



PROCEDURE FOR RELATED PARTY TRANSACTIONS

Date of latest approval by the Board of Directors of Avio S.p.A.: 8 November 2021.

Article 1 Scope

- 1.1 This procedure for related party transactions (hereinafter the “**Procedure**”) has been adopted in accordance with article 2391-*bis* of the Civil Code and article 4, paragraphs 1 and 3 of the Consob Regulation on related party transactions adopted with resolution no. 17221 of 12 March 2010, as amended (the “**Related Parties Regulation**” or “**RPT – Regulation**”).
- 1.2 The Procedure sets out the rules governing the approval and execution of related party transactions carried out by Avio S.p.A. (hereinafter “**Avio**” or the “**Company**”), either directly or through Subsidiaries (as defined below), to ensure the transparency and substantial and procedural fairness of transactions.
- 1.3 This procedure was approved on a preliminary basis by the Board of Directors of Space2 S.p.A. (“**Space2**”) on 19 January 2017 and with effect when the merger of Avio with Space2 (the “**Merger**”) becomes effective and modified by the Board of Directors of the Company on 13 September 2017 and on 11 May 2021, to adopt the regulations introduced by Consob resolution no. 21624 of 10 December 2020 which amended the related Parties Regulation.
The Procedure has been recently amended by the Board of Directors on 8 November 2021.

Article 2 Definitions

The terms and expressions in capitals have the meaning given to them hereunder:

Directors Involved in the Transaction	Directors who have an interest in the Transaction, on their own or on behalf of third parties, in conflict with the interest of the Company.
Chief Executive Officer	The Chief Executive Officer of Avio.
Independent Directors	Avio directors recognised by the Company as independent directors pursuant to the Corporate Governance Code.
Unrelated Directors	Avio Directors other than the counterparty of a given Transaction and its Related Parties.
Avio or the Company	Avio S.p.A..
CFO	The Chief Financial Officer, responsible for the administration, finance and control of Avio.
Corporate Governance Code	The Corporate Governance Code of listed companies adopted by the Corporate Governance Committee on January 2020, established by Business Associations (ABI, ANIA, Assonime, Confindustria), professional investors (Assogestioni), and by Borsa Italiana S.p.A.;
Related Parties Committee or Committee	The committee as of article 5 below.
Board of Directors	The Board of Directors of Avio.
Standard or market equivalent terms	Terms similar to those usually adopted for unrelated parties, for transactions of a corresponding nature, extent and risk, or based on regulated rates or on fixed prices or terms applied to entities with whom Avio and/or Subsidiaries are required by law to contract at a certain price.
Financial Reporting Officer	The officer in charge of preparing the Company's financial documents pursuant to article 154- <i>bis</i> of the Consolidated Law on Finance.
Key Executive	Members of the Board of Directors and Board of Statutory Auditors of the Company as well as other persons that have the power and responsibility, directly or indirectly, for planning, directing and controlling activities of the company, as indicated by the Chief Executive Officer.
List of Related Party Transactions	The list as of article 4 below;

Avio Group	Avio and subsidiaries.
Significant Interests	In relation to a company, this means holding - directly or indirectly - more than 5% of the share capital, or the company and subsidiary or associate with whom the transactions is carried out having the same Key Executive(s) that benefit from incentive plans based on financial instruments (or in any case variable remuneration) that depend, directly and to a considerable extent, on the results achieved by the subsidiary or associate.
Minor Transactions	<p>Transactions with a value of less than:</p> <ul style="list-style-type: none"> - € 100,000, if the Related Party is a natural person; - € 500,000, if the Related Party is a legal entity. <p>To calculate the above amounts, uniform transactions or unitary transactions are considered cumulatively, on an annual basis.</p>
Exempt transactions	Related Party Transactions in relation to which this Procedure does not apply pursuant to article 13 below.
Material transactions	Transactions in which at least one of the significance indexes as of Annex 3 to the Related Parties Regulation, applicable depending on the specific Transaction, is in excess of the threshold of 5%. If Avio is controlled by a listed company, the 5% threshold is reduced to 2.5% for transactions carried out with the listed parent company or with entities related to said, which in turn are related to Avio.
Non-material transactions	Related Party Transactions other than Material Transactions and Minor Transactions.
Ordinary Transactions	Transactions that take place during ordinary operations and connected financial activities of the Company and/or Subsidiaries. When evaluating whether a transaction takes place during ordinary operations or connected financial activities, the following may be considered:

