting respectively from 2020, 2021 and 2022. The aforementioned long-term incentive plan is linked to two cumulative three-year economic and financial performance indicators of the Business Plan and to ESG indicators. In particular, for the 2020-2022 Plan, the economic-financial indicators are the cumulative three-year Ebitda Reported and the Return on Invested Capital, each with a weight of 45%, and 4 ESG indicators with a weight of 2.5% each, as indicated below: (i) Gender diversity; (ii) Gender pay gap; (iii) Waste Management; (iv) Employee Training.

With reference to the levels of economic and financial performance linked to the indicators highlighted, it was decided to use the three-year target values derived from the Business Plan. For the ESG indicators it was decided to refer to objectives approved by the Board of Directors from time to time, on the occasion of the assignment of the assignment cycles. In particular, the performance targets of the ESG indicators are defined as follows:

- The gender diversity target is defined by the target level to be achieved in the third year of the three-year assignment cycle;
- The gender pay gap target is defined by the objective in terms of the average pay gap to be achieved over the three years of the assignment cycle;
- The waste management target is defined by the target level to be achieved in the third year of the three-year assignment cycle;
- The employee training target is defined by the target level to be achieved on the average of the three years of the three-year assignment cycle.

For further details, please refer to the Report on remuneration policy and remuneration paid approved on 25 March 2020 by the Board of Directors of AVIO S.p.A. and published on its website.

## 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 10,000 satellites positioned in orbit thanks to about 5,500 launches since the beginning of the space age (of these only 2,000 are still operational today), in just over 60 years, about 500 collisions / explosions have occurred that have generated:

- about 34,000 "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) currently defined as Space Junk (space junk or space debris), potentially dangerous for operational satellites and for all those to be launched. These "objects" are mainly concentrated in the LEO orbit and precisely in a range between 600 and 1,000 km, that is the destination of almost all the launches made / future of the Vega launcher. 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 the one developed within the Space Rider program and (ii) an SM (Service Module). The AOM module, once in orbit via the Vega launcher, has the task of providing the propulsion, avionics and interface to the SM module, up to rendezvous with the debris to be removed. The SM module has the task of approaching the debris and grabbing it by means of a robotic arm. At this point the AOM module returns to action and, in coordination with the ground stations, performs the de-orbiting maneuver. This maneuver can consist of a controlled return to earth or parking the debris in a cemetery orbit. The offer from Avio (leader of an international consortium formed by Avio, Telespazio, MDA, Sener), despite being among the two declared suitable ("eligible") by ESA for the award of the tender, did not win the tender itself. 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. Another Avio initiative in this sense consists in exploiting the potential of the Space Rider, currently under development within ESA and financed upon completion at the 2019 Ministerial Conference. Space Rider, by its nature, can be adapted to future missions of Debris Removal after the development of appropriate robotic arms, sensors and avionics.



In 2020 Avio was invited to participate in the Integrated Governance Index (IGI), a quantitative index developed by the Research Department of Eticanews (a reference newspaper for responsible finance and corporate sustainability) on the positioning of companies in relation to sustainability governance, which analyzes the degree of integration of ESG factors in business management models.

As many as 74 large Italian companies have joined this year the project

In addition to tracing the trends on ESG governance, the Index aims to identify the group of companies capable of accepting the challenge of ESG governance: a group of companies that invests time and energy in a dialogue / discussion on the issue of governance of sustainability, in the name of that ability to engage with stakeholder that sees interaction as one of the most constructive aspects of sustainability.

Avio obtained the first position among the "extra-prime 100 companies" in the IGI 2020 ranking, an edition which, moreover, recorded the record of companies involved.



Avio participates in the Assonime Working Group on "Innovation and Sustainability" which addressed the following issues:

- digital transformation and sustainable development at the heart of the European agenda;
- how innovation and sustainability can increase competitiveness;
- identification of administrative and regulatory obstacles that could be removed;

Avio also participates in the preparation of Assonime's response to the EU public consultation on the revision of the directive on non-financial information (NFRD - Directive 2014/95 / EU).

The United Nations Office for Space Affairs (UNOOSA) and Avio have announced an opportunity for educational or research institutions, specifically, in developing countries, to put 1 CubeSat or aggregates up to 3U into orbit for free.

The opportunity is part of the UNOOSA "Access to Space 4 All" initiative, which aims to bridge the gap between countries in their ability to access and benefit from space and its applications, particularly for sustainable development purposes. In this sense, organizations from countries that do not have the means to transport satellites into space and put them into orbit are particularly encouraged to participate in this opportunity. Although it is possible to form partnerships with organizations from developed countries, the organization leading the proposed project must come from a developing country.

With this collaboration, UNOOSA and AVIO will raise awareness of the role played by small satellites in sustainable development and will help build space science and technology know-how in countries without developed space sectors.

A commission composed of experts from UNOOSA and Avio will examine the applications and select the winner, who will be granted coverage of the costs of the launch service.

Avio was also officially certified as Green Star Company 2021. It was among the 200 most sustainable Italian companies in the Aerospace and Defense sector in the ranking compiled by the German quality institute ITQF and its partner AFFARI & FINANZA. This ranking is based on an extensive in-depth analysis of over one million comments across the web, social media, blogs and news sites with a focus on environmental, economic and social responsibility and innovation.



## 2.2. Dialogue with stakeholder

Maintaining an active and trusting dialogue with its stakeholder is one of Avio's objectives, which considers it essential to maintain a continuous and solid relationship with all its interlocutors.

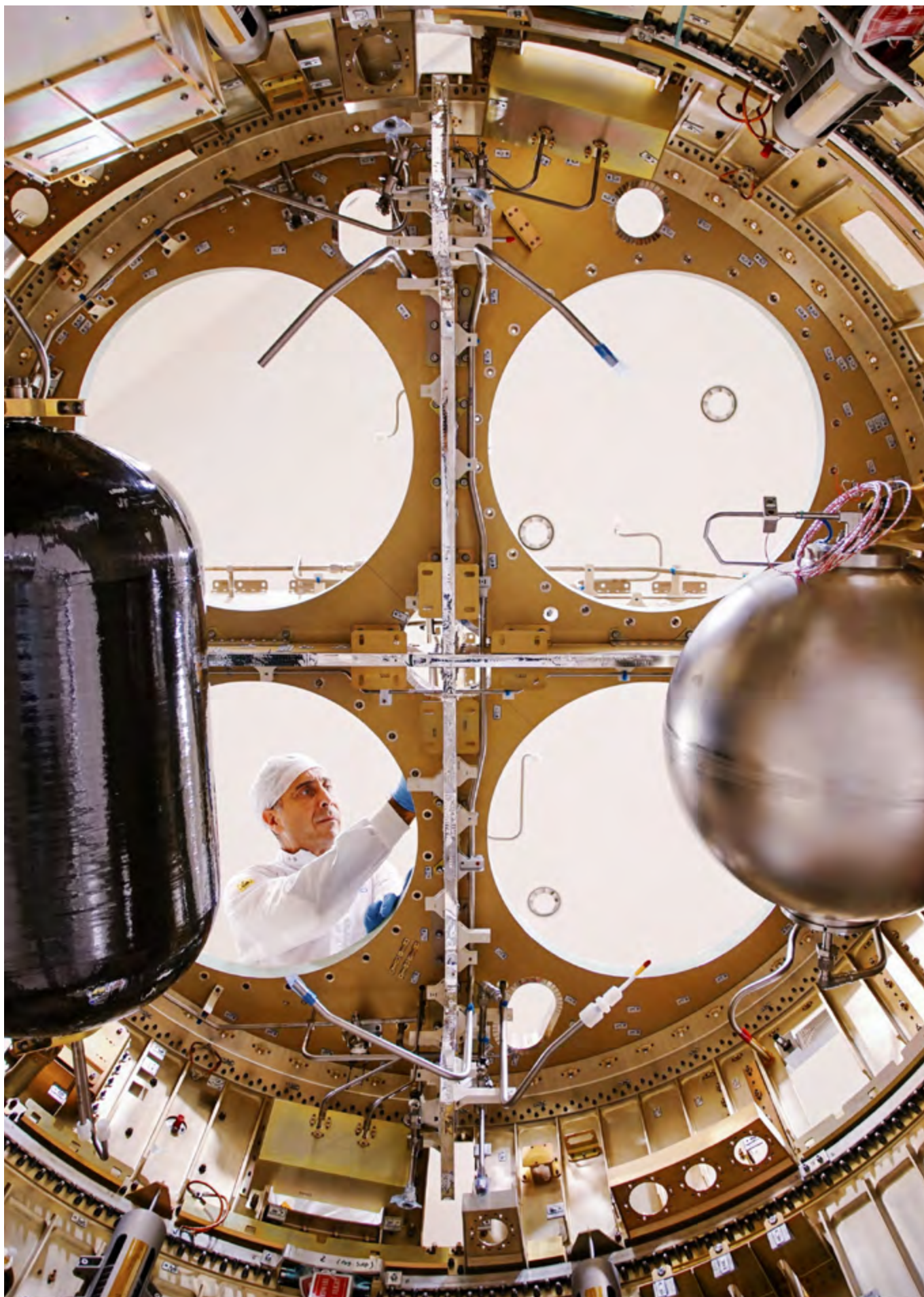
This relationship is based on the dialogue with all parties through their active involvement and it is as well an expression of the Group's responsibility towards the social context with which it interacts. Indeed, stakeholder bring a wide range of different interests: establishing and maintaining stable 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 stakeholder. The starting point for an effective engagement process consists in the timely identification of the stakeholder and the establishment of effective communication channels by continuously monitoring the expectations, needs and opinions of the various categories of stakeholder.

The Group is able to pursue a proactive approach towards its stakeholder 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 stakeholder' 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.
Financial analysts	Organization of events, workshops.



A skilled worker at work in Vega plants

### 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
Monica Auteri	Independent Director
Raffaele Cappiello	Independent Director
Giovanni Gorno Tempini	Independent Director
Donatella Isaia	Independent Director
Stefano Pareglio	Independent Director
Elena Pisonero	Independent Director
Donatella Sciuto	Independent Director
Letizia Colucci	Director
Luigi Pasquali	Director

<sup>5</sup> Among them, as of 31 December 2020, three members of the Board of Directors are less than 50 years old, while the remaining 8 members are over 50 years old. The council members are six men and five women.



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.

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.

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.

In accordance with the Corporate Governance Code, the Board of Directors has established<sup>6</sup>:

- 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 Control Committee 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;
- The Sustainability Committee was appointed on May 14, 2020 as an independent committee compared to last year, in which sustainability issues were managed by the Control, Risk and Sustainability Committee; it is in charge of supporting the Board of Directors in supervising activities in the field of sustainability. The Committee is also intentionally composed by members who have consolidated backgrounds on sustainability issues and for greater integration among the various issues, the chairman of the Board of Directors himself is also a member of the aforementioned Committee.

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 stakeholder in a medium-long term, 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 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;

<sup>6</sup> For further details on the composition of the Committees, please refer to the Report on Operations.

- expressing an opinion on other sustainability issues at the request of the Board;
- perform the additional tasks assigned to it by the Corporate Governance Code.

Set up by the Company on a voluntary basis, however, the Planning and Scenarios Committee plays an advisory role with reference to the approval or modification of the annual budget, business plan, strategic plans and investment operations.

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 Ethique* 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

Also in 2020, in line with what was done in 2018 and 2019, the Legal, Compliance & Corporate Affairs Department prepared a document relating to diversity policies of the administrative and control bodies, approved by the Board of Directors of the Company on March 19, 2021, subject to the favorable opinion of the Appointments and Compensation Committee and having heard 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. Specially, 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 stakeholder, 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.

The full version of the Diversity Policy of the administrative and control bodies and the Orientation Opinion can be consulted on the Group's website in the "Corporate Governance" section and to which reference should be made for further details.

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, Avio S.p.A., Se.Co.Sv.Im. S.r.l. and SpaceLab S.p.A adopted their own Management Organization and Control Models pursuant to Legislative Decree 231/2001 hereinafter also the "Model "or" Model 231 ") and have appointed their own Supervisory Body, responsible to supervise the functioning and observance of the Model. During 2020, Avio S.p.A. Organization and Control Management Model was updated, approved by the Group's Board of Directors on September 14, 2020, as better illustrated in paragraph "5.4. Business ethics and fight against corruption". It should also be noted that on September 9, 2020 the updated Management, Organization and Control Models of Se.Co.Sv.Im. were approved. S.r.l. and SpaceLab S.p.A., during the sessions of the Boards of Directors of the respective companies.

### 3.1. Approach to taxation and tax governance

In line with the principles of responsibility, as better explained in its Code of Conduct, the Avio Group adopts behaviors inspired by the principles of legality and integrity in compliance with the tax legislation of the countries in which it operates, ensuring the timely fulfillment of tax obligations and adopting maximum transparency and loyal collaboration in the management of relations with the tax authorities.

The Avio Group's approach to compliance with tax legislation is expressed, among other things:

- in the creation of a specific internal structure of the Group organization, identified in the Tax Office, which is entrusted with the task of overseeing compliance with national and international tax legislation. During 2020, the Tax Office was strengthened through the permanent stabilization of a resource, previously hired for a fixed term;
- in the constant monitoring, by the Tax Office, of the evolution of tax legislation and the related official interpretations provided by the Financial Administration, with immediate assessment of the potential effects on the current operations of the Group and any adaptation actions to be taken;
- in the preventive analysis, by the Tax Office, with the support where necessary of external consultants, of the tax profiles relating to any extraordinary transactions that may affect the entities of the Group;
- in the preventive analysis, by the Tax Office, with the support where necessary of external consultants, of the tax profiles relating to the main active and passive transactions, carried out as part of the Group's core activities with suppliers and customers outside the Group itself;
- in the constant review, by the Tax Office, with the possible support of external consultants, of the tax profiles relating to the processes already in progress;
- in the adoption of internal procedures aimed at regulating the involvement of the Tax Office in business processes aimed at the management and regular performance of the Group's current operations;
- in the adoption of internal procedures aimed at coordinating the activities of the various company departments, preparatory to the timely fulfillment of tax obligations. In particular, the Group has already adopted a specific procedure for the management of the preparatory activities for the preparation of the declaration of withholding agents and a similar procedure for the management of the preparatory activities for the preparation of the tax return.

With regard to the tax aspects relating to its core business, the Avio Group is attentive to compliance with tax legislation, also in the awareness of the importance that the role of taxation plays in the financing of services in favor of the community in which the Group operates.

Although a specific internal policy has not yet been formalized, the Group intends to strengthen the tax risk management process by implementing a risk identification and measurement system, with the subsequent assignment of a «target» risk level. To this end, a global analysis of the activities that generate the identified risks will be carried out, to assess the effectiveness of the organizational safeguards already in place to govern them and, where necessary, evaluate the adoption of more efficient strategies or any corrective measures, in order to mitigate the risk.

In this context, the control system adopted by the Avio Group for the purposes of the regulations pursuant to Legislative Decree no. 231/2001. In this regard, as regards the reporting mechanisms for possible tax offenses, please refer to what is more fully illustrated on the whistleblowing mechanism adopted by the Group.

The tax aspects relating to the Group's operations are handled and managed by a specific division of the internal organization which reports directly to the Group's CFO.

The Avio Group is careful to ensure maximum transparency towards third parties as regards tax matters.

This attention is first of all directed towards the tax authorities of the countries in which the Group operates, always guaranteeing the timely and exhaustive fulfillment of any requests for information or tax audits, addressed by the aforementioned activities towards the Group.

Furthermore, through its periodic financial documents, specially certified by the independent auditors, the Group takes care to provide investors and the market with all the most relevant information relating to any tax liabilities, as well as those relating to any tax benefits enjoyed.

