

LU-VE S.p.A.

Via Vittorio Veneto 11 – 21100 Varese

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# **REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES**

pursuant to art. 123-bis of the TUF (Consolidated Law on Finance)  
(traditional administration and control model)

## **YEAR 2022**

approved by the Board of Directors of 14 March 2023

LU-VE S.p.A.

*Registered office:* Via Vittorio Veneto n. 11 – 21100 VARESE (VA)

*Administrative headquarters:* Via Caduti della Liberazione no. 53 – 21040 UBOLDO (VA)

[www.luvegroup.com](http://www.luvegroup.com)

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## GLOSSARY

**Directors:** the members of the LU-VE Board of Directors.

**Meeting/Shareholders' meeting:** the shareholders' meeting of LU-VE.

**Shareholders:** the LU-VE shareholders.

**Borsa Italiana:** Borsa Italiana S.p.A., with registered office in Milan, Piazza Affari, no. 6.

**Chief Executive Officer/CEO:** the main person responsible for the management of the company.

**Old Corporate Governance Code:** the old Corporate Governance Code for listed companies approved for the first time in 1999 and last amended in July 2018 by the Corporate Governance Committee.

**Corporate Governance Code:** the Corporate Governance Code adopted by companies with listed shares approved by the Corporate Governance Committee in January 2020, to which the Company has adhered from 1 January 2021.

**Civil Code/c.c.:** the Italian Civil Code.

**Code of Ethics:** the code of ethics approved by the Board of Directors on 30 June 2016.

**Board/Board of Statutory Auditors:** the Board of Statutory Auditors of LU-VE.

**Committees:** the Control and Risk Committee, the Remuneration and Appointments Committee and the Independent Committee.

**Control and Risk Committee/CCR:** the Control and Risk Committee with responsibility for Transactions with Related Parties of LU-VE.

**Independent Committee:** the Independent Committee of LU-VE.

**Corporate Governance Committee:** the Italian Committee for Corporate Governance of listed companies, and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**Remuneration and Appointments Committee/CRN:** the Remuneration and Appointments Committee of LU-VE.

**Board of Directors/Board/BoD:** the Board of Directors of LU-VE.

**CONSOB:** Commissione Nazionale per le Società e la Borsa, the Italian financial markets regulator, with registered office in Rome, via G.B. Martini, no. 3.

**Financial year:** the company year from 1 January to 31 December 2022.

**Euronext Milan:** the market segment managed by Borsa Italiana S.p.A. in which the Issuer's shares were traded up to 20 September 2022, known as “Mercato Telematico Azionario” (MTA) until 25 October 2021.

**Euronext STAR Milan:** the market segment managed by Borsa Italiana S.p.A. in which the Issuer's shares are traded from 22 September 2022.

**Group/LU-VE Group:** LU-VE and its direct or indirect subsidiaries pursuant to art. 93 of the Consolidated Law on Finance and art. 2359 of the Italian Civil Code.

**Guidelines:** the “*Guidelines for the identification and performance of the significant transactions of the LU-VE S.p.A. Group*”, approved by the Board of Directors on 8 February 2018.

**SCIGR Guidelines:** the “*Guidelines of the Internal Control and Risk Management System of the LU-VE S.p.A. Group*”, approved by the Board of Directors on 21 September 2017 and lastly amended on 21 December 2022.

**LU-VE/Company/Issuer:** LU-VE S.p.A., with registered office in Varese, via Vittorio Veneto no.11.

**Supervisory Body/SB:** the supervisory body of the Company established pursuant to art. 6 of Legislative Decree no. 231 of 8 June 2001 as subsequently amended.

**Business Plan:** the planning document approved by the Board of Directors which defines the company's strategic objectives and the actions to be taken in order to achieve these objectives in line with the level of exposure to the chosen risk, with a view to promoting the Company's Sustainable Success.

**Chairman/Chairman of the BoD:** the chairman of the Issuer's Board of Directors.

**OPC Procedure:** the “Related Party Transactions Procedure”, with the updated version adopted by the Board of Directors on 3 May 2017, as subsequently amended and supplemented in the version updated by the Board of Directors on 29 June 2021.

**BoD and Committees Regulations:** the Regulations of the Board of Directors and of the Internal Board Committees approved by the Board of Directors on 24 February 2021 and lastly amended on 23 January 2023.

**Consob Issuers’ Regulation:** the Regulation issued by Consob by means of resolution no. 11971 of 1999 (as subsequently amended) regarding issuers.

**Consob Markets Regulation:** the Regulation issued by Consob by means of resolution no. 20249 of 2017 (as subsequently amended) regarding markets.

**Consob Related Party Regulation:** the Regulation issued by Consob by means of resolution no. 17221 of 12 March 2010 (as subsequently amended) regarding transactions with related parties.

**Report:** this report on corporate governance and ownership structures drafted by LU-VE pursuant to art. 123-*bis* of the Consolidated Law on Finance.

**Remuneration Report:** the “Annual report on the remuneration policy and the remuneration paid” that the Company is required to draft annually in accordance with art. 123-ter of the Consolidated Law on Finance and art. 84-quater of the Consob Issuers’ Regulation.

**Sustainability Report:** the “*Consolidated non-financial statement*” that the Company prepares annually pursuant to Legislative Decree no. 254/2016.

**Subsidiaries:** direct or indirect subsidiaries of LU-VE pursuant to art. 93 of the Consolidated Law on Finance and art. 2359 of the Italian Civil Code.

**Concentrated Ownership Company:** a company in which one or more shareholders who participate in a shareholder voting agreement have, directly or indirectly (through subsidiaries, trustees or third parties), a majority of the votes that can be exercised at an ordinary meeting.

**Large Company:** a company whose capitalization exceeded Euro 1 billion on the last trading day of each of the previous three calendar years.

**Close Relative:** shall mean the close relatives of a person, defined as such in accordance with the International Accounting Standards in force at the time negotiations on a RPT are entered into or, in the absence of negotiations, at the time the relevant decision is adopted.

**Sustainable Success:** objective that guides the action of the Board of Directors and which takes the form of creating long-term value for the benefit of shareholders, taking into account the interests of the other stakeholders relevant to the Company.

**Top Management:** the senior executives of the Company and the Group who are not members of the Board of Directors and have power and responsibility for planning, managing and controlling the activities of the LU-VE Company and Group.

**Articles of Association/Articles:** the Articles of Association of LU-VE, in force at the date of presentation of this Report.

**Consolidated Law on Finance (TUF):** Italian Legislative Decree no. 58 of 24 February 1998 as subsequently amended.

In addition to the aforementioned definitions, unless otherwise specified, the definitions of the Corporate Governance Code must also be understood as being recalled by reference.

## INTRODUCTION

This Report aims to illustrate the LU-VE's corporate governance system, in compliance with the legislative and regulatory provisions applicable to companies listed on Euronext Milan and in order to ensure fairness and transparency in corporate disclosure.

LU-VE was admitted to listing on the Euronext Milan, STAR segment, from 22 September 2022.

On 1 January 2021, the Board of Directors of LU-VE approved the adoption of the new Corporate Governance Code, whose adoption guarantees the constant alignment of listed companies with international best practices.

LU-VE provides information to the market on the methods of application of the new Corporate Governance Code in this Report, which was also drafted on the basis of the format made available to issuers by Borsa Italiana (9th edition - January 2022).

The Report is available on the Issuer's website at the address [www.luvegroup.com](http://www.luvegroup.com), in the section "Corporate governance & shareholders" - "Codes of conduct & corporate documents" - "Corporate governance reports".



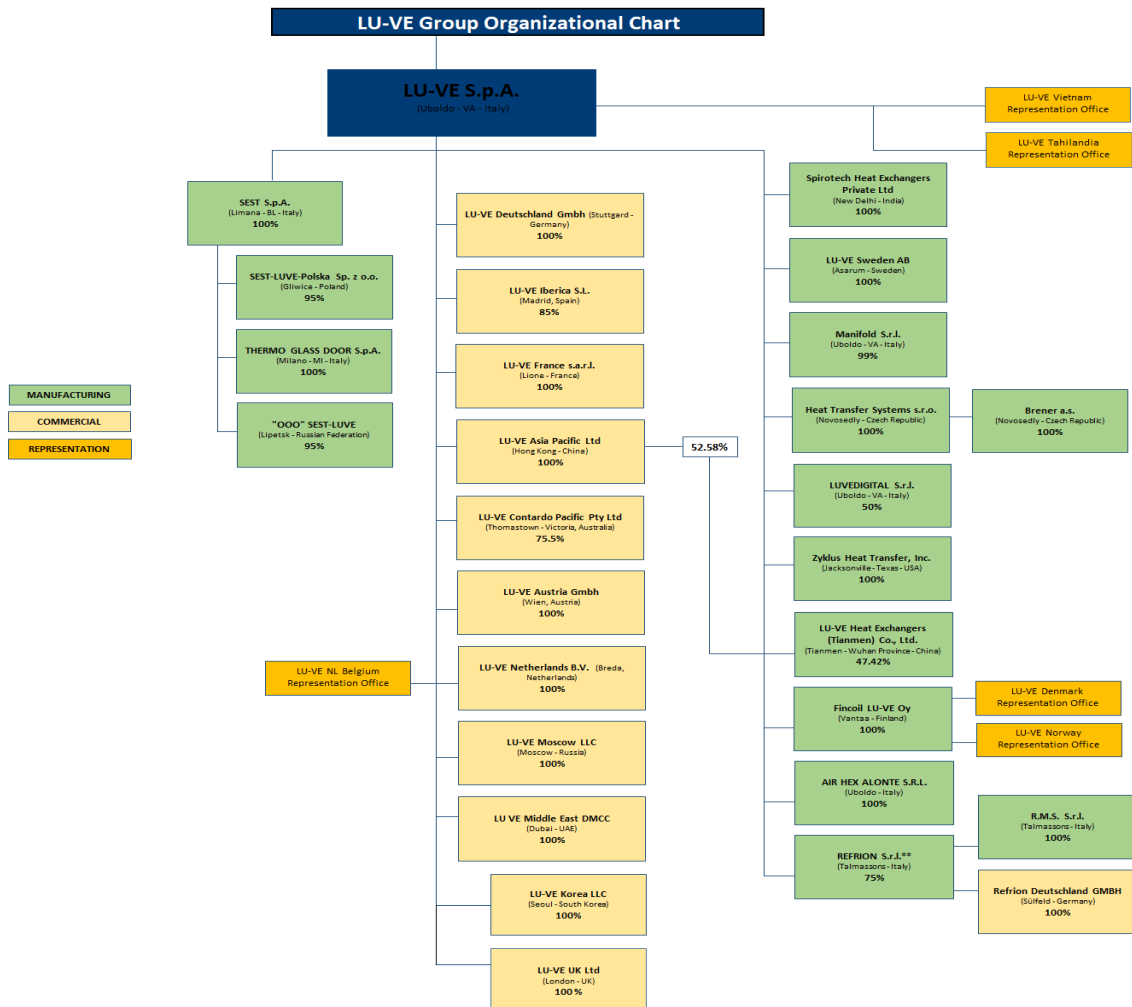
# 1.0 COMPANY PROFILE

## Introduction

The LU-VE Group is among the biggest global manufacturers in the heat exchangers sector. It operates in various market segments: refrigeration (commercial and industrial); process cooling for industrial applications and “power generation”; air conditioning (civil, industrial and precision); glass doors and closing systems for refrigerated counters and windows.

The LU-VE Group (whose parent company is LU-VE S.p.A. has its operational headquarters in Uboldo in the province of Varese) is an international company with 19 production facilities in 9 (nine) different countries in addition to Italy (China, Finland, India, Sweden, Poland, Czech Republic, Russia and USA), with a network of sales companies and representative offices in Europe, Asia, the Middle East and Oceania. The Group also contains a company responsible for Information and Communications Technology, the development of product calculation software and digitalisation. As at 31 December 2022, the Group had around 4,000 qualified employees. A total of 80.2% of products are exported to more than 100 countries.

The following table shows a graphical representation of the companies belonging to the Group, with an indication of the equity investments held in each of them at the Report Date.



## History

Established in 1985 by the founder Iginio Liberali, in 1986 LU-VE (whose name comes from LUCKY-VENTURE) set up one of the first venture capital transactions in Italy, to acquire the assets of Contardo S.p.A. a company active in the refrigeration sector since 1928 and operating in Uboldo since 1963, which at the time was in a state of crisis as a result of complex events related to its shareholding structure and had reached an arrangement with creditors.

Since its foundation, LU-VE has built on the legacy of Contardo S.p.A. and, in collaboration with the Polytechnic institute of Milan, has relaunched the policy based on research, development and technical innovation and attention to the environment that had characterized it, finding a new place on the refrigeration and air conditioning market.

At the beginning of the 1990s, LU-VE began its expansion policy in Italy and in 1991 acquired 60% of Sest, thus entering the static evaporators for counters and display cabinets production segment.

The early 2000s saw the development of the LU-VE Group's production presence abroad: in 2002, Sest-LUVE Polska was established in Gliwice (Poland), for the production of static evaporators for counters and display cabinets; in 2003, HTS was acquired in Novosedly (Czech Republic), for the production of heat exchangers for various applications; finally, in 2007, OOO Sest-LUVE was established in Lipetsk (Russia), indirectly controlled through Sest, for the production of static evaporators for counters and display cabinets.

In 2008, Mediobanca - Banca di Credito Finanziario S.p.A. ("Mediobanca") entered the share capital of LU-VE as a financial partner to continue the development of the Group, with an investment over a five-year time frame, governed by an investment agreement ("Investment Agreement") which already contractually regulated exit conditions after that period.