	<ul style="list-style-type: none"> - the object of the Transaction; - the recurrence of the type of Transaction in the activities performed by the company; - the size of the Transaction; - the contract terms and conditions, also as regards the type of consideration; - the nature of the counterparty; - the time of approval and completion of the Transaction.
Related Parties and Transactions with Related Parties	The subjects and transactions defined as such by the international accounting standards adopted according the procedure referred to in Article 6 of Regulation (EC) no. 1606/2002. An extract of the definitions of "Related Parties" and "Related Party Transactions" pursuant to IAS 24 in force at the date of this Procedure, as well as a reference to the additional functional definitions provided for by the international accounting standards, are reported in the Appendix to this Procedure . Pursuant to art. 4, paragraph 2, of the RPT Regulation, In Orbit SpA is also considered a Related Party
Equivalent oversight	Equivalent oversight as of article 14 below.
Procedure	This procedure on Related Party Transactions.
Related Parties Register	The register as of article 3 below.
Issuer Regulation	The regulation adopted by Consob with resolution no. 11971 of 14 May 1999 as amended.
Related Parties Regulation/ RPT Regulation	The regulation on related party transactions adopted by Consob with resolution no. 17221 of 12 March 2010 as amended.
(EU) Regulation n. 596/2014	(EU) Regulation n. 596/2014 of the European Parliament and Council of 16 April 2014 concerning market abuse (Market Abuse Regulation).
Legal Affairs Manager	The Manager of the Legal Affairs Department of Avio.
Human Resources Manager	The Manager of the Human Resources Department of Avio.
Unrelated partners	Entities who have voting rights other than the counterparty of a given Transaction and Related Parties of both the counterparty of a given Transaction and the Company.
Subsidiaries	Company controlled by Avio pursuant to article 2359, paragraphs 1 and 2 of the Civil Code, meaning, for the purposes of this definition, only entities subject to solitary control by Avio
Competent entity	The Chief Executive Officer or the management, function or entity authorised to approve a transaction, based on the allocation of powers and organisational structure of the Avio Group.

Related Parties Officer	The officer appointed to identify Related Parties, register them in the Related Parties Register and maintain the Register.
Consolidated Law on Finance	Legislative Decree no. 58 of 24 February 1998, as amended.

Article 3 Related Parties Register

- 3.1 The Company shall establish a list in which Related Parties are registered (“**Related Parties Register**”). The Related Parties Register comprises two sections: *(i)* a section for direct Related Parties and *(ii)* a section for indirect Related Parties.
- 3.2 The Officer who identifies Related Parties, registers them in the Related Parties Register and maintains the Register is the Legal Affairs Manager of the Company, that may be assisted by relevant company functions.
- 3.3 The Related Parties Officer updates the Related Parties Register whenever necessary and at least every six months. The List is always promptly updated, when company boards are replaced or renewed.
- 3.4 To correctly maintain and update the Register, entities that may be qualified as direct Related Parties of Avio shall provide information on their own related parties, compiling a specific statement sent to them by the Related Parties Officer and shall promptly inform the Officer of any circumstances that come to their knowledge and that may in any case have an impact on or influence their qualification as a direct or indirect Related Party.
- 3.5 The Related Parties Register is made available to all company structures of Avio and Subsidiaries on electronic media.
- 3.6 Before carrying out any transaction, the function responsible for the transaction will consult the Register and check whether the counterparty is a Related Party. If the Transaction is with a Related Party, this Procedure will apply and the Related Parties Officer will be informed in time, in order to comply with the Procedure.