From the standpoint of protecting the interests of investors, the Avio Group's attention should be noted in the constant monitoring and analysis of tax legislation, in order to reap any tax benefits, mainly in the form of tax credits, linked to the performance of its own characteristic activities and, in particular, those of research and development.

From the same point of view, over the years the Group has significantly reduced the amount of VAT credits, with an important positive impact in terms of financial benefits, on the one hand, preventing the upstream formation of the VAT credit through a widespread use of VAT ceiling deriving from the fact that the parent company Avio S.p.A. is a regular exporter, on the other hand, by strengthening the activities in support of the reimbursement requests presented to the tax authorities.

The Avio Group operates:

- in Italy, where the Parent Company Avio S.p.A. is resident for tax purposes. and the subsidiaries Se.Co.Sv.Im. S.r.l. and SpaceLab S.p.A. ;
- in French Guiana, overseas territory of the French Republic, where the subsidiaries Regulus S.A. are fiscally resident and Avio Guyana S.a.S.;
- in France, where the subsidiary Avio France S.A.S. is fiscally reside.



## 3.2. Recall of CONSOB information

During the COVID-19 pandemic continued, many countries have imposed, maintained or strengthened restrictions or suspensions of certain commercial activities and adopted travel restrictions and quarantine measures. The disruptions were more immediate and pronounced in some sectors such as tourism, hospitality, transport, retail trade and entertainment, but also generated indirect effects in other sectors such as manufacturing.

In this context, Avio has always acted and worked to cope with the epidemiological emergency from COVID-19 by immediately implementing all government provisions, as well as putting into practice all the national protocols envisaged. Despite the continuation of the Company's production activities, due to the containment and restrictive measures directly deriving from COVID-19 adopted by the various Government Authorities in Europe and in the rest of the world (not only relating to the temporary closure of the launch base in Kourou, but also due to the arrest or slowdown of the activities of the supply chain composed of Italian and foreign suppliers and subcontractors), Avio has focused its attention on its internal activities, with a slowdown instead on the activities that involve the supply chain suppliers and subcontractors, and aimed at minors industrial costs compared to the previous half year for utilities and internal monitoring, with consequent containment of the effect on margins.

As for the impact that this epidemic had during the year, it reflects the negative effect of the slowdown in the performance of activities both for the containment and for the restrictive measures directly resulting from COVID-19 adopted by the various government authorities in Europe and the rest of the world.

For more information, see the section "Other significant events" of the 2020 Annual Financial Report.



## 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 Framework).

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 Sustainability 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.

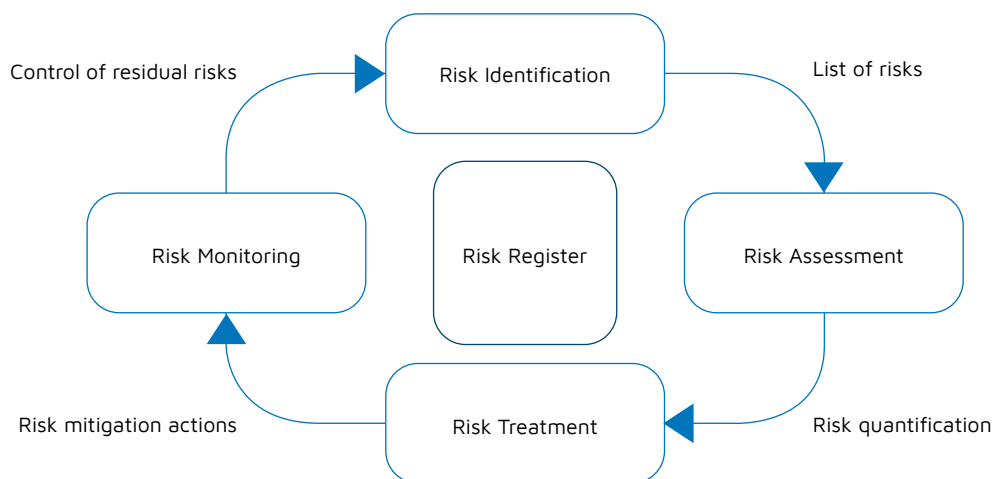
In addition, Avio is equipped with a Quality Management System adopted voluntarily and in compliance with the international ISO 9001 standard.

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 UNI ISO 45001 and ISO 14001 standards respectively) have their own dedicated procedures, responding to precise indications of the law and / or dedicated system.

The analysis of specific risks relating to the environment, health, safety and Seveso, is consistent with what is established at the company level by the Risk Management structure. The analysis of specific risks relating to the Environment, health, safety and Seveso is consistent with what is established at the company level by the Risk Management structure.

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.

<sup>7</sup> For further information, see the section "Group principal risks and uncertainties" of the 2020 Annual Financial Report.

In 2020, 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.

The current year saw the entire Group face the emergency of the contagion risk, which led to the provision of a series of contrasting measures, in compliance with the Protocol for Health and Safety in the Workplaces shared by the Government-Unions, adopting also additional precautions to the same and including the management of travel for the Launch campaigns. The company, operating in the aerospace and defense sector, and carrying out activities of strategic importance for the national economy, with the authorization of the prefect, immediately (March) adopted stringent measures in order to combat and contain the spread of the COVID-19 virus, in order to allow the normal continuation of all activities. For the measures adopted, please refer to the specific covid box.

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 head of the Product 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. In particular, Avio S.p.A. carries out training sessions on the correct handling of classified information. 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	<p>Analysis of technical and operational risks and analysis of the environmental context.</p> <p>Environmental management system certified in accordance with UNI EN ISO 14001 certification.</p>
	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.
Personnel	Risk of contagion	The Group has always activated and worked in order to deal with the emergency epidemiological of COVID-19 by immediately implementing all provisions governmental, as well as putting into practice all national protocols provided with continuous updating of both the DVR document and sending communications to employees relating to the containment measures of COVID-19 in order to educate them on the behaviors to adopt. In this regard, Avio has set up for this purpose an internal COVID-19 Committee that has taken immediate action risk mitigation and has drawn up a document called "Management of the COVID-19 Crisis ", containing a series of provisions gradually more stringent for the contrast and containment of the spread of the virus in accordance with the Protocol signed between the Government and the Social Partners.
	Occupational Health and Safety Risks	The Group has adopted an Occupational Safety Management System pursuant to UNI ISO 45001. In addition, the Group has implemented safety management systems defined in compliance with the Seveso III Directive and with national transposition rules D.Lgs. 105/2015.
	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 UNI ISO 45001 standard.
	Work-related Accidents (Avio subcontractors)	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 UNI ISO 45001.
	Risks associated with the use of explosive materials	The process appears to be managed and formalized. 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>

Personnel	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.



## 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 stakeholder, 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.

The recipients 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 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 addressees.

Following the example of the Parent Company and in line with the high standards adopted by the same, Regulus has developed the *Charte Etique* (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 2020.



### 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. It is an integral part of the Quality Management System certified pursuant to EN9100 standard by an independent external body, and is subject to periodic updates, as required by the standard itself.

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. It is Integrated Management in the System for Health and Safety Management and the Prevention of Relevant Hazards, certified in accordance with the ISO45001 standard by an independent external body, and is subject to periodic updates, as required by the standard itself.

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. It is integrated in the Environmental Management System, certified in accordance with the ISO14001 standard, by an independent external body, and is subject to periodic updates, as required by the standard itself.

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 stakeholder.

Regarding 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 stakeholder 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, the Anti-Corruption Code drawn up in 2019 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, more generally, to all those with whom Avio comes into contact in the course of its business.

In addition, the Model represents an opportunity to improve the corporate Corporate Governance and, at the same time, sensitize and guide all the resources who work in the name and against the Company with respect to the issues of corporate process control. In particular, following the business integration of Avio with Space2 S.p.A. and the listing of the Company on the STAR segment of the Italian Stock Exchange as well as the subsequent corporate reorganization, it was necessary to update the 231 Model in relation to corruption between individuals, as well as the inclusion of the new Special Section dedicated to administrative offenses and abuses of abuse market.

In the meeting of 14 September 2020, the Board of Directors, approved the updated version of the MOG 231 of Avio following the entry into force on 25 December 2019 of Law no. 157/2019, which converted with amendments the law decree n. 124/2019 (the "Tax Decree").

In particular, the Fiscal Decree has brought significant changes on the criminal front, taking the form of a real reform of the criminal tax law, with undoubted repercussions on the administrative liability of entities pursuant to Legislative Decree 231/2001 (the "Decree 231"). In particular, the Tax Decree provided for the inclusion in Decree 231 of a new article, art. 25-quinquiesdecies, pursuant to which some criminal offenses envisaged by Legislative Decree 74/2000 (the "Tax Offenses") become part of the so-called "catalog of 231 predicate offenses".

Considering the above and downstream of a risk assessment activity, the Company proceeded to revise and update the Avio Model, in order to include the discussion of Tax Offenses. In particular, a new Special Section (12) was introduced, dedicated to Tax Offenses, and changes were made to the General Section and Special Parts no. 1 and n. 2 of the Company's Model, in order to make them homogeneous with the provisions of the new Special Section 12.

Similarly, the companies SpaceLab and Se.Co.Sv.Im. have adopted a 231 Model which they updated in 2020.

Furthermore, the Avio Board of Directors already in 2018 approved the whistleblowing procedure, referred to in the updated Model 231, aimed at regulating the management of the process of receiving, analyzing and processing reports relating to possible crimes, unlawful conduct and, in kind, of any conduct that is irregular or contrary to company procedures. To this end, the Group has prepared an e-mail address of the Supervisory Body which guarantees the confidentiality of the whistleblower and protection from any form of retaliation. This is a channel to strengthen the collection of reports of any malfunctions of the organizational structure or of the internal control system as well as any other irregularities in the management or violation of the rules governing Avio's activities.

Avio has also provided specific training and communication activities aimed to guaranteeing the knowledge of key contents of Decree 231 and the Organizational Model.

Following what was done in previous years, online training courses were held for all employees of Avio, SpaceLab and Se.Co.Sv.Im. consistent with the Code of Ethics and the 231 Model.<sup>8</sup>

In addition to training aimed at individuals at risk, the Code of Conduct and its periodic updates are submitted for signature for acceptance by all employees of the Italian companies, including new hires. Regulus, on the other hand, despite not having provided ad hoc training courses on these issues, in 2019 communicated the Ethics Charter to all employees and now it is subjected to all new hires.

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

During 2020, Avio confirmed its adhesion for the next two years to the Business Integrity Forum (BIF), an initiative of Transparency International Italy which brings together large Italian companies already active on the issues of integrity and transparency and which through the BIF undertake to prevent and fight corruption in business practices by adopting and disseminating anti-corruption tools and practices and a greater culture of legality.

In particular, for Avio, joining the Forum has the objective of continuing to raise awareness of the issues that characterize the Company, relating to transparency, integrity and corporate social responsibility, showing its support for the fight against corruption in order to achieve a system-wide impact.

In 2020, Avio continued to make its contribution in the various events organized by Transparency Italia, in particular:

- on January 29, 2020 it should be noted that Avio participated in Berlin, representing other important Italian companies, in the IBID event, organized by Transparency International Italia with the Ministry of Foreign Affairs, concerning Artificial Intelligence, new technologies and new approaches to the fight against corruption;
- on October 5, 2020 Avio participated in the "Innovation & Technology" for transparency and Integrity event.

Also, in 2021, Avio participated in the meeting at the beginning of the year reserved for BIF members and some other companies invited online in which the activities planned for 2021 were presented and discussed on various topics.

In addition, the company cooperates assiduously with the Italian Transparency and Anti-Corruption Association (AITRA) which has recently developed in synergy with the National Council of Chartered Accountants and Accounting Experts and the National Foundation of Accountants a position paper concerning "The discipline of whistleblowing". Particularly, an analysis was carried out on the similarities and differences that the whistleblowing discipline presents in the public and private spheres. In addition, the aspects of the discipline that impact on the functions of the control bodies mainly concerned were examined for the prevention of corruption and the Supervisory Body, whose roles in some circumstances tend to overlap.

<sup>8</sup> The course ended on January 31, 2021

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.

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] Number and percentage of Group processes assessed for risks related to corruption<sup>9</sup>**

Processes assessed for risks related to corruption	u.m.	2018	2019	2020
Processes assessed for risk related to corruption	N.	20	20	20
Total processes		50	31	34
Percentage of processes assessed for risk related to corruption	%	40.00	65.00	59.00

Avio's commitment to integrity, prevention of corruption and regulatory compliance is rewarded by the absence, in 2020, of competition and antitrust lawsuits 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.

Furthermore, no corruption episodes were recorded in 2020.

<sup>9</sup> The figure refers to the total number of processes subjected to an assessment of the corruption risk during 2020 by Avio and Regulus. However it is noted that the studies also conducted on other companies that do not fall within the scope of consolidation for the purposes of the NFS, such as Servizi Colleferro, for example. In 2019, the figure refers to the total number of processes subjected to an assessment of the corruption risk of Avio, Se.co.sv.Im., SpaceLab and Regulus. In 2018, the numbers of processes subjected to corruption risk assessment refer to Avio S.p.A., Se.co.sv.Im S.r.l., SpaceLab and Regulus.





## 6. Avio people



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

At 31 December 2020, the total number of employees of the Group was 950, an increase of 13 compared to 2019.

98% of the contracts are open-ended, substantially in line with the previous year.

During 2020, in relation to Italy, 12 temporary workers with blue-collar qualifications were stabilized within the organization and 4 external recruitments were made, again of worker personnel. As of 31/12/20 there are still 12 temporary workers with blue-collar qualifications of which 5 in staff leasing and 7 with fixed-term contracts and 16 workers with clerical qualifications in staff leasing.

Regarding to Regulus, external personnel are used mainly for two activities: for temporary reinforcements during peak periods of activity and for maintenance 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 (71%) are in the 30 to 50 years old range; the average age of employees is 43 for Avio<sup>10</sup>, 46 for Regulus, 33 for Avio France and 43 for Avio Guyana. Regarding to company seniority, there is a greater concentration mainly in the "0-5 years" and "11-20 years" bands (equal to approximately 30% and 28% of the population respectively), a figure which confirms the growth within the Group and contextually the sense of belonging to it.

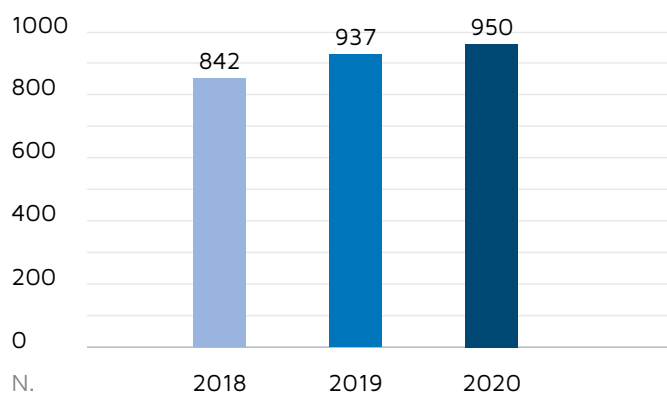
<sup>10</sup> The data refers to the companies Avio S.p.A., SpaceLab S.p.A. and Se.Co.Sv.Im. S.r.l.

