



REMUNERATION POLICY AND REPORT

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

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Approved by the Board of Directors on March 19, 2021

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Letter of the Chairperson of the Appointments and Remuneration Committee

Dear Shareholders,

In my capacity as Chairperson of the Appointments and Remuneration Committee, and also on behalf of the Committee and the Board, I am proud to present you with the "*Remuneration Policy and Report*" of Avio for 2020.

On May 6, 2020, the Shareholders' Meeting appointed Avio's new Board of Directors, which will be in office until the date of the Shareholders' Meeting called to approve the 2022 Annual Accounts. The Appointments and Remuneration Committee is now composed, in addition to myself, of Monica Auteri and Donatella Isaia.

The year 2020 was marked by the outbreak of the COVID-19 pandemic, which had a significant impact on the Company's operations. Avio's management and employees were able to demonstrate great responsiveness and concentration, allowing the Company to achieve some important objectives in a particularly challenging environment. As early as last March, the management, demonstrating team spirit, decided voluntarily to defer the disbursement of the 2017-19 long-term incentive, in view of the particularly uncertain scenario, in order to contribute to the maintenance of adequate liquidity levels at the Company.

Remuneration is an effective tool to align the interests of top management to those of the shareholders, contributing to the pursuit of corporate strategy and long-term interests, as well as to the sustainability of the Company. The ability to attract, retain and motivate top management is a key factor for any company which, like Avio, operates in a highly-specialised sector requiring constant and rapid alignment to the requirements imposed by the market and technological development.

In this perspective, the Committee prepared and submitted for the approval of the Board of Directors a remuneration policy for 2021 (illustrated in the first section of this Report), in line with the corporate context of Avio and with the strategic objectives outlined in the Industrial Plan. The remuneration policy for 2021 defined by Avio aims at pursuing the sustainable success of the business. The intent is to design a corporate strategy that is not only focused on economic, financial and equity results, but that is also able to make the most of human, social, relational and environmental capital, inspiring its corporate policies to sustainability, neutrality, inclusiveness and encouragement of equal opportunities.

In addition, the remuneration policy reflects the path initiated by the Committee in 2019 in order to take account of national and international best practices, the vote expressed by the shareholders during the Shareholders' Meeting of April 29, 2019 in relation to the remuneration policy for the year 2019, as well as the ongoing dialogue with investors.

As explained in greater detail below, the new policy is substantially in line with that of the previous year, increasing the level of transparency.

In order to implement Directive (EU) 2017/828 on the encouragement of long-term shareholder engagement ("SHRD 2"), by means of Resolution No. 21623 of December 10, 2020, Consob amended Consob Regulation No. 11971 of May 14, 1999, concerning the regulation of issuers ("**Issuers' Regulation**"), with respect to, *inter alia*, the regulation of remuneration transparency. Therefore, in the Report further data and information are provided in compliance with the amendments introduced to Scheme 7-*bis* of Annex 3A to the Issuers' Regulations.

In conclusion, the Appointments and Remuneration Committee considers that the remuneration policy described in this Report takes into consideration the recommendations of Company stakeholders in order to incentivise the achievement of strategic objectives by the Company and to align the interests of the members of corporate boards and top management to the overriding objective of creating sustainable value for

shareholders in the long-term. To this end, it should be recalled that top management is directly involved in business risk by means of holdings in the share capital of Avio S.p.A. These are held through the investment vehicle In Orbit S.p.A. which, to date, represents 4.1% of share capital at December 31, 2020, and is the third largest shareholder of the Company. Moreover, this equity investment has increased over time from 3.7% at the time of listing to the current 4.1%, demonstrating the alignment of interests between management and shareholders in relation to business risk.

INTRODUCTION

This Report was prepared by Avio in accordance with Article 123-ter of the CFA, Article 84-quater of the Issuers' Regulation and Annex 3, Scheme No. 7-bis - recently updated - in addition to, on the basis of self-regulation, Article 5 of the Corporate Governance Code, of which Avio complies with the majority of its provisions.

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

Section I outlines the Remuneration Policy adopted by the company for Financial Year 2021, with regards to the following parties:

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

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

The Remuneration Policy was approved by the Board of Directors on March 19, 2021, on the proposal of the Appointments and Remuneration Committee. As resolved, the Remuneration Policy will be updated on an annual basis.

The drafting of the Remuneration Policy as regards the comparisons of the remuneration of the Chief Executive Officer/General Manager, the members of the Board of Directors and Company Committees, was supported by Willis Towers Watson, a leading human resources development and organisation consultancy firm, with reference made to the remuneration policies of 35 Italian and European companies which are overall comparable to Avio and, particularly, to the following more significant peers belonging to the STAR segment, Italian Stock Exchange of Borsa Italiana: Bologna Airport, Brembo, Fiera di Milano, Cairo Communication, Interpump Group, IMA, Mondadori, Elica, ERG, Cementir, Datalogic, Gefran, BIESSE, Exprivia, Unieuro, OpenJobMetis and Prima Industrie.

As regards the assessments in relation to the remuneration of Senior Executives, the Company was supported by the Korn Ferry consultancy firm and utilised the Top Executive Italia market as a reference. This includes people in Top Management positions in Italian companies operating in comparable sectors to Avio.

Section II of the Report for the year 2020 outlines each of the items comprising the remuneration of the individuals listed at points (i), (ii) and (iii), as well as an analysis (in a specific table) of the remuneration paid to these parties, in any regard and in any form by the Company or by its subsidiaries in 2020, in addition to remuneration not yet paid at the Report approval date, although relating to 2020. In addition, a comparison for the years 2019-2020 between the change in compensation for members of the Board of Directors and the Board of Statutory Auditors, employee compensation and the Company's performance is shown.

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

This Report is sent to Borsa Italiana and is made available to the public at the registered office of Avio (via Leonida Bissolati 76, Rome) and on the company's website www.avio.com "Corporate Governance" section, at least twenty-one days before the Shareholders' Meeting called to approve the 2020 Annual Accounts.

On March 19, 2021, Avio's Board of Directors resolved to submit: (i) Section I of the Report on the 2021 Remuneration Policy to a binding vote of the Shareholders' Meeting; and (ii) Section II on compensation paid in 2020 to an advisory vote.

EXECUTIVE SUMMARY

Introduction

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

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

In confirmation of the strategic nature of the Group's sustainability objectives, it should be noted that a specific internal Board Committee was set up in 2020 to guarantee alignment between the Group's strategic and sustainability objectives. Management has also expressed its continuing commitment to transparently communicating sustainability performance through the preparation of the Non-Financial Statement, which Avio has published since 2018.

Principles of Avio's remuneration

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

- this policy seeks to attract, retain and motivate individuals of high professional standing, with particular regard to key positions for the development and management of the business;
- a link with company's performance and risk profile;
- the alignment of the interests of Company Management with the pursuit of the objective to contribute to the corporate strategy, to create value for shareholders over the long-term and to achieve sustainable performance over time.

Key performance drivers

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

		Profitability and value for shareholders	Financial solidity	Value for the shareholders
Our objectives		Capacity to achieve results in short and medium-term, maximising return on investments	Maintain an adequate level of liquidity for current operations and an adequate cash flow	Implement Avio's sustainability strategy
Indicators adopted in the incentive system	short-term	<ul style="list-style-type: none"> EBITDA Adjusted 	<ul style="list-style-type: none"> Net Financial Position 	
	long-term	<ul style="list-style-type: none"> EBITDA Reported 	<ul style="list-style-type: none"> Return on Capital 	<i>KPI</i> <ul style="list-style-type: none"> Waste Management Employee training <i>ESG</i> <ul style="list-style-type: none"> Gender Diversity Gender Pay Gap

Main changes in the 2021 Remuneration Policies

The 2021 Policies are substantially in continuity with the 2020 Policies.

The main changes introduced in the Report concern:

- in line with the new provisions of the Issuers' Regulations, the representation of the change in the last two years in the remuneration of the Chief Executive Officer/General Manager, members of the Board of Directors and the Board of Statutory Auditors, the remuneration of employees and the Company's performance (Section II);
- a description of the exceptions in the application of the 2020 Policies, consistent with what is defined in those Policies, as a result of the COVID-19 pandemic (Section II);
- the illustration of the actual pay mix of CEOs/GMs and Senior Executives (Section II);
- interventions aimed at making Avio's Policies clearer and more transparent, such as the simplification of the Executive Summary, greater detail in the explanation of the mechanisms to which the short-term variable component of remuneration is linked (Section I), a higher degree of disclosure concerning the achievement of the objectives foreseen for Senior Executives with reference to the annual incentive plan.