Article 4 List of Related Party Transactions

- 4.1 The Company shall also establish a specific list in which Related Party Transactions carried out by the Company, also through Subsidiaries and including Exempt Transactions, are registered, according to procedures indicated in specific operating instructions, as well as the amount of each Transaction, the dates when the Committee issued its opinion and the competent board issued approval and any reasons for the Procedure not being applied pursuant to article 11 below (“**List of Related Party Transactions**”).
- 4.2 The list of Related Party Transactions is kept and updated by the Related Parties Officer, on electronic media. For this purpose, the Related Parties Officer may be assisted by relevant company functions.
- 4.3 The List of Related Party Transactions is made available to the following, also in order to guarantee coordination with administrative and counting procedures as provided for by article 154-*bis* of the Consolidated Law on Finance: (i) the Board of Directors; (ii) the Chief Executive Officer; (iii) the General Director (where appointed and if not the CEO); (iv) the CFO; (v) the Financial Reporting Officer; (vi) Managers of control functions (*Internal Audit; risk management; compliance*); (vii) the Legal Affairs Manager (if not the Related Parties Officer); (viii) the Supervisory Authority pursuant to Legislative Decree no. 231/2001; (ix) Board of Statutory Auditors.

Article 5 Related Parties Committee

- 5.1 The functions of the Related Parties Committee envisaged in this Procedure are assigned to (i) the Appointments and Remuneration Committee, for Transactions that concern remuneration and (ii) the Control and Risks Committee, for all other Transactions. The composition and operation of the Related Parties Committee are governed by relative organizational regulations.
- 5.2 Without prejudice to the above, in the case of Material Transactions, the Committee will only comprise Independent Directors. If the Appointments and Remuneration Committee and Control and Risks Committee have non-independent Directors as members, the Equivalent Oversight as of article 14 will apply.
- 5.3 The Related Parties Committee carries out functions established by applicable laws and by this Procedure, adopting an approach that can ensure the adequate traceability of relevant activities.
- 5.4 With reference to preliminary activities carried out by the Committee pursuant to this Procedure, particularly as regards Material Transactions, the Committee acts through its Chairman and/or another member it has appointed, save for the possibility of Committee members involving other members or carrying out requests to involve other members.
- 5.5 In carrying out its duties, the Committee may select and be assisted by one or more independent experts, at the expense of Avio. These experts are chosen from individuals with recognized professionalism and competence on matters of interest, whose independence and absence of conflicts of interest the Committee has previously assessed, taking into account the reports indicated in paragraph 2.4 of Annex 4 to the RPT Regulation. These relations include any economic, equity and financial relations between the independent experts and: (i) the Related Party, the companies controlled by it, the subjects that control it, the companies subject to common control as well as the directors of the aforementioned companies; (ii) the Company, the Subsidiaries, the subjects that control it, the companies subject to common control as well as the directors of the aforementioned companies.

Article 6 Material Transactions

- 6.1 Unless in the remit of the shareholders' meeting as of article 7 below, Material Transactions are approved by the Board of Directors.
- 6.2 Directors Involved in the Transaction abstain from voting on it.
- 6.3 The Committee shall be involved in the negotiation stage and in the stage prior to the Transaction, receiving complete, timely information concerning, in particular, *(i)* the nature of the relationship, *(ii)* the main terms and conditions of the Transaction, *(iii)* the times expected for performance, *(iv)* the evaluation procedure adopted, *(v)* the reasons for the Transaction and *(vi)* the risks which the Company and its subsidiaries could be exposed to. The Committee may also request information from and submit observations to the Board of Directors, delegated bodies and entities appointed to conduct negotiations and oversee the preliminary stage.
- 6.4 For the purposes of the above, the CEO of Avio, assisted by the Related Parties Officer, promptly gives the Committee complete and adequate information on each Material Transaction, guaranteeing updates whenever necessary and/or appropriate.
- 6.5 If the Committee does not have at least three Unrelated Independent Directors, the Equivalent Oversight as of article 14 will apply. To this end, Committee members will promptly notify the Related Parties Officer of any relationship concerning a specific transaction.
- 6.6 The Board of Directors approves the transaction subject to the justified favourable opinion of the Related Parties Committee on the Company's interest in carrying out the Transaction, and on the financial benefits and substantial fairness of the relative conditions.
- 6.7 For the purposes of the above, after the preliminary stage has been completed and final data and information on the Transaction have been received, the Committee gives a justified opinion on the Company's interest in carrying out the Material Transaction, as well as the financial benefits and substantial fairness of the relative conditions, in time for the Board of Directors to review the opinion so it may reach a decision. This justified opinion is attached to the minutes of the Committee meeting.
- 6.8 The Committee's opinion is considered as:
- a) favourable, if there are no findings, and it agrees in full with the Transaction;
 - b) favourable, but conditional, if approval of the Transaction is subject to specific findings indicated in the Committee's opinion being taken into consideration;
 - c) negative, in the event that it includes findings on the Transaction, even regarding just one aspect. The Committee may give a favourable opinion on the Transaction being carried out, even if findings have been indicated; in this case however, the favourable opinion shall be specifically given in writing. In the latter case, the opinion shall indicate the reasons why the aforesaid findings do not affect the overall rating of the Company's interest in carrying out the Transaction, as well as the financial benefits and substantial fairness of the relative conditions.

