



**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**

*Approved by Avio's Board of Director on 14 March 2022*

## INTRODUCTION

Recommendation 7, first paragraph, in article 2 of the Corporate Governance Code for listed companies adopted by the Corporate Governance Committee in January 2020 (the "**Code**"), which Avio S.p.A. ("**Avio**" or the "**Company**") adheres to, indicates among the circumstances that compromise, or appear to compromise, the independence of a Director or Auditor:

- "c) if, directly or indirectly (for example through subsidiaries companies or of which he is an executive director, or as a partner of a professional firm or consulting firm), has, or has had in the three previous years, a significant commercial, financial or professional relationship<sup>1</sup>:

- with the company or companies controlled by it, or with the related executive directors or top management;

- with a person who, also together with others through a shareholders' agreement, controls the company; or, if the parent is a company or entity, with the related executive directors or top management "; And

- "d) if he receives, or has received in the previous three financial years, from the company, one of its subsidiaries or the parent company, a significant additional remuneration compared to the fixed remuneration for the office and that provided for participation in the committees recommended by the Code or required by current legislation"<sup>2</sup>.

In order to apply the aforementioned provisions, Recommendation 7, second paragraph, of the Code provides that the management board pre-defines, at least at the beginning of its mandate, and, in any case, prior to the actual assessment of the independence of the directors and statutory auditors<sup>3</sup>, the quantitative and qualitative criteria for assessing the significance of the relationships referred to in letters c) and d) of Recommendation 7, first paragraph, of the Code.

By the way, the same Recommendation specifies that "*In case of the director who is also a partner of a professional firm or a consultancy company, the management board evaluates the significance of the professional relationships that may have an effect on his position and on his role within the firm or consulting firm or which in any case pertain to important operations of the company and of the group to which it belongs, even regardless of the quantitative parameters*".

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<sup>1</sup> Recommendation 7, first paragraph, letter c) Code

<sup>2</sup> Recommendation 7, first paragraph, letter d) Code

<sup>3</sup> In the collection "*Q&A functional to the application of the Corporate Governance Code - 2020 edition*" published on the website of the Corporate Governance Committee, the Committee clarified that the quantitative and qualitative criteria have general and abstract scope and are defined by the supervisory body administration before their actual application and therefore prior to the effective assessment of the independence of the directors / statutory auditors (See "*The Q&A functional to the application of the Corporate Governance Code - Edition 2020*" - Q. Rec. 7 (3)).

This document illustrates the quantitative and qualitative criteria approved by the Avio's Board of Directors, with the help of the Nomination and Compensation Committee, to assess the significance of relationships, including economic ones, capable of compromising the independence of the Directors / Statutory Auditors (the "**Quantitative and Qualitative Criteria**" or "**Criteria**").

It should be noted that the Quantitative and Qualitative Criteria, once adopted, will also be applied to the assessment of the independence of the Statutory Auditors.

It should be noted that the Quantitative and Qualitative Criteria will be applied starting from the annual assessment of the independence of the Avio's Directors and Statutory Auditors for 2022.

## 1. QUANTITATIVE CRITERIA

### 1.1. Significance of commercial, financial or professional relationships

Regarding the quantitative criteria, it is important the relationships of a commercial, financial or professional nature that the Director or the Statutory Auditor (the "**Representative**") - whose independence is being assessed - have or have maintained during which the declaration of independence is made or in the three financial years preceding the date on which the declaration itself is made (the "**Reference Period**") with the following subjects (jointly, the "**Relevant Persons**"):

- i. the Company or its subsidiaries, or with the related executive directors<sup>4</sup> or top management<sup>5</sup>;
- ii. the person who, also together with others through a shareholders' agreement, controls the Company; or, if the parent is a company or entity, with the related executive directors or top management.

For the purposes of Recommendation 7, first paragraph, letter c), of the Code, it is to be considered "significant":

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<sup>4</sup> With "executive directors" we mean (see definition of the Code):

- the president of the Company or of a subsidiary having strategic importance, when he is assigned powers in the management or in the development of corporate strategies;
- directors who are recipients of managerial powers and / or hold managerial positions in the Company or in a subsidiary having strategic importance, or in the parent company when the assignment also concerns the Company;
- the directors who are part of the Company's executive committee (where established).