The years of collaboration with Mediobanca saw the continuation of the international expansion of the LU-VE Group: in 2010 LU-VE established LU-VE Asia Pacific Ltd, based in Hong Kong, destined to become the 100% holding company of a new company, LU-VE Heat Exchangers (Changshu) Ltd based in the People's Republic of China; in 2011 LU-VE establishes LU-VE Sweden AB (Sweden), which acquired the assets of Asarum Industriaktiebolag (AIA), active in the production of heat exchangers for refrigeration, air conditioning and industrial applications; finally, in 2013 it established the sales company LU-VE India Corporation Pvt. Ltd. At the beginning of 2014, Mediobanca confirmed its intention to exit the Company's shareholding structure, exercising, in compliance with the Investment Agreement, the option to sell its entire equity investment to Finami; subsequently, again in the same year, a reorganization of the shareholding structure of LU-VE and its main subsidiary, Sest S.p.A., was completed: the Faggioli family, at the time a minority shareholder of Sest, transferred to LU-VE, through the holding company G4 S.r.l., its entire equity investment in Sest subscribing a share capital increase of the same LU-VE.

In 2015, LU-VE completed one of the first combinations between an industrial company and a so-called "SPAC" (*special purpose acquisition company*, i.e. vehicle company established for the purpose of obtaining, through the placement of its financial instruments on the markets, the financial resources needed to acquire an operating company, to be used to implement a combination): in fact, LU-VE has incorporated SPAC Industrial Stars of Italy S.p.A., with the simultaneous listing of its shares on the Euronext Growth Milan alternative market organised and managed by Borsa Italiana S.p.A. (called AIM Italia up to October 2021).

In the meantime, LU-VE continued its growth process by acquiring the Indian company Spirotech Heat Exchangers Ltd in 2016.

On 21 June 2017, LU-VE's shares were admitted to trading on the Euronext Milan market (known as Mercato Telematico Azionario until October 2021) and from 21 September 2022 they were traded on the Euronext STAR Milan segment, a segment dedicated to companies with the highest standards in terms of transparency, communication, liquidity and corporate governance.

The Group has grown further in the last five years, both through acquisitions (in 2018 it acquired the American company Zyklus Heat Transfer Ltd, in 2019 it acquired the Air division from the Swedish Group Alfa Laval and in 2022 the Italian group Refrion), and by investing in the development of its own production plants, in Poland, India and the USA; in the People's Republic of China, it has established a new company, LU-VE Heat Exchangers (Tianmen) Ltd, in which it incorporated the existing company, and has moved its production site to the state of Hubei, which guarantees the possibility of finding more production spaces.

### *Values and mission*

LU-VE stands out and asserts itself on the market thanks to the high quality standards of its products, the new solutions designed in its laboratories and its attention to aesthetic quality.

In fact, for over 20 years, the companies in its group have been dedicated to the research and development of new products, in collaboration with some prestigious European and Italian universities, and in particular with the Polytechnic Institute of Milan.

Thanks to this choice, LU-VE was the first company in the world to apply cutting-edge solutions to commercial and industrial refrigeration.

As illustrated in the Sustainability Report, available on the Company's website [www.luvegroup.com](http://www.luvegroup.com), in the "Investor Relations" - "*Sustainability/ESG*" section, the Group is increasingly committed to pursuing the integration of environmental, social and governance topics into company strategy, risk management and remuneration processes. With this in view, the Group has strengthened its sustainability supervision by creating a corporate Sustainability Steering Committee to share the progress of the Group's sustainability performance and discuss strategic lines of action, which are then submitted by the directors delegated to the Control and Risk Committee and to the Board of Directors for the necessary assessments and resolutions. During 2022, the corporate Sustainability Steering Committee carried out analyses to validate the positioning of the LU-VE Group on environmental and social issues and defined a proposal for a set of actions to be taken over the next three years, in line with the plan business, identifying commitments and objectives and defining an efficient data collection system to measure and monitor the progress of sustainability strategies over time, which were discussed and formalized in the Sustainability Plan approved by the Board of Directors at the meeting of 23 February 2023 (the "Sustainability Plan").

The Sustainability Plan details the concrete actions to be pursued in line with the sustainability vision - aligned with some of the United Nations SDGs (Sustainable Development Goals) - and with the desired positioning of LU-VE. The vision, the desired positioning and the sustainability plan express the ambition and capacity of LU-VE in managing its material topics, i.e. the topics expressing the Group's actual and potential impacts, positive and negative, regarding environmental, social and governance aspects.

The Issuer has published its own Sustainability Report from 2017, by virtue of the obligation imposed on "public interest entities" (as defined by art. 16, paragraph 1, of Legislative Decree no. 39/2010) by Legislative Decree no. 254/2016. The Sustainability Report relating to the 2022 financial year will be published together with the Sustainability Reports of the previous financial years approved by the Company, on the Issuer's website, at [www.luvegroup.com](http://www.luvegroup.com), "Investor Relations" – "Sustainability/ESG" section.

#### *LU-VE corporate governance system*

The governance of the LU-VE Group is characterized by a "traditional" corporate governance system ("Latin model") and aims to guarantee the Sustainable Success of the Group, through the correct functioning of the Company, first of all, and of the Group in general, as well as the enhancement on a global scale of the environmental compatibility and reliability of its products and attention to people, so as to achieve the optimisation of the value created for shareholders and for all stakeholders. The corporate governance system is characterized by the presence:

- of the **Board of Directors**, vested with the powers of ordinary and extraordinary management of the company; three committees have been set up in the Board of Directors (the Remuneration and Appointments Committee, the Control and Risk Committee with responsibility for Related Party Transactions and the Independent Committee) which, with an investigatory, advisory and proposal role, aim to support the Board of Directors, improving the efficiency and effectiveness of the its activities; the activities of the Board of Directors relating to the monitoring and implementation of the rules regarding corporate governance are also supported by the Internal Audit function. Furthermore, with the aim of guaranteeing the full integrity and sustainability of the Group's business, from 2020 a member with specific technical skills in sustainability was identified within the Board of Directors and the Group Chief Operating Officer has been given the function of contact person for sustainability issues at Group level; also, the Control and Risk Committee was assigned the task of supporting the Board in analysing the issues relevant to the generation of long-term value;
- of the **Board of Statutory Auditors**, called to monitor: (i) compliance with the law and the Articles of Association; (ii) respect of the principles of correct administration; (iii) the adequacy of the Company's organisational structure for aspects within the competence of the Board, of the internal control system and of an adequate administrative-accounting system in correctly representing management events; (iv) on the procedures for the practical implementation of the rules of corporate governance set forth in the Corporate Governance Code which the company has communicated its compliance with, as well as those of any additional codes of conduct drafted by the management companies of regulated markets or by trade associations to which the Company, through public disclosure, has declared its adherence; as well as (v) the adequacy of the provisions handed down by the Company to its Subsidiaries pursuant to art. 114, paragraph 2, of the Consolidated Law on Finance;
- of the **Shareholders' Meeting** which, in ordinary and extraordinary sessions, resolves on the matters reserved to it by law and the Articles of Association.

The external audit of the accounts is assigned to an auditing firm enrolled in the special register kept by CONSOB, appointed by the Shareholders' Meeting in compliance with the procedures required by the applicable internal and European regulations (see Section 9.5 of this Report).

The roles and functions of the Board of Directors, of the Board of Statutory Auditors and the Shareholders' Meeting are best described later in this Report (see, respectively, Sections 4.1, 11 and 13 of this Report).

LU-VE is also the entity that exercises management and coordination activities over the Group companies, primarily through: (i) the formulation of Group business and commercial plans; (ii) the determination of the budget and the sharing of objectives and projects; (iii) the provision of information flows suited to the management and control requirements; (iv) the examination and approval of extraordinary or especially significant transactions; (v) the preparation of the financial policy guidelines (e.g. centralisation at Parent Company level of debt and liquidity investment transactions); (vi) the creation of central structures for the performance of some qualified functions for all Group companies; and (vii) the adoption of common codes of conduct.

\* \* \*

After having resolved to adhere, since the listing of the Company's Shares on the Euronext Milan market in 2017, to the old Corporate Governance Code in December 2020, the Board of Directors has revoked its adherence to the same old Corporate Governance Code and resolved to adhere to the new Corporate Governance Code with effect from 1 January 2021. Furthermore, from June 2016 the Board of Directors has also adopted the Code of Ethics, which contains the ethical principles and general rules that characterise the organisation and the activities of the Issuer and of the Group, both internally and with respect to third parties.

At the date of this Report, the Issuer qualifies as an SME pursuant to art. 1, paragraph 1, letter w-<sup>quater</sup>.1) of the Consolidated Law on Finance and art. 2-ter of the Consob Issuers' Regulation (LU-VE is in fact included in the list of SMEs published by Consob on its website), having recorded in the last three financial years (2020, 2021 and 2022) a market capitalisation (corresponding to the simple average of daily capitalisations calculated with reference to the official price, recorded during the year) was lower than Euro 500 million. Pursuant to the above mentioned regulation of the Consolidated Law on Finance, the Company will no longer qualify as an SME if it exceeds said limit for three consecutive years.

The following table indicates the average market capitalisation of the Issuer in the 2022, 2021 and 2020 financial years.

Average capitalisation (in Euro)		
2022	2021	2020
474,761,078.91	414,670,963.20	273,934,389

The Issuer does not fall within the definition of a Large Company pursuant to the Corporate Governance Code, as its capitalization has never exceeded Euro 1 billion.

The Issuer falls within the definition of Concentrated Ownership Company, as Mr. Matteo Liberali, as shown in the following paragraph 2, lett. C) of this Section of the Report, holds the majority of the voting rights that can be exercised at the ordinary shareholders' meeting, through Finami S.p.A.

In consideration of the aforementioned qualification, in applying the Recommendations dictated by the Corporate Governance Code, the Issuer made use of some of the flexibility options provided by the Code itself in application of the principle of proportionality and, in particular, during the Financial

Year, the Board of Directors: (i) did not consider it appropriate to express an indication on the maximum number of offices held in management or control bodies of other listed or large companies that are considered compatible with the performance of the role of director of LU-VE (see Section 4.3); (ii) did not deem it necessary to define a succession plan for executive directors (see Section 7.1), (iii) did not deem it necessary to carry out the self-assessment process on itself and on its committees on a three-yearly basis (see Section 7.1) and not annually and (iv) decided not to provide guidelines for the shareholders at the time of presentation of lists for the renewal of the Board of Directors and the Board of Statutory Auditors, limiting itself to formulating recommendations (see Section 7.1).

## 2.0 INFORMATION ON OWNERSHIP STRUCTURES (pursuant to art. 123-bis, paragraph 1, of the Consolidated Law on Finance) AS AT 14 MARCH 2023

### A) STRUCTURE OF THE SHARE CAPITAL (pursuant to art. 123-bis, paragraph 1, letter a), OF THE CONSOLIDATED LAW ON FINANCE)

LU-VE's share capital, subscribed and fully paid-up, amounts to Euro 62,704,488.80, and is divided into 22,234,368 ordinary shares, all without nominal value, admitted to trading on the Euronext STAR Milan market.

The share capital is therefore represented exclusively by ordinary shares, of which 3,341,271 with increased voting rights (see subsequent letter D of this Section).

	Number of Shares that make up the share capital	Number of voting rights
<i>Ordinary shares without increased voting rights ISIN IT0005107492 (regular dividend entitlement on 1 January 2022) current coupon number: 8</i>	18,893,097	18,893,097
<i>Ordinary shares with increased voting rights ISIN IT0005433674 (regular dividend entitlement on 1 January 2022) current coupon number: 8</i>	3,341,271	6,682,542
<i>Total</i>	22,234,368	25,575,639

The Company has not issued financial instruments which entitle holders with the right to subscribe newly-issued shares.

The share capital structure of the Issuer as at 14 March 2023 is presented in Table 1, also attached in the appendix to this Report.

### B) RESTRICTIONS TO THE TRANSFER OF SECURITIES (pursuant to art. 123-bis, paragraph 1, letter b), of the CONSOLIDATED LAW ON FINANCE)

The Articles of Association do not make provision for any restriction on the transfer of securities, nor limits on share ownership or the need to obtain approval from the Company or other shareholders for the admission of shareholders to the shareholding structure.

### **C) RELEVANT INVESTMENT IN THE SHARE CAPITAL** (pursuant to art. 123-*bis*, paragraph 1, letter c), OF THE CONSOLIDATED LAW ON FINANCE)

Based on evidence of the Shareholders' Register, the communications received by the Company pursuant to art. 120 of the Consolidated Law on Finance and of other information available to the Company, the entities that, directly or indirectly, are holders of stakes of higher than 5% in the subscribed and paid-up share capital with voting rights are:

- **Matteo Liberali**, through the subsidiary Finami S.p.A., direct holder of 10,187,999 ordinary shares, equal to 45.8210% of the Issuer's share capital and to 50.7944% of the Issuer's voting rights;
- **Michele Faggioli**, through the subsidiary G4 S.r.l., direct holder of 3,558,272 ordinary shares, equal to 16.0035% of the Issuer's share capital and to 14.2344% of the Issuer's voting rights;

as represented in Table 1, in the appendix to this Report.

### **D) SECURITIES THAT CONFER SPECIAL RIGHTS** (pursuant to art. 123-*bis*, paragraph 1, letter d), of the CONSOLIDATED LAW ON FINANCE)

The Company has not issued any securities that confer special control rights, nor does the company Articles of Association provide special powers for some shareholders or holders of special categories of shares.

On 30 October 2018, the Shareholders' Meeting approved the proposal of the Board of Directors to introduce the institution of "Increased voting rights", pursuant to the provisions of art. 127-*quinquies* of the Consolidated Law on Finance, with subsequent statutory amendments, which came into effect on 1 January 2019.

Subsequently, for shareholders (or other parties with voting rights) making express request, it is permitted to register in a special "List" instituted by the Company pursuant to art. 143-*quater* of the Consob Issuers' Regulation, which will allow the same the allocation of two votes for each share registered in the List and continuously held for a period of 24 months from the date of registration in the List.

For more information regarding the statutory amendment, please refer to the relative explanatory report, available on the Company's website [www.luvegroup.com](http://www.luvegroup.com), section "Investor Relations" – "Corporate Governance & Shareholders" – "For Shareholders" – "Shareholders' Meetings" – "Shareholders' Meeting of 30 October 2018".

