



## Guidance opinion on the quantitative and qualitative composition of Avio S.p.A.'s Board of Directors deemed optimal for the three-year period 2023–2025

### 1. Introduction

In accordance with the recommendations of the Corporate Governance Code, and in particular Article 4, Principle XIII, Recommendation 23, in view of the next renewal of corporate bodies, on 29 November 2022 the Board of Directors of Avio S.p.A. (“Avio” or the “Company”), upon the opinion of the Appointments and Remuneration Committee and taking into account the results of its self-assessment and the experience gained during the three-year period ended, approved this guidance opinion on the quantitative and qualitative composition of the Board of Directors deemed optimal for the three-year period 2023–2025.

In accordance with the provisions of Article 11.4 of the Company by-laws (the “By-laws”), on 7 November 2022 Avio’s Board of Directors, with the favourable opinion of the Appointments and Remuneration Committee, also resolved to initiate the preparatory activities for the presentation by the Board itself of a slate of candidates for the next renewal of the Board of Directors at the Shareholders’ Meeting that will be called to approve the financial statements as of 31 December 2022. On the same date, the Board of Directors also approved, once again with the favourable opinion of the Appointments and Remuneration Committee, the “*Procedure for the submission of a slate for the renewal of the Board of Directors by the outgoing Board of Directors*” for the presentation of the aforesaid slate, available on the Company’s website in the section “2023 Shareholders’ Meeting 2023” of Avio’s IR ([www.investors.avio.com/en/ShareholdersMeeting/2023](http://www.investors.avio.com/en/ShareholdersMeeting/2023)).

In light of the above, this opinion illustrates the guidance of the Board of Directors on the quantitative and qualitative composition of the Board of Directors deemed optimal for the three-year period 2023–2025, which will constitute the point of reference on the basis of which the subsequent structuring of the slate of the outgoing Board of Directors will be carried out, and which is also provided to Avio’s Shareholders to support their evaluations when submitting their slates.

In particular, this opinion, with the aim of facilitating the process of defining the best proposals for the quantitative and qualitative composition of the Board of Directors, provides Shareholders with the following guidance on:

- the size of the new Board of Directors;
- the composition referring to the managerial and professional figures whose presence on the new Board of Directors is deemed appropriate; and

- the personal and professional skills deemed suitable for the office of Chair of the Board of Directors and Chief Executive Officer.

The presentation of a slate by the Board and the issuance of this opinion for Shareholders is based on the wish of the outgoing Board of Directors to maintain and develop the experience and knowledge of the Company acquired by Directors during their mandate, in light of the complexities of the sector in which the Company operates.

In the view of the Board of Directors, maintaining substantial governance continuity within the Company – with appropriate adjustments to take into account the needs that emerged during the self-assessment – will allow it to better tackle the business challenges that Avio will face over the coming years, also considering the rapid technological development of the space sector.

The long-term nature of the new investment programmes and the development of new products over the last three years (e.g. with reference to the ESA and PNRR projects pursued during the last three-year period, that recently reached contractual maturity), which will engage the Company over the coming 3–4 years, suggest giving continuity to the action of implementing the strategies put in place, drawing on the know-how that the Board has already acquired on these matters in order to make the most of them.

The Board of Directors, in respect of the prerogatives of the Shareholders in the designation and election of the members of the Board of Statutory Auditors, also hopes that the prospect of continuity outlined above will also be fully shared in the composition of the slates for the renewal of the Board of Statutory Auditors, in order to adequately value the knowledge of Avio’s operating characteristics and the peculiarities of the sector in which it operates acquired by the outgoing members of the Board of Statutory Auditors.

With reference to the composition of the corporate bodies, reference is also made to the “*Diversity Policies of the Management and Control Boards*” (the “**Diversity Policy**”) last approved by the Board of Directors on 14 March 2022 and available on the Company’s website at [www.avio.com](http://www.avio.com).

Furthermore, the Board, in line with Recommendation 23 of the Corporate Governance Code, invites Shareholders who submit a slate containing a number of candidates exceeding half of the members to be elected to provide adequate information in the documentation submitted for the filing of the slate as to whether the slate corresponds to the guidance expressed by the outgoing Board, also with reference to the Diversity Policy.