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

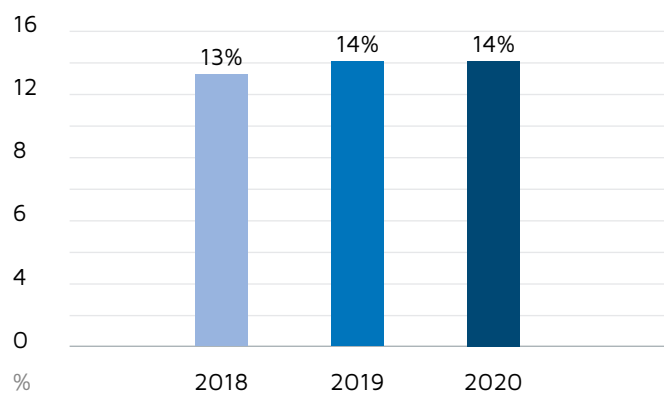
**[GRI 405-1] Composition of employees by category, gender, age group and region**

Employee category	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
<b>Executives</b>	<b>23</b>	<b>1</b>	<b>24</b>	<b>25</b>	<b>1</b>	<b>26</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	9	0	<b>9</b>	8	0	<b>8</b>	8	0	<b>8</b>
Over 50 years	14	1	<b>15</b>	17	1	<b>18</b>	17	1	<b>18</b>
<b>Managers</b>	<b>182</b>	<b>24</b>	<b>206</b>	<b>192</b>	<b>28</b>	<b>220</b>	<b>199</b>	<b>34</b>	<b>233</b>
Under 30 years	2	1	<b>3</b>	0	1	<b>1</b>	3	2	<b>5</b>
Between 30 and 50 years	107	17	<b>124</b>	124	21	<b>145</b>	125	25	<b>150</b>
Over 50 years	73	6	<b>79</b>	68	6	<b>74</b>	71	7	<b>78</b>
<b>White collars</b>	<b>235</b>	<b>72</b>	<b>307</b>	<b>251</b>	<b>83</b>	<b>334</b>	<b>253</b>	<b>78</b>	<b>331</b>
Under 30 years	16	5	<b>21</b>	23	10	<b>33</b>	21	5	<b>26</b>
Between 30 and 50 years	168	55	<b>223</b>	182	61	<b>243</b>	187	63	<b>250</b>
Over 50 years	51	12	<b>63</b>	46	12	<b>58</b>	45	10	<b>55</b>
<b>Blue collars</b>	<b>289</b>	<b>16</b>	<b>305</b>	<b>336</b>	<b>21</b>	<b>357</b>	<b>338</b>	<b>22</b>	<b>360</b>
Under 30 years	19	3	<b>22</b>	27	1	<b>28</b>	24	0	<b>24</b>
Between 30 and 50 years	208	10	<b>218</b>	242	16	<b>258</b>	250	18	<b>268</b>
Over 50 years	62	3	<b>65</b>	67	4	<b>71</b>	64	4	<b>68</b>
<b>Total</b>	<b>729</b>	<b>113</b>	<b>842</b>	<b>804</b>	<b>133</b>	<b>937</b>	<b>815</b>	<b>136</b>	<b>950</b>

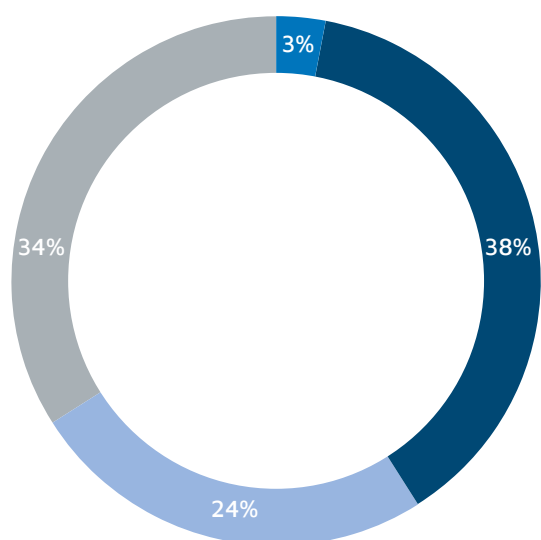
**Groups number of employees**



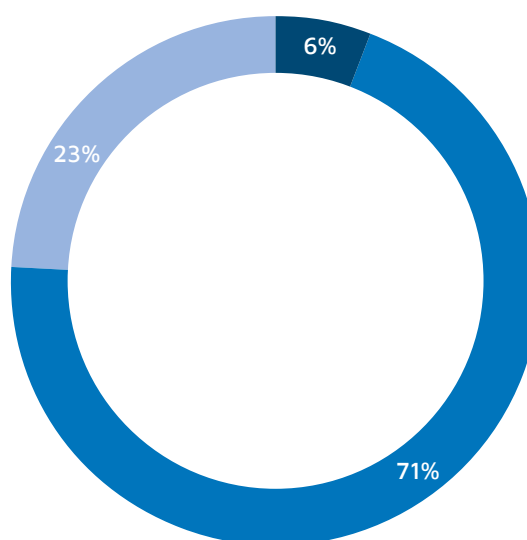
**Percentage of women among the Group's employees**



Employees by category - 2020



Employees by age - 2020



The following tables show the employee composition of the Group distributed by type of contract and employment, broken down by gender and region<sup>11</sup>:

[GRI 102-8] Total number of employees by employment contract type (permanent or temporary) region and gender<sup>12</sup>

Contract type	2018		2019		2020	
	Italy	French Guiana	Italy*	French Guiana	Italy*	French Guiana
Temporary contract	12	5	19	7	19	4
Permanent contract	726	99	812	99	824	103
<b>Total</b>	<b>738</b>	<b>104</b>	<b>831</b>	<b>106</b>	<b>843</b>	<b>107</b>

\*The figure includes employees of Avio France (2 in 2019 and 5 in 2020)

Contract type	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Temporary contract	13	4	17	21	5	<b>26</b>	20	3	<b>23</b>
Permanent contract	716	109	825	783	128	<b>911</b>	795	132	<b>927</b>
<b>Total</b>	<b>729</b>	<b>113</b>	<b>842</b>	<b>804</b>	<b>133</b>	<b>937</b>	<b>815</b>	<b>135</b>	<b>950</b>

<sup>11</sup> The operating personnel in French Guyana includes personnel from Avio Guyana 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. By "seconded" we mean the staff who are placed on leave at the Avio company and who are simultaneously contracted by the French company of reference (EUP, Regulus, Avio Guyane).

<sup>12</sup> Starting from 2019, the data relating to Italy include the employees of Avio France.

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

Employment type	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Full-time	729	112	841	803	131	<b>934</b>	814	134	<b>948</b>
Part-time	0	1	1	1	2	<b>3</b>	1	1	<b>2</b>
<b>Total</b>	<b>729</b>	<b>113</b>	<b>842</b>	<b>804</b>	<b>133</b>	<b>937</b>	<b>815</b>	<b>135</b>	<b>950</b>

Avio manages diversity in accordance with the rules and practices established by applicable laws and encourages the various company departments to include disabled resources, by December 31, 2020 are 21 in Italy (17 men and 4 women) and 1 (man) in French Guiana.

## 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, lead 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 create 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 demands (i.e. 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.

In 2020, the company Procedure on "The Selection and Hiring Process - Clerical Personnel" was drawn up. To guarantee the transparency and adequacy criteria of the selected candidates with respect to predefined levels of competence, the procedure defines the responsibilities, criteria and methods adopted for carrying out the selection process.

Employee retention is an important element of personnel management. In this regard, the Group is committed to offer 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, despite the difficult time that the company was going through due to the failure, there was a transition from managerial to executive qualification, 64 promotions within the clerical qualification, while blue-collar personnel, the promotions involved 41 workers in addition to 7 Una Tantum. The blue-collar development merit plan (which will end in the first two months of 2021) involved 20% of the population and 5 promotions within the blue-collar category.

In 2020, three women were promoted to the "managerial" qualification and two women were promoted to the "professional" company qualification.

During the COVID-19 emergency, an attempt is made to use agile working methods as much as possible for activities that can be carried out at home or remotely according to the methods of article 90 "emergency decree".

Support policies for the COVID-19 emergency have also been added to initiatives already implemented. Ways of Smart Working were introduced for the staff and a baby-sitter bonus for employees with children under 14, which was provided from October to December. In the second half of the year, a screening (on a voluntary basis) of the company population was carried out to ascertain the spread of the virus, and the advice of an external infectious disease specialist was made available to workers (for all other measures implemented to counter the COVID-19 emergency, please refer to the specific box).

In this perspective, in order to avoid repercussions on its business, Avio undertakes to manage its workforce, in particular corporate changes. During 2020, 59 people were hired between Italy and France and 14 people in French Guiana. Among the hires, in Italy, 29% is represented by young people under the age of 30, demonstrating the Group's commitment to investing in the new generations. During the year, the negative turnover was 5.61% in Italy and 12.15% in French Guiana and is linked to a total of 60 people who left the Group for retirements, resignations and layoffs. Below is a breakdown 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	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
	Italy								
Under 30 years	14	5	19	25	9	34	17	0	17
Between 30 and 50 years	54	12	66	75	16	91	35	5	40
Over 50 years	3	0	3	9	0	9	2	0	2
<b>Total Italy (N.)</b>	<b>71</b>	<b>17</b>	<b>88</b>	<b>109</b>	<b>25</b>	<b>134</b>	<b>54</b>	<b>5</b>	<b>59</b>
<b>Total Italy (%)</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>	<b>7.51</b>	<b>4.20</b>	<b>7.04</b>
	French Guiana								
Under 30 years	2	1	3	2	0	2	2	1	3
Between 30 and 50 years	8	1	9	7	1	8	4	2	6
Over 50 years	2	0	2	1	0	1	5	0	5
<b>Total French Guiana (N.)</b>	<b>12</b>	<b>2</b>	<b>14</b>	<b>10</b>	<b>1</b>	<b>11</b>	<b>11</b>	<b>3</b>	<b>14</b>
<b>Total French Guiana (%)</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>	<b>11.96</b>	<b>20.00</b>	<b>13.08</b>

\*The figure includes three new hires of Avio France (three men, one aged between 30 and 50, two under 30)



**[GRI 401-1] Total number of ceased and rate of turnover by age, gender and region**

Employee category	2018			2019			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
	Italy								
Under 30 years	3	0	3	3	2	5	5	1	6
Between 30 and 50 years	14	3	17	14	4	18	22	1	23
Over 50 years	12	1	13	18	0	18	16	2	18
<b>Total Italy (N.)</b>	<b>29</b>	<b>4</b>	<b>33</b>	<b>35</b>	<b>6</b>	<b>41</b>	<b>43</b>	<b>4</b>	<b>47</b>
<b>Total Italy (%)</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>5.98</b>	<b>3.36</b>	<b>5.61</b>
	French Guiana								
Under 30 years	1	0	1	1	0	1	1	0	1
Between 30 and 50 years	7	1	8	6	0	6	7	1	8
Over 50 years	3	0	3	2	0	2	3	1	4
<b>Total French Guiana (N.)</b>	<b>11</b>	<b>1</b>	<b>12</b>	<b>9</b>	<b>0</b>	<b>9</b>	<b>11</b>	<b>2</b>	<b>13</b>
<b>Total French Guiana (%)</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>	<b>11.96</b>	<b>13.33</b>	<b>12.15</b>

## 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 could be more attractive to other competitors), as well as to the change of shareholding structure and corporate governance structure, as a result of the merger by incorporation. Accordingly, in order to avoid repercussions on its business, Avio undertakes to manage its workforce. Specially, corporate changes with specific attention to individual resources, their professional growth and salary. As also referred in the Group Code of Conduct and in Regulus *Charte Etique*, the Group is committed to offering equal opportunities at work and professional advancement to all employees, encouraging the continuous commitment of its people.

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 useful training activities for updating knowledge and skills, identifying the appropriate training method 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.

Given the critical situation due to COVID-19 pandemic, in order to have a more widespread participation, the e-learning platform was implemented in 2020 favoring more distance trainings.

Also, in 2020 the training priorities for the Group's Italian offices relate in particular to the regulatory and legal updates provided for by the State-Regions Agreement in the health, safety and environment fields. In addition, Avio guarantees technical and specialist updates for the employees of the group for areas of engineering, manufacturing, laboratories and pays attention to the improvement of language skills and the strengthening of soft skills. In 2020, a training catalog of the e-learning platform was implemented to support incoming training, thus standardizing the mandatory training activities for new hires.

Furthermore, in order to enhance people, specific assessments have been activated aimed at identifying profiles compatible with the assigned role. At the end of each assessment, in the event of obvious gaps, targeted coaching paths were assigned for the transition from A1 level to expert level and from expert to executive level.

## Soft skills for business

2020 can be considered a year of continuity with training initiatives designed and delivered in the previous year in terms of developing soft skills. 6,520 hours<sup>13</sup> about soft skills were provided, involving the staff through specific courses. In particular, the participation of Expert / Middle Managers in the "Building the future" a management path, organized in two editions. The course consists of three different preparatory modules between them (Communication Skills, People Management and Team Building), has become a tool to support Managers with the aim of developing their management skills, as well as creating a strong team spirit and membership. Thanks to this training course, for the first time in Avio, in the training field we were able to participate in a charity project through an emotional team building. Transversely to this activity, individual courses were organized responding to some needs expressed in relation to the topics of: Negotiation, Time Management, Effective Communication, Public Speaking and Training of Trainers. We have maintained the finance for No- Financial Manager path, whose purpose is to implement financial skills.

A training course was also designed for new hires aimed at blue-collar personnel, with the aim of enhancing organizational behavior in compliance with the corporate 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 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.

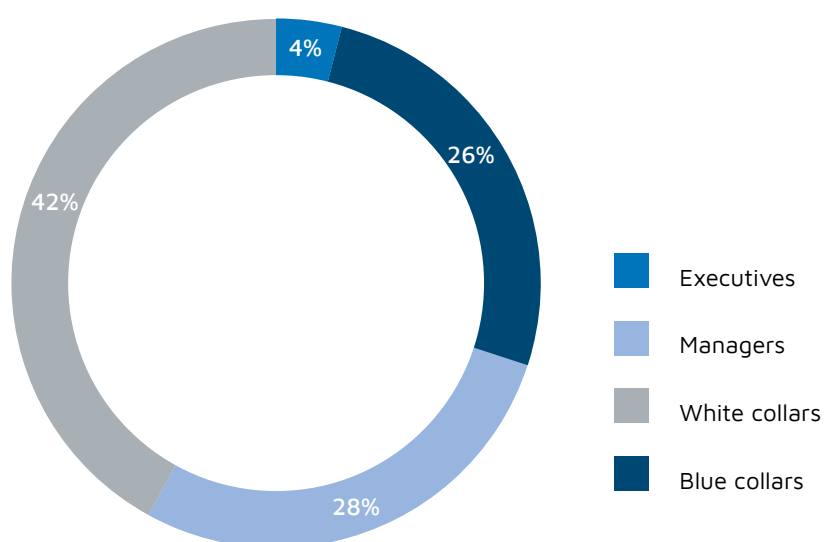
In 2020, a total of 17,222 hours of training were provided, distributed as follows: 4% executives; 28% managers; 42% white collars; 26% blue collars.

<sup>13</sup> This information does not include the training hours of Regulus.

### Total training hours by employee category

Employee category	u.m.	2018			2019			2020		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
Executives	N.	1,286	59	<b>1,345</b>	447	13	<b>460</b>	757	5	<b>762</b>
Managers		3,880	945	<b>4,825</b>	3,852	763	<b>4,615</b>	3,758	1,011	<b>4,769</b>
White collars		7,975	1,914	<b>9,889</b>	4,770	1,766	<b>6,536</b>	5,558	1,749	<b>7,307</b>
Blue collars		6,198	399	<b>6,537</b>	5,160	190	<b>5,350</b>	4,028	356	<b>4,384</b>
<b>Total</b>	<b>N.</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>	<b>14,101</b>	<b>3,121</b>	<b>17,222</b>

### Percentage of training hours by employee category - 2020



### [GRI 404-1] Average training hours by employee category and gender

Employee category	u.m.	2018			2019			2020		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
Executives	N.	56	59	<b>56</b>	18	13	<b>18</b>	30	5	<b>29</b>
Managers		21	39	<b>23</b>	20	27	<b>21</b>	19	30	<b>22</b>
White collars		34	27	<b>32</b>	19	21	<b>20</b>	22	22	<b>22</b>
Blue collars		21	25	<b>21</b>	15	9	<b>15</b>	12	16	<b>12</b>
<b>Total</b>	<b>N.</b>	<b>27</b>	<b>29</b>	<b>27</b>	<b>18</b>	<b>21</b>	<b>18</b>	<b>17</b>	<b>23</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.