The discipline for the registration, maintenance and updating procedures of the List is explained in the "Increased voting rights regulations" adopted by the Board of Directors on 10 December 2018 and available on the Company's website [www.luvegroup.com](http://www.luvegroup.com), section "Investor Relations" – "Corporate Governance & Shareholders" - "The Group" - "Share Capital" - "Increased voting rights".

At the date of this Report, 3,341,271 shares of the 22,234,368 ordinary shares have matured the right to increased voting rights.



In application of the provisions of art. 143-*quater*, paragraph 5 of the Consob Issuers' Regulation, the Company has published the names of shareholders with an interest of over 5% who have obtained increased voting rights on its website ([www.luvegroup.com](http://www.luvegroup.com), “Investor Relations” – “Corporate Governance & Shareholders” – “The Group” – “Share Capital” – “Increased voting rights”).

The following table contains the names of the significant shareholders registered who, at the date of this Report, have acquired increasing voting rights; note that, at the date of this Report, increased voting rights have also been acquired by other shareholders, even though relating to an interest of less than 5% (overall 456,000 shares qualified for increased voting rights for a total of 912,000 votes).

Controlling subject	Direct Shareholder	no. of ordinary shares	% of capital	no. shares with increased voting rights	no. total voting rights	% of voting rights	Date of Accrual
Matteo Liberali	Finami S.p.A.	10,187,999	45.8210	2,802,999	12,990,998	50.7944	16.01.2021
Michele Faggioli	G4 S.r.l.	3,558,272	16.0035	82,272	3,640,544	14.2344	22.01.2021
Total		13,746,271	61.8245		16,631,542	65.0288	

The Articles of Association of the Company do not include provisions relative to shares with multiple voting rights pursuant to art. 127-*sexies* of the Consolidated Law on Finance.

**E) EMPLOYEE OWNERSHIP SCHEME: MECHANISM FOR THE EXERCISE OF VOTING RIGHTS** (pursuant to art. 123-*bis*, paragraph 1, letter e), of the CONSOLIDATED LAW ON FINANCE)

The Articles of Association do not make provision for particular provisions relating to the exercising of voting rights by employees who hold Company shares.

**F) RESTRICTION TO THE RIGHT OF VOTE** (pursuant to art. 123-*bis*, paragraph 1, letter f), of the CONSOLIDATED LAW ON FINANCE)

The Articles of Association do not contain provisions that determine restrictions or limitations on voting rights, nor terms imposed for the exercising of voting rights, nor the separation of financial rights connected to securities from the ownership of the securities themselves.

**G) AGREEMENTS BETWEEN SHAREHOLDERS** (pursuant to art. 123-*bis*, paragraph 1, letter g), of the CONSOLIDATED LAW ON FINANCE)

At the date of approval of this Report, the Issuer has not identified any agreements between shareholders, relating to relevant shareholder agreements pursuant to art. 122 of the Consolidated Law on Finance.

**H) CHANGE OF CONTROL CLAUSE** (pursuant to art. 123-*bis*, paragraph 1, letter h), of the CONSOLIDATED LAW ON FINANCE) **AND STATUTORY PROVISIONS RELATING TO THE PUBLIC OFFER** (pursuant to art. 104, paragraph 1-*ter*, and 104-*bis*, paragraph 1, of the CONSOLIDATED LAW ON FINANCE)

At the date of this Report, neither the Company nor the Subsidiaries are party to significant agreements subject to amendment or termination in the event of a change of control, with the exception of some loan agreements (for a residual principal amount as at the 31 December 2022 equal to Euro 198,222,099), which require the equity investment of the direct controlling shareholder of LU-VE, Finami S.p.A., not to fall below a certain percentage of the share capital or exercisable voting rights in the Shareholders' Meeting and members of the Liberali family to retain control of Finami S.p.A.

The Articles of Association do not make provision for any exception to the provisions on the so-called passivity rule (company obligation to abstain from carrying out any acts or transactions that may not be in keeping with the achievement of the take-over bid objectives), set forth in art. 104, paragraphs 1-*ter* of the Consolidated Law on Finance, nor to the neutralisation rules set forth in art. 104-*bis*, paragraph 1 of the Consolidated Law on Finance.

**I) DELEGATIONS TO INCREASE THE SHARE CAPITAL AND AUTHORISATIONS FOR THE PURCHASE OF TREASURY SHARES** (pursuant to art. 123-*bis*, paragraph 1, letter m), of the CONSOLIDATED LAW ON FINANCE)

At the date of this Report, there were no authorisations of the Shareholders' Meeting to the Board of Directors to increase share capital.

The Shareholders' Meeting of 29 April 2022 revoked the previous authorisation of the Board of Directors to purchase treasury shares conferred by the Shareholders' Meeting of 27 April 2021 and conferred a new authorisation to the Board of Directors, pursuant to and in accordance with art. 2357 of the Italian Civil Code, for the purchase of treasury shares of the Company, to acquire on one or more occasions, within 18 months from the date of the shareholders' meeting resolution, and therefore by 29 October 2023, treasury shares up to the achievement of a maximum quantity of 2,223,436 (two million, two hundred and twenty-three thousand, four hundred and thirty-six) ordinary shares; the purchase price of each of the treasury shares, to be established by the Board of Directors, must be, including accessory purchase expenses, as a minimum, no less than 15% (fifteen percent) and, as a maximum, no more than 15% (fifteen percent) higher than the average of the official trading price registered on the share listing market on the three sessions prior to the purchase or the announcement of the transaction, depending on the technical procedures identified by the Board of Directors and, in any case, compliant with the indications on determining the consideration set forth in the permitted market practice or applicable legislation.

At the same time, the Shareholders' Meeting also authorised the Board of Directors, pursuant to art. 2357-*ter* of the Italian Civil Code to dispose of the treasury shares purchased by the Company, with no time limit, on one or more occasions, also before the maximum number of purchasable shares has been exhausted, and possibly re-purchase the same shares in compliance with the limits and conditions set by the shareholders' meeting's authorisation; notwithstanding that the minimum price limit of the sale to third parties must be as such not to entail negative economic effects for the

Company and, nonetheless, not lower than 95% (ninety-five percent) of the average of the official prices recorded on the share listing market in the three market trading days prior to the sale and, in any case, in compliance with the indications on determining the consideration set forth in the permitted market practice or applicable legislation; there may be an exception to this price limit, however, in cases of exchanges or transfers of treasury shares both as part of the implementation of transactions linked to industrial projects and/or commercial projects and/or nonetheless of interest to the company, and in the case of the assignment and/or transfer, against payment or free of charge, of shares or related options with relation to: (i) share-based compensation plans pursuant to art. 114-*bis* of the Consolidated Law on Finance (to, inter alia, the directors, employees or associates of the Company or of Subsidiaries), as well as (ii) the issue of financial instruments that may be converted into shares and (iii) programmes for the free allocation of shares to Shareholders or through exchange tender offers.

The Shareholders' Meeting also determined that the sale must be made by the methods considered most appropriate to the interests of the Company, including disposal on the stock market, off-market or through swaps for equity investments or other securities as part of business and/or commercial projects and/or those in any event in the interests of the Company or Group, through the assignment and/or sale, free of charge or against payment, of shares or associated options in relation to the cases cited above.

It should be noted that, by virtue of the purchases made by the Company based on the authorisations granted previously by the Shareholders' Meeting, on 29 April 2022, the Issuer held 28,027 treasury shares, equal to 0.1261% of its ordinary share capital, purchased at an average book value of Euro 10.2827 per share.

During the Financial Year, LU-VE did not purchase any additional treasury shares and did not sell those in the portfolio, therefore, as at 31 December 2022 LU-VE still held 28,027 treasury shares in its portfolio, corresponding to 0.1261% of its ordinary share capital. In 2023, up to the date of this Report, no purchases of treasury shares were made and the 28,027 treasury shares held by the Issuer, representing 0.1261% of its ordinary share capital and 0.1096% of the share capital with voting rights, were not sold.

## **L) MANAGEMENT AND COORDINATION ACTIVITIES** (pursuant to art. 2497 et seq. of the Italian Civil Code)

LU-VE is not subject to the management and coordination activities by the parent company Finami S.p.A., nor of any other subject, pursuant to articles 2497 et seq. of the Italian Civil Code. With regard to this, the Board of Directors, lastly on 23 February 2023, checked that the Company is not subject to management and coordination activities by Finami S.p.A., given that (i) the industrial, strategic, financial and budget plans of the Group are approved autonomously by the Board of Directors; (ii) the financial and credit policy and functions such as the treasury, administration, finance and control are centralised at LU-VE; (iii) LU-VE operates with full business autonomy in managing relations with customers and suppliers; and (iv) in compliance with the principles of the Corporate Governance Code, the transactions of significant strategic, economic, equity and financial importance of the Company and of the Group are reserved for the examination by the Board and exclusive approval of the Board of Directors.

\* \* \*

It should be noted that:

- the information required by art. 123-bis, paragraph 1, letter i) of the Consolidated Law on Finance (*"agreements between the company and the directors...which make provision for indemnities in the event of resignation or dismissal without just cause or if their employment contract ceases following a take-over bid"*) are contained in Section I, chapter 3.7, of the Remuneration Report, published on the Issuer's website on the address [www.luvegroup.com](http://www.luvegroup.com), in the section *"Investor Relations" – "Corporate Governance & shareholders" – "Codes of conduct and corporate documents" – "Remuneration policies"*;
- the information required by art. 123-bis, paragraph 1, letter l), second part, of the Consolidated Law on Finance (*"the regulations applicable to the appointment and replacement of directors... if different from the legislative and regulatory ones applicable additionally"*) are illustrated in Section 4.2. of this Report;
- in relation to the information required by art. 123-bis, paragraph 1, letter l) second part, of the Consolidated Law on Finance, there are no regulations applicable to the amendment of the Articles of Association other than the legislative and regulatory ones additionally applicable.

### **3.0 COMPLIANCE** (pursuant to art. 123-*bis*, paragraph 2, letter a), first part, of the CONSOLIDATED LAW ON FINANCE)

LU-VE adheres to the Corporate Governance Code (available to the public on the website of Borsa Italiana at the page dedicated to the Corporate Governance Committee at <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>) and its corporate governance structure is configured in observance of the recommendations contained in the above-mentioned Corporate Governance Code.

After complying from the time of its listing on the MTA (now Euronext Milan) market in 2017 with the old Corporate Governance Code, with resolution of 21 December 2020 the Company revoked its adoption of the old Corporate Governance Code and resolved to adopt the newer version of the Corporate Governance Code, also approved by the Corporate Governance Committee, from 1 January 2021. The above-cited resolution was then followed by several further resolutions of the Board of Directors, addressed to the actual implementation of the principles and the recommendations dictated by the same Corporate Governance Code.

\* \* \*

Neither LU-VE nor its Subsidiaries of strategic importance (indicated in Section 4.1 below of this Report) are subject to non-Italian legal provisions that influence the corporate governance structure of LU-VE itself. Below are the main governance tools that the Company has adopted, also in compliance with the most recent legislative and regulatory provisions, the provisions of the Code and national and international best practice:

- Articles of Association of LU-VE S.p.A.;
- LU-VE S.p.A. Shareholders' Meeting Regulations;
- Organisation, management and control model pursuant to Italian Legislative Decree no. 231 of 8 June 2001;
- LU-VE Group Code of Ethics;
- Regulation of the Board of Directors and of the Internal Board Committees of LU-VE S.p.A.;
- Policy for managing Dialogue with investors and other Stakeholders;
- Related Party Transactions Procedure;
- Procedure for the internal management and market disclosure of corporate information;
- Procedure for keeping and updating the list of persons with access to the Inside Information of LU-VE S.p.A.;
- Internal Dealing Procedure;
- Regulation for increased voting rights;
- Guidelines for the internal control and risk management system of the LU-VE S.p.A. group;
- Diversity policies for members of the corporate bodies of LU-VE S.p.A..

## 4.0 BOARD OF DIRECTORS

### 4.1 ROLE OF THE BOARD OF DIRECTORS

The Board of Directors plays a central role in the strategic guidance of the Company and the Group as well as in the supervision of the overall business activity: in fact, it is responsible for the functions and responsibility for the strategic and organizational guidelines of the Company and the Group in line with the pursuit of Sustainable Success, monitoring the implementation of defined strategies, as well as verifying the existence of the controls necessary to monitor the performance of the Company and of its Subsidiaries. More specifically, the Group:

- (a) defines the strategies of the Company and the Group in line with the pursuit of Sustainable Success and monitors their implementation;
- (b) defines the most functional corporate governance system for the performance of the business and for the pursuit of its strategies, taking into account the autonomy offered by the legal system. If necessary, it evaluates and promotes the appropriate changes, submitting them, when applicable, to the Shareholders' Meeting;
- (c) promotes, in the most appropriate forms, dialogue with shareholders and other stakeholders relevant to the Company: in particular, it has identified the main stakeholders, has identified the main expectations of each stakeholder group and has identified the tools for listening and for their involvement, as illustrated in detail in the *"Policy for the management of Dialogue with all Investors and other Stakeholders"*, available on the Company's website at: [www.luvegroup.com](http://www.luvegroup.com), in the section *"Investor Relations" – "Corporate governance & shareholders" – "Codes of conduct and corporate documents" – "Corporate procedures"* and in the 2021 Sustainability Report available on the company's website at: [www.luvegroup.com](http://www.luvegroup.com), in the section *"Investor Relations" – "Sustainability/ESG"*.

#### **Reserved powers and activities carried out by the Board of Directors**

The Board of Directors is vested exclusively with the powers of ordinary and extraordinary management of the Company, with the right to carry out all the acts, including acts of disposal, that it considers appropriate for the pursuit of the corporate purpose, with the sole exception of those that, on the basis of legal and statutory provisions, are expressly reserved to the Shareholders' Meeting.