- 6.9 If the Committee has given a negative opinion pursuant to section 6.8, letter c) above, the Board of Directors may not undertake the Transaction, unless, where provided for by the Articles of Association of the Company, it decides to submit the Material Transaction to the vote of the ordinary shareholders' meeting; save for compliance with legal majorities, majorities established by the Articles of Association and applicable regulations on conflicts of interest, the transaction is approved if voted by at least half of the Unrelated Shareholders voting. In any case, the Material Transaction is prevented only if Unrelated Shareholders present at the shareholders' meetings account for at least 10% of share capital with voting rights.
- 6.10 If the Committee has given a conditional opinion pursuant to section 6.7, letter b) above, the Board of Directors of the Company may: (i) approve the Transaction, without the need for the Committee to issue a new opinion, only on condition that the Committee's findings are taken into account when finalising or carrying out the Transaction; (ii) approve the Material Transaction without considering the Committee's findings, on condition that the Transaction is authorised by the shareholders' meeting pursuant to section 6.7, above or (iii) not approve the Material Transaction, and therefore not undertake the Transaction.
- 6.11 Minutes of resolutions to approve the Material Transaction shall include sufficient reasons concerning the Company's interest in carrying out the Transaction as well as the financial benefits and substantial fairness of the relative conditions

Article 7 Material Transactions approved by the shareholders' meeting

- 7.1 The provisions in article 6 above apply in the case of Material Transactions which are approved by the shareholders' meeting in accordance with law and the Articles of Association of the Company, during negotiations, the preliminary stage and the proposal to submit to the shareholders' meeting.
- 7.2 If the Committee has given a negative opinion on the Transaction, the Board of Directors may in any case approve the proposal to submit to the shareholders' meeting; in this case, the shareholders' meeting - where established by the Articles of Association of the Company and save for legal majorities, majorities established by the Articles of Association and applicable regulations on conflicts of interest - votes on the proposal, which is approved if voted by at least half of the Unrelated Shareholders voting. In any case, the Material Transaction is prevented only if Unrelated Shareholders present at the shareholders' meetings account for at least 10% of share capital with voting rights.