Finally, with a view to enhancing and developing its people, Avio 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 a performance evaluation 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 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 HR Department, consists of a project to refocus the management competencies' framework, with the aim of adapting it to future challenges.

As already in 2019, also in 2020 this model was used in personnel evaluations, specifically in the preparatory evaluations for promotions to Expert.

The Human Resources Department with the Industrial Operations Department considered appropriate to implement a performance evaluation system using a mixed system, capable of measuring both the quantitative component (Role objectives or Performance), and the qualitative component (Skills or soft skills) with the aim of maximizing the value and efficiency of performance by starting a virtuous process of improvement of business processes through the development of people's individual skills. The project is aimed at workers and clerks who do not currently have an MBO / VRL. In March 2020, a Pilot Project was carried out involving one of the departments. The observation phase of the pilot project was completed in November 2020. In December 2020 training was provided on the return of the feed-back addressed to the Head of the Department and assessors with relative vision of the evaluation forms. The feedback to each worker is expected to be completed in January 2021.

To promote gender equality, inspired by the International Women's Day in Science aware of the relevance of gender bias in hindering women from pursuing a scientific career, the Human Resources Department has also decided to create a webinar aimed to female population in Avio on the occasion of the Women's Day.

The goal of this meeting is to give relevance to the issue of Gender Equality and provide training on Female Leadership and Stress Management.

## 6.3. Staff Remuneration

The Group pays particular attention to the management of remuneration policies, specially 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 315 thousand Euros in 2020. 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 Guyana, 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 should also be noted that, in addition to the variable remuneration elements paid to employees on the basis of the achievement of individual and company objectives, the Group has implemented a long-term incentive plan for managerial figures with a top role within the Group.

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).

The following tables show the ratio of basic salary and average remuneration broken down by gender, category of workers and by geographic area. The table shows the high impact of variable remuneration in French Guiana which for all staff exceeds 50% of total remuneration. This impact is due to the peculiarities of the activities of the production site and to the related indemnities provided for by local legislation equal to 65% of the base salary, which guarantee adequate benefits to the staff, as established by the Site Agreement.

For Avio France, the remuneration of staff is determined based on the framework levels. The salary and income of Avio France staff and Avio Guyana 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

Employee category	2018		2019		2020	
	Italy	French Guiana	Italy	French Guiana	Italy	French Guiana*
	Female/male ratio					
Executives	75.95%	-	78.00%	-	78.15%	-
Managers	99.16%	-	98.00%	80.36%	99.39%	85.64%
White collars	95.03%	96.96%	99.00%	98.67%	101.96%	99.85%
Blue collars	90.37%	-	95.00%	-	94.94%	-

\* In 2019 and 2020, in French Guiana (Regulus) there are not female blue collar and executives.

#### [GRI 405-2] Ratio of the remuneration and breakdown for employee category and gender

Employee category	2018		2019		2020	
	Italy	French Guiana	Italy	French Guiana	Italy	French Guiana*
	Female/male ratio					
Executives	76.40%	-	76.00%	-	71.89%	-
Managers	98.16%	-	99.00%	68.99%	99.24%	56.26%
White collars	90.74%	69.25%	99.00%	81.64%	99.27%	93.19%
Blue collars	81.36%	-	86.00%	-	86.40%	-

\* In 2019 and 2020, in French Guiana (Regulus) there are not female blue collar and executives.

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 Guyana 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 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. In addition, Avio is aware of the importance on one way, informing and sensitizing suppliers and contractors, and on the other way, verifying that the latter adopt behaviors, practices and procedures consistent with the principles of the SSL-PIR Policy ("Policy for Health and Safety in the Workplace and for the Prevention of Major Accidents").

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 UNI 45001 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. In 2020, the external certifying body validated and certified the transition of this system, the so-called SSL-PIR, from the OHSAS 18001 standard to the new international standard UNI EN ISO 45001. 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 UNI ISO 45001. 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 2020, according to the requirements of GRI 403-9 and 403-10, 4 accidents occurred from which the worker recovered in less than 6 months at the Colleferro plant and 1 in French Guiana. No fatal accidents were recorded, neither among employees nor among staff with an administration contract and no cases of occupational disease were recorded. There were also no accidents for the Group's collaborators.<sup>14</sup>

Given to the increase in 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 reference.

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, with awareness of the reporting of near accidents;
- 3) Progress for monitoring the fortnightly briefings on the department DVRs.

<sup>14</sup> The hours worked for the collaborators of the group in Italy amounted to 40,225 in 2019 and equal to 38,838 in 2020, consequently the accident rates for two years are equal to 0. The hours worked for the collaborators of the group in French Guiana were estimated at 8,600 in 2019 and equal to 9,400 in 2020, of consequently the injury rates for the two years are equal to 0.

**[403-9 403-10] Work-related injuries<sup>15</sup>**

Employees and non-employees	2019	2020
	Italy*	
<b>Total number of recordable injuries<sup>16</sup></b>	<b>8</b>	<b>4</b>
Total number of deaths due to accidents at work	-	-
Total number of serious accidents at work (excluding fatalities) <sup>17</sup>	1	-
Cases of occupational diseases	-	-
of which "which resulted in fatalities"	-	-
<b>Total number of hours worked</b>	<b>1,417,166</b>	<b>1,479,466</b>
<b>Overall recordable injury rate<sup>18</sup></b>	<b>5.64</b>	<b>2.70</b>
<b>Rate of fatalities from injuries at work<sup>19</sup></b>	<b>-</b>	<b>-</b>
<b>Injury rate with high-consequences<sup>20</sup></b>	<b>0.70</b>	<b>-</b>
	French Guiana	
<b>Total number of recordable injuries<sup>16</sup></b>	<b>1</b>	<b>1</b>
Total number of fatalities due to accidents at work	-	-
Total number of serious accidents at work (excluding fatalities) <sup>17</sup>	-	-
Cases of occupational diseases	-	-
of which "which resulted in fatalities"	-	-
<b>Total number of hours worked (estimated)</b>	<b>139,428</b>	<b>135,743</b>
<b>Overall recordable injury rate<sup>18</sup></b>	<b>7.18</b>	<b>7.36</b>
<b>Rate of fatalities from injuries at work<sup>19</sup></b>	<b>-</b>	<b>-</b>
<b>Injury rate with high-consequences<sup>20</sup></b>	<b>-</b>	<b>-</b>

\* For 2020, the hours worked in Italy include the hours worked by Avio France employees.

<sup>15</sup> Starting from this year, we proceeded with the reporting of data relating to accidents using the new Standard GRI 403, published by the Global Reporting Initiative (GRI) in 2018 to replace the version published in 2016. For this reason, the data for 2019 are been exposed with respect to the requirements of the new indicator.

<sup>16</sup> Injuries at work or occupational diseases that cause any of the following: death, days off work, restriction of work duties or transfer to another job, medical care beyond first aid or unconsciousness, major injury or illness diagnosed by a doctor or other licensed health care practitioner, even if it is not the cause of death, days off work, restriction of work duties or transfer to another job, medical care beyond first aid or unconsciousness.

<sup>17</sup> Accident at work with serious consequences: Accident at work that leads to death or damage from which the worker cannot recover, does not recover or it is unrealistic to expect that he will recover fully and return to the state of health prior to the accident within 6 months.

<sup>18</sup> Recordable workplace injury rate: no. recordable work injuries / hours worked \* 1,000,000.

<sup>19</sup> Death rate: no. total deaths due to accidents at work / hours worked \* 1,000,000.

<sup>20</sup> Injury rate wit high-consequences (excluding deaths): no. accidents with serious consequences (excluding deaths) / hours worked \* 1,000,000.

## COVID BOX

2020 has been characterized since the first months by the global impacts deriving from the COVID-19 pulmonary virus pandemic. Starting from China, it then spread around the world, threatening the lives of millions of citizens and the economy in countless states. In this regard, Avio promptly moved to ensure the protection of the health of its collaborators, suppliers and customers, activating, in compliance with the regulations issued by the Government, provisions and additional protection measures compared to those already in force at the sites, aimed at limiting contagion as much as possible and to mitigate the 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 April 24, 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](mailto: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;
- adoption of spaced workstations, compliant with the spacing directives for all staff working in presence.

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 leaves 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.

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.

The coronavirus emergency that hit the whole world in 2020 resulted in important limitations and suspensions of some activities that Avio Group had to face in order to keep the entire production uninterrupted.

The epidemic and the restrictive measures imposed by the government and the French authorities in charge led to the temporary suspension of launch preparation activities from the Kourou base in French Guiana.

In this context, the Group has always activated and worked in order to face the epidemiological emergency from COVID-19 by immediately implementing all government provisions, as well as putting into practice all the national protocols envisaged.

In this regard, Avio promptly moved to ensure the protection of the health of its collaborators, suppliers and customers, adopting measures such as smartworking, sanitation of environments and staff shifts, also defining specific trade union agreements in compliance with the provisions of the Protocol shared at national level by the social partners with the aim of limiting contagion as much as possible and mitigating the potential risks associated with the safe continuation of production activities.

The company has set up a special COVID-19 Committee and initiated the update of the risk assessment that was necessary by virtue of the ascertained spread of the Coronavirus infection, called COVID-19 throughout the world.

Over the last few months there have been numerous legislative provisions aimed at defining the methods and the rules to combat the spread of COVID-19, aimed at defining measures of a general nature, that is in the interest of any citizen, both in the definition of regulation in work contexts. Procedures have been arranged and implemented to define the methods of access to the company, also clarifying the cases in which such access will not be allowed in any case and the criteria for one timely communication of any contact with people tested positive or subjected to quarantine regime.

- a dedicated emergency procedure has been developed to plan and manage one person with suspected contagion or with confirmed contagion;
- appropriate procedures have been set up to manage the entry methods of external personnel and implemented by the Heads of the requesting Departments.
- precise provisions were promptly activated, among which we recall:
- temperature control upon entering the company with delivery of a surgical mask or FFP2 based on the risk category of the area;
- positioning in passageways and common areas, dispensers for the sanitation of hands with hydroalcoholic solutions;
- periodic sanitation of offices, shuttles and company vehicles
- collaboration with the Employer for any additional measures;
- continuous support of "medical specialist in infectious and tropical diseases", to collaborate in health control and psychological support of the staff;
- establishment of an emergency procedure for handling an internal case;
- limitation of access by external personnel to the Avio sites;
- reorganization of workstations and transit areas;
- implementation of smart working for workers whose duties can be regulated according to specific agreements with RSU and managed by the relevant departments;
- Definition of one-way paths, in order to minimize people crossings;
- Definition of categorical rules in the management of common areas such as canteen, smoking areas, vending machines, which provide for limited access;
- Definition of entry/exit methods and internal displacement, with particular reference to shuttles and company vehicles that have been doubled to allow distancing;



- Organization of various dynamic protocols for screening against the spread of COVID-19 contagion. Screening is implemented on the entire working population and on a voluntary basis;
- Dedicated information and training (video tutorials) to all employees through official platforms as well as the company intranet, organization of dedicated webinars with the CEO and infectious disease expert;
- Reorganization of travel (transport with own means, execution of tampons to and from, respect for any quarantines);

The Regulus company has also introduced various containment measures, including:

- integration of the health risk type COVID-19 into DUER (Document Unique d’Evaluation des Risques);
- Issue of a specific General Safety Instruction for COVID-19;
- Specific training for employees;
- Distribution of specific PPE and hydroalcoholic gel for hand washing;
- Risk analysis of workstations focused on social distancing and “barrier” behavior;
- Identification of reserve personnel in key positions• Coordination of activities with the CNES / CSG and ARS (Agence Régionale de la Santé).



To ensure the safety of its workers, on the occasion of the return to flight VV16, an all-Italian “special” mission was organized which brought from Fiumicino to Cayenne over 60 Avio people, on board an Alitalia aircraft, an expert consultant doctor and employees of other Italian companies in the space sector such as Temis and D-Orbit. During the COVID-19 emergency, for the first time an Italian plane landed on French Guiana territory. The mission organization, in conditions of high health safety, was made possible also thanks to the collaboration and advice of the Prime Minister (where the Interministerial Committee for Space Policies has been active since 2018) and the Ministry of Defense.

After the stop period caused by the Coronavirus emergency, activities resumed in the European space base of Kourou in French Guiana and Italy’s commitment has intensified in view of the first flight – scheduled for mid-June – which features the launcher Vega, produced by Avio S.p.A. in the Colleferro (Rome) plants.

The coordination between Avio and the Defense Staff in defining the safety protocol for the protection of workers’ health, in fact made it possible to plan a special mission in recent days to allow a team of about 70 people, including engineers and space technicians, to safely reach the overseas space base with a private flight that Avio purchased from Alitalia.

The protocol defined to guarantee health safety of people departing from Rome also includes the presence of a dedicated Avio medical consultant for the entire period of the mission in Guyana.

## 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.

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, align to the rules and equal opportunities.

In 2020 the dialogue with the trade unions (RSU) was concentrated, in particular, on the management of the COVID-19 emergency. In this sense, various trade union agreements were signed with the RSU which implemented the emergency protocols adopted by the company. These agreements have established, in addition to the hygienic-sanitary measures to combat the spread of the virus, the liberalization of ROLs, a massive use of Smart Working during the lockdown and an economic bonus (in addition to the one established by the Government) for all those who have rendered the work performance in presence in the months of March and April. At the same time, further trade union agreements were also concluded regarding the production bonus which was renewed for a further 3 years; about the closure of August and December as well as various agreements on training. The meetings were held, where possible, in presence. Where this was not possible, the meeting was organized via Skype. In the second half of the year, the usual annual meeting with the territorial representatives of the trade union organizations CGIL - CISL - UIL - UGL was organized in the presence of the CEO.

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

In the event of significant operational changes, it is important to note how the Group companies manage the notice period provided to employees. For this aspect, each company of the Group refers to the legislation in force in the area. With reference to Italy, the notice period depends on current legislation. While with regard to 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 that must be held at least two months before the organizational change.

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



## 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 2020, the Group continued its technological development activities in the following areas:

- development of new materials and processes for the construction of structures and components for propulsion systems, including the study of innovative alloys for the production of ALM (Additive Layer Manufacturing) components, the study of new ceramic matrix composites, polymer matrix thermal protections;
- extension in the cryogenic field of the production chain relating to "High Performance Composite Materials", for the creation of large cryogenic composite tanks;
- use of composite materials used as an alternative to traditional metal parts for solid propulsion rocket engines;
- search for new propulsion systems, based on "green" propellants, not only for launch applications, where Avio LOx-LNG technology has reached a level of maturity consistent with industrial development, but also for orbital applications, for which the possibility of storing propellants for a long time is fundamental.
- development of a test bench for the test of cryogenic liquid engines, currently aimed at the needs of the M10 engine, but which can then be adapted to engines of higher thrust classes.
- study of future applications and versions of the Vega launcher, as a starting point for new research and exploration opportunities, such as: accessible projects for the exploration of the solar system on the routes of NEO (Near-Earth Objects), missions service in orbit (In-Orbit Servicing), the conduct of low-cost experiments for educational and scientific purposes and the recovery of payloads with return and landing on airport runways;
- development of a paraffin-based hybrid propulsion system whose possible application is identified in the last stage of a future evolution of the VEGA launcher.