Pursuant to the Articles of Association of LU-VE in effect at the date of this Report, the Board of Directors is also responsible for resolutions on the following matters: (a) setting up or closing down secondary establishments; (b) specifying which directors have the power to represent the Company; (c) reducing the share capital in the event of shareholder withdrawal; (d) relocation of the registered office within national territory; (e) merger of the Company in the cases established by Articles 2505 and 2505-*bis* of the Italian Civil Code also insofar as cited, for reverse merger, by Article 2506-*ter*, last paragraph, of the Italian Civil Code; and (f) adapting the Articles of Association to comply with legislative provisions. The fact that these responsibilities have been assigned to the Board of Directors does not exclude the concurrent responsibility of the Shareholders' Meeting for the same matters.

Specifically, in compliance with the provisions of the Principles and Recommendations referred to in the Corporate Governance Code, the Board:

- (a) examines and approves the Business Plan of the Company and of the Group, also on the basis of the analysis of the relevant issues for the generation of long-term value carried out with the support of the Internal Control and Risk Committee, when necessary;
- (b) periodically monitors the implementation of the Business Plan and assesses the general performance of operations, periodically comparing the results achieved with those planned;
- (c) defines the nature and level of risk compatible with the Company's strategic objectives, including in its evaluations all elements that may be significant in terms of the Company's Sustainable Success;
- (d) defines the Company's corporate governance system and the structure of the LU-VE Group and assesses the adequacy of the organizational, administrative and accounting structure of the Company and of the Subsidiaries of strategic importance, with particular reference to the internal control and risk management system (see Section 9 of this Report);
- (e) resolves on the transactions of the Company and its Subsidiaries, when these transactions are of significant strategic, economic, equity or financial relevance for the Company itself; to this end, it establishes the criteria for identifying the significant transactions indicated in the Guidelines;
- (f) in order to ensure the correct management of corporate information, on the proposal of the Chairman, in agreement with the Chief Executive Officer, adopts a procedure for the internal management and external disclosure of documents and information concerning the Company, with particular reference to inside information, and ensures that it is kept up-to-date (see Section 5 of this Report);
- (g) in defining the most functional corporate governance system for the company's business performance and for the pursuit of its strategies, if necessary, evaluates and promotes the appropriate changes, submitting them, when applicable, to the Shareholders' Meeting;
- (h) on the proposal of the Chairman, formulated in agreement with the Chief Executive Officer, adopts and describes in the report on corporate governance and ownership structure drawn up by the Company pursuant to art. 123-*bis* of the Consolidated Law on Finance (the "Report on Corporate Governance") a policy for managing dialogue with all shareholders, also taking into account the engagement policies adopted by institutional investors and asset managers;
- (i) determines, in compliance with the resolution of the Shareholders' Meeting, on the proposal of the Remuneration and Appointments Committee and with the opinion of the Board of Statutory Auditors: (i) the fixed remuneration attributed for the office to each member of the Board of Directors; (ii) the fixed ad hoc remuneration attributed to the members of the internal board committees, according to their respective commitment; (iii) the fixed and variable remuneration attributed to executive directors on the basis of particular offices;
- (j) with the support of the Remuneration and Appointments Committee: (i) draws up, in compliance with the law and regulations in force at the time, as well as with the principles and recommendations of the Corporate Governance Code, the remuneration policy for directors, any general managers, statutory auditors and Top Management, applying a transparent procedure and ensuring that the same is directed towards pursuing sustainable success and takes into account the need to possess, retain and motivate people with the expertise and the professionalism required for the position held in the Company; (ii) ensures that the remuneration paid and accrued is consistent with the principles and the criteria defined in the policy, in light of the results achieved and of other circumstances relevant to its implementation;

- (k) on the proposal of the Remuneration and Appointments Committee, approves the Remuneration Report to be submitted to the Shareholders' Meeting, pursuant to art. 123-ter of the Consolidated Law on Finance;
- (l) where deemed appropriate and in line with the remuneration policy, with the help of the Remuneration and Appointments Committee, prepares:
  - medium/long-term monetary incentive plans and oversees their implementation through the Remuneration and Appointments Committee;
  - the remuneration plans based on shares or other financial instruments, and presents them to the shareholders' meeting for approval, pursuant to art. 114-bis of the Italian Legislative Decree no. 59/1998 and, based on an authorisation of the shareholders' meeting, handles its implementation by availing itself of the Remuneration and Appointments Committee;

in line with the governance of the Company, it also:

- (m) defines, consistent with the Remuneration Policy and on the proposal of the Remuneration and Appointments Committee, the objectives and approves the company results and the performance plans to which the determination of the variable remuneration of directors holding special roles is related, where applicable;
- (n) consistently with the Remuneration Policy and on the proposal of the Chief Executive Officer, with the prior favourable opinion of the Control and Risk Committee, as well as having consulted the Board of Statutory Auditors, defines the remuneration of the Head of the Company's Internal Audit function, in consideration of the company's remuneration policies.

The Board also has all the powers that have not been delegated to one or more of its members, including those reserved to it by the "*Guidelines of the Internal Control and Risk Management System of the LU-VE S.p.A. Group*" and the "*Guidelines on particularly significant transactions*" approved by the Company and in force at the time.

In particular, taking into account the role of management and evaluation of the adequacy and effectiveness of the Internal Control and Risk Management System pertaining specifically to the Board of Directors, pursuant to the above-mentioned SCIGR Guidelines, the Board:

- (a) defines and updates the principles and indications contained in the SCIGR Guidelines, with the support and subject to the opinion of the internally set-up Control and Risk Committee and operating in compliance with the principles and recommendations established by the Corporate Governance Code to which the Company adheres, so that the main risks relating to the Issuer and its Subsidiaries are correctly identified, as well as adequately measured, managed and monitored, also determining the degree of compatibility of these risks with the company management consistent with the strategic objectives identified, including in its assessments all the elements that may be relevant in order to contribute to the Sustainable Success of the Issuer and the Group;
- (b) identifies within itself (i) the Chief Executive Officer with the mandate of setting up and maintain an effective internal control and risk management system, as well as (ii) a Control and Risk Committee, with the duty of supporting, with adequate preliminary investigation activities, the assessments and decisions of the Board of Directors relating to the internal control and risk



management system, as well as those relating to the approval of periodic financial and non-financial reports;

- (c) periodically, and as a rule on the occasion of (or prior to) the meeting of the Board of Directors for the approval of the annual financial report and of the consolidated non-financial statement pursuant to Italian Legislative Decree no. 254/2016, approves the strategies and policies for managing the main risks of the Issuer and the LU-VE Group, with particular attention to the Subsidiaries of strategic importance, based on the analysis of corporate risks and related control processes carried out by the Chief Executive Officer and with the support and subject to the opinion of the Control and Risk Committee, which for this purpose reports to the Board of Directors on the state of the internal control and risk management system, also in relation to the factors that could cause risks to the Company and the Group; in its assessments, the Board of Directors includes all the elements that may be relevant for the purpose of the Sustainable Success of the Issuer and of the Group;
- (d) periodically, and as a rule on the occasion of (or prior to) the meetings of the Board of Directors for the approval of the annual and half-yearly financial reports, verifies – with the support and prior opinion of the Control and Risk Committee – the adequacy of the internal control and risk management system with respect to the company characteristics and the risk profile assumed, as well as its effectiveness, ensuring that:
  - tasks and responsibilities are clearly and appropriately allocated;
  - the control functions, including the Head of the Internal Audit function, the manager tasked with the preparation of the company's financial documents pursuant to art. 154-*bis* of the Consolidated Law on Finance (also the "**Financial Reporting Manager**") and the Supervisory Body, are provided with adequate professionalism and resources for the autonomous performance of their duties, so as to guarantee their effectiveness and impartiality; the Head of the Internal Audit function must in any case be independent of each operational areas managers subject to their monitoring activity;
- (e) periodically, and as a rule on the occasion of (or prior to) the meetings of the Board of Directors for the approval of the annual and half-yearly financial reports, identifies the companies of strategic importance within the LU-VE Group;
- (f) approves at least annually, and as a rule at the meeting of (or prior to) the Board of Directors for the approval of the annual financial report, with the support and prior opinion of the Control and Risk Committee, the work plan prepared by the Head the Internal Audit function, after consulting the Board of Statutory Auditors and the Chief Executive Officer;
- (g) with the support of the Control and Risk Committee, describes the main characteristics of the internal control and risk management system and the of coordination methods between the parties involved in it, in the Report on Corporate Governance indicating the models and national and international best practices of reference and expressing its assessment on the adequacy of the same, taking into account the choices made regarding the composition of the Supervisory Body; this description includes an illustration of the main characteristics of the internal control and risk management system in relation to the financial and non-financial reporting process;
- (h) evaluates, with the support of the Control and Risk Committee and having heard the Board of Statutory Auditors, the results presented by the auditing firm in any letter of suggestions and in the additional report addressed to the Board of Statutory Auditors;

- (i) on the proposal of the Chief Executive Officer, subject to the favourable opinion of the Control and Risk Committee, and having heard the Board of Statutory Auditors: appoints and dismisses the Head of the Internal Audit function; ensures that the same is provided with adequate resources to carry out their responsibilities; defines their remuneration consistently with company policies;
- (j) with the support of the Control and Risk Committee, appoints and dismisses the members of the Issuer's Supervisory Body, set up and functioning pursuant to Italian Legislative Decree no. 231/2001, evaluating, in the event that the Body itself does not coincide with the Board of Statutory Auditors, the opportunity to appoint as members at least one non-executive director and/or an auditor and/or the person with legal and control functions within the Company; this in order to ensure coordination between the various parties involved in the internal control and risk management system;
- (k) adopts the Organisation, Management and Control Model prepared pursuant to Italian Legislative Decree no. 231/2001 and approves all adjustments to the regulatory provisions in force from time to time;
- (l) adopts the OPC Procedure, in compliance with the legislation and regulations in force at the time, and carries out the additional tasks which, in accordance with the regulations in force at the time, are attributed to it pursuant to the same procedure, as well as the legal provisions in force on the subject.

In the event that shortcomings or anomalies emerge, the Board of Directors promptly adopts the appropriate measures.

Finally, in compliance with the principles and directives contained in the SCIGR Guidelines, the Board of Directors can outsource the performance of specific controls in the various operational areas of the Issuer and of the LU-VE Group.

During the Financial Year, in implementation of the principles and responsibilities described above, the Board of Directors:

- (a) examined and approved strategic, industrial and financial plans of the Issuer and of the Group, periodically monitoring their application; in particular: on 24 February 2022, it approved the Group's 2022-2025 business plan;
- (b) periodically evaluated (with frequency of no more than quarterly) the general operating performance, taking into consideration the information received from the Managing Directors, and comparing the results achieved with those planned;
- (c) approved, at its meeting of 17 March 2022, the Sustainability Report relating to the year 2021, including the materiality matrix;
- (d) defined the nature and level of risks compatible with the strategic objectives identified, at the meetings to approve the annual financial report and the half-yearly financial report;
- (e) evaluated the adequacy of the organisational, administrative and general accounting structure of the Issuer and the Subsidiaries of strategic importance, most recently at the meeting held on 17 March 2022 and 7 September 2022, during which the annual and half-yearly financial reports were approved. This activity was carried out with the assistance of the Control and Risk Committee which, at its meetings, was able to continuously verify the effective functioning of

the internal control and risk management system of both the Issuer, and of the Group, expressing a favourable opinion on a half-yearly basis, at the meetings of the Board of Directors for approval of the half-yearly financial report and of the annual financial report.

With reference to the **Subsidiaries of strategic importance** of the LU-VE Group, it should be noted that the Board of Directors amended the parameters for their identification on 21 December 2022. These parameters, originally identified at the meeting of the Board of Directors on 21 September 2017, were modified to take into account the growth of the Group, so as to define parameters that make it possible to identify the effective significance of companies defined as strategically relevant in the Group's dynamics:

1. volume of turnover of no less than Euro 40 million;
2. value of balance sheet assets of no less than Euro 10 million;
3. strategic relevance of the range of products created by the Subsidiary or the current and potential markets in which these products are sold, of the geographical location, of the reference markets and of ongoing investments;
4. presence within the Subsidiary of a clear organisational structure, characterised by the presence of a number of employees of no less than 150;

For the purposes of identifying a Subsidiary with strategic relevance, at least three of the aforementioned parameters must be met as indicated in the SCIGR Guidelines.

In light of the last verification carried out on 23 February 2023, currently the Subsidiaries of strategic importance include the following companies: SEST S.p.A., with registered office in Italy; Heat Transfer System s.r.o., with registered office in the Czech Republic; SEST-LUVE-Polska SP. z.o.o., with registered office in Poland; Spirotech Heat Exchanger Pvt. Ltd., based in India; AIR HEX ALONTE S.r.l., with registered office in Italy;

- (f) in the meeting of 8 February 2018, the Guidelines were approved, which include precise identification criteria of the transactions concluded with third parties also through Subsidiaries that, for their significant economic, financial and asset relevance, are required to be preliminarily examined and approved by the Board of Directors;
- (g) at the meeting on 29 June 2021, the revision of the OPC Procedure was approved, targeted at identifying the transactions realised with related parties by the Company and/or its Subsidiaries, regulating their implementation processes, in order to ensure their substantive and procedural correctness, as well as the proper information to the market. In this regard, it should be noted that, with effect from 1 January 2021, LU-VE has lost its "small company" qualification pursuant to art. 3 of the Consob Related Party Regulation and consequently the new procedure has differentiated the instruction and approval procedures to be applied for transactions of greater importance and those to be applied for those of lesser importance; at this meeting, the Board therefore established the Independent Committee for the examination and approval of transactions of greater importance;
- (h) verified, at the meeting of 24 February 2022, compliance with the independence requirements set forth in the combined provisions of article 147-ter, paragraph 4 and article 148, paragraph 3 of the Consolidated Law on Finance and art. 2. Recommendation 7 of the Corporate

Governance Code were also verified, as well the requirements of enforceability and non-enforceability relating to each director. This verification was most recently carried out at the meeting of 23 February 2023.