<sup>5</sup> With "top management" we mean "*senior executives who are not members of the administrative body and have the power and responsibility for planning, managing and controlling the activities of the company and the group it heads*" (cf. definition of the Code). With regard to Avio, the subjects identified as executives with strategic responsibilities pursuant to the regulations in force regarding Related Parties and the Remuneration Policy are meant.

- a commercial or financial relationship of a professional nature with Relevant Persons if the total annual consideration for such relationships exceeds 50% of the total amount of the fixed annual remuneration received by the Relevant Person for the office or for participation in committees.

It should be noted that, for the purposes of the foregoing, the relationships with Relevant Persons by a close family member of the Exponent are also relevant, meaning: (i) the parents, (ii) the children, (iii) the spouse who is not legally separated and (iv) cohabitants (each, the "**Close Family**").

## 1.2. Significance of the additional remuneration

The "*additional remuneration*" has to be considered when assessing the independence of a Representative in practice and it includes the sum of any additional remuneration recognized by Avio, one of its subsidiaries or the parent company, even indirectly, with respect to the "*fixed remuneration for the office*"<sup>6</sup> "and" *that provided for participation in the committees recommended by the Code or provided for by current legislation* <sup>7</sup>(the "**Additional Remuneration** ").

For this purpose, the remuneration received by the Representative in the form of participation in incentive plans linked to company performance is also relevant.

The additional remuneration is generally to be considered significant - and therefore capable of compromising the independence of the Representative concerned - if the total annual consideration for such relations is greater than 50% of the total amount of the annual fixed remuneration received by the Representative for the office or for participation in committees.

It should be noted that the fact of being a close family member of a person who is in one of the situations referred to in this article 1.2 also constitutes a circumstance suitable to compromise the independence of the Exponent

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<sup>6</sup> With "fixed remuneration for the position" (See "The Q&A functional to the application of the Corporate Governance Code - Edition 2020" - Q. Rec. 7 (1)):

- the remuneration determined by the assembly for all directors or established by the management body for all non-executive directors within the overall amount approved by the assembly for the entire management body;
- any remuneration attributed on the basis of the particular position assumed by the single non-executive director within the management body (chairman, vice-chairman, LID), defined according to the best practices provided for by Recommendation 25 (i.e. taking into account remuneration practices widespread in the reference sectors and for companies of similar size, also considering comparable experiences).

On the contrary, the remuneration received by the director of the Company for the offices in the parent company or in the subsidiary company is considered as "Additional Remuneration" and is therefore assessed in its "significance" for the purposes of Recommendation 7, letter d).

<sup>7</sup> With "remuneration for participation in the committees recommended by the Code" we mean the remuneration that the individual director receives by reason of his participation in internal board committees, having functional competences for the application of the Code, including any committee set up pursuant to Recommendation 1, letter a), provided that it is not an executive committee. As required by the Code, the remuneration from "committees recommended by the Code" is also similar to the remuneration for participation in the committees (or bodies) provided for by current legislation, excluding any executive committee.

## 2. QUALITY CRITERIA

Even in the event of failure to exceed the quantitative parameters referred to in Article 1 above, a relationship of a commercial, financial or professional nature is to be considered "*significant*" for the purposes of Recommendation 7, first paragraph, letter c) of the Code if it is considered by the Board of Directors suitable to condition the autonomy of judgment and independence of An Avio's Director in the performance of his office.

Therefore, only for example, in case of the Representative is also a partner of a professional firm or a consultancy company, the Avio's Board of Directors - regardless of the quantitative parameters indicated above in article 1 - may consider "*significant*" the professional relationships of the firm and / or the consulting firm with Relevant Persons who:

- i. may have an effect on his position and / or on his role covered by the Director within the professional firm or consulting firm; and / or
- ii. relate to important operations of the Company and of the group to which it belongs.

The significance of the aforementioned relationships is assessed considering the professional activity normally exercised by the Exponent, the duties normally entrusted to him, as well as the relevance that such relationships can assume for the Exponent in terms of reputation within his own organization.