In order to create the cutting-edge technologies necessary to offer competitive products, Avio extends its scientific exchange network and the partnership 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 Center 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 pre-competitive research activities incurred by the Group in 2020 increased by 6% compared to the previous year, reaching a total of 6,795,761.46 euros, of which about 24% self-financed and 76% co-financed. Research and development activities also required the important contribution of Avio people who have dedicated over 54,500 hours in these activities. Despite the limitations linked to the need to contain the risk of the spread of Covid-19 which has slowed down activities in general, making relations with partners and suppliers more difficult, the period saw a slight increase in innovation activities, in particular as regards the activities - co-financed, rather in line with the research plan. The activities mainly focused on developments related to the Space Propulsion Test Facility (SPTF) and innovation activities in the field of materials and technologies for Additive Layer Manufacturing.

Avio, to ensure high levels of research and innovation and increase its role in the aerospace sector, is committed to expanding the scientific interchange network and partnerships for the development of new products with various players on the international scene, as well as having joined associations categories such as the Union of Industrialists of Rome (of the Confindustria circuit) and Assonime.

### International clients, collaborations and partnerships

	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.
	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 SpaceLab joint venture (70% Avio and 30% ASI) which develops and manufactures the Vega launcher as "prime contractor".
	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.
	The collaboration with ArianeGroup stems from historic partnerships carried out through the companies Regulus (60% Avio, 40% Ariane Group) and Europropulsion (50% Avio, 50% Ariane Group) for the Ariane 5 program and to cooperate in the construction of the first stage of the Vega rocket.
	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.
	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.
	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.

	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.
	SABCA is one of the main aerospace companies in Belgium. SABCA collaborates with Avio mainly in the thrust control system of solid propulsion.
	RUAG Space collaborates with Avio for the development and supply of Fairings and other components of Vega such as the OBC (on board computer).
	Yuzhnoye SDO supplies Avio with the fourth-stage Vega engine and cooperates in research and development activities.
	GKN Space Sweden partners with Avio for the development and supply of Avio's turbines and the turbopumps.

In the field of research, Avio partnerships with prestigious universities and Italian and foreigner research institutes. The Group supports 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 2020; the audit of a maintenance renewal audit of the certification by RINA the certifying body, the audit concluded with two minor non-conformities which allowed to confirm the maintenance of the certification for its entire duration.

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, to sale the Group products (components, assemblies or integrated launchers) a certify is required, 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, regarding 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 Management is responsible for monitoring the quality of the product and company processes and for certifying that the product manufactured complies with the requirements expressed by the project. This Department works in close coordination with the Technical Bodies which are responsible for the preparation and validation of the technical files that certify the conformity of the components manufactured 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 phase. For Avio, designing unsafe and reliable products would mean risking the loss of missions in space with an impact of an economic nature not only for the company, but also for customers and in some areas (for example in the case of the unavailability of surveillance systems and / or telecommunications) for national security. For this reason, a total of 33 audits were carried out in 2020, of which 5 on the product, 14 on the process and 14 on suppliers<sup>21</sup>.

Regarding the assessment of the risks associated with the health and safety of 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 under development, the process is linked to the level of maturity reached.

To date, out of 23 final products in the portfolio, 20 products have been analyzed for health and safety risks.

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

Regarding to environmental aspects, the orientation for development product to "green" propulsion technologies represents one of the objectives with the highest value in the medium to long term.

In this context in 2020:

- development phase of the methane / oxygen cryogenic liquid propellant engine continued with the combustion chamber test;
- Full scale M10 successfully completed in the Marshall Nasa test bench;
- construction of the SPTF test bench has also begun in Sardinia, which will allow testing of the complete engine starting from 2021.

<sup>21</sup> The number of audits carried out in 2020 was affected by the travel restrictions imposed by the COVID-19 emergency.

The LOx-LNG propulsion is considered, thanks to its non-toxicity and reduced emissions, a promising option for future evolutions of the VEGA carrier and the M10 engine, in particular is expected to provide the last stage of the VEGA-E launcher. During the year, studies were also carried out at a national and European level for the development of a trim control system based on "green" monopropellant technology and the development of a last-stage engine with storable "green" liquid propellants.

Concerning the development of products with a view to greater environmental sustainability, Avio has the future objective of finalizing the developments of the LOX / LNG cryogenic liquid propellant engines which must reach maturity for use in flight by 2025. By that date the development of a new generation of "green" storable mono-propellant engines for attitude control will also have to be finalized. This generation of thrusters will define a new "green" standard for space applications of chemical propulsion. The main company functions involved in the development processes will contribute to achieving this objective, with the technical management of the Engineering and Product Development body and with the participation of various national and international partners.

Furthermore, after the VV17 accident (which occurred during the Vega flight of November 17, 2020), the lessons learned through the subsequent analysis of the causes and corrective actions, are configured in a further improvement of products safety in the field of space transport systems. The Independent Commission of Inquiry composed of ESA and Arianespace and supported by Avio has provided extensive recommendations to ensure a safe and prompt return to flight by the end of the first quarter of 2021 and the reliability of the launcher in the long term.

## 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 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 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 in 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. Specifically, the adoption of the Integrated Management System for Health and Safety in the workplace and prevention of major Accident Hazards is referred to, which includes all the procedures relating to safety management and which has been certified by external competent authority since 2010, passing from the OHSAS 18001 standard to the current ISO45001.

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.

With the specific objective of establishing the rules of conduct and defining the operating procedures for both individuals

and the various company functions involved in emergency management, the Internal Emergency Plan (IEP) was prepared for the Avio S.p.A. of Colleferro, pursuant to art. 20 of Legislative Decree 105/2015. In particular, this document provides for the control and containment of accidents, implementing the necessary measures to protect human health and the environment from the consequences of major accidents, adequately inform workers and services or the competent local authorities and provide for the restoration and to clean up the environment following a major accident. The IEP is the subject of information, and training of the personnel present in the plant, whose procedures are tested to verify and improve their effectiveness by involving the interested parties. Avio, intends to maintain the highest levels of excellence in the field of health and safety in the workplace over time, has set itself the objectives of "zero accidents at work and zero occupational diseases" and "zero events potentially at risk of a major accident".

In relation to the processing of industrial operations and explosive / chemical materials, the most influential risks are those reported in Legislative Decree 81/2008 such as, for example, explosion risk, chemical and carcinogenic risk, electrical risk, fire risk, handling and transport of active materials. Any industrial events caused by human error or by the failure of a safety body or linked to a natural disaster, the possibility of which can be mitigated through an adequate assessment of the related risks, could in fact negatively affect the management of production.

The Group recognizes and is aware that the use of hazardous, explosive or oxidizing substances represents an operation with a potential impact that could even go beyond the plant's pertinence. This impact, in fact, is suitably monitored by the Colleferro industrial district which assesses the risks both in the Risk Assessment Document (DVR) and in the Safety Report pursuant to Legislative Decree 105/2015, in which they are promptly reported, for each single possible event, the different areas of impact, reversibility and probability of occurrence. Similarly, all the buildings within the plant in French Guiana, compliant with local French legislation and located at an adequate distance from the urban center of the city, are regularly monitored in terms of the impact of their activities on local communities. At the date of the document creation, no significant residual risks for external population related to these issues had been identified.

The management systems implemented by the Group, in line with the international standard UNI ISO 45001 and with local regulations for the prevention of major accidents, require the presence of resources that certify adequate management of health and safety and prevention of the related risks in the workplace. In particular, regarding to the Avio plant in Colleferro, the head of Industrial Operations Department, as the holder of the licenses for the possession, manufacture, transport, sale of explosives and explosive products pursuant to the implementing regulations of the Consolidated Law on Public Safety (TULPS), is responsible for the application and compliance with the TULPS and its implementing regulations regarding the manufacture of explosives. The Head of the Production Department, as PIR Manager (Prevention of Major Accidents) pursuant to Legislative Decree 105/2015, as plant maintenance manager, is delegated the operational powers to manage plants at risk of major accidents.

Avio S.p.A. has also identified, among the organizational functions involved, the Materials and Process Engineering and Health, Safety and Environment department which has overall responsibility for the implementation and control of the Health and Safety Management System in the Workplace and for the Prevention of Major Incidents (SG SSL-PIR). The manager of this Department assumes the role of Representative for the General Management of the Occupational Health and Safety Management System (SG SSL) and of the Environmental Management System (EMS), as well as the Manager's Representative for the Management System for the Prevention of Major Accidents (RDGS).

Within Regulus, the Industrial Management and Safety and Environment service have the task of implementing and maintaining an adequate management system, in line with the international reference standard, an adequate safety system with the aim of evaluating the importance of the impacts and risks associated with production activities, as well as ensuring the protection of industrial sites and the people who are inside them (workers or visitors). In addition, information and training programs on safety for workers and updating programs for safety operators are defined and implemented.

### 8.3. Security of access to the premises

Given the nature of Avio's business, the issue of the physical safety of people and things, including premises, documentation and any other asset necessary for the operation of the company. For this reason, Avio has equipped itself with an internal corporate security structure, which deals with problems relating to physical security and the management of classified documentation. This structure, for the protection of the Site, is supported by a Supervisory Institute.

The latter, with a Prefectural License, issued by the Prefect of Rome in addition to carrying out armed surveillance activities in the concierge, contributes to the protection of information, materials and sensitive and classified premises through a whole series of activities in implementation of the provisions reported in the Prefectural License.

The Security & Facility & Risk Management function carries out its activity according to the guidelines contained in the various operating instructions it has adopted and, to the extent of its competence, the provisions set out in the HSE procedures. All this in accordance with strict compliance with the regulations in force, among which, by importance, the Law 124 of 2007 and the Prime Ministerial Decree of October 2, 2017, n° 3 ("Provisions for the administrative protection of state secrets and classified and disseminated information exclusive ") and subsequent amendments.

Additionally, the measures implementation in 2019, in 2020 it has been installed cameras for reading license plates on the main entrances in order to have greater efficiency in controlling the cars entering to the plant, as well as in the most sensitive areas.

In addition, the installation of additional radar systems and a gate that will block access to unauthorized vehicles from the provincial municipal road is being evaluated. A procedure has also been implemented but not yet formalized which provides for the affixing of additional seals to premises and / or containers which could contain strategic materials for the Company.

To this is added a function of monitoring compliance with the requirements both internally and at the level of customers and suppliers to ensure that all the actors involved adopt the appropriate safety measures.

### 8.4. Cybersecurity

The holistic approach for security adopted by Avio is heavily focused on safeguarding the organization's information assets. Indeed, the Group has access to sensitive and confidential information. For this reason, as described in its Code of Conduct, Avio has undertaken to process this information in compliance with all the laws regarding confidentiality, in order to prevent critical situations that could occur in the event of unauthorized access and disclosure, authorized of the same. The occurrence of data breach events could in fact - for example - compromise the competitiveness linked to research and development activities, make the products and services offered potentially obsolete or to incur contractual penalties, generating negative effects on the business and its prospects.

By carrying out public contracts for the construction of classified material which therefore require the treatment of confidential information covered by state secrets or classified, in the framework of the North Atlantic Treaty, the European Union or international agreements, as governed by Law no. 124 of August 3, 2007, ("Information system for the security of the Republic and new regulations on secrecy") and subsequent amendments, Avio guarantees that its classified activities are carried out in compliance with current legislation on the protection of classified information (DPCM n. 5/2015 - "Provisions for the administrative protection of state secrets and classified information and exclusive dissemination" as amended and supplemented by DPCM 3/2017) and is authorized to process such information on the basis of specific authorization (Security Clearance - NOS and Industrial Security Clearance - NOSI). All classified information is processed in dedicated areas, created according to the criteria provided for by the relevant legislation; access to classified information is regulated according to the security criteria and the procedures envisaged for processing and consulting the classified material; and the IT management of classified level information within the designated areas respects and applies all the security policies described in Prime Ministerial Decree 3/2017 (controlled access to classified areas by enabling a badge, access to workstations with password

required at first access and every 60 days with password<sup>22</sup> logging, use of USB keys with encryption system, etc.).

In 2020, the Group continued the transformation path in the cybersecurity field identified in 2019 and aimed at increasing business resilience by giving continuity to the hardware and software obsolescence removal program: this guaranteed the resolution of a significant of vulnerabilities found following one of the periodic security posture assessments performed.

At the same time, important infrastructure upgrades were carried out during the year on the corporate network, which allowed the encryption of traffic data between the Colleferro-Rome-Kourou (French Guiana) offices. In addition, an "Intrusion Prevention System (IPS)" was put into operation to protect the internal company network which was added to the one already in operation to protect the company perimeter.

Even the Microsoft world - and in particular the Office365 suite - was the subject of analysis and improvement interventions: in 2020 the "Conditional Access & Multi-factor Authentication" solution was reconfigured, bringing it into line with the best practices recommended by Microsoft, introduced a compliance check of devices authorized to access Office365 to ensure that these resources can only be accessed via devices assigned by the company, Microsoft's Advanced Threat Protection (ATP) was implemented and a pilot was completed to activation of IRM encryption and Microsoft Azure Information Protection (AIP) policies.

Finally, 2020 was the year of the pandemic, to meet the company's business needs, Avio has equipped itself with a secure infrastructure to support smart working, which has also been subjected to an introduction test by a specialized company with satisfactory results. Always bearing in mind that the first line of defense is the human element, and aware of the increase in criminal activity in the IT sector associated with the pandemic event, the Company has finally invested in training by providing Cybersecurity Training to employees which are more exposed to cyber-attacks.

During 2020, it should be noted that no requests were received from the Guarantor Authority and that the Company has not received complaints related to alleged violations of privacy obligations.

Following the publication concerning Regulation on the perimeter of national cyber security, Avio is one of the 150 subjects that carry out activities considered "essential" for the Italian State, is starting a process of regulatory adaptation to the various implementing DCPMs by preparing, in the first place, the list of ICT assets of respective relevance, with the indication of the networks, information systems and IT services that compose them, in order to manage the cyber risk even from the more strictly technological point of view, up to the integration of these protocols in the Compliance area.

It should also be noted that Avio adopted a Cyber Security Policy in February 2021 in order to illustrate the integration of the control systems adopted by Avio S.p.A. in the context of the use of IT tools and systems, acknowledging the adaptation to Reg. (EU) 2016/679 ("GDPR") as well as the adoption of an organizational and procedural system that aims to ensure adequate IT security measures also for the purposes of better compliance with Legislative Decree 231/01 and in compliance with the indications of Confindustria and in its Guidelines.

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<sup>22</sup> It is not possible to use the same password within 5 times of the last use.





## 9. The responsible relationship with suppliers

Responsible management of the supply chain plays a fundamental role in improving the competitiveness of the Avio Group. In fact, Avio carries out a careful selection of its suppliers in order to ensure 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 is difficult and entails significant additional costs.

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

- **Commodity:** chemical products / metallic materials;
- **Flight components:** solid and liquid propulsion engines / stage components / electronic components / structural components.

Furthermore, Avio supplies materials to guarantee the internal functioning and the realization of the products delivered to Customers so-called Indirect (plants, equipment, PPE, etc.) and Services (ICT, Security, etc.). The purchase policies of these Indirect materials and Services follow the same rules as 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 capacity to offer in terms of quality, innovation, costs and services. As defined in the Corporate Code of Conduct and in the Regulus Ethics Charter, the performance indices that guide the Group in assigning supplies 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 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 Department of the Treasury and the UN to support prevention and contrast money laundering and the financing of international terrorism.

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, with regard to the contract stipulation phase, the Italian companies of the Group require their suppliers and subcontractors, both foreign and Italian, to sign, at the same time as signing the contract, the Corporate Code of Conduct, or if they have one them, their equivalence is verified; while, to date, the suppliers managed by the companies in French Guiana are not required to sign either the Ethics Charter or the Group Code of Conduct. On the other hand, Regulus company requires from its suppliers a Tax and Social Regularity Certificate. Furthermore, the Group requires only Italian suppliers to deliver the Single Contribution Regularity Document (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 led to the launch of a series of actions, some completed, others in progress, aimed at improving the environmental impact. As an example, the agreement with the company car supplier (long-term rental) was closed in 2020 with a car list including almost exclusively hybrid cars (and no diesel as per company policy).