During the Financial Year, the Board:

- did not consider it necessary or appropriate to draw up proposals to be submitted to the shareholders' meeting for the definition or modification of the corporate governance system (see Section 13 of this Report);
- updated its *"Policy for the management of dialogue with all Investors and other Stakeholders"* on 14 November 2022, for details reference is made to Section 12 of this Report and to the Company's website on which it is published.

The following powers are also attributed to the Board of Directors.

In relation to its appointment and composition (as better specified in the following Section 4.2 of this Report) the Board of Directors:

- (a) in compliance with the legislation, also regulatory, in force at the time and in compliance with the priority objective of ensuring adequate competence and professionalism of its members, defines the diversity criteria for its composition and for that of the Board of Statutory Auditors in relation to aspects such as age, gender, training and professional experience, identifying the most suitable tool for their implementation also taking into account the ownership structure of the Company;
- (b) at least before its renewal, in accordance with the procedures provided for by the current Corporate Governance Code and with the support of the Chairman and the Remuneration and Appointments Committee, which ensure its adequacy and transparency, carries out an assessment of the size and composition of the Board itself and its Committees, as well as on their functioning (hereinafter, the **"Self-assessment"**), also considering the role played by the Board in defining strategies and monitoring management performance and the adequacy of the internal control and risk management system; for the purposes of the Self-assessment, the Board will also take into account elements such as the professional, experience, also managerial, and gender characteristics of its members, as well as their seniority in office; all in accordance with the provisions in of the *"Diversity policies for members of the corporate bodies of LU-VE S.p.A."* in force, as approved by the Board;
- (c) may express, in preparation of each renewal, guidelines on its qualitative and possibly quantitative optimal composition, taking into account the results of the Self-Assessment; these guidelines will be described in the report to the Shareholders on the appointment of the Board, as well as in the Report on Corporate Governance;
- (d) where deemed appropriate, with the support of the Remuneration and Appointments Committee, may express its guidelines regarding the maximum number of offices in the management or control bodies in other listed or large companies, which can be considered compatible with the effective performance the office of director of the Company, taking into account the commitment deriving from the role held;
- (e) at least at the beginning of its mandate, on the proposal of the Remuneration and Appointments Committee and after consulting the Board of Statutory Auditors, defines: (i) the quantitative and qualitative criteria to be considered for the assessment of the significance of trade, financial and

professional relationships and of the additional remuneration referred to in letters c) and d) of recommendation 7 of the Corporate Governance Code, as well as (ii) the persons to be included in the definition of “close relatives” for the purposes of applying the circumstances referred to in recommendation 7 of the Corporate Governance Code;

- (f) with the support of the Remuneration and Appointments Committee, it can define, and then implement and update, a succession plan for the Chief Executive Officer and executive directors which identifies at least the procedures to be followed in the event of early termination of office; the Board can also ascertain the existence of adequate procedures for the succession of Top Management as defined by the Corporate Governance Code;
- (o) on the occasion of the termination of the office and/or the dissolution of the relationship with an executive director or a general manager, it communicates, by means of a communication to the market following the internal processes that lead to the attribution or recognition of any indemnities and/or other benefits, the information required by the Corporate Governance Code.

For the purposes of its correct functioning and effective organization, the Board (as better specified in Sections 6, 8 and 9 of this Report):

- (a) establishes the Board's internal committees with proposing and advisory functions at least with regard to appointments, remuneration, control and risks, sustainability and related parties to which assign the task of supporting it, with adequate preliminary activity, in the performance of its role;
- (b) defines the rules and procedures that may become necessary for its own functioning and for that of the Committees, in particular in order to ensure effective management of the information to be provided before the respective meetings.

## **4.2 APPOINTMENT AND REPLACEMENT** (pursuant to art. 123-*bis*, paragraph 1, letter l), first part, of the CONSOLIDATED LAW ON FINANCE)

In compliance with the statutory provisions, the Company is administered by a Board of Directors composed of a minimum of 7 (seven) and a maximum of 15 (fifteen) members, according to the resolution of the Shareholders’ Meeting from time to time; the Directors are appointed for a period of no longer than 3 (three) financial years, they expire on the date of the Shareholders’ Meeting called to approve the financial statements for the last year of their office and may be re-elected.

The appointment of the Board of Directors takes place on the basis of lists presented by the Shareholders or by the Board of Directors in office, as indicated below, also in order to ensure that minority interests are represented and in compliance with the law, including regulations, in force at the time regarding independent directors and gender balance.

The methods of presenting lists and appointment and voting proposals are governed by art. 20 of the Articles of Association, in compliance with the applicable legislation and regulations.

Pursuant to the statutory provisions:

- lists may be submitted by shareholders who, at the time the list is submitted, hold alone or together with others, a share totalling at least 2.5% of the capital or the different shareholding equal to at least the one established by Consob pursuant to art. 147-*ter*, paragraph 1, of the Consolidated Law on Finance (the share set by Consob executive decision no. 76 of 30 January

2023, corresponds to the 2.5% indicated by the Articles of Association), as well as the outgoing Board of Directors;

- individual shareholders, shareholders subscribing to a shareholders' agreement relating to the Company and of relevance pursuant to art. 122 of the Consolidated Law on Finance, the parent company, Subsidiaries and companies subject to common control and other entities between which a direct or indirect association exists pursuant to applicable legislation and regulations in force at the time, cannot submit or contribute to the submission, not even through a third party or trust company, of more than one list or vote for different lists;
- each candidate may appear on one list only, otherwise they shall be considered ineligible;
- each list contains the names, indicated by a sequential number, of a number of candidates not exceeding the number of members to be elected;
- each list that contains a number of candidates no higher than 7 (seven) must include and identify at least 1 (one) candidate who meets the independence requirements established by applicable legislation and regulations in force at the time on the matter. Each list that contains a number of candidates higher than 7 (seven) must include and identify at least 2 (two) candidates who meet the independence requirements established by applicable legislation and regulations in force at the time on the matter. In the event of failure to comply with the above obligations, the list shall be deemed not to have been submitted;
- each list that submits a number of candidates equal to or higher than 3 (three) must also include candidates belonging to both genders, so that at least the minimum number of candidates required by the legislation and regulations applicable from time to time in the matter. In the event of failure to comply with these obligations, the list shall be deemed not to have been submitted;
- lists submitted must be filed at the Company's registered office, even using distance communication means as indicated in the notice of call, and made available to the public in accordance with the time-frames and procedures established by legislation and regulations in force at the time.

The lists must be accompanied by information relating to the identity of the Shareholders who submit them, with an indication of the percentage of their shareholding as a whole, proven by a certification issued by an authorised intermediary in accordance with the law, notwithstanding that this certification may be provided also after filing of the lists, as long as it is done by the deadline set for the publication of lists by the Company, exhaustive information on personal and professional characteristics of the proposed directors, their relative declarations and certifications required by the legislation and regulations in force at the time and by the Articles of Association, including any declaration of suitability to qualify as independent directors pursuant to the applicable legislation, also regulatory, in force at the time and the Corporate Governance Code, as well as a declaration by the same candidates stating that they meet the requirements set by the law, also regulation applicable from time to time and by the Articles of Association, including those of respectability and, where applicable, independence, and their acceptance of the candidature and the office, if elected. For the list submitted by shareholders who do not hold, individually or jointly, a controlling interest or relative majority, a statement is also required stating the absence of any direct or indirect association, pursuant to applicable legislation and regulations in force at the time. In the event of failure to comply with these obligations, the list shall be deemed not to have been submitted.

The Board of Directors is elected in observance of the following statutory provisions:

- (a) no account is taken of lists that have not obtained a percentage at least equal to half of the percentage required for submission of lists;

- (b) from the list that obtained the highest number of votes, all the directors to be elected, except 1 (one), are taken, in the sequential order in which they are stated in the list, without prejudice to the provisions set forth below to ensure the presence of a suitable number of directors meeting the independence requirements and the gender balance in compliance with applicable legislation and regulations in force at the time on the matter;
- (c) the remaining director to be elected is taken from the list that obtained the second highest number of votes after the list referred to in letter (b) above, votes cast by shareholders who are not in any way associated, either directly or indirectly, pursuant to applicable legislation and regulations in force at the time, with the shareholders who submitted or voted for the list referred to in letter (b) above.

In the event of a tie between lists, the list submitted by shareholders holding the greater shareholding or, in the alternative, by the highest number of shareholders, shall prevail.

If, after voting has been completed a sufficient number of directors meeting the independence requirements established by applicable legislation and regulations in force at the time have not been elected, the last candidate who does not meet these requirements elected in the sequential order of the list that obtained the highest number of votes shall be excluded and shall be replaced by the first non-elected candidate from the same list who meets the aforesaid independence requirements following the sequential order. If necessary, this procedure shall be repeated until the number of independent directors to be elected has been reached. If at the end of this replacement procedure, the composition of the Board of Directors does not allow compliance with the minimum number of members meeting the independence requirements established by applicable legislation in force at the time, the replacement shall be made by resolution passed by the Shareholders' Meeting by majority vote of those represented, subject to submission of candidatures of persons meeting said independence requirements. A similar procedure will be implemented if, at the end of the voting with the elected candidates, it has been ensured that the composition of the Board of Directors complies with applicable legislation and regulations in force at the time on gender balance.

If the number of candidates elected on the basis of the lists submitted is lower than the number of directors to be elected, the remaining directors will be elected by the Shareholders' Meeting, deliberating by majority vote of those represented and, in any case, in compliance with the legislation and regulations in force at the time on independent directors and gender balance. In the event of a tied vote between a number of candidates, a second ballot shall be held between them through a further shareholders' meeting vote, and the candidate who obtains the highest number of votes shall prevail.

If only one list is submitted, the Shareholders' Meeting casts its vote on said list and, if it obtains the majority of votes represented at the Shareholders' Meeting, all the members of the Board of Directors shall be taken from said list in compliance with applicable legislation and regulations in force at the time, also on the matter of independent directors and gender balance.

If no lists are submitted or only one list is submitted and it does not obtain the majority of votes represented at the Shareholders' Meeting or if the entire Board of Directors does not need to be renewed or if it is not possible for any reason to appoint the Board of Directors in accordance with the procedures established by this article, the members of the Board of Directors shall be appointed by the Shareholders' Meeting with ordinary procedures and majority vote of those represented, without applying the list voting mechanism, in compliance with applicable legislation and regulations

in force at the time on the minimum number of directors who meet the independence requirements and gender balance.

As regards the **replacement** of directors, art. 20 of the Articles of Association also sets forth that:

- if, during the year one or more directors are no longer able to fulfil office, the Board of Directors arranges for their replacement by means of a resolution approved by the Board of Statutory Auditors, in compliance with applicable legislation and regulations in force at the time on gender balance, in accordance with the following:

- a) the Board of Directors arranges, where possible, for the outgoing director to be replaced by someone belonging to the same list and the Shareholders' Meeting resolves, with the legal majorities, observing the same criterion;
- b) if there are no remaining candidates in the aforesaid list who were not previously elected or candidates with the necessary requirements or if for any reason it is not possible to comply with the provisions of letter a), the Board of Directors arranges for the replacement, and the Shareholders' Meeting arranges for the appointment, with the legal majorities and without list voting;

- in any case the Board of Directors and the Shareholders' Meeting shall arrange respectively for the aforesaid replacement and appointment, in compliance with applicable legislation and regulations in force at the time on gender balance and on the minimum number of board members meeting the independence requirements. Directors co-opted in this way by the Board of Directors remain in office until the next Shareholders' Meeting and those appointed by the Shareholders' Meeting remain in office for the time that the directors they replaced would have remained;

- instead of replacing the outgoing director, the Shareholders' Meeting is also entitled to decide to reduce the number of members of the Board of Directors.

It should be noted that, as regards the composition of the Board of Directors, legislative provisions of the sector other than the specific provisions of the Consolidated Law on Finance are not applicable.

As regards the information on the role of the Board of Directors and of the board committees in the self-assessment, appointment and succession processes of directors, reference is made to Section 7 of this Report.

### **4.3 COMPOSITION** (pursuant to art. 123-*bis*, paragraph 2, letter d) and d-*bis*), of the CONSOLIDATED LAW ON FINANCE)

The Board of Directors in office at the date of this Report is made up of 11 (eleven) members, 3 (three) of which qualify as executive directors pursuant to the Corporate Governance Code, and 4 (four) who meet the independence requisites pursuant to the combined provisions of articles 147-ter, paragraph 4 and 148, paragraph 3 of the Consolidated Law on Finance and art. 2, Recommendation 7, of the Corporate Governance Code; 7 (seven) members of the Board are of the male gender and 4 (four) members are of the female gender, which is therefore the least represented gender; the composition is shown in Table 2 in the appendix to this Report. All directors have professionalism and skills to contribute effectively to board discussions and are equipped with



diversified skills so as to ensure adequate weighting of board decisions and ensure effective management monitoring.

On 22 December, the Chairman, Mr. Iginio Liberali, passed away (as announced to the market in a press release on the same date) and his functions as Chairman have been carried out, pursuant to the Articles of Association, by the Deputy Chairman, Mr. Pierluigi Faggioli. At the meeting of 23 January 2023, also called to pass the resolutions inherent in and consequent to the death of the Chairman, Mr. Iginio Liberali, the Board of Directors (as announced in a press release on the same date) - having considered the inestimable human and professional value of Mr. Iginio Liberali, as well as his knowledge of company and market dynamics, and considering that: (i) his passing has not impacted on the operation of the Board in office and of the committees established within it (of which Mr. Liberali was not a member), nor on the legitimacy of the composition of the Board itself, (ii) the current Board of Directors is at the end of its mandate (in fact, it will come to an end with the approval of the financial statements as at 31 December 2022) - on the proposal of the Remuneration and Appointments Committee, with the consent of the Board of Statutory Auditors, resolved not to co-opt any new member to replace Mr. Iginio Liberali and to defer the decision on the composition of the new Board of Directors to the next Shareholders' Meeting, which will be called to resolve on the renewal of the corporate bodies. At the same meeting, the Board of Directors appointed the CEO, Mr. Matteo Liberali, Chairman of the Company until the next Shareholders' Meeting.