2021 Remuneration Policy at a glance

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

Member	Features and parameters
<p>Fixed remuneration component</p> <p><i>This is the fixed component, determined by taking into account the breadth and strategic nature of the role held.</i></p>	<p>This is determined in consideration of the role - measured through the application of an independent evaluation methodology of the roles (Hay Method) - its characteristics, individual expertise, and market practices for comparable positions.</p> <ul style="list-style-type: none"> ▪ CEO/GM: gross fixed remuneration of Euro 448,000, in line with the median of the benchmark considered
<p>Short-term variable component</p> <p><i>Provides for the payment of a monetary bonus on the reaching of the pre-set annual objectives.</i></p>	<p><u>Beneficiaries:</u></p> <ul style="list-style-type: none"> ▪ Chief Executive Officer/General Manager ▪ Senior Executives ▪ <i>Managers</i> and key professionals <p><u>Size</u></p> <ul style="list-style-type: none"> ▪ CEO/GM: 75% of fixed remuneration for target performance; 100% of fixed remuneration for maximum performance ▪ SE: 24% of fixed remuneration for target performance; 58% of fixed remuneration for maximum performance (average values) <p><u>Performance Objectives</u></p> <ul style="list-style-type: none"> ▪ On/off conditions, valid for all beneficiaries: Adjusted EBITDA and Group Net Financial Position ▪ CEO/GM: Adjusted EBITDA and Net Financial Position ▪ SE: Group objectives and area/functional objectives that are primarily quantitative, economic/financial and operational. <p>Matured bonuses are subject to a claw-back clause.</p>
<p>Medium/long-term variable component</p> <p><i>Three-year monetary incentive plan, which provides for cycles of awards with annual frequency, each lasting three years.</i></p> <p><i>The adoption of a monetary plan was assessed by mainly taking account that management are already "shareholders" of Avio: in fact, through the Avio SpA shareholding held through In Orbit, management are considerably involved in business risk.</i></p>	<p><u>Beneficiaries:</u></p> <ul style="list-style-type: none"> ▪ Chief Executive Officer/General Manager ▪ Senior Executives ▪ other selected Managers with key roles within the Company. <p><u>Size</u></p> <ul style="list-style-type: none"> ▪ CEO/GM: 60% of fixed remuneration for target performance; 75% of fixed remuneration for maximum performance ▪ SE: 35% of fixed remuneration for target performance; 44% of fixed remuneration for

	<p>maximum performance</p> <p><u>Three-Year Performance Objectives:</u></p> <ul style="list-style-type: none"> ▪ Cumulative Reported EBITDA ▪ Three-year average Return on Invested Capital ▪ ESG objectives (Gender Diversity, Gender Pay Gap, Waste Management and Employee Training) <p>The plan includes a claw-back clause.</p>
<p>Benefits</p> <p><i>Non-monetary benefits in addition to those provided under the applicable contract defined in accordance with market practices</i></p>	<p>They include supplementary pensions, insurance coverage, mixed-use car</p>
<p>Compensation in the event of early termination of employment</p> <p>.</p>	<ul style="list-style-type: none"> ▪ CEO/MD: with regard to benefits in the case of termination of employment contract by the Company for any reason other than just cause, an all-inclusive gross amount will be recognised equal to two years of the sum of fixed remuneration and the short-term variable bonus (calculated as 100% of fixed remuneration). This amount is inclusive of mandatory contractual provisions relating to notice.¹ ▪ SE: The provisions of the national contract for industry Executives apply.
<p>Non-competition agreement</p>	<ul style="list-style-type: none"> ▪ A 12-month non-competition agreement is in place for the CEO/GM, which envisages payment of 6 months' fixed remuneration

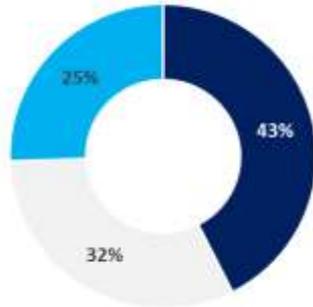
Pay-mix of the Chief Executive Officer/General Manager and Senior Executives

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

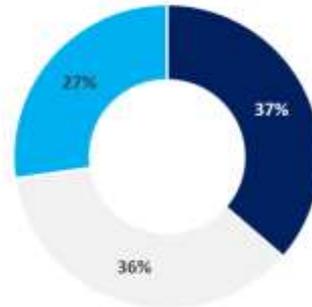
¹ As of the date of publication of this report, the number of months' pay provided by the national collective bargaining agreements for notice equals 8.

Chief Executive Officer/General Manager

Pay-mix - performance target

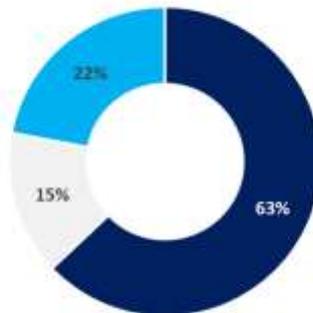


Pay-mix, maximum performance

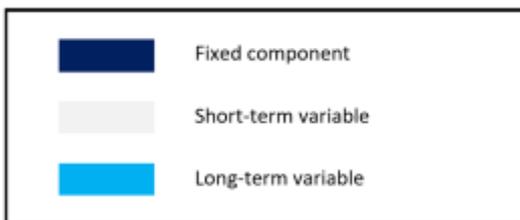
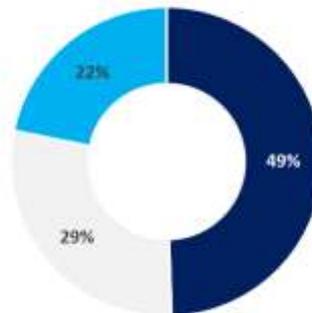


Senior Executives

Pay-mix - performance target



Pay-mix, maximum performance



Results of voting on 2020 Policies

Avio considers it fundamental to build and maintain an open dialogue with shareholders and stakeholders. The vote cast by shareholders is an element that is strongly considered in establishing the Policies. Certain aspects of the Avio Remuneration Policies were changed in 2020, taking account of the voting results on the 2019 Remuneration Report and the recommendations provided by shareholders during engagement.

The 2020 Shareholders' Meeting cast a binding vote on Section I of the Report, expressing 91.2% favourable votes of the total votes cast, and an advisory vote on Section II of the Report, expressing 95.3% favourable votes of the total votes cast.

SECTION I

The Remuneration Policy defines the principles and guidelines adopted by Avio for the remuneration of the members of the Board of Directors and Senior Executives. The Remuneration Policy was approved by the Board of Directors on March 19, 2021, on the proposal of the Appointments and Remuneration Committee. As resolved, the Remuneration Policy will be updated on an annual basis.

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

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

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

In addition, in 2020, the Sustainability Committee was set up, a new internal Board Committee composed only of Independent Directors whose task is to assist the Board of Directors with investigative functions, of a propositional and consultative nature, in the evaluations and decisions relative to sustainability issues falling within the remit of the Board, and whose work will constitute an important contribution to strengthening the link between the Remuneration Policies and Avio's sustainability strategy.

Shareholders' Meeting

The Shareholders' Meeting:

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

Board of Directors

The Board of Directors:

- (i) establishes internally an Appointments and Remuneration Committee;
- (ii) establishes the remuneration of the Executive Directors on the proposal of the Appointments and Remuneration Committee (and, where established, of the Related Parties Committee), with prior opinion from the Board of Statutory Auditors, within any remuneration established by the Shareholders' Meeting in accordance with Article 2389, paragraph 3 of the Civil Code and breaks down the fixed annual remuneration for execution of office, established in totality by the Shareholders' Meeting for Non-Executive Directors, as set out by Article 15 of the By-Laws;

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

Appointments and Remuneration Committee

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

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

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

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

The Appointments and Remuneration Committee consists of three Non-Executive Directors, independently appointed by Board of Directors' motion of April 14, 2020, namely:

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

At the time of their appointment, the Board of Directors positively assessed the Independent Directors Giovanni Gorno Tempini, Monica Auteri and Donatella Isaia as having adequate knowledge and expertise in

financial matters and experience in the field of remuneration policies. Until the date of the Shareholders' Meeting, the Appointments and Remuneration Committee was composed of the Chairman, Giovanni Gorno Tempini, Maria Rosaria Bonifacio and Stefano Ratti.

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

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

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

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

Where considered necessary or beneficial for the execution of its duties, the Appointments and Remuneration Committee may utilise outside remuneration policy consultants. In 2020, the Appointments and Remuneration Committee met on four occasions. The meeting attendance of Committee members is reported in the table at the bottom of Section 4.2.1 of the Corporate Governance and Ownership Structure Report, available on the company website www.avio.com, "Corporate Governance" section.