The internal procedure for the selection of suppliers was revised in order to introduce criteria on the selection of suppliers linked to their performance in the field. Specifically, their social and environmental policies will also be considered during the process of introducing new suppliers. In addition, in 2020, a new procedure was launched which provides for the sending to

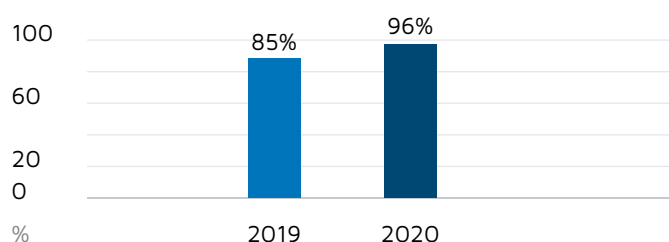
suppliers included in the registry of a questionnaire concerning non-financial aspects in order to have a global vision of their commitment to sustainability. In particular, it is a survey connected to the New Supplier Master Data Form used to enter the supplier in the master data, through which environmental and social data are collected through a checklist compiled by suppliers and taken into consideration by Buyers in selection phase of suppliers for tenders.

The constant monitoring of the supplier base introduced in 2019 allowed the Purchasing function to consolidate the percentage of suppliers handled that shares the values expressed in the corporate Code of conduct:

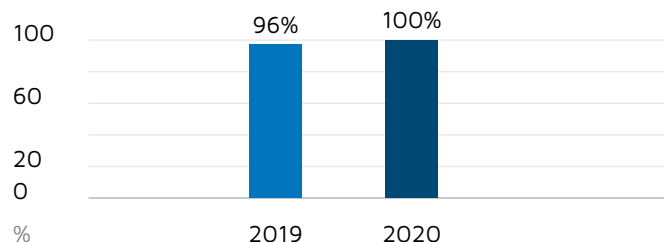
In 2020:

- 95% of the suppliers adopted a Code of Conduct with shared values with Avio:
  - 82% have signed Avio code of conduct;
  - 13% have their own code of conduct with shared values with Avio<sup>23</sup>.
- 100% of the suppliers introduced and moved in 2020 adopt a Code of Conduct with values shared with Avio:
  - 83% have signed the Avio code of conduct;
  - 17% have their own code of conduct with values shared with Avio.

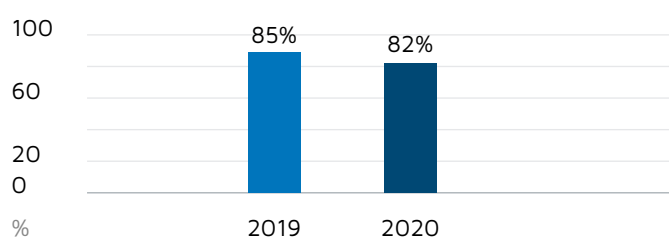
**Percentage of suppliers in the year that shared the Corporate Code of Conduct**



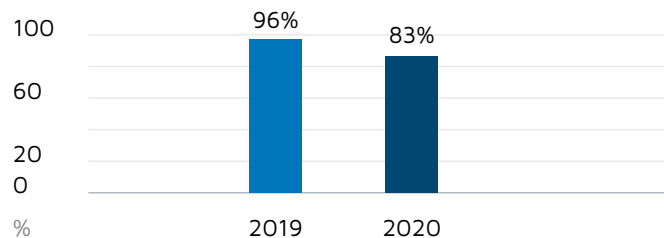
**Percentage of suppliers introduced in the year that shared the Corporate Code of Conduct**



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



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



The sub-contractors for flight components are selected during the development phase, from 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 individual ESA member states to the program. In this case, compliance with local ethical-legal, environmental social, health and safety at work and environment laws is guaranteed by the mechanisms activated through ESA for sub-contractors from a European member country.

The extra-European sub-contractors are an exception - selected based on their skills acquired through participation in the construction of extra-European launchers - mainly from Ukraine, Russia and the United States. However, since these are companies participating in the government programs of the respective countries, the same principle as European suppliers on compliance with national laws is applied.

<sup>23</sup> The information refers to large suppliers. Avio verifies the adoption of the same ethical principles of these large suppliers through the sharing of Codes of Conducts.

Regarding commodities, suppliers are selected based on skills in the specific product 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 safety requirements is qualitatively verified, Health & Safety, for their inclusion in the supplier register, beyond a technical validation process, the signature of the Avio general purchase conditions and the declaration pursuant to Legislative Decree 231/2001 and the Code of Conduct are required company with which they self-certify the adequacy of these requirements. The commodities are procured in Europe, United States 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. Indeed, 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 production continuity for said suppliers. Following serious breaches or inefficiencies or the unavailability of strategic suppliers, the Group is called upon to replace them. In order to limit such occurrences, the Group has adopted, where technically and economically possible, a policy of selecting suppliers of the "dual sourcing" type, providing for the availability of two suppliers.

Avio has established a general policy aimed at the gradual minimization and, where possible, the elimination of raw materials that are hazardous to health under REACH and the consequent reduction of suppliers of these materials. The type and importance 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 supervised by the relevant competent functions and formalized in internal qualification and performance evaluation procedures. Suppliers are constantly monitored based on indices relating to the quality and punctuality of supplies and through specific audits that make it possible to identify any critical issues and implement the related corrective actions.

During 2020, the Purchasing Department of Avio, in addition to consolidate interventions decided in 2019, in particular on the implementation of the new internal procurement procedures, participated 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 managing the supply chain. The results of this working group will then be evaluated by Avio to acknowledge any improvements to be implemented into the Avio supply chain management process.



## 10. Avio Group's environmental<sup>24</sup> impact

Avio Group has been equipped for several years of a 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. This Policy is an essential integral part of the EMS Environmental Management System, illustrated below.

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 correct monitoring and assessment of risks and related management and mitigation actions are particularly relevant for the most efficient use of natural resources, avoiding the imbalance of one or more environmental aspects (e.g. soil, water, air). These events could have potential negative impacts on operations and consequently on the economic, equity and financial situation of the Group, as well as repercussions in terms of image and reputation.

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 analysis of the context, *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 adoption of the most effective management and mitigation measures, through a structured system to monitor 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 30, 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 all competent bodies.

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 products produced;

<sup>24</sup> The data relating to environmental impacts do not include Avio France S.a.S, as to date they do not manage any plant.

- Continuous monitoring, in order to prevent accidents;
- 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>25</sup>:

- Improvement measures on atmospheric emission plants;
- Improvement management of energy consumption;
- Rationalization of industrial water usage;
- 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 pursued various actions during the year, including: -) review waste mapping and related processes to reduce hazardous waste; -) study on the water cycle started in 2019, study that has led to a reduction in consumption; study and realization of washable and reusable surgical masks, with the aim of reduce waste production, and certified by the Ministry of Health, with mass manufacturing contracted to third parties.

Furthermore, in order to achieve the aforementioned objectives, the Company has implemented a series of actions, including: the improvement of distribution backbones of utilities, specially to water resource and consequent benefit in terms of consumption of the drinking and industrial fraction. The other objectives are included within the improvement program.

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.

At the new site in Sardinia, the Company, after obtaining the favorable opinion of the EIA for the construction of the new plant, also obtained the Single Environmental Authorization.

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

<sup>25</sup> Additional information on the environmental policies is given in the dedicated chapters of the Management Report, included in the Annual Financial Report 2020.

DEAL (Direction de l'Environnement, de l'Aménagement et du Logement). 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 2020. Starting from this year, the scope of environmental impacts is extended with the inclusion of data relating to Avio Guyane.

Regulus has set itself the goal to obtain an ISO 14001 certification in the next few years.

## 10.1. Energy consumption and emissions

The energy entering to Colleferro comes from electricity and thermal energy, in addition to fuel consumption for the company car fleets. The electricity and the steam consumed are taken from the nearby cogeneration plant of Termica Colleferro. In compliance with the requirements of Legislative Decree 102/2014, in Italy in 2017 and by Law 10/91, energy audits were conducted which highlighted some possible areas of intervention in order to improve the Company's energy performance.

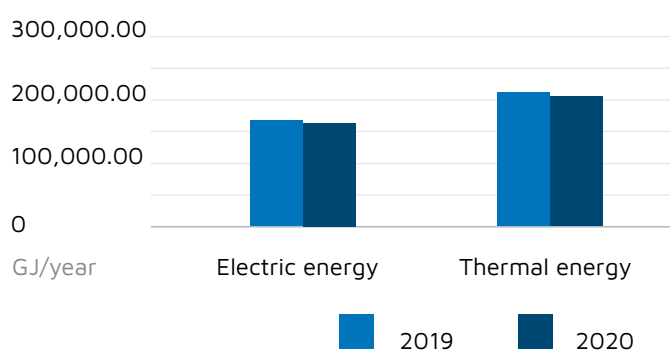
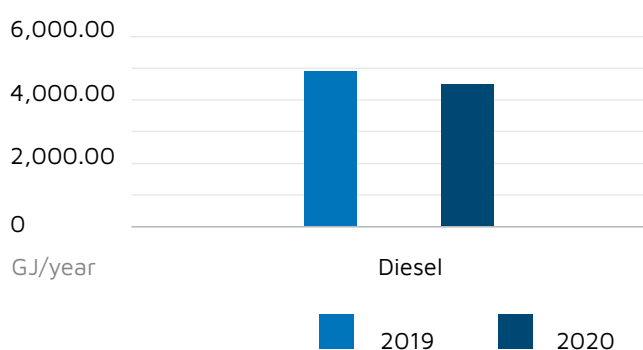
### [GRI 302-1] Energy consumption<sup>26</sup>

Type of energy consumption (expressed in GJ/year)	2018			2019			2020		
	Italy	French Guiana	Total	Italy	French Guiana	Total	Italy	French Guiana <sup>27</sup>	Total
Electric energy consumption	90,430.13	64,521.29	<b>154,951.42</b>	92,989.65	68,569.99	<b>161,559.64</b>	89,315.82	67,690.70	<b>157,006.52</b>
Non-renewable	90,430.13	64,521.29	<b>154,951.42</b>	92,989.65	68,569.99	<b>161,559.64</b>	89,315.82	67,690.70	<b>157,006.52</b>
Renewable	-	-	-	-	-	-	-	-	-
Thermal energy consumption	233,591.69	-	<b>233,591.69</b>	227,708.75	-	<b>227,708.75</b>	214,049.12	-	<b>214,049.12</b>
Non-renewable	233,591.69	-	<b>233,591.69</b>	227,708.75	-	<b>227,708.75</b>	214,049.12	-	<b>214,049.12</b>
Renewable	-	-	-	-	-	-	-	-	-
Diesel	2,341.24	3,075.79	<b>5,417.03</b>	2,174.47	2,737.12	<b>4,911.59</b>	2,079.10	2,498.46	<b>4,574.89</b>
<b>Total</b>			<b>393,960.14</b>			<b>394,179.98</b>			<b>375,630.53</b>

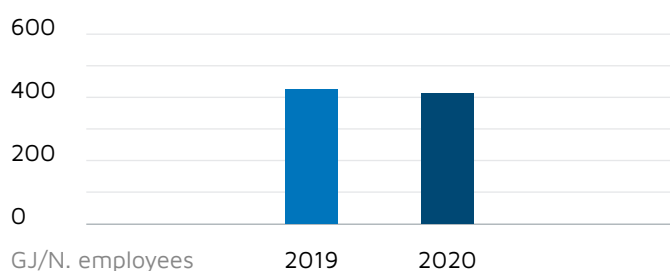
<sup>26</sup> For electricity and heat, the conversion coefficient used is 0.0036 GJ / kWh [Source: GRI Sustainability Reporting Guidelines, Version 3.1]. For Diesel, the conversion coefficient has been updated: 1 L = 0.0381 GJ (Source: DEFRA 2020 - Diesel Average Biofuel Blend), which is however equal to coefficient used for 2019 (1 L = 0.0381 GJ [Source: Defra 2019 - Diesel average biofuel blend]).

<sup>27</sup> The data regarding to Regulus company.



**Electric and thermal energy consumption (GJ/year)****Diesel consumption (GJ/year)****[GRI 302-3] Energy intensity**

Energy intensity	2019			2020		
	Italy	French Guiana	Total	Italy <sup>28</sup>	French Guiana <sup>29</sup>	Total
Total energy consumption (GJ) /number of employees	389.47	672.71	<b>421.58</b>	364.49	723.60	<b>401.74</b>

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

The energy consumption recorded in 2020 at Colleferro plant is comparable with those of 2019 and no particular interventions have been implemented.

Electricity consumption is slightly down in 2020 compared to 2019 due to the phase-out of Ariane 5 program: the rationalization uses of some particularly energy-intensive processing rooms, linked to production of the Ariane 5 boosters has allowed a reduction in electricity consumption.

The main sources of energy consumption are the production rooms in which in many of them, for process reasons, it is necessary to maintain certain values of temperature and humidity. Therefore, the external climatic conditions, both winter and summer, could greatly affect the total absorptions recorded in the year. In fact, in 2020, regarding thermal energy, savings were made thanks to a less rigid climate during the months of winter. As far as electricity is concerned, consumption was slightly reduced thanks to the rationalization of a particularly energy-intensive room.

The drop-in consumption in French Guiana is consistent with the production schedule affected by the Health Crisis.

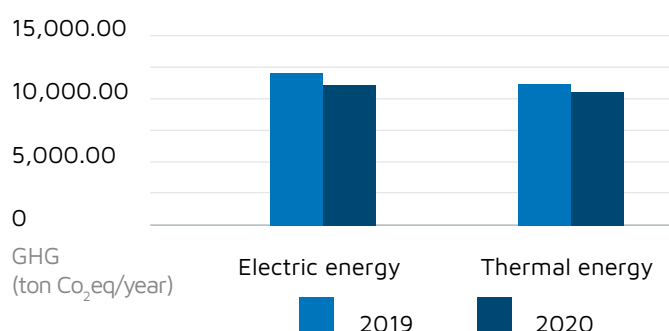
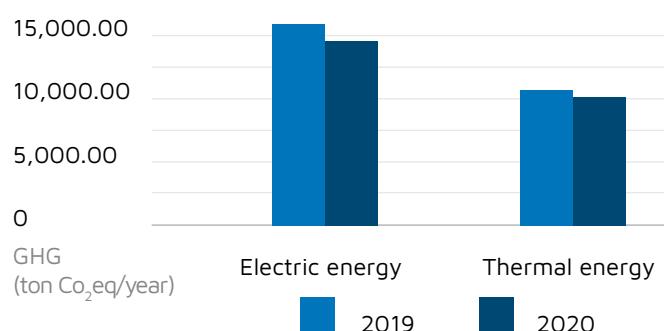
The data relating to the energy consumption of Avio Guyane, for the period of activity of the plant (February-December 2020) are not available, as the monitoring system in place does not allow to detect the precise data or make accurate estimates. There The Company has undertaken to implement a reporting system that can allow the collection of data relating to consumption energy of 2021, which will be disclosed in the next Non-Financial Statement of the Group.

<sup>28</sup> The data regarding to Italy does not include Avio France. The data regarding to French Guiana does not include Regulus.

<sup>29</sup> The data regarding to Regulus company.