The current management body was appointed by the Shareholders' Meeting on 29 April 2020, which had established the total number of directors as 12 and then had appointed its members, in compliance with provisions of the law and of the Articles of Association with regard to list voting; the Board appointed in this way shall remain in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ended as at 31 December 2022.

The current Board of Directors was elected on the basis of two lists: (i) the list submitted on 3 April 2020 by the majority shareholder Finami S.p.A., holder at the time of presentation of 11,175,159 shares, corresponding to 50.260% of the share capital of LU-VE ( "List no. 1") and (ii) the list submitted on 1 April 2020 by the shareholder Sofia Holding S.r.l., holder at the time of presentation of 670,000 shares, corresponding to 3.013% of the share capital of LU-VE ( "List no. 2").

List no. 1 put forward the following candidates: (1) Iginio Liberali; (2) Pier Luigi Faggioli; (3) Matteo Liberali; (4) Michele Faggioli; (5) Marco Claudio Vitale; (6) Anna Gervasoni; (7) Fabio Liberali; (8) Stefano Paleari; (9) Laura Oliva; (10) Raffaella Cagliano; (11) Roberta Pierantoni; (12) Michele Garulli.

List no. 2 proposed the following candidates: (1) Giuseppe Guido Crespi; (2) Maria Sole Bianca Luisa Brioschi.

After the vote, the candidates elected were: (1) Iginio Liberali; (2) Pier Luigi Faggioli; (3) Matteo Liberali; (4) Michele Faggioli; (5) Marco Claudio Vitale; (6) Anna Gervasoni; (7) Fabio Liberali; (8) Stefano Paleari; (9) Laura Oliva; (10) Raffaella Cagliano; (11) Roberta Pierantoni – taken from List no. 1 – and (12) Guido Giuseppe Crespi – taken from List no. 2.

Against a voting capital corresponding to 17,206,909 ordinary shares representing 77.3888% of share capital, the election of the above-mentioned Directors was made with 15,040,147 votes in favour, representing 87.4076% of voting share capital, for the list submitted by shareholder Finami S.p.A. (List no. 1); with 2,151,013 votes in favour, representing 12.5009% of voting share capital for the list submitted by shareholder Sofia Holding S.r.l. (List no. 2) and with 15,749 votes against both lists, representing 0.0915% of voting capital.

Following the death of the Chairman, Mr. Iginio Liberali on 22 December 2022, at the end of the Financial Year, the Board of Directors was composed as follows:

Name and Surname	Office	Independence pursuant to the Consolidated Law on Finance and the Corporate Governance Code
Matteo Liberali	Chief Executive Officer (CEO) and Chairman from 23 January 2023 Executive	NO
Pier Luigi Faggioli	Vice Chairman Executive	NO
Michele Faggioli *	COO Executive	NO
Raffella Cagliano *	Director Non-executive	YES
Guido Giuseppe Crespi	Director Non-executive	YES
Anna Gervasoni	Director Non-executive	YES
Fabio Liberali	Director Non-executive	NO
Laura Oliva *	Director Non-executive	NO
Stefano Paleari	Director Non-executive	YES
Roberta Pierantoni *	Director Non-executive	NO
Marco Claudio Vitale	Director Non-executive	NO

\* The members with specific technical expertise on sustainability issues.

The personal and professional characteristics of each director in office at the closing date of the Financial Year is reported below, also pursuant to art. 144-*decies* of the Consob Issuers' Regulation:

- **MATTEO LIBERALI** – Chief Executive Officer, member of the Board of Directors since 15 May 2003 and Chairman of the Board of Directors from 23 January 2023.

Mr. Matteo Liberali graduated in Business Economics from the Luigi Bocconi Business University in Milan in 1991, and during his professional career, in 1999 and 2000, he completed a “Business Development” Master at the MIP of the Milan Polytechnic. From January 1992 for more than two years, he worked in the Milan office of the auditing firm Arthur Andersen & Co. In September 1994 he started working at LU-VE with increasing levels of responsibility, up to his appointment to Head of Sales (2003) then General Manager (2008). Member of the LU-VE Board of Directors from May 2003.

Following the process of restructuring of the shareholding structure of the LU-VE Group in 2014, he took up the role of Chief Executive Officer of the LU-VE Group in July 2014.

- **PIER LUIGI FAGGIOLI** - Deputy Chairman of the Board of Directors in office since 18 July 2014 (from 23 December 2022 to 23 January 2023 he acted as Chairman of the Board of Directors in carrying out the vicarious powers attributed to him by the Articles of Association).

Mr. Pier Luigi Faggioli, after graduating in Mechanical Engineering from the University of Bologna, started to work as an associate at Studio Viglino of Turin. After a long period in which he worked for Costan S.p.A. (1965- 1990) in the role of Plant Manager, he founds the company SEST S.p.A. In 1998 he also founds IMAP S.p.A and in 2001 contributes to the SEST expansion process, firstly through the incorporation of SEST-LUVE-Polska Sp. Z o.o. (2001) and then OOO SEST-LUVE (2006). From July 2014 he has held a stake in LU-VE through the company G4 S.r.l. and holds the role of Vice Chairman of LU-VE.

- **MICHELE FAGGIOLI** – Chief Operating Officer, member of the Board of Directors since 18 July 2014.

Michele Faggioli was employed from June 1992 in the company Ferrara S.r.l. and, from 1993, in SEST S.p.A. Subsequently, within SEST, he held the roles of Purchasing Manager, company Human Resources and Organisation Manager, as well as the role of Head of Operations. In January 2002, he became the General Manager of SEST, also assuming the position of Project Russia Manager in 2005 for the construction of the new production facility. In 2007, was the Head of coordination and supervision of the activities of the Russian plant of the company OOO SEST-LUVE. Then in 2008, he also became the Manager of coordination and supervision of the activities of the Polish plant of SEST-LUVE-Polska Sp. Z o.o. Since July 2014, he has been the COO of the LU-VE Group.

- **RAFFAELLA CAGLIANO** – Independent director in office from 29 April 2020.

Raffaella Cagliano graduated in Management Engineering from Milan Polytechnic in 1995, and then went on in 1999 to obtain a Research Doctorate in Management Engineering from Padua University in collaboration with Milan Polytechnic.

Since 2002, she has been regularly collaborating with the School of Management of Milan Polytechnic, first as an Associate Professor, and then as a Full Professor, performing numerous tasks and covering a wide range of responsibilities.

At present, she is a Full Professor of Business Management and Organisation and Professor and area coordinator of People Management & Organization at the School of Management of Milan Polytechnic, where she is also Acting Director of the Department of Management Engineering with authorisation for Faculty Management.

She was an active member of the Board of the European Operations Management Association (EurOMA) from 2004 to 2016, holding the position of Chairperson from 2010 to 2013. She is Associate Editor of the *International Journal of Operations and Production Management* and of *Operations Management Research*.

She is the joint-director of the Food Sustainability and Transizione Industria 4.0 Observatories of the School of Management of Milan Polytechnic. She is also the Director of the Master in Sustainability Management and Corporate Social Responsibility of MIP – Graduate School of Business, Milan Polytechnic.

She is the co-author of research books and textbooks, as well as 50 publications in international academic periodicals in the field of Operations and Supply Chain Management and of Organisational Studies.

- **GUIDO GIUSEPPE CRESPI** – Independent director in office from 29 April 2020.

Guido Giuseppe Crespi graduated in Engineering of Industrial Technologies at the Polytechnic of Milan in 1991; between 1991 and 1992 he completed a Master in Business Administration (MBA) at Collège Des Ingénieurs of Paris (France).

After his Master, he started to work at The Boston Consulting Group, a global leader in strategic advisory services, in the Milan and Paris offices, with ever-increasing levels of responsibility. In 2000, he was appointed Vice President and Co-founding Partner of Sapient S.p.A., and Italian company that is part of the US group Sapient. Between 2002 and 2005, he held the position of Vice President and Partner of the consulting company Bain & Company, with specific focus on the financial institutions practice. At the beginning of 2006, he returned to The Boston Consulting Group as Partner and Managing Director and later Senior Partner and Managing Director.

After leaving The Boston Consulting Group at the beginning of 2020, he worked with the Excellence group (management consulting).

Since 2012, he has also been a member of and investor in Italian Angel for Growth, a business angel association, and since 2018, he has been a partner of and investor in MoffuLabs, a company that provides investment and consulting to start-ups.

Guido Giuseppe Crespi has also been a Visiting Lecturer first at the Collège Des Ingénieurs in Turin, then at Bergamo University and at the Bocconi University in Milan.

- **ANNA GERVASONI** – Independent director in office from 10 March 2017.

Anna Gervasoni graduated in Economics and Commerce with honours at the Luigi Bocconi Business University in Milan in 1984, where she worked permanently until 2001 as Professor of Economics and Business Management and Corporate Finance.

She is currently full professor of Economic and Business Management at the Cattaneo University – LIUC, where she is deputy rector for internalisation and manages the University Master specialising in private equity and the “growth finance” research centre.

She is General Director of AIFI (Italian Association of Private Equity, Venture Capital and Private Debt), and member of the “Market operators and investors committee” promoted by Consob, as well as of the Deputy Chairperson of the Consultation Committee of Borsa Italiana.

She has held and continues to hold positions in the corporate bodies of listed and unlisted companies. She is currently an Independent Director of Banca Mediolanum S.p.A. and SOL S.p.A.

She is a Chartered Accountant enrolled in the Register of Auditors.

Collaborates with several economic-financial newspapers and magazines and is the author of 50 publications regarding business development and finance.

- **FABIO LIBERALI** – Non-executive director in office from 23 October 2008.

Fabio Liberali holds the position of Board Director and Chief Communications Officer in the LU-VE Group.

He is the co-founder, joint owner and manager of communication, marketing, networking and promotional activities of Ekuota, web platform for the management on-line company finance.

From February 1995 to December 2017, was editor-in-chief of the international bimonthly magazine "Elevatori – The European Elevator Magazine". From January 2018, has been a member of the Elevatori Magazine Technical Committee.

Periodically he performed the role of coordinator, speaker and lecturer at universities, seminars, workshops, trade fairs, associative assemblies etc., both in Italy and abroad (in Germany, India, Italy, Poland and Turkey, etc.) on themes relating to vertical transport markets; he was correspondent for international industry magazines in Argentina, China, Germany, India, United Kingdom, Spain, Turkey and USA.

Joint proprietor of the Gateway – IoT Mirror for lift cars patent ("Cabin for lifts and similar with improved communication and interactive functionality" - Italian Patent no. 102017000031537 of 22 March 2017; European patent pending), the first IoT product of the LU-VE Group.

Lecturer at the "Master Polismaker – For quality of living and sustainable urban development" (Milan Polytechnic – December 2021 and December 2022) "Urban sustainable development: Scenarios, macro-trends, transformations & a case study".

From 2002, is also Editorial Director of the on-line weekly version of "CUS Pavia News". Editor and then Press Office Manager (March 1994/March 1997); Editorial Director (pro bono) "CUS Pavia News" (March 1997/April 2002).

In the 1996-2002 period, was communication advisor for Fiera Milano S.p.A., Rassegne S.p.a. and MADE Expo and was member of the Strategic Committee of Lift Expo / Fiera Milano - Rassegne. In this area, he was responsible for international relations and contacts with the international media, manager of the communication plan and contacts with the national and international institutions in the sector (industrial associations, companies, professional orders and commercial and industrial bodies). Coordinator and organiser of international conferences and seminars.

Formerly advisor for communication of ANICA (National Association of Elevator Component Manufacturers).

Formerly scientific manager for Italy of "Elevcon 2002 – Milan", 12th World Vertical Transport Technology Conference, organised by the International Association of Elevator Engineers.

He was the creator and team leader of "Italia Magnifica – Exhibition dedicated to Italian elevator excellence" at Interlift 2013 (first global industry trade fair).

He conceived, organised and coordinated the first two Italian Joint Pavilions, at the International Elevator and Escalator Expo in Mumbai (India).

Also member of the National Bar of Journalists – Publicists List (1997–2020).

• **LAURA OLIVA** – Non-executive director in office from 10 March 2017.

Graduated in business economics from the Luigi Bocconi University of Milan, she has more than 15 years' experience in capital markets in merchant banks.

Expert in FinTech technologies and financial and sustainability risk management (ESG). She is CEO and co-founder of Ekuota, the online Fintech platform. She is a non-executive, independent and minority director for Banca Mediolanum.

She was Manager of Debt Capital Markets, has worked for Italian and international merchant banks holding, from time to time, the role of global product specialist, manager of the structuring and placement of structured finance products, manager of syndicated loans and credit analyst. She is an expert in bond issues and securitisations and handles financial analysis and financial markets. She has organised and managed loans and bond issues for the main Italian issuers. She writes on financial markets, fintech and risk management in international magazines and on-line blogs. She is part of the Advocacy committee of CFA Society ICFAS – Italian Chartered Financial Analyst Association.

In 2019 she was named Woman in Fintech of the Year, a recognition awarded to her by the British Embassy, Freshfields Bruckhaus Deringer and Borsa Italiana. She is married and has three children.

• **STEFANO PALEARI** – Independent director in office from 28 April 2015, appointed Lead Independent Director on 13 March 2017.

Stefano Paleari graduated in Nuclear Engineering with honours from the Milan Polytechnic in July 1990 and became a Management Engineering Researcher at the University of Bergamo in 1996. In 1998, he became Associate Professor in Economics and Business Organisation at the Milan Polytechnic and, in 2001, Full Professor of Analysis of Financial Systems in the Faculty of Engineering at the University of Bergamo. From October 2009 to 30 September 2015 was the Dean of the University of Bergamo and from September 2013, for a two-year period, was the President of the Conference of Italian University Deans (CRUI).