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

In 2020, the Committee business principally concerned:

- the definition of the Succession Plan for the Chief Executive Officer/General Manager;
- the preparation of the Diversity Policy (pursuant to Article 123-*bis*, CFA), in order to provide indications about the optimal composition of Avio's corporate boards in view of the renewal of the Board of Directors and Board of Statutory Auditors;
- the preparation of a Shareholders' Orientation Opinion on the size and qualitative composition of the Board for the three-year period 2020-2022, also taking into account the results of the Board's self-assessment process, in view of the renewal of the Board of Directors;
- the assessment and the monitoring of the adequacy, overall consistency and concrete application of the remuneration policy for Senior Executives, with reference to 2020;
- the assessment regarding the degree of annual performance objective achievement under the incentive system for 2020 and the setting of the objectives for 2021 for the Chief Executive Officer/General Manager and the Senior Executives;
- evaluation regarding the degree to which the performance objectives under the long-term incentive system for the 2018-2020 cycle have been achieved and the establishment of performance objectives for the 2021-23 award cycle;
- the drawing up of the proposal to the Board with regards to the 2021 Remuneration Policy;
- the re-evaluation of the annual performance objectives in the 2020 incentive plan for Avio's

employees receiving the annual variable bonus, including the Chief Executive Officer/General Manager and Senior Executives, in view of the revised budget, as a consequence of the COVID-19 pandemic, as better described in Section II of this Report.

Executive Director

The Executive Director is tasked with:

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

Board of Statutory Auditors

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

Independent Audit Firm

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

2. INDEPENDENT EXPERTS INVOLVED IN PREPARING THE REMUNERATION POLICY

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

3. REMUNERATION POLICY

3.1. OBJECTIVES AND PRINCIPLES OF THE REMUNERATION POLICY

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

- This policy seeks to attract, retain and motivate individuals of high professional standing, with particular regard to key positions for the development and management of the business, through a remuneration structure which recognises the value of the individual and their contribution to company growth.
- The link with the Company's performance and strategy: the remuneration recognises the achievement of individual and corporate performance objectives, referring to quantitative economic-financial indicators consistent with the objectives set by the Company's industrial, operational and sustainability plan. Objectives are set and measurable, and rewards are attributed according to the level of performance achieved.

- The alignment of the interests of Company management with the pursuit of the objective to create value for the shareholders and stakeholders of Avio over the long-term through an appropriately balanced system of fixed and variable components, on the basis of the strategic objectives and the risk management policy of the Company, and the setting of limits for the variable components which also reward results which exceed the assigned targets, the integration of objectives with the sustainability strategy of the Company.

In line with the above principles, the company shall propose to the Shareholders' Meeting of April 29, 2021 approval of this document.

3.2. OUTLINE OF THE REMUNERATION POLICY

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

In this regards, on June 28, 2017, the Board of Directors of the company, on the proposal of the Appointments and Remuneration Committee, identified - in light of the positions and respective roles held within the Group - the Senior Executives.

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

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

(i) DIRECTORS

All directors receive a fixed remuneration which appropriately compensates the work and commitment provided by the Directors to the company.

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

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

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

(a) NON-EXECUTIVE DIRECTORS

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

The remuneration of these Directors is not based on any financial results or specific objectives of the company and is commensurate with the commitment required, also in relation to participation on Board Committees, for which specific remuneration is allocated.

(b) EXECUTIVE DIRECTORS

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

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

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

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

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

For the Chief Executive Officer/General Manager, the value of the target bonus, with reference to the three assignment cycles within the scope of the 2020-24 Business Plan, is equal to 60% of fixed remuneration, with a maximum value of 75%.

With reference to the previous assignment cycles:

- the value of the target bonus was 72% of fixed remuneration for the 2017-2019 assignment cycle to provide more emphasis on the start-up phase of the long-term incentive plan;
- for the 2018-2020 and 2019-2021 assignment cycles, the value of the target award is 54% of fixed remuneration.

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

For a description of the short-term variable component and of the long term component of the remuneration of the Chief Executive Officer/General Manager, reference should be made to Paragraph 3.3.

(ii) BOARD OF STATUTORY AUDITORS

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

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

(iii) SENIOR EXECUTIVES

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

The remuneration of Senior Executives is composed of:

- a *fixed component*: this component takes into account the breadth and strategic relevance of the role played and the distinctive subjective characteristics and strategic skills of the beneficiary, in addition to market practice for comparable positions. The amount is sufficient to remunerate the service also in the case of the non-reaching of the performance objectives upon which the variable remuneration component is based; Based on the Korn Ferry research, the fixed component is positioned within the first reference quartile;
- a *short-term variable component*: the purpose of this component is to encourage management to work towards the achievement of annual targets that maximize the Avio Group's value, in line with shareholders' interests. This component is conditional upon reaching a minimum performance threshold with respect to the annual targets set by the Board of Directors, upon proposal by the Appointments and Remuneration Committee. The indicators used to define the annual business performance targets (and to calculate the actual amount of the short-term variable component) are the Group's financial and earning parameters. Each Executive is also assigned individual objectives specifically related to specific areas of responsibility, measured according to predominantly quantitative, financial and earnings indicators, or operating indicators. In determining the short-term variable component, the achievement of business results and individual/area/function results are therefore combined.

The average value of the annual variable component for Avio Senior Executives is 24% of the fixed remuneration on achievement of targets, with a maximum amount (capped) of 58% of the fixed remuneration.

No forms of discretionary variable remuneration are envisaged.

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

The value of the target bonus is 35% of fixed remuneration with respect to the three assignment cycles

under the 2020-24 Plan, with a maximum value of 44%.

With reference to the previous assignment cycles:

- the value of the target bonus was 42% of fixed remuneration for the 2017-2019 assignment cycle to provide more emphasis on the start-up phase of the long-term incentive plan;
 - for the 2018-2020 and 2019-2021 assignment cycles, the value of the target award is 31.5% of fixed remuneration.
- *fringe benefits*: fringe benefits concern the supply of goods and/or services assigned in accordance with market practice and as per applicable legislation. In particular, the Senior Executives of Avio, in addition to the benefits under the Industry Executives Collective Bargaining Agreement, are assigned a company car and supplementary life and total and permanent invalidity accident insurance.

For the description of the short-term variable component and the long-term variable component for Senior Executives, reference should be made to Paragraph 3.3.

3.3. VARIABLE REMUNERATION COMPONENT

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

3.3.1 SHORT-TERM VARIABLE COMPONENT

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

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

The right to receive a variable bonus is conditional upon achieving a minimum performance threshold with respect to the company's predetermined objectives. The business performance indicators used are the Group's Adjusted EBITDA and Net Financial Position, each equally weighted. For both of these parameters, business objectives are set with respect to the budget approved by the Board of Directors.

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

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

- a **minimum performance** level (threshold) of 94% of the target value for Adjusted EBITDA and 89% for the Group Net Financial Position parameter, on achievement of which **40% of the fixed remuneration** is issued; no bonus is recognised under the threshold level;
- a **target performance** level, on the achievement of which the target bonus of 75% of the fixed remuneration is recognised;
- a **maximum performance** level of 106% of the target value for Adjusted EBITDA and 111% for the Group Net Financial Position parameter, on achievement of which the maximum value of the relative

bonus is recognised, equal to **100% of the fixed remuneration (cap)**.

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

Objective	Description	Weight	Performance scenarios		Bonus (% Gross Ann. Rem.)
Adjusted EBITDA	Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortisation) is a measure of the Company's profitability that is not affected by non-recurring items	50%	Minimum	<i>Budget target -6%</i>	40%
			Target	<i>Budget target</i>	75%
			Maximum	<i>Budget target + 6%</i>	100%
Net Financial Position	The indicator meets the need to measure management's ability to maintain a level of liquidity adequate for current operations during the reporting period	50%	Minimum	<i>Budget target -11%</i>	40%
			Target	<i>Budget target</i>	75%
			Maximum	<i>Budget target + 11%</i>	100%

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

The annual **average** theoretical bonus for Senior Executives is **24% of the fixed remuneration on achieving the target objectives**; the **maximum** amount (cap) is **58%** while the minimum amount is **13%** (corresponding to the threshold value below which no bonus is earned).

