



DIVERSITY POLICIES OF THE MANAGEMENT AND CONTROL BOARDS

1st edition: Board of Directors of Avio S.p.A. on March 19, 2021

2nd edition: Board of Directors of Avio S.p.A. on March 14, 2022



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1 INTRODUCTION

1.1 Purpose, application and addressees

Article 123-*bis*, paragraph 2, letter d-*bis*) of the CFA, as supplemented by Article 10 of Legislative Decree No. 254/2016, requires issuers to include, in their corporate governance and ownership structure report, an outline of the diversity policies applied in relation to the composition of the administrative, management and control boards with regard to aspects such as age, gender composition and educational and professional background, in addition to an outline of the objectives and methods for implementing these policies.

Article 2, Principle VII, of the Corporate Governance Code provides that the issuer shall apply diversity criteria, including gender criteria, for the composition of the Board of Directors, in compliance with the prime objective of ensuring sufficient skill levels and professionalism among its members. Recommendation No. 8 of the Corporate Governance Code invites companies to define the diversity criteria for the composition of the management and control boards and to identify, also taking into account their ownership structure, the most suitable instrument for their implementation.

Recommendation No. 2 of the Corporate Governance Code requires that the orientation of the outgoing board also take into account the diversity criteria set forth in Article 2, Principle VII, of the Corporate Governance Code.

Avio S.p.A. ("**Avio**" or the "**Company**") closely focuses on the issues of diversity and inclusion, regardless of the obligations imposed by primary legislation, at both Corporate Board and management level in all aspects, including gender, age, qualifications, skills and education and professional background.

This Diversity Policy of the management and control boards of Avio (the "Policy") defines and formalises the criteria and tools adopted to ensure a suitable level of diversity in its corporate boards with the aim, inter alia, of guiding applications put forward by the shareholders during the renewal of corporate boards and ensuring suitable consideration of the benefits that can be gained from a uniform composition, aligned to the various diversity criteria as outlined below.

The Policy aims to:

- i. ensure a better understanding of stakeholder needs and requirements;



- ii.reduce the risk of uniform board member opinions;
- iii.make the decision-making process more effective and thorough;
- iv.enrich the dialogue within the Corporate Boards thanks to general strategic or particular technical expertise;
- v.encourage debate, a distinctive prerequisite for a well-considered and knowledgeable decision-making process;
- vi.allow members of the Corporate Boards to constructively question management decisions;
- vii.encourage renewal within the Corporate Boards.

This Policy relates to the composition of the Board of Directors, including its endo-committees, and the Board of Statutory Auditors of Avio.

The Policy is addressed, in particular, to those involved in the process of selecting and appointing the Company's Board of Directors and Board of Statutory Auditors, namely:

- to the shareholders who, pursuant to law and the By-Laws, intend to submit slates of candidates for the appointment of the Board of Directors and Board of Statutory Auditors;
- to the Shareholders' Meeting called to appoint the Board of Directors and the Board of Statutory Auditors;
- to the "outgoing" Board of Directors, in case it intends to submit its own slate of candidates upon renewal of the Board;
- to the Company's Board, in addition to the shareholders, in case it is necessary to replace a Board member during his/her term of office, pursuant to Article 2386 of the Civil Code.

1.2 Document management

The review of this Policy shall be approved by the Board of Directors of Avio, with the support of the Appointments and Remuneration Committee and of the Board of Statutory Auditors.

The Policy is reviewed at least annually to ensure that it remains current with respect to any amendments and developments that may occur in applicable legislation, the marketplace and best practices.



2 REGULATORY FRAMEWORK

This Policy is adopted in implementation:

- (a) of Directive No. 2014/95/EU amending Directive No. 2013/34/EU as regards the disclosure of non-financial and diversity information by certain parties and certain groups of companies;
- (b) of Legislative Decree No. 254/2016 of December 30, 2016, setting forth rules for the implementation of Directive No. 2014/95/EU;
- (c) of the provisions of Legislative Decree No. 58 of February 24, 1998 (the “**CFA**”) and the relative enacting regulations;
- (d) of Law No. 120/2011 of July 12, 2011, containing amendments to the Consolidated Law on Financial Intermediation, pursuant to Legislative Decree No. 58 of February 24, 1998, concerning equal access to the management and control boards of companies listed on regulated markets;
- (e) of the Corporate Governance Code of Listed Companies of Borsa Italiana S.p.A. approved by the Governance Committee in January 2020 (“**Corporate Governance Code**”);
- (f) Consob Motion No. 21359/2020 "*Amendments to the implementing regulation of Legislative Decree No. 58 of February 24, 1998, concerning the regulation of issuers on corporate transparency*", which approved the amendments to Article 144-*undecies.1* of the Issuers' Regulation, containing the application criteria for the new gender quotas introduced by Law No. 160 of December 27, 2019, which amended Articles 147-*ter*, paragraph 1-*ter*, and 148, paragraph 1-*bis*, of the CFA.

3 DEFINITIONS

In addition to any terms defined in other articles of this Policy, the following terms and definitions shall have the meanings hereinafter assigned to each of them. Furthermore, such terms that are defined in the singular are to be considered equally defined in the plural and vice versa:

- **Board Endo-Committees:** it jointly indicates the Appointment and Remuneration Committee, the Risk and Control Committee, the Sustainability Committee and the Planning and Scenarios Committee;



- **Director(s):** indicates the member(s) of Avio's Board of Directors;
- **BoD or Board:** indicates the Board of Directors of Avio;
- **S.A. or Board of Statutory Auditors:** indicates the Board of Statutory Auditors of Avio;
- **Corporate Boards:** indicates jointly the Board of Directors and the Board of Statutory Auditors of Avio;
- **Statutory Auditor(s):** indicates the member(s) of the Board of Statutory Auditors of Avio.