Stefano Paleari has held and holds a number of different positions: from March 2006 to May 2017, was founder and scientific director of ICCSAI (International Centre for Competitiveness Studies in the Aviation Industry); from January 2009 to December 2011, external examiner in the Master of Science in Air Transport Management in the Department of Air Transport of Cranfield University (UK); from June 2009, is an Airneth Academic Fellow and member of the Airneth Scientific Board, international group of the most representative academics in the field of air transport; from 2013 to 2017, he was a member of the board of the EUA European University Association.

Stefano Paleari is also the author of numerous international scientific publications in the financial markets, air transport and public management fields. From November 2016 to May 2018 he was the President of the Committee for the coordination of the scientific project Human Technopole. From May 2017 to December 2019 he was the Special commissioner of Alitalia S.p.A. In the 2018-2019 two-year period, he was an independent member of the Board of Directors of Industrial Stars of Italy 3 S.p.A., listed on the AIM Italia. In November 2019 he was appointed a member of the Pontifical Council for Culture by Pope Francis. Since June 2020 he has been President of the International Heart School Foundation. In 2021 he was awarded the title of Cavaliere di Gran Croce of the Order al Merito of the Italian Republic by President of the Republic Sergio Mattarella.

• **ROBERTA PIERANTONI** – Non-executive director in office from 10 March 2017.

Roberta Pierantoni is expert lawyer of corporate law and corporate and sustainability governance for companies (listed and unlisted).

She has been a partner of the Studio Legale e Tributario Biscozzi Nobili Piazza in Milan since 2005, where she achieved her professional qualifications working alongside Prof. Raffaele Nobili; she operates primarily in the commercial and corporate law sector (providing advisory services and legal assistance to major listed groups, also during the listing process), contracts and arbitration (holding, among other things, the positions of presiding judge of the court of arbitration and single arbitrator in proceedings managed by the Milan Chamber of Arbitration).

Graduated in Law with full marks from the “Carlo Bo” University of Urbino, and is enrolled in the Urbino Register of Lawyers. She attended specialist courses on corporate governance and gender balance at the Faculty of Law in the University of Milan and at the European University of Rome.

During the first few years of her career, she held the role of manager in the training segment in some public and private institutions, holding course administrator and coordinator roles of courses, masters, and national and international cultural events.

Since June 2004 she has worked at the Faculty of Commercial Law with Prof. Enrico Ginevra, firstly at the “Carlo Bo” University of Urbino (participating in the organisation of the Master in “Bank and financial markets law”) and, from 2005 to 2015 at the University of Bergamo, where she gave lectures on the reduction of share capital, on the responsibility of directors of S.p.A. companies (joint-stock companies) and on the regulation of listed companies; in 2008, won an annual research grant relating to the scientific disciplinary sector IUS/04 – Commercial Law, at the Department of Legal Science, conducting research on “The new regulation of take-over bids: the rule of neutralisation of preventive protection (“Breakthrough rule”); attended the course “SUSTAINABILITY STRATEGY AND GOVERNANCE Integrating ESG factors in the company” at the Luigi Bocconi University in Milan.

She is the author of publications regarding the corporate governance of listed companies, crowd funding, start-ups and innovative SMEs, real estate finance publications (SIIQ - listed real estate investment companies - and non-performing loans). She is a speaker at seminars, conferences and advanced courses on listed companies, asset management companies (SGR), listed real estate investment companies (SIIQ), real estate funds, Real Estate and corporate governance as well as a contract lecturer in the first and second level Masters “*Polis maker for the quality of living and sustainable urban development*” of the Milan Polytechnic.

She has held offices in administrative organs of both listed and unlisted companies; currently, in addition to holding the office and director and member of the Remuneration and Appointments Committed of the Issuer, she is also an independent director, Lead Independent Director and member of the Appointments Committee of Banca Mediolanum S.p.A. (a company listed on the Euronext Milan of Borsa Italiana) and independent director of FloWe S.p.A. benefit company (a financial entity of the Mediolanum Group included in the electronic money institutes register IMEL); among other things, (i) she has held the office of member of the Supervisory Board pursuant to Italian Legislative Decree 231/2001 of De’ Longhi S.p.A. (a company listed on the Euronext Milan of Borsa Italiana) until 12 May 2022; (ii) she has held the following offices, among others: (ii) until 13 November 2021, the office of independent director as well as of Chairperson of the Control, Risk and Operations with Related Parties and member of the Remuneration and Appointments Committee of Aedes Siiq S.p.A. (a company listed on the Euronext Milan of Borsa Italiana), (iii) until 5 March 2020 the office of independent director of Travell Co. S.p.A. (a company listed on the Euronext Growth Milan market);

and (iv) until April 2018 the office of independent director and member of the Control, Risk and Operations with Related Parties Committee of Italo - Nuovo Trasporto Viaggiatori S.p.A.

- **MARCO CLAUDIO VITALE** – Non-executive director in office from 28 November 1985.

Marco Vitale, business economist, carried out intense professional and educational activities at the University of Pavia, the Luigi Bocconi Business University of Milan, the Independent Carlo Cattaneo University in Castellanza (VA) and the management schools Istao in Ancona and Istud in Baveno (VB). Former shareholder of Arthur Andersen & Co., he is the founding partner and Chairman of the company Vitale-Zane & Co. S.r.l. (formerly Vitale Novello & Co. S.r.l.) in which he is the advisor and director of important companies. He was the co-founder and president of A.I.F.I. and co-founder and first president of the Arca Group, vice president of Banca Popolare di Milano and president of Bipiemme Gestioni SGR until 2008. He was the director of Banca Passadore of Genoa. He was director of the Adriano Olivetti Foundation and member of the ISVI (Italian Institute for Corporate Values) Scientific Committee. Held significant public offices and is the author of several books.

\* \* \*

No changes were made to the composition of the Board of Directors from the date of the close of the year until the date of this Report other than those highlighted above, consequent to the demise of the late Chairman, Mr. Iginio Liberali.

In particular, it should be noted that, on 23 January 2023, the Board of Directors resolved, on the proposal of the Remuneration and Appointments Committee and with the consent of the Board of Statutory Auditors, not to proceed to co-opt any new member to replace Mr. Iginio Liberali, on the basis of the considerations set out above, deferring all decisions to the next Shareholders' Meeting, which will be called to resolve the renewal of the Board of Directors currently in office, whose mandate is expiring, with the approval of the financial statements as at 31 December 2022.

At the same meeting, the Board of Directors appointed the CEO, Mr. Matteo Liberali, Chairman of the company until the end of the current Board mandate, confirming the powers that have already been attributed to him and that are not subject to changes.

## **Diversity criteria and policies in the composition of the Board and in the company organization**

In addition to the provisions of the statutory clauses mentioned in Section 4.2 above aimed at ensuring the balance of genders in the composition of the management bodies, implementing the provisions of art. 123-*bis*, paragraph 2, letter d-*bis*) of the Consolidated Law on Finance, the Board of Directors has adopted its own policy with regard to diversity in relation to the composition of the administrative body with regard to aspects such as the age, gender and educational and professional background (the “**Policy**”).

This Policy is defined in the document "*Diversity policies for members of the corporate bodies of LU-VE S.p.A.*" approved by the Board of Directors in the meeting of 28 February 2020, on proposal of the Remuneration and Appointments Committee, which – with regard to the diversity of the composition of the management body – has prepared its contents also taking into account the outcome of the self-assessment process, conducted on occasion of the renewal of the management body. In the meeting of 24 February 2022, on the proposal of the Remuneration and Appointments Committee shared with the Board of Statutory Auditors, the Board of Directors approved an update of the Policy



in order to align its content with the principles and recommendations set out in the Corporate Governance Code.

In defining the criteria and the objectives of the Policy, the Board of Directors of the Company has considered that its optimal composition must meet the following criteria:

- (a) in compliance with the principles and recommendations of the Corporate Governance Code, the Board of Directors should be composed for the most part by non-executive Directors, who should have such skills as to ensure them a significant weight in the adoption of board resolutions through significant logical discussions and in the monitoring of the choices made by executive directors;
- (b) the number of Directors of the Company with the independence requirements set by the law, the Articles of Association and the Corporate Governance Code must be such as to guarantee compliance with the relative applicable regulatory and statutory provisions as well as with the recommendations of the same Code to which the Company adheres, so as to allow a heterogeneous composition of the internal board committees (which, on the basis of the Corporate Governance Code must be composed entirely or in the majority by independent directors);
- (c) the composition of the Board of Directors must in any case ensure the gender balance in compliance with the applicable regulatory and statutory provisions applicable at the time, as well as in accordance with the provisions of the Corporate Governance Code, both at the time of appointment and throughout the mandate;
- (d) a balanced combination must be ensured of various ages and/or seniority in office within the Board of Directors, able to contribute different sensitivities and competences from each other, so as to allow – also taking into account, among other things, the relevant changes that characterise the macro-economic and competitive landscape – a balanced plurality of perspectives and experiences different from each other;
- (e) Directors must be represented by figures with a managerial and/or professional and/or academic and/or institutional profile such as to realise a mix of competences and experiences that are different from and complementary to each other. More specifically:
  - managerial profiles must have an industrial vision with competences and experiences acquired in the context of organisational functions within complex enterprises, active at international level;
  - professional profiles should have gained accredited competences and experiences and have carried out their activity, with particular relevance to enterprise activities, in at least one of the following areas: economic, accounting, financial, legal status of enterprise, industrial organisation, as well as in the context of risk management and/or control and remuneration policies;
  - academic and/or institutional profiles should have competences that can be useful for the development and value enhancement of the LU-VE Group business, with particular reference to strategic vision and sustainable development;

- (f) in line with the principles and recommendations dictated by the Corporate Governance Code with regard to the composition of internal board committees: (i) at least one member of the Board of Directors should have an adequate knowledge of financial matters or remuneration policies; and (ii) at least one member of the Board of Directors should have an adequate knowledge of accounting and finance or of risk management;
- (g) the Chairman should be a person with experience, authority and ability of vision such as to represent a connection point between executive and non-executive directors, ensuring during the mandate a guaranteed management for all Shareholders and stakeholders, as well as the efficient and effective management of the Board of Directors and of the Board's works;
- (h) the Chief Executive Officers must be persons with proven leadership, authority, strategic vision and an in-depth knowledge of the industrial sectors preferably relevant to those in which the LU-VE Company and Group operate.

In addition to the diversity requirements indicated above, the Policy requires all members of the Board of Directors to guarantee the availability of adequate time for the diligent and responsible performance of their tasks as well as have a suitable knowledge of the English language to allow the correct understanding of written texts and, therefore, ensure the possibility of taking decisions that relate directly to documents written in English, also in consideration of the international scope of the LU-VE Group.

The text of the *"Diversity policy for members of the corporate bodies of LU-VE S.p.A."* is available on the Company's website at [www.luvegroup.com](http://www.luvegroup.com), in the section *"Investor Relations" – "Corporate Governance & shareholders" – "Code of conduct and corporate documents" – "Corporate documents"*.

The management body currently in office was appointed by the Shareholders' Meeting on 29 April 2020, and is the first Board to be appointed following the listing of LU-VE shares on the Euronext Milan market: the election of the Board of Directors therefore took place through list voting pursuant to the provisions set forth in the applicable legislation and regulations in force at the time on gender balance. Note that, as this was the first renewal of the Board following the listing, the provision referred to in paragraph 304 of Italian Law 160/2019 applied to the Company, which in this case does not prejudice the provision of art. 2 of Italian Law no. 120 of 12 July 2011, which envisages that 1/5 of the members of corporate bodies must belong to the under-represented gender. Moreover, the Articles of Association of LU-VE in force on the date of the Shareholders' Meeting of 29 April 2020 envisaged mechanisms that ensure that at least one third of the members of the Board belong to the under-represented gender. In its current composition, in compliance with the applicable regulation, one third of the members of the current Board of Directors belongs to the under-represented gender.

The Remuneration and Appointments Committee, at its meeting on 9 February 2023, and the Board of Directors, at its meeting on 23 February 2023, verified the current composition of the administrative and control bodies of LU-VE is compliant with the provisions of the adopted Diversity Policies.

The Issuer also pursues policies for gender equal treatment and opportunities policies within its company organisation, as defined by its Code of Ethics, available on the Issuer's website at the address [www.luvegroup.com](http://www.luvegroup.com), in the section *"Investor Relations" – "Corporate Governance & shareholders" – "Codes of conduct and corporate documents" – "Corporate documents"*.

All positions, for any job within the Group, are open to candidates of both sexes, and the professional development policy is managed on merit-based criteria.

Of the employee population, around 31% are women. The gender difference is mainly due to the peculiarity of the business which, especially in the past, mainly attracted male professional figures. Since the Group's objective over the next few years is to increase this percentage by promoting specific projects, in 2022 LU-VE launched a project to investigate gender gaps across the various Group companies. The analysis performed, in addition to the presence of women in managerial and executive roles, also analysed any pay gaps in all roles and positions. The areas identified were then included in an action plan headed by the Group's HR Department. In this regard, please refer to what is described in the 2022 Sustainability Report, available on the company's website at the address: [www.luvegroup.com](http://www.luvegroup.com), "Investor Relations" - "Sustainability/ESG" section.

### **Maximum number of offices held in other companies**

The Company's Board of Directors, since the Issuer does not qualify as a Large Company for the purposes of applying the Corporate Governance Code (see Section 1 of this Report) decided not to express any guidelines regarding the maximum number of offices in the management or control bodies in other listed or large companies, which can be considered compatible with the effective performance the office of director of the Company, taking into account the commitment deriving from the role held, as provided by Recommendation 15 of the Corporate Governance Code for Large Companies.

## **4.4 FUNCTIONING OF THE BOARD OF DIRECTORS** (pursuant to art. 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance)

In its meeting of 24 February 2021, the Board of Directors adopted the **BoD and Committees Regulations**, lastly updated in the meeting of 23 January 2023, which govern the composition, role, organization and operating methods of the Issuer's BoD and internal board committees, in compliance with the legislation, including regulations and applicable statutory provisions, in line with the principles and recommendations of the Corporate Governance Code.