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

Objective	Description	Weight	Performance scenarios		Bonus (% Gross Ann. Rem.)
Adjusted EBITDA	Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortisation) is a measure of the Company's profitability that is not affected by non-recurring items	25%	Minimum	<i>Budget target -6%</i>	13%
			Target	<i>Budget target</i>	24%
			Maximum	<i>Budget target + 6%</i>	58%
Net Financial Position	The indicator meets the need to measure management's ability to maintain a level of liquidity adequate for current operations during the reporting period	25%	Minimum	<i>Budget target -11%</i>	13%
			Target	<i>Budget target</i>	24%
			Maximum	<i>Budget target + 11%</i>	58%
Specific function objectives	Quantitative objectives linked to economic-financial (e.g., costs) and/or operational and/or project indicators (e.g., project milestones). There are two or three objectives that fall into this category.	35-40%	Minimum		13%
			Target		24%
			Maximum		58%

Individual objectives	Qualitative objectives, e.g., assessment of managerial qualities, team management. There are one/two objectives that fall into this category.	10-15%	Minimum	13%
			Target	24%
			Maximum	58%

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

In the case of particularly challenging annual goals, the Board has the discretion to define a (de)multiplier that may increase or decrease the value of the final bonus paid. The demultiplier is defined consistently with the level of achievement of the annual targets in terms of Adjusted EBITDA and Net Financial Position of the Group, as represented below. The adoption of the (de)multiplier does not in any case change the maximum values of the bonuses payable, equal on average to 58% of the fixed remuneration for Senior Executives and 100% of the fixed remuneration for the Executive Director and General Manager.

Indicator	Description	Weight	Performance scenarios	(de)multiplier
Adjusted EBITDA	Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortisation) is a measure of the Company's profitability that is not affected by non-recurring items	50%	Minimum <i>Budget target -6%</i>	0.9
			Target <i>Budget target</i>	1
			Maximum <i>Budget target + 6%</i>	1.35
Net Financial Position	The indicator meets the need to measure management's ability to maintain a level of liquidity adequate for current operations during the reporting period	50%	Minimum <i>Budget target -11%</i>	0.9
			Target <i>Budget target</i>	1
			Maximum <i>Budget target + 11%</i>	1.35

The annual incentive plan includes a **claw-back** clause which permits the recovery in the 5 years subsequent to issue of amounts issued on the basis of manifestly erroneous or false data.

Upon the occurrence of extraordinary events that render the performance scenarios used to formulate the targets set in the plan essentially out of date, the Company's Board of Directors may, by proposal of the Appointments and Remuneration Committee, make the corrections to those targets required to ensure that the plan's substantial and economic contents remain unchanged. For the purposes of the above, "extraordinary events" are defined as: (i) events of an extraordinary and/or non-recurring nature and/or not attributable to the core business of the Avio Group (including, without limitation, acquisitions or disposals of equity investments or business units) considered of particular importance and/or currently not provided for in company planning that entail a significant change in the scope of the Company or the Avio Group; (ii) significant changes in the macroeconomic and/or competitive scenario or other extraordinary factors with a significant impact beyond the actions within the management's control; and/or (iii) significant events, not only of an economic or financial nature, such as those arising from the Covid-19 health emergency. Any changes to performance targets must safeguard the principles and guidelines according to which the plan has been formulated by not introducing undue advantages or penalties for either the beneficiaries of the plan or the Company.

3.3.2 LONG-TERM VARIABLE COMPONENT

2020-2024 Incentive plan

On March 25, 2020, the Board of Directors approved the new 2020-2024 incentive Plan, whose beneficiaries are the Chief Executive Officer/General Manager, Senior Executives and other Senior Managers.

The Plan is divided into three assignment cycles, starting in 2020, 2021 and 2022 respectively, and provides for the payment of a monetary bonus at the end of a three-year performance period, based on the degree of achievement of predetermined objectives. The choice of a cash plan was made in consideration of the fact that Avio's top management is already directly involved in the business risk through their participation in the capital of Avio S.p.A., held through the investment vehicle In Orbit S.p.A., which today represents 4.1% of the share capital.

The new long-term incentive Plan is linked to two cumulative three-year financial performance indicators of the Business Plan and ESG indicators.

For the new 2020-2022 Plan, the financial indicators are the cumulative three-year Reported EBITDA and the Return on Invested Capital², each with a weighting of 45%, and 4 ESG indicators each with a weighting of 2.5%, as follows: (i) Gender diversity³; (ii) Gender pay gap⁴; (iii) Waste Management⁵; (iv) Employee Training⁶.

There are a total of 14 beneficiaries of the first cycle of the 2020-2022 long-term incentive plan, including the Chief Executive Officer/General Manager and Senior Executives.

- With regard to the financial performance levels linked to the indicators outlined, it was decided to utilise the three-year target values of the Business Plan. For ESG indicators, it was decided to refer to the objectives approved by the Board of Directors during the assignment of cycles. In particular, the performance targets of ESG indicators are defined as a three-year average value

The following is established for each of the two financial indicators selected:

- a **minimum performance** level (threshold) of 90% of the target value for the cumulative three-year Reported EBITDA, 85% for the average three-year Return on Invested Capital, 90% for Gender Diversity, 96% for the Gender Pay Gap, 90% for Waste Management and 90% for Employee Training; no bonus is recognised below the threshold level;
- a **target performance** level, on the achievement of which the target bonus is recognised for each of the two indicators considered;
- a **maximum performance** level, equal to 110% of the target value for the cumulative three-year Reported EBITDA and 115% for the average three-year Return on Invested Capital, 110% for Gender Diversity, 102% for the Gender Pay Gap, 110% for Waste Management and 110% for Employee Training, on achievement of which the maximum relative bonus value (capped) is recognised.

On achieving the intermediary performance levels, the bonus value is calculated for the linear interpolation.

The performance levels are in line with that established by the Group's Business Plan.

The value of the **bonus** is:

- For the **Chief Executive Officer/General Manager** at **60% of fixed remuneration** for target results, **75% in the event of maximum performance, 45% in the event of minimum performance**;
- **Senior Executives** at **35% of fixed remuneration** for target results, **44% in the event of maximum**

² Defined as the Reported EBIT/Net Invested Capital.

³ Defined as the ratio between female employees / male employees.

⁴ Defined as the ratio between the remuneration of female employees / male employees in the same grade

⁵ Defined as the % of waste recovery.

⁶ Defined as the total number of hours of training performed.

performance, 26% in the event of minimum performance.

The following table shows the link between objectives and the bonus for the achievement of the minimum, target and maximum objective for the Chief Executive Officer (the value of the bonus is expressed as a % of the fixed remuneration) for each of the indicators set, each valid independently of the others, with reference to its relative weight:

Indicator	Description	Weight	Performance scenarios		Bonus
Cumulative three-year reported EBITDA	EBITDA (Earnings before interest, taxes, depreciation, and amortisation) Reported allows for a measurement of medium term profitability that does not take into account non-recurring components	45%	Minimum	<i>Budget target - 10%</i>	45%
			Target	<i>Budget target</i>	60%
			Maximum	<i>Budget target + 10%</i>	75%
Average Return on Invested Capital	Defined as the Reported EBIT/Net Invested Capital	45%	Minimum	<i>Budget target – 15%</i>	45%
			Target	<i>Budget target</i>	60%
			Maximum	<i>Budget target + 15%</i>	75%
ESG Indicators⁷	<ol style="list-style-type: none"> 1. Gender diversity: defined as the ratio between female employees / male employees. 2. Gender pay gap⁶: defined as the ratio between the remuneration of female employees / male employees in the same grade 3. Waste management: % of waste recovered 4. Employee training: defined as the total number of hours of training carried out. 	10%	Minimum	<i>Budget target – 10%</i>	45%
			Target	<i>Budget target</i>	60%
			Maximum	<i>Budget target + 10%</i>	75%

The following table shows the link between objectives and the bonus for the achievement of the minimum, target and maximum objective for the Chief Executive Officer (the value of the bonus is expressed as a % of the fixed remuneration) for each of the indicators set, each valid independently of the others, with reference to its relative weight:

Indicator	Description	Weight	Performance scenarios		Bonus
Cumulative three-year reported EBITDA	EBITDA (Earnings before interest, taxes, depreciation, and amortisation) Reported allows for a measurement of medium term profitability that does not take into account non-recurring components	45%	Minimum	<i>Budget target - 10%</i>	26%
			Target	<i>Budget target</i>	35%
			Maximum	<i>Budget target + 10%</i>	44%
Average Return on Invested Capital	Defined as the Reported EBIT/Net Invested Capital	45%	Minimum	<i>Budget target – 15%</i>	26%
			Target	<i>Budget target</i>	35%
			Maximum	<i>Budget target + 15%</i>	44%
ESG Indicators⁸	<ol style="list-style-type: none"> 5. Gender diversity: defined as the ratio between female employees / male employees. 6. Gender pay gap⁶: defined as the ratio between the remuneration of female employees / male employees in the same grade 7. Waste management: % of waste recovered 8. Employee training: defined as the total number of hours of training carried out. 	10%	Minimum	<i>Budget target – 10%</i>	26%
			Target	<i>Budget target</i>	35%
			Maximum	<i>Budget target + 10%</i>	44%

The long-term incentive plan includes a **claw-back** clause which permits the recovery of amounts issued on the basis of manifestly erroneous or false data in the 5 years subsequent to issue.