Article 8 Non-material Transactions

- 8.1 The Board of Directors or Competent Entity approves Non-material Transactions subject to the Committee's non-binding opinion on the Company's interest in carrying out the Transaction, and on the financial benefits and substantial fairness of the relative conditions.
- 8.2 The Committee has the right to be assisted, at the Company's expense, by one or more independent experts of its choice. The same Committee verifies in advance the independence of the experts, taking into account the reports indicated in paragraph 2.4 of Annex 4 to the RPT Regulation. These relations include any economic, equity and financial relations between the independent experts and: (i) the Related Party, the companies controlled by it, the subjects that control it, the companies subject to common control as well as the directors of the aforementioned companies; (ii) the Company, the Subsidiaries, the subjects that control it, the companies subject to common control as well as the directors of the aforementioned companies
- 8.3 If one or more Committee members are related to a specific Non-material Transaction, the equivalent oversight as of article 14 below is applied. To this end, Committee members will promptly notify the Related Parties Officer of any relationship concerning a specific transaction.
- 8.4 If the transaction falls within the competence of the Board of Directors, the Directors Involved in the Transaction abstain from voting on it.
- 8.5 When the Transaction is overseen by the Board of Directors, the CEO or competent Entity, gives the Committee complete and adequate information on each Non-material Transaction sufficiently in advance, and through the Related Parties Officer, guaranteeing updates whenever necessary and/or appropriate. Information flows shall concern in particular (i) the nature of the relationship, (ii) the main terms and conditions of the Transaction, (iii) the times expected for performance, (iv) the evaluation procedure adopted, (v) the reasons for the Transaction and (vi) the risks which the Company and its subsidiaries could be exposed to.
- 8.6 The Committee gives its opinion in time for the Transaction to be approved.
- 8.7 In the case of an unfavourable opinion from the Committee, approval of the Transaction is put to the Board of Directors.
- 8.8 Minutes of resolutions to approve Non-material Transactions, if the responsibility of the Board of Directors, shall include sufficient reasons concerning the Company's interest in carrying out the Transaction as well as the financial benefits and substantial fairness of the relative conditions. If the CEO or another Competent Entity is responsible for the decision, the reasons for the Transaction, and in particular the Company's interest in carrying out the Transaction and the financial benefits and substantial fairness of the relative conditions are recorded in writing.

- 8.9 Save for disclosure requirements as of article 17 of (EU) Regulation n. 596/2014, the Company will make a document available to the public at its head office and according to the procedures in Part III, Section II, Chapter I of the Issuer Regulation, at least 15 days before the end of each quarter, with information about the counterparty, object and payments of Non-Material Transactions approved in the relative quarter, in the case of a negative opinion from the Related Parties Committee, as well as the reasons for not disclosing the opinion. Accordingly, the opinion is made available to the public as an attachment to the information document or on Avio's website.

Article 9 Non-Material Transactions approved by the shareholders' meeting

- 9.1 The provisions in article 8 above apply in the case of Material Transactions which are approved by the shareholders' meeting in accordance with law and the Articles of Association of the Company, during negotiations, the preliminary stage and the proposal to submit to the shareholders' meeting.

Article 10 Simplified procedure

- 10.1 Pursuant to article 10, paragraph 1 of the Related Parties Regulation, the Company may adopt the procedure for Non-Material Transactions as of articles 8 and 9 above, for its Material Transactions, save for the obligation to publish an information document pursuant to article 5 of the Related Parties Regulation and the reserve of competence to resolve upon the Board of Directors pursuant to article 8, paragraph 1, letter a) of the RPT Regulation.

Article 11 Related Party Transactions through Subsidiaries

- 11.1 In the case of Related Party Transactions through Subsidiaries, the requirements set out in this Procedure for the approval of Non-Material Transactions or approval of Material Transactions are adopted.
- 11.2 To this end, Transactions carried out "through" Subsidiaries are Transactions carried out by Subsidiaries which are reviewed or approved by Avio. In this regard: (a) review or approval of the Transaction shall not necessarily be based on internal regulations or require a specific decision, as it is sufficient for a company board or officer of Avio to have previously reviewed or approved the transaction based on his/her powers/authority; (b) "review" means not only receiving information on the Transaction carried out by the Subsidiary (for example for control purposes or to prepare company financial reporting), but also entails evaluating the Transaction which may result in intervention (for example an opinion, which may also be non-binding), that may impact the procedure for the Transaction to be approved by the Subsidiary.

Article 12 Framework Resolutions

- 12.1 Pursuant to article 12 of the Related Parties Regulation, the Board of Directors may adopt framework resolutions (“**Framework Resolutions**”) in which the Company, directly or through Subsidiaries, carries out a number of uniform Transactions with certain categories of Related Parties, identified from time to time by the Board of Directors.
- 12.2 Framework Resolutions may not last for more than one year and shall indicate, with sufficient detail, the Transactions concerned, the foreseeable maximum amount of the Transactions to carry out in the relative period and the reason for the conditions established in relation to these Transactions.
- 12.3 To approve Framework Resolutions, the provisions as of articles 6 and 8 apply, *mutatis mutandis*, depending on the foreseeable maximum amount of the Uniform Transactions covered by the specific Framework Resolution, which are considered on a cumulative basis.
- 12.4 If the maximum foreseeable amount of Transactions to undertake in the relative period identified in the Framework Resolution exceeds even one of the thresholds indicated for Material Transactions, the Company will publish, on approval of the relative Framework Resolution by the Board of Directors, an information document pursuant to article 5 of the Related Parties Regulation.