## **2. Quantitative composition of the Board of Directors**

Article 11.1 of the By-laws provides that the Company is managed by a Board of Directors made up of nine members, or by eleven members according to what has been decided by the annual Shareholders’ Meeting.

According to well-established corporate governance rules, the number of members of the administrative body must be appropriate to the size and complexity of the Company’s organisational structure, in order to effectively oversee its entire operations, both in terms of management and control. It should also be noted that the correct size of the administrative body must also be determined on the basis of the number and composition of the internal board committees, in which a key role is entrusted to members meeting the independence requirements.

The ordinary Shareholders' Meeting of Avio held on 6 May 2020 elected the Board of Directors, with a term of office expiring on the date of approval of the financial statements as of 31 December 2022, and set the number of its members at eleven, accepting the guidance related to the increase in the size of the Board of Directors provided by the outgoing Board in the "*Opinion on the size and composition of the Board of Directors of Avio S.p.A. for the 2020–2022 three-year period*".

Avio's current governance also envisages the following internal committees of the Board of Directors: (i) the Control and Risk Committee; (ii) the Sustainability Committee; (iii) the Appointments and Remuneration Committee; (iv) the Planning and Scenarios Committee.

In light of the results of the self-assessment, the Board deems the current size of the administrative body to be appropriate overall, both in relation to the current number of eleven directors and the number of internal committees, given that it allows for (i) a balanced composition of internal committees and an adequate distribution of offices among directors, as well as (ii) full alignment with the Diversity Policy, offering space for the entry of skills appropriately diversified by background, roles held, sectors of origin, governance experience and seniority.

### **3. Qualitative composition of the Board of Directors**

The Corporate Governance Code recommends the board of directors be composed of executive and non-executive directors, a significant portion of whom independent, all with professionalism and skills appropriate to the tasks entrusted to them. The same Code highlights that the number and competences of non-executive directors should be such as to ensure a significant influence of the latter in the taking of board decisions, in order to guarantee effective monitoring of management.

Article 11 of the By-laws also provides that all directors must meet the requirements of eligibility and professionalism provided by law and other applicable provisions, and the requirements of integrity provided by Ministerial Decree No. 162 of 30 March 2000 and by regulations in force from time to time.

Moreover, pursuant to Article 11.6 of the By-laws, each slate must contain and specifically indicate at least two directors meeting the requirements of independence provided by applicable regulations and the Corporate Governance Code. In this regard, please note that the Policy on "*Qualitative and quantitative criteria for the purpose of the assessment of the independence requirements pursuant to Recommendation 7, first period, letters c) and d), in Article 2 of the Corporate Governance Code*", lastly approved by the Board of Directors on 14 March 2022, is available on the Company's website at [www.avio.com](http://www.avio.com).

With regard to the professionalism, skills and experience deemed necessary for an optimal qualitative composition of the Board of Directors, the latter expresses and emphasises the importance of:

- ensuring the presence of a balanced synergy of profiles, skills, attitudes and experience, enabling the Company to effectively manage its strategies over the next three years and to further promote the requirements of gender diversity, professionalism, seniority, international dimension, and age and sector diversity;
- identifying profiles with appropriate attitude, personal and professional characteristics, capable of creating an effective collaboration and a positive relational dynamic in the optimal performance of the Director's role;
- ensuring the presence of an adequate number of independent directors, even exceeding the number provided for in the By-laws, so as to encourage an open and careful debate that takes into account the interests of stakeholders.

In this regard, and without prejudice to what is indicated in paragraph 3.1 below, it should be noted that suitable candidate profiles may also be sought in sectors, other than the space sector, that have undergone similar transformation and growth, provided that the persons thus chosen nonetheless have managerial skills and adequate soft skills, such as: integrity, personal standing, proactivity, strong communication and interaction skills, moral integrity, strong strategic understanding, ability to create shareholders value, attention to organisational matters and human resources management policy, and care for employer branding.

### **3.1 Personal and professional skills**

Without prejudice to the provisions of the By-laws and to the above, the personal and professional skills deemed appropriate for the different roles within the Board of Directors, largely in line with the current ones, are the following.