In the case of a change of control, the long-term incentive plan establishes an accelerated bonus assignment, with pro rata temporis reduction and on the basis of the degree to which the objectives linked to the maturation

⁷ The minimum and maximum performance range for the Gender Pay Gap, as an exception with respect to the other ESG indicators, is 96% at the minimum value and 102% at the maximum value

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

of the bonus are achieved.

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

For the purposes of the above, "extraordinary events" are defined as: (i) events of an extraordinary and/or non-recurring nature and/or not attributable to the core business of the Avio Group (including, without limitation, acquisitions or disposals of equity investments or business units) considered of particular importance and/or currently not provided for in company planning that entail a significant change in the scope of the Company or the Avio Group; (ii) significant changes in the macroeconomic and/or competitive scenario or other extraordinary factors with a significant impact beyond the actions within the management's control; and/or (iii) significant events, not only of an economic or financial nature, such as those arising from the Covid-19 health emergency.

Any changes to performance targets must safeguard the principles and guidelines according to which the plan has been formulated by not introducing undue advantages or penalties for either the beneficiaries of the plan or the Company.

2017-2021 Incentive plan

On June 28, 2017, the Board of Directors approved the establishment of a monetary long-term incentive plan. The plan comprises three cycles, respectively beginning 2017, 2018 and 2019 and establishes, for each cycle, the awarding to each beneficiary of a monetary bonus which will mature on achieving the performance objectives measurable over a three-year period; the bonus is issued only at the end of the three-year cycle. The long-term incentive plan table was defined with the support of the consultancy firm Korn Ferry, also as a result of peer benchmarking with comparable companies and taking account of the qualities of Avio's top management who hold a share of the company's risk capital. The latter circumstance, combined with the benchmarking results, prompted the adoption of a three-year monetary plan.

The beneficiaries of the first cycle of 2017-2019 long-term incentive plan numbered thirteen, including the Chief Executive Officer/General and four Senior Executives.

The beneficiaries of the second cycle of the 2018-2020 long-term incentive plan are the Chief Executive Officer/General Manager, four Senior Executives and a further ten Senior Managers.

Similarly to the third cycle, the beneficiaries of the 2019-2021 long-term incentive plan are the Chief Executive Officer/General Manager, four Senior Executives and a further ten Senior Managers.

The Plan was linked to financial targets. In particular, for the first 2017-2019 cycle, the indicators were the cumulative Adjusted EBITDA and the Operating Free Cash Flow, each with a weighting of 50%. For the 2018-2020 second cycle and the 2019-2021 third cycle, the financial indicators are the cumulative three-year Reported EBITDA and the cumulative three-year Operating Free Cash Flow, each with a weighting of 50%.

The value of the target bonus, with regards to the 2017-2019 cycle, was:

- for the Chief Executive Officer/General Manager, 72% of the fixed remuneration;
- for the Senior Executives, 42% of the fixed remuneration.

This amount is higher than for subsequent cycles in order to strengthen the incentive at the beginning of the plan. The value of the target bonus, for the 2018-2020 and 2019-2021 cycles, was:

- for the Chief Executive Officer/General Manager, 54% of the fixed remuneration;
- for the Senior Executives, 31.5% of the fixed remuneration.

4. POLICY UPON BENEFITS ON CONCLUSION OF OFFICE

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

The effects of the early resolution of contract on long-term incentives are described in paragraph 3.3.2.

Similar agreements governing *ex-ante* the financial aspects in the case of conclusion of office, or with regards to any early resolution of contract initiated by the company or by the interested party, are not in place for Senior Executives.

The Company reserves the right to enter into consulting or collaboration agreements after the termination of the employment relationship, aimed at preserving the transfer of know-how and business continuity.

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

SECTION II

PART 1

In the first part of Section II of this Report, the following information is provided regarding the implementation of the 2020 Policies:

1. The Impact of the COVID-19 Pandemic on the application of the Remuneration Policies
2. Adequate, clear and understandable disclosure on each of the items comprising compensation matured for the financial year 2020 in favour:
 - (i) of the members of the Board of Directors;
 - (ii) of the members of the Board of Statutory Auditors;
 - (iii) of the other Senior Executives (information provided at aggregate level);highlighting its compliance with the 2020 Policies and how compensation contributes to the Company's long-term results.
3. The Chief Executive Officer/General Manager's pay mix in application of the 2020 Policies
4. The change in the Company's remuneration and performance
5. The ratio between the CEO's remuneration and the employees' remuneration ("CEO pay ratio"), which is indicated by Avio on a voluntary basis

The remuneration policy in 2020, as verified by the Appointments and Remuneration Committee through the periodic assessment under the Self-Governance Code, was implemented in line with the general standards approved by the Board of Directors and shared by the Appointments and Remuneration Committee.

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

1. Impact of the COVID-19 Pandemic on the application of the Remuneration Policies

The year 2020 was impacted by the spread of the COVID-19 virus epidemic globally and, from the first half of 2020, by measures to contain the infection and generalised lockdown in Italy.

On March 24, 2020, Avio was authorised by the local government office to continue its industrial operations, and, therefore, operations continued, albeit not under normal conditions, due to the shutdown or slowdown of activities in the production chain suffered by Italian and international suppliers and sub-contractors. During the second quarter, the French Guiana Space Centre, from which all European launches are carried out, was closed due to the COVID-19 emergency with the effect of delaying all flight activities due to force majeure. This resulted in Avio concentrating on its internal activities during the first half of the year. In particular, Avio has taken prompt action to guarantee maximum protection of the health of its employees, suppliers and customers, adopting the highest safety standards and, where compatible with the type of activity carried out, also the use of flexible working methods.

In spite of operational and logistic complications and slowdowns caused by the health emergency, Avio continued to prepare the launches from the Kourou base during the first half of the year.

Considering the scenario of particular uncertainty resulting from the COVID-19 emergency, Avio's Top Management promptly decided, as early as March, to voluntarily defer to 2021 the payment of the three-year incentive related to the 2017-2019 assignment cycle, in order to contribute to the maintenance of adequate

liquidity by the Company.⁹

In addition, at the beginning of September, Avio's Board of Directors, with the positive opinion of the Appointments and Remuneration Committee and in compliance with the provisions of the Policies and Article 123-ter of the CFA, approved the application of a temporary exception to the provisions of the 2020 Policies. The application of the exception was driven by the exceptional nature of the COVID-19 health emergency, which caused negative, unforeseeable and wholly extraordinary effects on the business. The **exception related to the revision of the targets provided under the annual incentive plan consistent with the revised budget and new 2020 guidance approved by the Board on September 14, 2020**. The amendment was designed to safeguard the principles and guidelines according to which the incentive plan was formulated, not introducing undue advantages or penalties either for the beneficiaries of the incentive plan or for Avio. The Company's press release of September 14, 2020 detailed the decisions, the rationale, and the procedures followed.

No changes were made to the targets under the existing long-term incentive plans, whose beneficiaries are the Chief Executive Officer/General Manager, Senior Executives and selected managers.

The procedure followed for the application of the exception provided for the favourable opinion of the Appointments and Remuneration Committee, which verified the existence of all the conditions for the non-application of the procedure with related parties and applied the temporary exception upon the occurrence of one of the exceptional circumstances provided for in the 2020 Policies (Section I) and the subsequent motion by Avio's Board of Directors.

It should be noted that **the revised plan includes among its beneficiaries, besides the Chief Executive Officer/General Manager and Senior Executives, also Avio's managers and key professionals**, for a total of about 360 employees. The assessment of the advisability of revising the indicators derives from the need to maintain the incentive nature of the system also on the basis of the new contextual conditions and the Company's strategic objectives, including the need to strengthen the financial structure. In fact, it should be pointed out that the new objectives did not represent a *tout-court* reduction in the incentive targets, but rather a rebalancing of the targets relating to economic objectives with respect to those relating to financial objectives. In particular, in line with the decision by the Board of Directors to favour the strengthening of the Group's financial and liquidity structure due to the extreme uncertainty linked to the COVID-19 emergency, **the financial target (Net Financial Position) was further increased** (from Euro 35.4m to Euro 42m), **while the economic target (Adjusted EBITDA) was slightly reduced** (from Euro 44.8m to Euro 41.8m) to incorporate the significant slowdown in revenue and profit already recorded in the first half of the year due to the force majeure imposed by the pandemic. In this regard, it should be noted that at the time of modification of the 2020 targets (at the same time as the half-yearly report) the result achieved at June 30, 2020 in terms of Adjusted EBITDA was 50% less than the Guidance value at the end of the year; in this context, the revised economic target, although slightly reduced, still represented a very challenging objective given the conditions of extreme uncertainty with respect to the second half of 2020. The particularly ambitious nature of the economic target was further reinforced by the events following the revision of the targets, including the dramatic second wave of the pandemic in Italy from October.