**[GRI 305-2] Indirect GHG emissions by type (Scope 2)<sup>30</sup>**

Indirect GHG Emissions* by type of energy consumption (expressed in tons CO <sub>2</sub> eq/year)	2018			2019			2020		
	Italy	French Guiana	Total	Italy	French Guiana	Total	Italy	French Guiana <sup>31</sup>	Total
Location based									
Electric energy	9,043.01	2,778.00	<b>11,821.01</b>	9,273.13	2,990.41	<b>12,263.55</b>	8,336.14	2,670.02	<b>11,006.16</b>
Thermal energy	12,163.64	-	<b>12,163.64</b>	11,136.22	-	<b>11,136.22</b>	10,263.06	-	<b>10,263.06</b>
<b>Total</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>	<b>18,559.20</b>	<b>2,670.02</b>	<b>21,269.23</b>
Market based									
Electric energy	11,970.19	2,778.00	<b>14,748.19</b>	12,579.43	2,990.41	<b>15,569.85</b>	11,561.44	2,670.02	<b>14,231.46</b>
Thermal energy	12,163.64	-	<b>12,163.64</b>	11,136.22	-	<b>11,136.22</b>	10,263.06	-	<b>10,263.06</b>
<b>Total</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>	<b>21,824.50</b>	<b>2,670.02</b>	<b>24,494.52</b>

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

<sup>30</sup> 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 2020 the emission factor used for electricity has been updated [for Italy: 366 gCO<sub>2</sub>/kWh. Source: Terna 2018 "International Comparisons"; for French Guiana, in line with 2019, it was used the coefficient relative to Brazil: 142 gCO<sub>2</sub>/kWh. [Source: Terna 2018 "International Comparisons"] compared to the one used for the year 2019 [for Italy: 359 gCO<sub>2</sub>/kWh. Source: Terna 2017 "International Comparisons"; for French Guiana, it was used the coefficient relative to Brazil: 157 gCO<sub>2</sub>/kWh. Source: Terna 2018 "International Comparisons"]. The emission coefficient for thermal energy for Italy has been updated [172.61gCO<sub>2</sub>eq/kWh. Source: DEFRA 2020] compared to 2019 [176.06 gCO<sub>2</sub>eq/kWh. Source: DEFRA 2019]. 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 2020 equal to 466 gCO<sub>2</sub>eq/kWh, [Source: European residual mixes 2019, AIB]; for 2019: 487 gCO<sub>2</sub>eq/kWh, Source: European Residual Mixes 2018, AIB]. In line with 2019, for French Guiana was used the coefficient of Brazil provided by Terna: 157 gCO<sub>2</sub>/kWh [Source: Terna 2018: "International comparisons"]. For thermal energy, the emission coefficient for Italy has been updated: 172.61 gCO<sub>2</sub>eq/kWh [Source: DEFRA 2020] for 2019: 176.06 gCO<sub>2</sub>eq/kWh. [Source: DEFRA 2019]. 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.

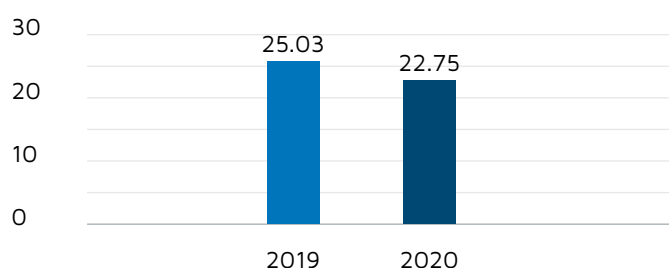
<sup>31</sup> The data regarding to Regulus company.

**[GRI 305-4] Emission intensity<sup>32</sup>**

Emission intensity	2019			2020		
	Italy	French Guiana	Total	Italy	French Guiana	Total
Total GHG Emissions (tCO <sub>2</sub> eq) /number of employees	24.62	28.21	<b>25.03</b>	22.19	27.53	<b>22.75</b>

The Group has also estimated the environmental impacts deriving from employee travel for professional reasons. The CO<sub>2</sub> emissions associated with employee travel with cars belonging to the company fleet amounted in 2020 467.423102 tCO<sub>2</sub>eq / l (138.76 relating to Italy and 328.66 relating to French Guiana), an increase of 39% compared to 2019 (333.99 tons CO<sub>2</sub>eq).

With reference to polluting emissions into the atmosphere, production process of the companies does not lead to the production of Nitrogen (NOx) or Sulfur oxides (SOx). The only sources of emissions are represented by auxiliary engines of the site where Regulus operates, in which monitoring is not foreseen and the responsibility lies with the site manager in French Guiana. Related information the other emissions were provided by the companies in line with units of measurement required by local regulations and communicated to competent authorities (for Avio S.p.A. the average concentration in mg/Nm<sup>3</sup> while for Regulus it is measured in kg/year).

**Emission intensity - Total GHG Emissions\***  
**(ton Co2eq/year)/employees**
**[GRI 305-7] Significant air emissions**

Significant pollutants (expressed in mean concentration mg/Nm <sup>3</sup> )	2018	2019	2020
	Italy		
Volatile organic compounds (VOC)	1.32	2.30	1.61
Particulates	0.53	0.62	0.34
<b>Total</b>	<b>1.85</b>	<b>2.92</b>	<b>1.95</b>

<sup>32</sup> The emission intensity is calculated on the emissions of Scope 2 Location-Based. The data relating to employees for Italy do not include Avio France. The data relating to the French Guiana refer only to Regulus.

**[GRI 305-7] Significant air emissions<sup>33</sup>**

Significant pollutants (expressed in Kg/year)	2018	2019	2020
	French Guiana		
Volatile organic compounds (VOC)	3,100	1,685	993
<b>Total</b>	<b>3,100</b>	<b>1,685</b>	<b>993</b>

Atmospheric emissions deriving from plant activities are controlled regularly and in accordance with the provisions of the law, thanks to suction and pollutant abatement systems. Self-control analyzes of pollutant concentrations are carried out, as per the authorization requirements.

The value of the average VOC concentration is in line with the requirements, significantly below the limits established by the AIA. The 2020 trend is decreasing compared to 2019.

It should be noted that the 2020 figure takes into account the evolution that the Company is having with the transition to production of the new Vega C and Ariane 6 programs and, therefore, of the new modulation of emissions and of the systems (chimneys) connected to them. In fact, during the year, some systems were replaced by the implementation of new ones such as the fireplaces: E2, E7, E46.

Related to the emissions of relevant pollutants by Regulus, the quantities are much lower than last year because there was a slightly lower production; however still a reduction in the consumption of diesel (129,089 L in 2020 against 140,000 L in 2019), but also of MEK and methanol which are the main emitters of VOCs to Regulus. As regards the Avio Guyane company, the aspects relating to atmospheric emissions in the 2020 period load of the plant, no emissions into the atmosphere were produced.

## 10.2. Management of water resources

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

- industrial water: supplied by the Società Consortile Servizi Colleferro (SC), through withdrawal from the Sacco river and from the authorized wells 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 the legal limits, it is introduced into the industrial water network, allowing the reduction of natural water withdrawals;
- fire-fighting water: supplied by the Consortium Company (SC) and accumulated in water basins which constitute the emergency reserve;
- drinking water: supplied by the Consorzio delle Acque Potabili (CSAP), participated by Avio S.p.A. and Se.Co.Sv.Im., which manages the wells of drinking water from the deep aquifer, whose authorization belongs to Se.Co.Sv.Im..

<sup>33</sup> Data estimated on the basis of the quantities of material used and the product specifications.

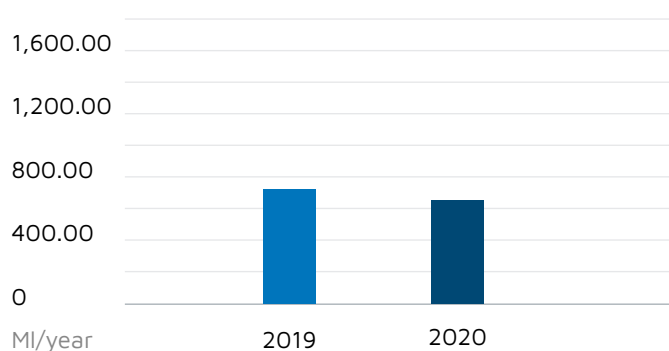
At the foreign company Regulus, all water resource management activities are subject to regular checks by the Direction de l'Environnement, de l'Aménagement et du Logement (DEAL) in order to obtain and / or maintain the necessary authorizations to operate.

In 2020, the water consumed in French Guiana (excluding Avio Guyane) and Italy amounted to 3.6 megaliters and 614 megaliters respectively. The consumption in French Guiana increased following a leak in the water system, which was promptly repaired; however, consumption remains much lower than in 2017 thanks to the improvement activities carried out starting from 2018. In Italy, on the other hand, thanks to the water system improvement activities carried out starting from 2019, water consumption has significantly reduced. The special monitoring of water consumption will continue in order to consolidate the results and identify any future points for improvement.

#### [GRI 303-1] Water<sup>34</sup> withdrawal by source.<sup>35</sup>

Water withdrawal - sources in Megaliters	2019			2020		
	Italy	French Guiana	Total	Italy	French Guiana <sup>36</sup>	Total
Surface water	563.037	-	<b>563.037</b>	494.921	-	<b>494.921</b>
Ground water	116.278	-	<b>116.278</b>	119.24	-	<b>119.24</b>
Salt water						
Water produced	-	8.427	<b>8.427</b>	-	3.618	<b>3.618</b>
Third party						
<b>Total</b>	<b>679.315</b>	<b>8.427</b>	<b>687.742</b>	<b>614.161</b>	<b>3.618</b>	<b>617.779</b>

#### Group's Water Withdrawal



<sup>34</sup> Soft water.

<sup>35</sup> Starting from this year, we proceeded with the reporting of data relating to water consumption using the new Standard GRI 303, published by the Global Reporting Initiative (GRI) in 2018 to replace the version published in 2016. For this reason, the data for 2019 have been shown with respect to the requirements of the new indicator.

<sup>36</sup> The data regarding to Regulus company.

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. The wastewater undergoes an adequate treatment in the specific purification plants of the SC Company, according to the provisions of the law and in compliance with the authorizations of the Company itself.

After treatment, the wastewater, again by the Consortium Company, can be discharged into the surface water body of the Sacco river, or, as substantially implemented in 2020, sent back to the industrial water circuit entering the plant. In this way, in agreement with Avio and with the other consortium members, an effective circuit for the use of industrial waters was created, which maximizes their reuse after treatment by the SC Company, reducing the extraction from the Sacco river, with indirect benefit of reducing the consumption of water resources from natural sources.

For this reason, data relating to the Colleferro factory is not provided. Concerning Regulus, during 2020 the volumes of discharged water of industrial nature amounted to 0.89 ML, fully treated in two separate purification plants.

For Avio Guiana, water consumption calculated by the CNES for the Company in 2020 was equal to 0.28 ML.

### 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 recovery in 2020 is comparable with 2019, taking into consideration only the activities that fall within the perimeter of normal industrial management. Avio has adopted a series of mitigation actions in order to maintain high standards relating to the recovery of waste produced;
- about the separate waste collection has slowed down during 2020 due to COVID-19.

As regards the company Se.Co.Sv.Im., the management of waste, deriving mainly from the ordinary and extraordinary maintenance activities of the buildings, is entrusted to the Contracting Companies with maintenance interventions that provide for the regular disposal and / or recovery, through use of external companies authorized to transport according to the CER code to which they belong.

Regulus, based on the type of waste, defines the related treatment method with the collection body. For years, the French company has only had relations with two suppliers of these services, chosen based on reliability and efficiency of the processing service. In addition, it regularly conducts awareness campaigns on the correct differentiation of waste.

For Avio, waste management remains a subject of great attention. The constant commitment of the company continues in order to pursue continuous improvement. In this context, the revision of the mapping of the waste produced is inserted, which now has led to a reduction in the volumes of hazardous waste and will be completed in the course of 2021. The activity is in progress and requires verification of analytical classifications and ADR classifications.



In Italy, Avio has also introduced separate waste collection in its factories and has set itself the goal of adopting a plastic-free policy by gradually disposing of plastic bottles inside the beverage vending machines and inside the company restaurant. During 2020, due to COVID-19, this project slowed down due to the measures taken in the company to combat the spread of the pandemic. The same project will resume as soon as the state of emergency, both corporate and national, comes to an end.

In fact, in 2020, the Group (excluding Avio Guyane) generated 1,733.60 tons of waste, of which 356.38 tons (21%) related to hazardous waste and 1,377.22 tons (79%) related to non-hazardous waste. Avio Guiana produced a total of 13.067 tons of waste, of which 3.045 hazardous waste (divided into 0.447 tons destined for recycling and recovery and 2.598 tons destined for disposal) and 10.022 non-hazardous waste (divided into 1.035 destined for recycling and recovery and 8.987 tons destined for disposal).

The increase compared to last year mainly concerned non-hazardous waste in Italy. Specifically, it is attributable to a non-recurring activity of Avio Colleferro which generated a sharp increase in washing water relating to a new engine regeneration process. This process was the result of an analysis also based on environmental criteria, so it has been avoided that the casings of these products become waste, requiring, on the one hand, disposal as such and on the other hand, the production of new ones, but undergoing an additional washing step, with resumption of the subsequent phases of the cycle productive in a nominal manner. This qualified and authorized process made it possible to have only wastewater washing water delivered as non-hazardous waste to the contractor, instead of other types that they would have had greater impacts. The licensed contractor company subjects these waters to treatment, and then eventually reintroduces them in the water circuit. Therefore, it is not a question of landfill disposal but, in the end, of a water recovery after the aforementioned engine regeneration treatment.<sup>37</sup>

#### [GRI 306-2] Hazardous and non-hazardous waste by type of disposal method<sup>38</sup>

Total weight of waste (ton/year)*	2018			2019			2020		
	Italy	French Guiana	Total	Italy	French Guiana	Total	Italy	French Guiana <sup>39</sup>	Total
	Hazardous waste								
Recycling and recovery	47.08	71.78	<b>118.86</b>	3.75	18.94	<b>22.69</b>	1.61	29.38	<b>30.99</b>
Disposal	139.09	254.00	<b>393.09</b>	205.61	240.24	<b>445.85</b>	152.89	172.49	<b>325.38</b>
<b>Total hazardous waste</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>154.50</b>	<b>201.87</b>	<b>356.38</b>
	Non-hazardous waste								
Recycling and recovery	277.83	168.40	<b>446.23</b>	305.99	191.72	<b>497.71</b>	314.79	107.12	<b>421.91</b>
Disposal	14.42	72.11 <sup>40</sup>	<b>86.53</b>	12.96	53.12	<b>66.09</b>	879.04	76.27	<b>955.31</b>
<b>Total non-hazardous waste</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>1,194.83</b>	<b>183.39</b>	<b>1,377.22</b>
<b>Total waste</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>	<b>1,348.50</b>	<b>385.26</b>	<b>1,733.59</b>

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

<sup>37</sup> Avio's to compare data respect previous year, contribution of non-hazardous waste sent for disposal is made up as follows:

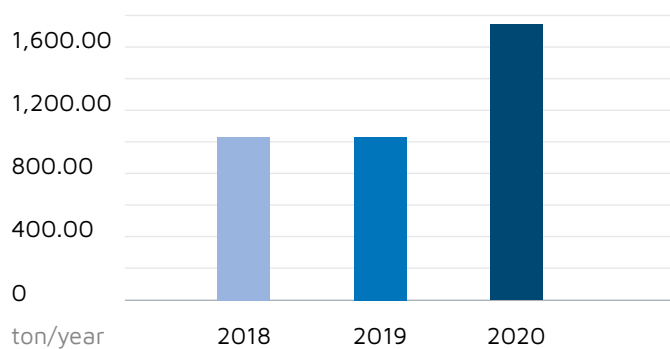
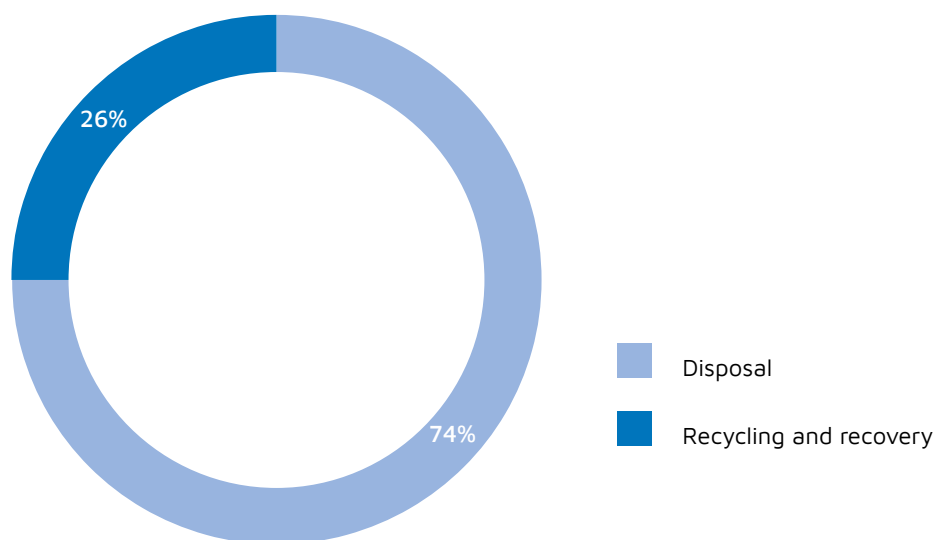
- 0.958 tons deriving from normal production activities, for a comparison consistent with the years 2019 and 2018 in the same perimeter.
- 878,080 tons deriving from non-recurring envelope regeneration activities.