**The Chair** should:

- be a figure endowed with the experience and authority to ensure proper and transparent management of the functioning of the Board of Directors, as well as to foster integration between the various competences of the Board and synergy with the Chief Executive Officer;
- have recognised international standing and a reputation suitable to allow him to play an effective role as guarantor for all Shareholders and stakeholders, also taking into account the role entrusted to the Chair of the Board of Directors by the “*Shareholders’ and stakeholders’ engagement policy*” approved by the Board of Directors on 3 March 2022 (the “**Engagement Policy**”);
- possess personal characteristics that favour the creation of a strong sense of cohesion among the members of the Board of Directors and mutual trust;
- have an adequate knowledge of corporate governance, having gained previous significant experience in the field of governance;
- possess adequate knowledge of capital markets on an international basis, both on regulated and private markets;
- have expertise in the field of economics and finance, have gained previous experience in the field of extraordinary transactions, and be experienced and customary in the management, within boards of directors, of issues of strategic and business relevance; as well as
- have adequate knowledge of the space sector and its main dynamics, ideally with direct experience in its various segments.

**The Chief Executive Officer** should:

- have consolidated previous experience in the role of CEO of multinational companies or otherwise have experience in managing international businesses, with a high level of complexity with respect to geographical elements, markets/products and technologies, ideally in the space and defence sector;
- have a specific knowledge of the space sector and its main dynamics, ideally with direct experience in space launchers;

- possess considerable ability to develop a strategic vision to define Avio's future role and positioning in the sector, taking into account existing and future constraints and market opportunities;
- have the ability to manage relations with Avio's main stakeholders and national and international institutions (governmental and private institutional customers on an international basis, international industrial partners, national and international institutions);
- have the ability to manage relations with investors and investment management companies in regulated capital markets, also taking into account the role entrusted to the CEO by the Engagement Policy;
- have vision and capacity for overall control of the industrial supply chain, management of the main operational and industrial aspects, and experience in managing international industrial partnerships. In addition, knowledge of production processes and product platforms over many years and experience in companies that have had to adapt to new technological and production paradigms is considered favourably;
- have experience in M&A/transactions aimed at dimensional growth and/or the acquisition of new know-how and technology as well as experience in project financing;
- have personal qualities suitable for leadership and a management style oriented towards teamwork, including the ability to motivate and express technical and managerial authority, the ability to communicate ideals and values, transparency, the ability to communicate a strong sense of belonging, the ability to interpret and adapt to external changes as well as the ability to take an entrepreneurial approach to business growth prospects.

Moreover, in consideration of the strategic relevance of the sector in which the Company operates, the renewal of the Board of Directors shall take place in accordance with the conditions set forth by the Presidency of the Council of Ministers, pursuant to Article 1, paragraph 1, lett. a), of Legislative Decree No. 21 of 15 March 2012, converted by Law No. 56 of 11 May 2012 (the so-called golden power decree). In this regard, it should be noted that the Decree of the Presidency of the Council of Ministers of 24 November 2016 requires the Chief Executive Officer of Avio to be a person of Italian citizenship.

**The ten Directors, including the Chair of the Board of Directors**, should all be non-executive, **mostly independent**. In general, such Directors should:

- a) have diversified managerial and/or professional skills in order to achieve a set of complementary competences and experiences. In particular, it is recommended that candidates for the role of Director preferably possess one or more of the following professional skills:
  - experience and expertise in legal, corporate and/or compliance matters;
  - experience and expertise in environmental and social sustainability;
  - experience and expertise in the venture capital and start-up sectors;
  - experience and expertise in technology, with a focus on cybersecurity, research and development and innovation;
  - experience in the space sector, particularly on the end-customer side, or in related sectors;
  - experience in the military sector;

- experience in the top management of listed companies or in any case companies of a complexity and size comparable to Avio's;
- experience and expertise in finance, accounting and/or risk management;
- experience in organizational matters and human resources management policies.