Despite the fact that the combination of these important economic factors had a significant impact on the Group's business activities, management was able to achieve the company's 2020 performance targets with results that were very close to the maximum performance, overall higher than last year's when both performance parameters are taken together. The last quarter of the year was in fact marked by the closure of contracts relating to important orders and effective management of operating costs. It is also clear that, compared to the actual results of the first half of 2020, management was able to produce more in the second half of the year on both performance parameters than it did in the first half. Finally, it should be noted that the 2020 result, in the average combination of the two performance parameters (Adjusted EBITDA and Net Financial Position), is the highest ever recorded since 2017.

⁹ The deferral of the payment of the bonus affected all the beneficiaries of the Plan (a total of 13 managers).

In relation to the results obtained that exceed the target level, a multiplier equal to 1.31 is applied to the bonus - as established by the Board of Directors - until the maximum value established at the time of

	2017 Actual	2018 Actual	2019 Actual	2020			
				Target Original	First Half Actual	Target Revised	Actual
Adjusted EBITDA (Euro millions)	46.5	47.3	44.0	44.8	19.9	41.8	43.3
Net Financial Position (Euro millions)	41.7	49.1	57.9	35.4	26.9	42.0	62.6

assignment is reached.

With regard to the Executive Director, the value of the 2020 bonus is the maximum (100%). With respect to Senior Executives the 2020 bonus value averages 92% of the maximum attainable.

With regard to the **long-term incentive plan**, the award related to the 2018-2020 cycle was linked to the achievement of two performance targets which, as highlighted, were not changed despite the clear difficulties. The three-year cumulative reported EBITDA target was not achieved due to the results for 2020, which were strongly affected by the onset of the healthcare emergency; the Operating Free Cash Flow target, on the other hand, was achieved at the maximum level. The amount of the bonuses that will be paid to the Chief Executive Officer is therefore 37.5% of the fixed remuneration while for Senior Executives 19.7% of the fixed remuneration. Fixed remuneration refers to those in effect at the time of assignment of the target. The reported bonus value represents **62.5% of the target opportunity for CEO and SE**.

2018-20 three-year objectives cycle	Weight	Performance scenarios	2018-20 Result	Performance level	Bonus vs target level	Bonus in % of fixed remun.						
Cumulative three-year Reported EBITDA	50%	<table border="1"> <tr><td><i>Minimum</i></td><td>119.6 €/m</td></tr> <tr><td><i>Target</i></td><td>132.9 €/m</td></tr> <tr><td><i>Maximum</i></td><td>146.2 €/m</td></tr> </table>	<i>Minimum</i>	119.6 €/m	<i>Target</i>	132.9 €/m	<i>Maximum</i>	146.2 €/m	116.7	Less than threshold minimum	--	33.8% CEO/MD; 19.7%SE
<i>Minimum</i>	119.6 €/m											
<i>Target</i>	132.9 €/m											
<i>Maximum</i>	146.2 €/m											
Operating Free Cash Flow	50%	<table border="1"> <tr><td><i>Minimum</i></td><td>44.2 €/m</td></tr> <tr><td><i>Target</i></td><td>52 €/m</td></tr> <tr><td><i>Maximum</i></td><td>59.8 €/m</td></tr> </table>	<i>Minimum</i>	44.2 €/m	<i>Target</i>	52 €/m	<i>Maximum</i>	59.8 €/m	69.7	Overperformance: 134% vs maximum	125% of the target	
<i>Minimum</i>	44.2 €/m											
<i>Target</i>	52 €/m											
<i>Maximum</i>	59.8 €/m											

2. Items comprising 2020 remuneration

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

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

- On May 6, 2020, the Shareholders' AGM resolved to award each **Director** a gross annual fee of Euro 35,000 and a gross annual fee of Euro 120,000 to the **Chairperson of the Board of Directors**, in continuity with the amount of fees established for the members of the Board of Directors in the previous three-year period and in line with market practices. On July 28, 2020, the Board of Directors also resolved to award the members of the internal Board Committees the following fees:
 - i) to the members of the Control and Risks Committee, a gross annual fee for the Chairperson of Euro 30,000.00 and for the other members of Euro 15,000.00 each;

- ii) to the members of the other internal Board Committees - i.e., Appointments and Remuneration Committee and Sustainability Committee - a gross annual fee for the Chairperson of Euro 25,000.00 each and for the other members of Euro 10,000.00 each.
- The Shareholders' Meeting held on May 6, 2020 resolved, for the 2020-2022 three-year period, to attribute to the **Chairperson of the Board of Statutory Auditors** a remuneration of Euro 50,000 per year and to the **Statutory Auditors** a remuneration of Euro 35,000 per year, in line with the remuneration attributed to the Board of Statutory Auditors for the 2017-2020 three-year period and with the practices of the listed companies of the STAR segment with levels of capitalisation comparable to Avio.

With reference to the members of the **outgoing Board of Directors** and **Board of Statutory Auditors**, it should be noted that:

- On April 10, 2017, the Board of Directors decided to recognise to each **Director**, with the exception of the sole Executive Director (the Chief Executive Officer/General Manager), gross annual remuneration of Euro 35,000.00, while proposing to recognise gross annual remuneration of Euro 120,000.00 to the **Chairperson of the Board of Directors**. On April 10, 2017, the Board of Directors in addition approved the remuneration of the Control, Risks and Sustainability Committee, of the Appointments and Remuneration Committee and of the Strategic Activities Committee, while on September 13, 2017 the remuneration of the members of the Investments Committee.
- The Ordinary Shareholders' Meeting of December 1, 2016, in relation to the definition of the **remuneration of the Board of Statutory Auditors**, resolved to grant the Board of Statutory Auditors that would remain in office for the next three years a total remuneration of Euro 120,000 per year, of which a remuneration of Euro 50,000 per year for the Chairperson of the Board of Statutory Auditors and a remuneration of Euro 35,000 per year for each of the other two members of the Board of Statutory Auditors.

The tables in Part 2 of this Section provide details of the compensation paid, consistent with the 2020 Policies and the Shareholders' Meeting resolutions noted above.

As of the date of this Report reversibility agreements are in place for the remuneration of some Directors. Specifically, Mr. Roberto Italia, Chairman of Avio's Board of Directors, and Space Holding S.r.l. signed a reversionary agreement whereby the remuneration accrued for the position held by him is paid to Space Holding S.r.l. As regards the above, at December 31, 2020, the Company's payable towards Space Holding S.r.l. amounted to Euro 120,000.

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

Finally, the Board of Directors of the company in 2017 identified, further to the Executive Director of the company, an additional 4 Senior Executives.

Chief Executive Officer/General Manager, Giulio Ranzo

The remuneration of **Giulio Ranzo** (Chief Executive Officer/General Manager) for 2020 includes the following components:

- (i) fixed remuneration as an Executive of the Company, amounting to Euro 448,000;
- (ii) annual variable remuneration relating to 2020, amounting to Euro 448,000.

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

plan and actual results. Values refer to the revised budget

2020 Objectives	Weight	Performance scenarios	2020 Result	Performance level	Bonus vs target	Multiplier	Target bonus €	Actual bonus €						
Adjusted EBITDA	50%	<table border="1"> <tr><td>Min</td><td>38.8 €/m</td></tr> <tr><td>Target</td><td>41.8 €/m</td></tr> <tr><td>Max</td><td>43.8 €/m</td></tr> </table>	Min	38.8 €/m	Target	41.8 €/m	Max	43.8 €/m	43.3	Between target and maximum	103.5% of the target	1.31	Euro 322,153	Euro 448,000 (cap)
Min	38.8 €/m													
Target	41.8 €/m													
Max	43.8 €/m													
Net Financial Position	50%	<table border="1"> <tr><td>Min</td><td>37 €/m</td></tr> <tr><td>Target</td><td>42 €/m</td></tr> <tr><td>Max</td><td>47 €/m</td></tr> </table>	Min	37 €/m	Target	42 €/m	Max	47 €/m	62.6	Overperformance: 149% vs target (capped at 122% as the maximum value)	125% of the target (cap)			
Min	37 €/m													
Target	42 €/m													
Max	47 €/m													

(iii) Long-term variable remuneration, relative to the 2018-2020 cycle;

The following table provides a comparison of the target values set by the long-term incentive plan, the actual results and the actual bonus value:

2018-20 Objectives	Weight	Performance scenarios	2018-20 Result	Performance level	Bonus vs target	Target bonus €	Actual bonus €						
Cumulative three-year Reported EBITDA	50%	<table border="1"> <tr><td>Min</td><td>119.6 €/m</td></tr> <tr><td>Target</td><td>132.9 €/m</td></tr> <tr><td>Max</td><td>146.2 €/m</td></tr> </table>	Min	119.6 €/m	Target	132.9 €/m	Max	146.2 €/m	116.7	Less than threshold	--	Euro 216,000	Euro 135,000
Min	119.6 €/m												
Target	132.9 €/m												
Max	146.2 €/m												
Operating Free Cash Flow	50%	<table border="1"> <tr><td>Min</td><td>44.2 €/m</td></tr> <tr><td>Target</td><td>52 €/m</td></tr> <tr><td>Max</td><td>59.8 €/m</td></tr> </table>	Min	44.2 €/m	Target	52 €/m	Max	59.8 €/m	69.7	Overperformance: 134% vs maximum	125% of the target (cap)		
Min	44.2 €/m												
Target	52 €/m												
Max	59.8 €/m												

(iv) non-monetary benefit

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

Senior Executives

The remuneration of the four Senior Executives employed by the Company, reported in aggregate, for 2020 includes the following components:

- (i) fixed remuneration as Executives, amounting to Euro 612,779;
- (ii) annual variable remuneration relating to 2020, amounting to Euro 329,022;

The following table contains a comparison between the target values set by the annual incentive plan and actual results. Values refer to the revised budget

2020 Objectives	Weight	Performance scenarios	2020 Result	Performance level	Multiplier	Target bonus €	Actual bonus €						
Adjusted EBITDA	25%	<table border="1"> <tr><td>Min</td><td>38.8 €/m</td></tr> <tr><td>Target</td><td>41.8 €/m</td></tr> <tr><td>Max</td><td>43.8 €/m</td></tr> </table>	Min	38.8 €/m	Target	41.8 €/m	Max	43.8 €/m	43.3	Between target and maximum	1.31	Euro 151,937	Euro 329,022
Min	38.8 €/m												
Target	41.8 €/m												
Max	43.8 €/m												
Net Financial Position	25%	<table border="1"> <tr><td>Min</td><td>37 €/m</td></tr> <tr><td>Target</td><td>42 €/m</td></tr> <tr><td>Max</td><td>47 €/m</td></tr> </table>	Min	37 €/m	Target	42 €/m	Max	47 €/m	62.6	Over-performance: 149% vs target			
Min	37 €/m												
Target	42 €/m												
Max	47 €/m												
Function/individual objectives	50%	<table border="1"> <tr><td>Min</td><td>3</td></tr> <tr><td>Target</td><td>4</td></tr> <tr><td>Max</td><td>5</td></tr> </table>	Min	3	Target	4	Max	5	4.5	Between target and maximum	1.17		
Min	3												
Target	4												
Max	5												

(iii) the long-term variable remuneration, relative to the 2018-2020 cycle;

The following table provides a comparison of the target values set by the long-term incentive plan, the actual results and the actual bonus value:

2018-20 Objectives	Weight	Performance scenarios	2018-20 Result	Performance level	Bonus vs target	Target bonus €	Actual bonus €						
Cumulative three-year Reported EBITDA	50%	<table border="1"> <tr><td>Min</td><td>119.6 €/m</td></tr> <tr><td>Target</td><td>132.9 €/m</td></tr> <tr><td>Max</td><td>146.2 €/m</td></tr> </table>	Min	119.6 €/m	Target	132.9 €/m	Max	146.2 €/m	116.7	Less than threshold	--	Euro 185,789	116,118 Euro
Min	119.6 €/m												
Target	132.9 €/m												
Max	146.2 €/m												
Operating Free Cash Flow	50%	<table border="1"> <tr><td>Min</td><td>44.2 €/m</td></tr> <tr><td>Target</td><td>52 €/m</td></tr> <tr><td>Max</td><td>59.8 €/m</td></tr> </table>	Min	44.2 €/m	Target	52 €/m	Max	59.8 €/m	69.7	Overperformance: 134% vs maximum	125% of the target (cap)		
Min	44.2 €/m												
Target	52 €/m												
Max	59.8 €/m												

(iv) other non-monetary benefits.

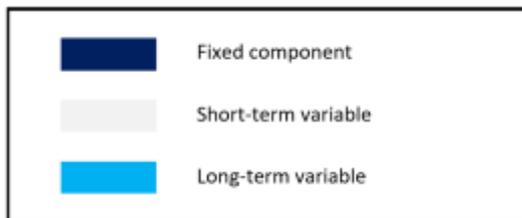
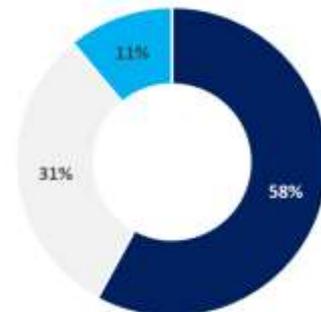
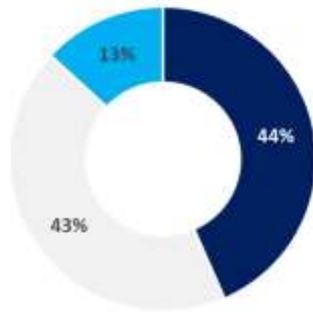
3. Pay mix in application of 2020 Policies

The pay mix of the Chief Executive Officer/General Manager and the four Senior Executives is shown below with reference to the remuneration awarded during 2020, pursuant to the Policies described in Section I of the 2020 Report.

2020 pay mix

Chief Executive Officer/General Manager

Other Senior Executives



4. Changes in the Company's remuneration and performance

The following table shows, for the 2019-2020 period, the change in:

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

	2019	2020
Employees		
Average remuneration (€/000)	46,347	47,139
% Change		2%
Giulio Ranzo, Chief Executive Officer/General Manager		
Remuneration (€/000)	1,171,601	1,046,518
% Change		-11%
Roberto Italia Chairman		
Remuneration (€/000)	120,000	126,329
% Change		5%
Monica Auteri, Director		
Remuneration (€/000)	56,342	49,948

<i>% Change</i>		-11%
Donatella Sciuto, Director		
Remuneration (€/000)	55,000	60,822
<i>% Change</i>		11%
Giovanni Gorno Tempini, Director		
Remuneration (€/000)	66,342	63,459
<i>% Change</i>		-4%
Avio Performance		
Net Financial Position (€ mln)	57.9	62.6
<i>% Change</i>		+8%
Adjusted EBITDA (€ mln)	44	43.3
<i>% Change</i>		-2%

Key:

- **Remuneration component considered:** the values shown refer to total remuneration (fixed + annual variable component + long-term incentive matured in the reference year). With reference to the annual variable remuneration, the figures used to calculate the total annual remuneration of employees are estimates, based on the information available at the date of this Report, in view of the fact that the actual value of the bonuses has not yet been determined on an individual basis for all the recipients of variable remuneration
- **Employee perimeter:** this refers to the employees in force at December 31, 2020 of the Issuer Avio S.p.A.; the values of remuneration are reported on a full-time equivalent basis. The following are not included in the analyses: the Chief Executive Officer/General Manager, as this is one of the persons for whom individual information is reported, and employees seconded to other Group companies.
- **The table includes only those members of the Board of Directors and Board of Statutory Auditors who held office in 2019 and 2020.**

PART 2

TABLE 1: REMUNERATION PAID TO THE MEMBERS OF THE MANAGEMENT AND CONTROL BOARDS, GENERAL MANAGERS AND SENIOR EXECUTIVES.