The total consolidated non-hazardous waste, considering the same perimeter of the years 2018-2019 is therefore 855.51 tons.

<sup>38</sup> Thanks to improvement process of data collection, starting from 2019 the Airola plant was also included in the calculation of the Group's waste.

<sup>39</sup> The data regarding to Regulus company.

<sup>40</sup> Landfill disposal operations that disposal operations D9, D14 and D15.

**Group's Waste production (ton/year)****Waste by treatment method - 2020**

## 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, regarding 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 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 2020 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 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 2020 the 100% 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, in exception of Arpa 2, have been completed operationally and are awaiting the closure of the related administrative procedure by the competent bodies. Concerning 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 sustainability 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.

Finally, it should be noted that on 2 August 2019 the settlement agreement between the Avio Group and FCA Partecipazioni was signed S.p.A. on environmental charges. For further information, please refer to the paragraph "Settlement agreement with FCA Investments S.p.A. on environmental charges" contained in the Avio Group's 2019 Annual Financial Report.



## 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

These projects include sponsorships of the main sports associations in the area (Pallacanestro Colleferro, Piscina Colleferro,), to charitable associations and foundations, and to Cultural Associations and Schools (Museum of science and technology Milan; Civita Association; Summer School UniRoma).

Avio continues its social commitment, with the aim of redeveloping the local area. In collaboration with the municipality of Colleferro, a group activity was organized - in compliance with the rules on social distancing for the prevention of COVID-19 - with the aim of creating a flowerbed for the city of space

During difficult time of health emergency of COVID-19, the Company wanted to support the local community by donating 250,000 euros to the civil protection of Colleferro for the purchase of state-of-the-art hospital equipment for the Parodi Delfino Hospital. An additional 250,000 euros were donated to reinforce the principals of the Central Hospital of Kourou, in French Guiana.

Several initiatives were taken by the company during the crisis period:

- "Together for the Tor Vergata Polyclinic" is the initiative organized by EMA ROMA with Avio and Simmel Difesa, the initiative promotes the donation of blood which recorded a very high participation by employees; the three days for blood donation in July resulted in 45 actual donations: an important result for the currently situation that we are facing, thanks to our great civic sense, solidarity and participation in the different days;
- Avio donated 2,000 surgical masks, 10 packs of gloves, and 2,300 protective suits to support the surgical medical staff and allow them to better deal with the COVID-19 emergency.

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 access systems to space. With this in mind, the identification and implementation of investments in the field of research, innovation or new technologies on the national territory also continued, with the involvement of SMEs, universities and research institutions.

In particular, in 2020 Avio perfected relations with "La Sapienza" University through the participation in the first level of Master in "Management of the critical patient in catastrophic events", with the Politecnico of Milan through the research contract for the study of technological opportunities and related business impacts called "Space Economy 2020 Observatory", with the Luiss University to promote self-learning paths for Avio employees, as well with the Tor Vergata University and SDA Bocconi.

The company is active in the environment and territory and social inclusion also through various initiatives promoted in the context of development processes: sponsorship of the Master in Space Transport Systems organized by the University of Rome "La Sapienza" ; provision of scholarships for doctorates in technical disciplines; provision of internships / curricular internships for theses on technical disciplines through agreements with Italian and foreign universities; sponsorship of events (e.g. national and international conferences and workshops; sponsorship of educational visits for students in the degree course for technical disciplines; identification and implementation of investments in research, innovation or new technologies on the national territory, with the involvement of SMEs, Universities and Research Bodies.

Also, Avio perfected relations with the University of Rome "La Sapienza", with which the FIGI agreement was signed. This project aims to promote collaboration between the Faculty of Engineering of La Sapienza University and the world of large companies, governing in a structured way the various activities aimed at developing an updated training offer in line with the trend in demand for market. Within the project, AVIO will provide a point of view on the current aerospace industry, with a particular focus on propulsion and launch systems, collaborating in the development of innovative training courses aimed at covering the industrial demands of the near future. Furthermore, collaboration agreements are active at AVIO with the Polytechnic of Milan, the University of Padua and the University of Bologna (Forlì).

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.

Also, 2020 saw the intensification of collaboration with local authorities for development projects at the municipal, provincial and regional levels has revitalized its participation in the Community of European Space Cities, a non-profit association that brings together European urban centers home to industrial establishments that collaborate on the Ariane and Vega projects and which contribute to European independence of access to space. On 29 February, Avio signed the memorandum of understanding with the municipality of Colleferro, confirming its commitment with the municipal administration and the Lazio Region, to implement through specific action annual plans defined by a working group, a series of training and awareness-raising activities on aerospace, advanced technologies, research, innovation and business culture, also aimed at attract more investments in the area.

Additionally, Avio supported the Fertilization initiative of the opportunities of the territory, a project conceived and promoted by GLocal Italy for Colleferro, sponsored by the municipal administration and aimed at supporting the younger generations to leave their comfort-zone to accelerate the taking their own life and participate in building their future.

Avio employees joined the fundraiser in favor of Willy Duarte Monteiro family, victim of a terrible murder in Colleferro on the night between September 5 and 6. The initiative made it possible to raise the considerable amount of 13,700 euros.

Like last year, Avio, through the Launch BPD Club, organized the distribution of food parcels to 50 families in the municipalities of the Colleferro area to make their Christmas less cold and not make them feel completely abandoned.





## 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	Limitations	
Environmental	Energy consumption and emissions	Energy Emissions	Group; Society	The data relating to environmental impacts do not include Avio France S.a.S., as to date it does not manage any plant. The data relating to energy consumption does not include Avio Guyane S.a.S..	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 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

## 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, 38-41 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. 40-41	
102-9	Supply chain description (activities, products, numbers of suppliers, suppliers breakdown by geographical area, order value).	pp. 64-66	
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. 27-31, 67-69	
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. 55,56	
<b>STRATEGY</b>			
102-14	Statement by the President and the CEO.	pp. 2-3	
102-15	Key impacts, risks and opportunities.	pp. 27-31	
<b>ETHICS AND INTEGRITY</b>			
102-16	Values, principles, standards, code of conduct and ethical code.	pp. 32-37; Code of Conduct, Charte Ethique.	

**GOVERNANCE**

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. 21-25	
102-24	Appointment criteria for members of the governing and control bodies.	pp. 22-23	
102-35	Remuneration policies.	pp. 46-47	

**STAKEHOLDERS ENGAGEMENT**

102-40	List of stakeholder involved.	pp. 12, 19-20, 55-57, 80-81	
102-41	Percentage of total employees covered by collective bargaining agreements.	p. 54 In 2020, 100% of employees is covered by collective bargaining agreements.	
102-42	Identification and selection process of the stakeholder to be involved.	pp. 12, 19	
102-43	Approach to stakeholder involvement.	pp. 12, 19	
102-44	Key and critical topics emerged from stakeholder involvement and related actions.	pp. 12, 19	

**REPORTING PRACTICE**

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 2020.	
102-51	Date of most recent report.	p. 5 The non-financial statement was published following the Opinion of external auditor (March 30, 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. 83-91	
102-56	External assurance.	pp. 94-96	

## 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, 82	
103-2	Management approach and its components.	pp. 34-37	
103-3	Evaluation of the management approach.	pp. 34-37	
205-1	Total number and percentage of operation areas assessed for risks related to corruption.	p. 37	
205-2	Communication and training about anticorruption policies and procedures.	p. 34-37	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 has achieved the goal during 2020. Regarding to Regulus, the ISO certifications and the Social and Fiscal regularity certificates are currently enhancing elements of the supplier selection process, to which will be added in the next two years the awareness and implementation of the principles of the Charte Etique.
205-3	Confirmed incidents of corruption and actions taken.	p. 37	

#### GRI 206: ANTI-COMPETITIVE BEHAVIOUR 2016

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	pp. 5, 34-37	
103-3	Evaluation of the management approach.	pp. 5, 34-37	
206-1	Total number of legal actions relating to unfair competition, anti-trust and monopolistic practices and related judgements.	p. 37	

**GRI 207: TAX 2019**

207-1	Tax strategy	pp. 24-25	
207-2	Tax Governance, control and risk management	pp. 24-25	
207-3	Tax stakeholder engagement	pp. 24-25	
207-4	Geographic reporting		Although the Group be aware of the individual data quantities e useful qualitative for the purposes of preparation of the CD. reporting Country by country, to publication date of this NFS it was not possible process and aggregate them to make them compliant compared to standards required by the GRI. Therefore they will be available starting from the following reporting.

**GRI 302: ENERGY 2016**

103-1	Explanation of the material topic and its boundary.	p. 14, 82	
103-2	Management approach and its components.	pp. 67-69	
103-3	Evaluation of the management approach.	pp. 67-69	
302-1	Energy consumption within the organization.	p. 69	The energy consumption of Avio Guyane SaS is currently not available as the monitoring system in place does not allow the precise data to be detected or accurate estimates to be made, the company undertakes to disclose this data in 2021, as well as the related emissions in the atmosphere.
302-3	Energy intensity.	p. 70	

**GRI 303: WATER 2018**

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	pp. 67-69,	
103-3	Evaluation of the management approach.	pp. 67-69,	
303-1	Interactions with water as a shared resource.	p. 74	
303-2	Management of water discharge-related impacts.	p. 74	
303-3	Water withdrawal	p. 74	

**GRI 305: EMISSIONS 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
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. 71	
305-4	Emission intensity.	pp. 71-72	
305-7	NOx, SOx, and other significant emissions.	pp. 72-73	

**GRI 306: EFFLUENTS AND WASTE 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	pp. 67-69, 75-76	
103-3	Evaluation of the management approach.	pp. 67-69, 75-76	
306-2	Total weight of waste by type and disposal method.	p. 76	

**GRI 307: ENVIRONMENTAL COMPLIANCE 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	pp. 34, 66-69, 77-78	
103-3	Evaluation of the management approach.	pp. 34, 67-69, 77-78	
307-1	Significant fines and non-monetary sanctions for noncompliance with environmental laws and/or regulations.	In 2020, 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, 82	
103-2	Management approach and its components.	pp. 38, 41-43	
103-3	Evaluation of the management approach.	pp. 38, 41-43	
401-1	Total number and rate of new employee hires and staff turnover by age, gender and geographical area.	pp. 41-43	

### GRI 402: LABOR/MANAGEMENT RELATIONS 2016

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	p. 54	
103-3	Evaluation of the management approach.	p. 54	
402-1	Minimum notice period for organizational (operational) changes and declaration of notice period in collective labor agreements (if present).	p. 54	

### GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	pp. 48-53	
103-3	Evaluation of the management approach.	pp. 48-53	
403-1	Occupational health and safety management system.	pp. 48-53	
403-2	Hazard identification, risk assessment, and incident investigation.	pp. 48-53	
403-3	Occupational health services.	pp. 48-53	
403-4	Worker participation, consultation, and communication on occupational health and safety.	pp. 48-53	
403-5	Worker training on occupational health and safety.	pp. 48-53	
403-6	Promotion of worker health.	pp. 48-53	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships.	pp. 48-53	
403-9	Work-related injuries.	p. 50	
403-10	Work-related ill health.	p. 50	

**GRI 404: TRAINING AND EDUCATION 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	pp. 43-46	
103-3	Evaluation of the management approach.	pp. 43-46	
404-1	Average hours of training by gender and employee category.	p. 45	

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

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	pp. 21-24, 38-41, 46-47	
103-3	Evaluation of the management approach.	pp. 21-24, 38-41, 46-47	
405-1	Diversity of governance bodies and employees breakdown by gender, age, minority or vulnerable groups and other indicators of diversity.	pp. 21, 38-41	
405-2	Ratio of basic salary and remuneration of women to men.	pp. 46-47	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.

**GRI 406: NON-DISCRIMINATION 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	pp. 32-33	
103-3	Evaluation of the management approach.	pp. 32-33	
406-1	Incidents of discrimination and corrective actions taken.	p. 33	

**GRI 412: HUMAN RIGHTS ASSESSMENT 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	pp. 31-32, 74-76	
103-3	Evaluation of the management approach.	pp. 31-32, 74-76	

412-3	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	p. 65	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 2022, postponing the previous target set for 2021 due to the slowdowns caused by the advent of the pandemic.
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#### GRI 413: LOCAL COMMUNITIES 2016

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	pp. 58-63, 67-69, 80-81	
103-3	Evaluation of the management approach.	pp. 58-63, 67-69, 80-81	
413-1	Percentage of operations with implemented local community engagement, impact assessments, and/or development programs.	pp. 77-78, 80-81	
413-2	Operations with significant actual and potential negative impacts on local communities.	pp. 58-63	

#### GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	pp. 64-66	
103-3	Evaluation of the management approach.	pp. 64-66	
414-1	Percentage of new suppliers that were screened using social criteria.	p. 65	The Purchasing Department has achieved the goal during 2020. Regarding to Regulus, the ISO certifications and the Social and Fiscal regularity certificates are currently enhancing elements of the supplier selection process, to which will be added in the next two years the awareness and implementation of the principles of the Charte Etique.

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

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	pp. 58-63	
103-3	Evaluation of the management approach.	pp. 58-63	
416-1	Percentage of categories of products and services for which health and safety impacts of customers are assessed.	p. 59	

**GRI 418: CUSTOMER PRIVACY 2016**

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	pp. 62-63	
103-3	Evaluation of the management approach.	pp. 62-63	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	p. 63	

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

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	p. 34-37	
103-3	Evaluation of the management approach.	p. 34-37	
419-1	Monetary value of significant fines for noncompliance with laws and/or regulations concerning the supply and use of products or services.	p. 37	

**INNOVATION**

103-1	Explanation of the material topic and its boundary.	pp. 14, 82	
103-2	Management approach and its components.	pp. 55-57	
103-3	Evaluation of the management approach.	pp. 55-57	



Launch of Vega from Kourou in French Guiana

For further inquiries on the topics and 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 Colleferro (RM) – Italy



# 14. Auditor's report

# Deloitte.

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## 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, 2020 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 19, 2021 (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 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.

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. 03040560166 - R.E.A. n. MI-1720239 | Partita IVA: IT03040560166

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### 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.

### 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.





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#### 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., Avio Guyane S.a.S. 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., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out remote meetings, 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, 2020 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 Legrottaglio**  
 Partner

Rome, Italy  
 March 31, 2021

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