4 IMPLEMENTATION OF CORPORATE BOARD POLICIES

4.1 Board of Directors and Endo-Committees

In accordance with the provisions of Article 11 of Avio's By-Laws (the “**By-Laws**”):

- i.all Directors shall possess the eligibility and standing requirements provided for by law and other applicable provisions, as well as the integrity requirements provided for by Italian Ministerial Decree No. 162 of March 30, 2000 and the applicable legislation in force;
- ii.pursuant to Article 147-ter, paragraph 4 of the CFA, at least two Directors must possess the independence requirements set out therein; and
- iii.the slates containing 3 (three) or more candidates may not be composed of candidates only from the same gender (male or female); these slates should include a number of candidates of the less-represented gender to guarantee the composition of the Board of Directors in accordance with legal and regulatory provisions in relation to gender equality (male or female) rules, rounded upwards.

As recommended by the Corporate Governance Code, the Avio Board of Directors carries out an evaluation, at least once a year, on the functioning of the Board and of its Committees, and also in relation to its size and composition, taking account also of the professional qualifications, experience - also of a managerial nature - and the gender balance of its members, in addition to their years of service, also in relation to the diversity criteria.

Avio believes that the Board must be a forum for solid debate in which dialogue, discussion, diversity of approach and teamwork are key aspects for the pursuit of sustainable success.



In addition, the outgoing Board - before the submission of the slates by the shareholders and the subsequent appointment of the Directors by the Shareholders' Meeting - identifies its own optimal qualitative and quantitative composition, having considered, *inter alia*, the results of the annual self-assessment, and expresses its opinion to the shareholders.

According to the principles of the Corporate Governance Code and with the applicable legislation, shareholders should consider this issue when choosing the professional characteristics, experience, including managerial, and gender of the candidates.

The outgoing Board will consider it if it decides to avail itself of the right to present a list of the Board.

Therefore, to ensure a diversified and inclusive Board, capable of welcoming a wide range of opinions, Avio:

A. Age and seniority of office

- i. recommends that shareholders consider candidates belonging to different age groups;
- ii. recommends that shareholders consider the candidacy of an adequate number of Directors already in office to enhance the continuity in the management of the activities of the Board of Directors and of the Board Endo-Committees;

B. Gender

- i. establishes that at least two fifths of the Directors be made up of directors of the less represented gender, both at the time of appointment and at the time of their mandate;

C. Skills, training and professional profile

- i. establishes that, when submitting the lists and subsequently appointing the directors, the shareholders evaluate, also by the opinion expressed by the outgoing Board on the matter and the diversity criteria identified by Avio, the professional characteristics, experience, including managerial, candidates in relation to the size of the Company, the complexity and specificity of the business sector in which it operates, as well as the size of the Board;
- ii. establishes that the Directors possess the requisites of professionalism and have the criteria of competence provided for by the legislation applicable to listed companies;



D. Independence

- i. establishes that the majority of the members of the Board of Directors possesses the independence requirements provided for (i) by article 147-ter, paragraph 4, and by article 148, paragraph 3, of the TUF; and (ii) from Article 2, Recommendation no. 7, of the Corporate Governance Code;
- ii. provides that the Board assesses the existence of the independence requirements pursuant to the applicable provisions including, *inter alia*, Article 2, Recommendation no. 6, of the Corporate Governance Code;
- iii. guarantees that the Chairman of the Board of Directors is a person with sufficient experience and authority to ensure correct, efficient and effective management of the functioning of the Board during the course of his mandate, within which he has the task of creating a strong spirit of cohesion, while at the same time representing a figure of guarantee for all Shareholders and for all stakeholders. The Chairman should encourage the participation of all Directors on an equal basis in the Board debate and possess adequate experience in managing, within the Board, issues of strategic importance, as well as specific managerial and business skills in the sector in which the Company operates.

In order for the Company's Board to most effectively perform its duties, in addition to the diversity requirements set forth above, the Company believes it is essential that all Directors ensure that they have adequate time available to diligently and responsibly perform their duties.

4.2 Board of Statutory Auditors

In compliance with the provisions of Article 17 of Avio's By-Laws:

- i. the slates for the appointment of the Board of Statutory Auditors, if they contain, in both sections, a number of candidates equal to or greater than 3 (three), must contain a number of candidates in both sections to ensure that the composition of the Board of Statutory Auditors, both for Statutory Auditors and Alternate Auditors, complies with the legal and regulatory provisions that are in force in relation to gender equality (male and female), provided that if the application of the criterion for the gender equality quota does not result in a full number, this should be rounded up to the next unit;
- ii. each slate must be accompanied by detailed information on the personal and professional characteristics of the candidates, as well as a declaration by them that they possess the requirements set out by law.

In order to ensure compliance with the diversity criteria required by applicable regulations within the Board, Avio:



A. Age and seniority of office

- i. recommends that shareholders consider candidates from different age groups;
- ii. recommends that shareholders consider the candidacy of an adequate number of Statutory Auditors already in office to ensure continuity in the management of the Board's activities;

B. Gender

- i. establishes that at least two fifths of the Statutory Auditors are made up of members of the less represented gender, both at the time of appointment and at the time of the mandate.

C. Skills, training and professional profile

- i. establish that the Statutory Auditors meet the independence and competence requirements set out in the regulations applicable to listed companies

D. Independence

- i. establishes that the Statutory Auditors possess the independence requirements provided for (i) by Article 148, paragraph 3, of the TUF; and (ii) from Article 2, Recommendation no. 9, of the Corporate Governance Code;