BOARD OF DIRECTORS

Name	Office	Period of office	Concl. of office	Fixed Remun.	Remuneration for committee participation	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Termination and post-employment benefits
						Bonuses and other incentives	Profit sharing					
Roberto Italia (1)	Chairman BoD	1/1/2020-31/12/2020	Approval 2022 Accounts	120,000						126,329		
	Member Sustainability Committee	14/05/2020 - 31/12/2020	Approval 2022 Accounts		6,329							
Giulio Ranzo	CEO and General Manager	1/1/2020-31/12/2020	Approval 2022 Accounts	448,000	-	583,000		15,518		1,046,518		
Monica Auteri	Director BoD	01/01/2020 - 31/12/2020	Approval 2022 Accounts	35,000						49,948		
	Chairperson Control and Risks Committee	01/01/2020 - 14/05/2020	Approval 2020 Accounts		8,647							
	Member Appointments and Remuneration Committee	14/05/2020 - 31/12/2020	Approval 2022 Accounts		6,301							
Maria Rosaria Bonifacio	Director BoD	01/01/2020 - 06/05/2020	Approval 2020 Accounts	12,106						15,565		
	Member Appointments and Remuneration Committee	01/01/2020 - 14/05/2020	Approval 2020 Accounts		3,459							
Raffaele Cappiello	Director BoD	06/05/2020 - 31/12/2020	Approval 2022 Accounts	22,918						32,411		
	Member Control and Risks Committee	14/05/2020 - 31/12/2020	Approval 2022 Accounts		9,493							
Letizia Colucci	Director BoD	06/05/2020 - 31/12/2020	Approval 2022 Accounts	22,918						22,918		
Donatella Isaia	Director BoD	06/05/2020 > 31/12/2020	Approval 2022 Accounts	22,916						29,244		
	Member Appointments and Remuneration Committee	14/05/2020 - 31/12/2020	Approval 2022 Accounts		6,328							
Stefano Pareglio	Director BoD	06/05/2020 > 31/12/2020	Approval 2022 Accounts	22,822						29,123		
	Member Sustainability Committee	14/05/2020 - 31/12/2020	Approval 2022 Accounts		6,301							
Luigi Pasquali (2)	Director BoD	01/01/2020 - 06/05/2020	Approval 2020 Accounts	35,000						40,178		
	Chairman Investments Committee	01/01/2020 - 14/05/2020	Approval 2020 Accounts		5,178							

Name	Office	Period of office	Concl. of office	Fixed Remun.	Remuneration for committee participation	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Termination and post-employment benefits
						Bonuses and other incentives	Profit sharing					
Elena Pisonero	Director BoD	06/05/2020 > 31/12/2020	Approval 2022 Accounts	22,822						38,576		
	Chairperson Sustainability Committee	14/05/2020 - 31/12/2020	Approval 2022 Accounts		15,754							
Vittorio Rabajoli	Director BoD	01/01/2020 - 06/05/2020	Approval 2020 Accounts	12,106						15,565		
	Member Control and Risks Committee	01/01/2020 - 14/05/2020	Approval 2020 Accounts		3,459							
Stefano Ratti (3)	Director BoD	01/01/2020 > 06/05/2020	Approval 2020 Accounts	12,082						18,986		
	Member Appointments and Remuneration Committee	01/01/2020 - 14/05/2020	Approval 2020 Accounts		3,452							
	Member Strategic Activities Committee	01/01/2020 - 14/05/2020	Approval 2020 Accounts		3,452							
Donatella Sciuto	Director BoD	01/01/2020 - 31/12/2020	Approval 2022 Accounts	35,000						60,822		
	Member Control and Risks Committee	01/01/2020 - 14/05/2020	Approval 2020 Accounts		3,377							
	Chairperson Control and Risks Committee	14/05/2020 - 31/12/2020	Approval 2022 Accounts		18,986							
	Member Strategic Activities Committee	01/01/2020 - 14/05/2020	Approval 2020 Accounts		3,459							
Giovanni Gorno Tempini	Director BoD	01/01/2020 - 31/12/2020	Approval 2022 Accounts	35,000						63,459		
	Chairman Appointments and Remuneration Committee	01/01/2020 - 31/12/2020	Approval 2022 Accounts		25,000							
	Member Investments Committee	01/01/2020 - 14/05/2020	Approval 2020 Accounts		3,459							

Note

(A) NON-EQUITY VARIABLE REMUNERATION: annual bonus value for the period considered (2020 short-term incentive plan) and the first tranche of the 2018-2020 LTI, which will be paid in financial year 2021.

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

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

(2) Luigi Pasquali reversed his remuneration to Leonardo S.p.A..

(3) Stefano Ratti reversed his remuneration to Leonardo Finmeccanica S.p.A..

BOARD OF STATUTORY AUDITORS

Name	Office	Period of office	Concl. of office	Fixed Remun.	Remuneration for committee participation	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Termination and post-employment benefits
						Bonuses and other incentives	Profit sharing					
Vito Di Battista	Chairman Board of Statutory Auditors	06/05/2020 - 31/12/2020	Approval 2022 Accounts	32,740						32,740		
Riccardo Bauer	Chairman Board of Statutory Auditors	01/01/2020 - 06/05/2020	Approval 2020 Accounts	18,656						18,656		
Mario Matteo Busso	Statutory Auditor	06/05/2020 - 31/12/2020	Approval 2022 Accounts	22,918						22,918		
Claudia Mezzabotta	Statutory Auditor	01/01/2020 - 06/05/2020	Approval 2020 Accounts	12,690						12,690		
Maurizio Salom	Statutory Auditor	01/01/2020 - 06/05/2020	Approval 2020 Accounts	12,580						12,580		
Michela Zeme	Statutory Auditor	06/05/2020 - 31/12/2020	Approval 2022 Accounts	22,918						22,918		

OTHER SENIOR EXECUTIVES*

Name	Fixed Remun.	Remuneration for committee participation	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Termination and post-employment benefits
			Bonuses and other incentives	Profit sharing					
Senior Executives	612,779		445,140		75,358		1,133,278		

(*) At December 31, 2020, further to the Chief Executive Officer/General Manager, an additional 4 Senior Executive employees of the company and no other Senior Executives of the subsidiaries were in office.

Note

(A) **NON-EQUITY VARIABLE REMUNERATION:** annual bonus value for the period considered (2020 short-term incentive plan) and the first tranche of the 2018-2020 LTI, which will be paid in financial year 2021.

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

TABLE 3B:

MONETARY INCENTIVE FOR DIRECTORS, GENERAL MANAGERS AND OTHER SENIOR EXECUTIVES

Name	Office	Plan	Bonus for the year			Prior year bonuses			Other Bonuses
			Issuable/Issued	Deferred	Period of deferment	No longer issuable	Issuable/Issued	Still deferred	
Giulio Ranzo	Chief Executive Officer	2020 short-term variable incentive plan <i>(approved September 14, 2020)</i>	448,000						
		2018-2020 long-term variable incentive plan <i>(approved June 25, 2018)</i>					135,000		
		2019-2021 long-term variable incentive plan <i>(approved May 8, 2019)</i>						216,000	
		2020-2022 long-term variable incentive plan <i>(approved March 25, 2020)</i>		268,800	1/1/2020-31/12/2022				
Senior Executives (4)		2020 short-term variable incentive plan <i>(approved September 14, 2020)</i>	329,022						
		2018-2020 long-term variable incentive plan <i>(approved June 25, 2018)</i>					116,118		
		2019-2021 long-term variable incentive plan <i>(approved May 8, 2019)</i>						185,789	
		2020-2022 long-term variable incentive plan <i>(approved March 25, 2020)</i>		212,857	1/1/2020-31/12/2022				

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

BOARD OF DIRECTORS

Name	Office	Avio investee / subsidiary	No. shares held at 31.12.2019	No. shares purchased in 2020	No. shares sold in 2020	No. shares held at 31.12.2020
Roberto Italia	Chairman BoD	--	--	--	--	--
Giulio Ranzo	Chief Executive Officer & General Manager	--	--	--	--	--
Monica Auteri	Director BoD	--	--	--	--	--
Maria Rosaria Bonifacio	Director BoD	--	--	--	--	--
Raffaele Cappiello	Director BoD	--	--	--	--	--
Letizia Colucci	Director BoD	--	--	--	--	--
Donatella Isaia	Director BoD	--	--	--	--	--
Stefano Pareglio	Director BoD	--	--	--	--	--
Luigi Pasquali	Director BoD	--	--	--	--	--

Name	Office	Avio investee / subsidiary	No. shares held at 31.12.2019	No. shares purchased in 2020	No. shares sold in 2020	No. shares held at 31.12.2020
Elena Pisonero	Director BoD	--	--	--	--	--
Vittorio Rabajoli	Director BoD	--	--	--	--	--
Stefano Ratti	Director BoD	--	--	--	--	--
Donatella Sciuto	Director BoD	--	--	--	--	--
Giovanni Gorno Tempini	Director BoD	--	--	--	--	--

BOARD OF STATUTORY AUDITORS

Name	Office	Avio investee / subsidiary	No. shares held at 31.12.2019	No. shares purchased in 2020	No. shares sold in 2020	No. shares held at 31.12.2020
Vito Di Battista	Chairman Board of Statutory Auditors	--	--	--	--	--
Riccardo Bauer	Chairman Board of Statutory Auditors	--	--	--	--	--
Mario Matteo Busso	Statutory Auditor	--	--	--	--	--
Claudia Mezzabotta	Statutory Auditor	--	--	--	--	--
Maurizio Salom	Statutory Auditor	--	--	--	--	--
Michela Zeme	Statutory Auditor	--	--	--	--	--

SENIOR EXECUTIVES

Office	Avio investee / subsidiary	No. shares held at 31.12.2019	No. shares purchased in 2020	No. shares sold in 2020	No. shares held at 31.12.2020
Senior Executives	--	--	--	--	--