Article 13 Transactions excluded from the scope of the Procedure

13.1 The provisions of this Procedure do not apply to:

- a) shareholders' resolutions as of article 2389, paragraph one of the Civil Code, concerning Board Directors' fees, nor to resolutions concerning the fees of Directors with specific duties, which are included in the total amount previously determined by the Shareholders' Meeting of Avio pursuant to article 2389, paragraph three of the Civil Code;
- b) shareholders' resolutions as of article 2402 of the Civil Code, concerning fees of the Company's statutory board of auditors;
- c) Minor Transactions.

13.2 The provisions of this Procedure do not apply to transactions approved by Avio and addressed to all shareholders on equal terms, including:

- a) capital increases in option, also to service convertible bond loans, and free capital increases provided for by article 2442 of the civil code;
- b) full or partial demergers strictly speaking, with proportional share allocation criteria;
- c) the reductions of the share capital through reimbursement to shareholders provided for by article 2445 of the civil code and the purchases of treasury shares pursuant to article 132 of the Consolidated Law on Finance.

13.3 Subject to financial reporting requirements as of article 5, paragraph 8 of the Related Parties Regulation, this Procedure does not apply to:

- a) remuneration plans based on financial instruments approved by the Shareholders' meeting of the Company pursuant to article 114-*bis* of the Consolidated Law on Finance and relative implementing operations;
- b) resolutions other than those in section 13.1 above, concerning the fees of directors with specific duties as well as other Key Executives, on condition that the requirements as of article 13 of the Related Parties Regulation are met, and provided that:
 - (i) the Company has adopted a remuneration policy approved by the shareholder's meeting;
 - (ii) a committee comprising only executive directors, the majority of whom are independent, has been involved in defining the remuneration policy;
 - (iii) remuneration is consistent with this policy;
- c) Ordinary Transactions carried out based on Standard or Market Equivalent Terms. If the exclusion is adopted, and save for the disclosure requirements of article 17 of (EU) Regulation n. 596/2014, in the case of Material-Transaction defined Ordinary Transactions carried out based on Standard or Market Equivalent Terms, the Company shall in any case:

- (i) inform within seven days from the approval of the Transaction by the competent body or, if the competent body decides to submit a contractual proposal, from the moment in which the contract, even preliminary is concluded, to communicate to Consob and Independent Directors, the parties, the object and the consideration of the Transactions that have benefited from the exclusion, as well as the reasons for which the transaction is considered to be Ordinary and Standard or Market Equivalent Terms, providing objective evidence;
 - (ii) indicate in the interim report on operations and annual report on operations, as part of information required by article 5, paragraph 8 of the Related Parties Transaction, which Transactions subject to the disclosure requirements indicated above, were finalised, adopting the exclusion as of letter c) herein;
- d) Transactions with or between Subsidiaries, including joint transactions, by the Company, as well as Transactions with associates of the Company, if there are no Significant Interests of other Related Parties of the Company in the Subsidiaries or associates that are the counterparties of the Transaction.

13.4 In urgent cases, and where the Transaction does not fall within the competence of the shareholders' meeting and does not need to be authorized by the latter, without prejudice to the disclosure obligations pursuant to art. 5 of the RPT Regulation and the reserve of competence to resolve upon the Board of Directors pursuant to art. 8, paragraph 1, letter a) of the RPT Regulation, where this is provided for by the Company's Articles of Association, Related Party Transactions can be concluded in derogation of the provisions of the previous Articles. 6 and 8 and by arts. 7 and 8 of the RPT Regulation, provided that:

- a) if the Transaction to be carried out falls within the competence of a managing director, the CEO is promptly informed of the reasons of urgency and, in any case, before the Transaction is completed;
- b) these Transactions are subsequently subject, without prejudice to their effectiveness, to a non-binding resolution of the first useful ordinary shareholders' meeting;
- c) the body that convenes the meeting prepares a report containing an adequate motivation of the reasons for the urgency. The supervisory body reports to the shareholders' meeting its assessments regarding the existence of the reasons for urgency;
- d) the report and the assessments referred to in letter c) are made available to the public at least twenty-one days before the date set for the shareholders' meeting at the registered office and in the manner indicated in Part III, Title II, Chapter I of the Issuers' Regulation. These documents may be contained in the information document referred to in article 5, paragraph 1, of the RPT Regulation;
- e) within the day following that of the meeting, the Company makes available to the public in the manner indicated Part III, Title II, Chapter I of the Regulation Issuers the information on the results of the vote, with particular regard to the total number of votes cast by the Unrelated Shareholders

- 13.5 The exclusions in this article also apply *mutatis mutandis* to Transactions carried out through Subsidiaries pursuant to article 10 above. As specifically concerns exemption for Ordinary Transactions as of article 12.1 letter c) above, in order to evaluate the ordinary nature of Transaction, the operations of the Subsidiary are identified, except where the subsidiary is a special purpose vehicle established to carry out the Transaction, in which case the ordinary nature shall be evaluated in connection with at least one of the activities carried out by the Avio Group.
- 13.6 As an exception to this article, the provisions of article 4 above and section 15.2 below also apply to Exempt Transactions.
- 13.7 The Independent Directors who express opinions on Related Party Transactions:
- a) receive annually by the date scheduled for the meeting of the Board of Directors that approves the draft financial statements and the consolidated financial statements, information on the application of the exemption cases identified pursuant to this article 13 and article 6 of the Regulation OPC at least with reference to the Material - Transactions;
 - b) verify the correct application of the exemption conditions to the Material - Transactions defined as Ordinary and carried out based on Standard or Market Equivalent Terms.

Article 14 Equivalent Oversight

- 14.1 If one or more Committee members, as regards a specific Non-Material Transaction, are Related Parties, the Company adopts the following equivalent oversight, in order:
- (i) if the Committee comprises more than three Directors and there are still at least three Unrelated Directors on the Committee (the majority of whom are independent), the opinion as of articles 6 and 8 above is given by the majority of the Committee;
 - (ii) if the Committee still has at least two Unrelated Independent Directors, the Committee unanimously issues an opinion as of articles 6 and 8 above;
 - (iii) if the Committee still has only one Unrelated Independent Director, the opinion as of articles 6 and 8 above is issued unanimously by the remaining unrelated member of the Committee and by the most senior Unrelated Independent Director on the Board;
 - (iv) if there are no remaining Unrelated Independent Directors on the Committee, the opinion as of articles 6 and 8 above is issued unanimously by the two most senior Unrelated Independent Directors on the Board;
 - (v) if the oversight as of points (i), (ii), (iii) and (iv) above cannot be applied, the opinion as of articles 6 and 8 above is issued by the Board of Statutory Auditors, on condition that if the auditors have an interest in the Transaction on their own or on others' behalf, they will inform the other auditors, indicating the nature, terms, origin and extent;
 - (vi) if the oversight as of points (i), (ii), (iii), (iv) and (v) cannot be applied, the opinion as of articles 6 and 8 is issued by an independent expert appointed by the Board of Directors and selected based on his/her professionalism and expertise on matters of interest, evaluating his/her independence and the absence of conflicts of interest.
- 14.2 If one or more Committee members, as regards a specific Material Transaction, are Related Parties, the Company adopts the equivalent oversight as of section 14.1 above, in the order indicated, save for the Committee in any case comprising only Independent Directors. To this end, if the Related Parties Committee comprises non-Independent Directors, said will be replaced by other Independent Directors on the Board, in order of seniority. If this replacement is not possible, Committee members that are not Independent, will not take part in relative meetings, nor in the preliminary and negotiation stages, and the equivalent oversight as of section 14.1 above will be adopted.
- 14.3 As regards Equivalent Oversight, the provisions in this Procedure regarding the Related Parties Committee will be adopted, in so far as applicable.