In addition, candidates with an entrepreneurial approach and international experience, with particular knowledge of the US market, are recommended;

- b) belong to different genders and age groups, in line with the Diversity Policy adopted by Avio;
- c) possess adequate seniority, meaning proven experience in complex organisational contexts in a corporate and/or professional and/or institutional environment;
- d) have experience on the boards of directors of companies, preferably listed and/or in an international environment;
- e) have knowledge of the English language.

Lastly, the outgoing Board of Directors positively assesses the possibility that the new administrative body, in accordance with Article 11.1 of the By-laws, appoints a Vice-Chair of the Board of Directors, who can assist the Chair in performing the related duties. Specifically, the outgoing Board believes that **the Vice-Chair** should be a figure with particular authority, with diversified experience in boards of directors of listed companies or companies of significant size and proven ability in institutional relations with the main stakeholders.

### ***3.2 Gender balance***

The By-laws provide that the Board of Directors shall be appointed in such a way as to ensure that the composition of the Board complies with the legal and regulatory provisions, as in force from time to time, concerning gender balance.

In this regard, please note that pursuant to Article 147-ter of the Consolidated Financial Act, as last amended by Law No. 160/2019, the less represented gender must obtain at least two fifths of the Directors to be elected. It should be noted that, at the time of publication of this opinion, the outgoing Board of Directors is composed of 5 male directors out of a total of 11 members.

Pursuant to Article 11.6 of the By-laws and Article 4.1 of the Diversity Policy, slates for the renewal of the board of directors containing a number of candidates equal to or greater than three cannot be composed only of candidates belonging to the same gender; such slates must include a number of candidates of the least represented gender such as to ensure that the composition of the board of directors complies with the legal and regulatory provisions, in force from time to time, on gender balance, it being understood that if the application of the gender distribution criteria does not result in a whole number, this shall be rounded up to the next higher unit.

### ***3.3 Limits on multiple offices***

The availability of time to devote to the performance of the office is a fundamental requirement that Directors must be able to meet in order to diligently fulfil their duties, taking into account the role they hold and any positions as members of internal committees of the Board of Directors that they may be

called upon to hold, in accordance with the limits on multiple offices indicated in the Report on corporate governance and ownership structure.

In accordance with the principles set forth in the Corporate Governance Code, it is therefore recommended that candidates accept their candidacy and the office of Director only if they believe they can devote the necessary time to the diligent performance of their duties, also taking into account the commitment associated with their other work and professional activities and the number of offices held in other listed or large companies.

In particular, pursuant to the provisions of the Diversity Policy and for the purposes of this guidance, offices held in companies listed on regulated markets (including foreign markets) (the “**Relevant Companies**”) are specifically considered.

#### *Chair of the Board of Directors*

The following is considered suitable for the effective performance of the role of Chair of the Board of Directors:

- no executive office in other Relevant Companies;
- no more than 2 non-executive or auditor offices in other Relevant Companies.

#### *Chief Executive Officer and other executive Directors with management powers*

The following is considered suitable for the effective performance of the role of Avio’s CEO:

- no executive office in other Relevant Companies;
- no more than 1 non-executive or auditor office in other Relevant Companies.

The same limits also apply to any additional executive directors to whom the Board of Directors of Avio grants management powers.

#### *Non-executive Directors*

The following is considered suitable for the effective performance of the role of Avio’s non-executive Director:

- no more than 1 executive office in other Relevant Companies;
- no more than 4 non-executive or auditor offices in other Relevant Companies.

In any case, offices held by Avio Directors in companies that, directly and/or indirectly, are controlled or participated by Avio, control Avio or are subject to common control, are excluded from the limits above.

Likewise, offices held within companies belonging to the same group of Relevant Companies are excluded from the aggregation of offices.

Should the limits above be exceeded, the Directors shall promptly inform the Board of Directors of Avio, which shall evaluate the situation in light of the actual case and/or the Company’s interest. At the end of such assessment, the Board of Directors shall invite the Director to take the consequent decisions, without prejudice to the Board’s right to grant any justified exemption to the maximum limit of offices indicated above. Avio’s Board of Directors, on the basis of the information provided by its members, notes and discloses, in the annual Report on corporate governance and ownership structure, the offices

held by Directors in the administrative and control bodies of other Relevant Companies, providing evidence of any exemption granted.

THE BOARD OF DIRECTORS