Article 15 Disclosure

- 15.1 The Company complies with requirements to disclose information to the public, as established by applicable laws, and in particular by articles 5 and 6 of the Related Parties Regulation.
- 15.2 The CEO, assisted by the Related Parties Officer and competent company structures, gives the Board of Directors and Board of Statutory Auditors on at least a quarterly basis information on Related Party Transactions carried out by the Company, also through Subsidiaries, during the reference period and on the status of Framework Resolutions. For Non-Material Transactions and Exempt Transactions which, because of their size and characteristics, are not significant for the Company, disclosure may be provided on an aggregate basis, with the Board of Directors being able to request additional information.

Article 16 Final and temporary provisions

- 16.1 The Board of Directors evaluates on a regular basis and at least every three years whether to revise this Procedure, considering, among others, any changes to the corporate ownership structure and the effectiveness of the Procedure.
- 16.2 The Related Parties Committee gives its prior opinion on proposals to revise the Procedure, or on the decision of the Board of Directors to not make any revisions.
- 16.3 The Board of Statutory Auditors of the Company is responsible for monitoring the conformity of this Procedure to general principles in the Related Parties Regulation and compliance with the provisions in the Regulation. Pursuant to article 153 of the Consolidated Law on Finance, the Board of Statutory Auditors reports to the shareholders' meeting on its control activities carried out.
- 16.4 Unless otherwise provided for in this Procedure, statutory laws will apply.

Appendix

Definitions of "Related Party" and "Related Party Transactions"

Related Party" means a person or entity that is related to the entity preparing the financial statements.

- (a) A person or close family member¹ of that person is related to a drafting entity balance if this person:
- (i) has control or joint control of the entity preparing the financial statements;
 - (ii) has a significant influence² on the entity preparing the financial statements; or
 - (iii) is one of the executives with strategic responsibilities³ of the entity preparing the financial statements or of one of its parent companies.
- (b) An entity is related to a reporting entity if any of the following apply conditions:
- (i) the entity and the reporting entity are part of the same group (which means that each parent, subsidiary and company in the group is related to the others);
 - (ii) an entity is an associate or a joint venture of the other entity (or an associate or a joint venture being part of a group to which the other entity belongs);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party entity;
 - (v) the entity is represented by a post-employment benefit plan in favor of employees of the reporting entity or of an entity to it related;
 - (vi) the entity is controlled or jointly controlled by a person identified in point (a) above;
 - (vii) a person identified in point (a) (i) has a significant influence on the entity or is one of the key management personnel of the entity (or one of its parent companies)⁴.

"Transaction with Related Parties" means any transfer of resources, services or obligations between a company and a Related Party, regardless of whether a consideration has been agreed, including:

- mergers and demergers by incorporation or demergers in the strict sense of the term proportional, if made with Related Parties;
- any decision relating to the assignment of remuneration and economic benefits, in any form, to the members of the administrative and control bodies and to managers with strategic responsibilities (except as otherwise provided by the CONSOB Regulation).

¹ Pursuant to IAS 24, paragraph 9, "close family members of a person" are considered to be family members who are expected to influence, or be influenced by, that person in their dealings with the entity, including: (a) children and that person's spouse or partner; (b) the children of that person's spouse or partner; and (c) dependents of that person or of that person's spouse or ohabitant

² The terms "control", "joint control" and "significant influence" are defined in IFRS 10, IFRS 11 (Arrangements for joint control) and IAS 28 (Investments in associates and joint ventures) and are used with the meanings specified in such IFRS

³ Pursuant to IAS 24, paragraph 9, "executives with strategic responsibilities" are considered to be those individuals who have the power and responsibility, directly or indirectly, for the planning, management and control of the entity's activities, including directors (executive or not) of the entity itself

⁴ In the definition of a related party, an associate includes the subsidiaries of the associate and a joint venture includes the subsidiaries of the joint venture. Therefore, for example, a subsidiary of an associated company and the investor who has significant influence over the related company are related to each other.