Specifically, with reference to the Board of Directors, the BoD and Committees Regulations define:

(i) the composition of the Board of Directors;

(ii) the role and responsibilities of the same, aimed at pursuing the goal of creating long-term value for the benefit of shareholders, taking into account the interests of the other stakeholders relevant to the Company;

(iii) the methods and procedures for assessing the independence of directors, the circumstances that compromise or appear to compromise the independence of directors;

(iv) the role of the Chairman of the Board of Directors, of the Secretary and of the Lead Independent Director;

(v) the functioning of the Board, with regard to both the convocation, the pre-meeting information, the conduct of the meetings and their minutes; as well as

(vi) the obligations of the directors.

The Board is convened by the Chairman, by means of a notice indicating the agenda items to be discussed and on which to deliberate, as part of the annual planning of Board meetings or in any case whenever the same deems it necessary or when a written request is made by at least one of its members or by any auditor. The notice of call must also indicate the date, time and place of the meeting or an indication that the same will take place exclusively via audio-video conference.

The directors receive an adequate flow of information coordinated by the Chairman with the support of the Secretary of the Board, according to the correct exercise of the powers and responsibilities of the Board of Directors. The flow of information - usually ensured on the occasion of board meetings according to the terms and methods indicated below - also concerns any follow-up of the decisions taken by the Board, as well as any more significant correspondence between the Company and Consob and/or other public authorities and with Borsa Italiana.

In order to ensure adequate discretion and confidentiality of the information and documents included in the information flow and not to jeopardize their timeliness and completeness, the Board uses a high-security standard digital platform, called DiliTrust Exec, for the management and sharing of the Board's documentation. Access to the platform takes place through the use of credentials assigned, following their appointment, to each director and auditor who ensure diligence and confidentiality in their storage, in order to avoid access to the Platform by unauthorized parties. For the discussion of the agenda items, the documentation supporting the board meetings is brought to the attention of the directors and statutory auditors, by the Secretary, again through the DiliTrust Exec platform well in advance of the meeting, and in any case within the third day prior to the day fixed for the meeting, except in cases of urgency when the documentation is made available as quickly as possible as to allow the directors to be able to participate in the meeting in an informed manner.

The supporting documentation is prepared by the competent company function which sends it to the Secretary in time to allow publication in compliance with the terms indicated in the BoD and Committees Regulations (i.e. by the third day prior to the date set for the meeting, except in cases of urgency). In the event that the documentation made available to the Directors and Statutory Auditors is particularly complex and extensive, with the assistance of the Secretary, the Chairman ensures that it is accompanied by a document summarizing the most significant and relevant points for the purposes of decisions on the agenda. Except in cases where, by law, it is necessary for the minutes to be drawn up by a notary, the minutes of the meetings are taken by the Secretary, who may be assisted, for this purpose, by personnel from the competent corporate legal function.

This is so except in the case when the Secretary of the meeting proceeds to draw up the minutes during the Board meeting and that they are approved at the end of the meeting, a draft of the minutes is drawn up by the Secretary after the meeting and submitted by the same to the meeting's chairperson for their definition. In this case, the final draft is made available by the Secretary to all directors and statutory auditors via the DiliTrust Exec platform, in order to collect any comments and observations within the deadline indicated by the Secretary, to be put forward for the assessment of the meeting chairperson together with the Secretary. The final text of the minutes is made available through the DiliTrust Exec platform and then transcribed by the Secretary in the register of meetings and resolutions of the Board held in accordance with the law.

In the meetings held during the Financial Year, the BoD and Committees Regulations were essentially respected also with reference to the terms and procedures established for the transmission of the pre-meeting documentation.

During the financial year the Board of Directors met 12 times and the meetings had an average duration of approximately 2 hours.

The Board meetings were regularly and diligently attended by all directors; the details of the participation of each director in the Board meetings are contained in Table 2 attached in the appendix to this Report.

The meetings were also held via audio-video link, in compliance with the provisions of the Articles of Association and the BoD and Committees Regulations.

Nine meetings are planned for the current year, three of which (including the one for approval of this Report) have already been held.

The items on the agenda are normally illustrated – also on the basis of the documentation distributed beforehand and filed in the company’s records – by the Chairman of the Board of Directors or by the CEO responsible for the matter, or by the Chairman of the competent Committee for the matter. Following the presentation, the debate opened, with speeches by the directors in order to pose questions to the writer or provide suggestions or food for thought: the heterogeneous competences of the members of the Board of Directors make it possible to analyse and examine in-depth the items on the agenda from various perspectives, enriching Board discussions which is the prerequisite for each contemplated and fully-informed decision. The Chairman of the meeting ensures that the necessary time is dedicated to the items on the agenda to allow constructive debate.

## **4.5 ROLE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS**

Pursuant to art. 17.1 of the Articles of Association, if the shareholders' meeting has not done so, the Board of Directors elects its Chairman from among its members and, where it is deemed opportune, a Deputy Chairman with vicarious powers.

The Chairman of the Board of Directors in office until 22 December 2022 was the Director, Mr. Iginio Liberali, appointed by the Shareholders' Meeting of 29 April 2020, who was the member of the Board of Directors who had accrued the most years of experience in the company, and whose role was not limited to institutional and representative functions, but was an operational role and this because relevant for the better performance of the Company. The deep knowledge of the company, of the products and of the markets in which the Group operates made the Chairman, who was LU-VE founder, a point of reference for all the Directors.

It should be noted that the information contained in this document concerns the activities of the Chairman of the Board of Directors, in the person of Mr. Iginio Liberali, carried out until 21 December 2022, while in relation to the period between 23 December 2022 and 31 December 2022, reference is made to the activity carried out by the Deputy Chairman with vicarious powers, Mr. Pier Luigi Faggioli.

It should also be noted, as already mentioned above, that, with effect from 23 January 2023, the Chairman of the Board of Directors at the date of publication of this Report is Mr. Matteo Liberali, former CEO.

The role and functions of the Chairman are governed by the BoD and Committees Regulations. In particular, the same provides for the Chairman to play a liaison role between executive and non-

executive directors, to manage the effective functioning of the Board's works and that, in carrying out his duties, he exercises the functions provided for by legislation, including regulation, pro tempore in force, by the Articles of Association as well as by the Corporate Governance Code.

During the Financial Year, in carrying out his liaison role between executive and non-executive directors, with the support of the Secretary, the Chairman oversaw the completeness of pre-meeting information and ensured that the information provided during the meetings were suitable to allow directors to act in an informed manner in the performance of their role, ensuring that, during the meetings, all directors were allowed to express their opinion and that all additional information requested was provided, also speaking directly during the meetings on the basis of their own experience.

The Chairman also ensured that the activities of the Committees were coordinated with that of the Board of Directors and that a point was included in the Board meetings agenda that would allow the Chairman of the Control and Risk Committee and the Chairman of the Remuneration and Appointments Committee to report to the Board on the activity carried out; he has also always verified that during Board meetings, if any of the matters dealt with required the performance of preliminary, propositional and consultative functions by one of the two Committees, adequate space was reserved for the Chairman of the Committee, in order to present the results of the activity carried out to the Board.

In agreement with the CEO, he ensured that the heads of the Issuer's functions attended the board meetings to provide appropriate in-depth information on the items on the agenda. The Financial Reporting Manager, as well as Group CFO, Mr Eligio Macchi, the General Counsel and Secretary of the Board, Ms. Barbara Silva, and the Head of Investor Relations, Mr. Michele Garulli, attended all the meetings, speaking directly on the items on the agenda that had been instructed by the respective company functions. Elena Negri, Head of Internal Audit, presented her annual report to the Board, as well as the Audit Plan (as defined below) for the year 2022 during the meeting on 17 March 2022.

The Chairman also guaranteed the adequacy and transparency of the self-assessment process, which was carried out during the months of December 2022 and January 2023 on the basis of the Board's decision to carry out its own self-assessment on a three-year basis, at the time of its renewal.

The Chairman also ensured that the Investor Relations Manager had the opportunity to speak with the directors, referring, where necessary, to the activity carried out regarding the dialogue with all the Shareholders.

### *Induction Programme*

The Chairman focused his attention on the implementation of initiatives aimed at providing the Directors with adequate knowledge of the business sectors in which the Issuer operates: during the Financial Year, the Board's disclosure, its contents and its frequency, allowed the directors to obtain adequate knowledge of the business sector in which the LU-VE Group operates, of the company dynamics and their evolutions, of the principles of correct risk management as well as of the related reference regulatory framework. In particular, during the meetings of the Board of Directors that were held during the year, the directors received constant insights on each specific sector in which the LU-VE Group carries out its activities, in order to best understand the company trends underlying the business and the relevant developments that have taken place during the year.

In addition to the above, on 21 December 2022 the members of the Board of Directors, together with those of the Board of Statutory Auditors, received from the consultant supporting LU-VE in its sustainability activities an update relating to the sustainability scenario within which LU-VE is placed (in particular in relation to news on GRI Standards relevant to LU-VE, the benchmark regarding the sustainability activities reported by the listed companies, the taxonomy rules and the Science-based Target Initiative), on LU-VE sustainability positioning and on the characteristics of a sustainability plan that aspires to be effective and incisive.

## Secretary of the Board

Article 5 of the BoD and Committees Regulations provides for the Board of Directors to decide, on the proposal of the Chairman, in accordance with paragraph 2 of Article 17 of the Articles of Association, to appoint and dismiss a secretary, even if not from within the Company. The Secretary is normally appointed at the beginning of each Board mandate and for its entire duration, unless in case of revocation and/or resignation. The Regulations also contain the definition of the Secretary's requirements and powers.

In particular, the BoD and Committees Regulations indicate that the Secretary must meet adequate requisites of professionalism, experience, independence of judgement and must not find themselves in situations of conflict of interest. In particular, the Secretary must meet the following professional requirements:

- (a) have obtained a university degree in law and/or economics or have passed the state exam for the legal profession qualification;
- (b) have adequate preparation in corporate governance, having gained previous and significant professional experience in industrial groups and/or companies, preferably listed, of size and/or complexity and with an international projection comparable to those of LU-VE;
- (c) have skills such as to allow effective participation in the work of the Board of Directors and the various Committees established within it: for this purpose the skills deemed to be relevant are those acquired in the technical/commercial and/or economic-financial and/or legal and/or corporate governance areas.

In carrying out the functions that the Regulations assign to them, the Secretary supports the activities of the Chairman and provides impartial assistance and advice to the Board on all aspects relevant to the correct functioning of the corporate governance system. More specifically, the Board Secretary:

- (a) assists the Chairman *(i)* in preparing board and shareholders' meetings, *(ii)* in preparing the related resolutions, *(iii)* in ensuring the adequacy, completeness and clarity of information flows directed to the Board, *(iv)* in communicating with the directors, *(v)* in organizing board inductions and *(vi)* in supervising the adequacy and transparency of the self-assessment process;
- (b) prepares the minutes of board meetings and internal board committees;
- (c) assists the Company's Managing Directors in their relations with the Board;

- (d) performs the role of Secretary of the Internal Board Committees, supporting the Chairman of each committee and its members in organizing and conducting the meetings, as well as in carrying out the activities pertaining to individual committees;
- (e) provides independent legal assistance and advice (with respect to management) to the Board and its members in matters of corporate governance and their powers, rights, duties and obligations, to ensure the regular exercise of their powers, protect them from any liability and ensure that they are taking into account the interests of shareholders and of other stakeholders considered by the Company's corporate governance system.

The Regulations establish that the Secretary, for the performance of their duties, reports hierarchically and functionally to the Board and, through it, to the Chairman. It also provides for the Secretary to perform other functions within the Company, as long as they do not compromise their independence of judgement vis-à-vis the Board or the regular performance of their functions.

In case of necessity or urgency, the Secretary may be replaced for individual meetings by the person identified by the Board at the opening of the meeting, on the proposal of the Chairman.

In agreement with the Chairman, the Board may revoke the Secretary.

On 28 January 2021, on the proposal of the Chairman, the Board of Directors appointed as secretary of the Issuer's Board of Directors and of the internal Board Committees Ms. Barbara Silva.

During the Financial Year, the Secretary assisted the Chairman's activities, supporting the latter in the collection and preparation of pre-meeting and complementary information, managing relations with the other corporate functions responsible for their preparation and making the same available to directors through the Dilitrust Exec platform. She also took steps to draw up the minutes of the meetings of the board of the internal board committees, agreeing them with the meetings' chairmen and ensuring that the drafts were sent to the meetings' participants in order to collect any comments received from the latter, to be submitted for assessment of the chairman of the meeting of the board or of the committee together with the Secretary.

The Secretary supported the Chairman of the BoD and the chairmen of the Committees in coordinating their respective activities. Furthermore, she ensured the adequacy, completeness and clarity of the information flows directed to the Board, also supporting the Chairman in communicating with the directors and coordinating the Board's activities with that of the Committees. The Secretary participated in the organization of board induction sessions held during the Financial Year and provided, through meetings and conversations, including personal ones and with impartial judgement, legal advice both to the Board and to individual members of the same on matters of corporate governance and on the powers, rights, duties and obligations of the same.

## **4.6 EXECUTIVE DIRECTORS**

### **Managing Directors**

Following the demise of the Chairman, Mr. Iginio Liberali, to whom on 29 April 2020 the Board of Directors had attributed, with sole signature rights, all the powers of ordinary and extraordinary administration that the Articles of Association or the law do not reserve exclusively to the Board of Directors or to the Shareholders' Meeting, the Board of Directors carries out its activities, as well as



directly and collectively, through the Chairman and CEO Matteo Liberali and the COO Michele Faggioli.

The powers attributed to them by the Board of Directors on 29 April 2020 are reported below.

- The Chief Executive Officer, MATTEO LIBERALI, was attributed the following: (i) the qualification of “Chief Executive Officer - CEO” of the LU-VE Group and, therefore, the main responsibility for the company; and (ii) with sole signature rights, all powers of ordinary and extraordinary management which are not reserved exclusively to the Board of Directors by the Articles of Association or the law, up to a limit of Euro 10,000,000.00 (ten million/00) per individual transaction.

The powers attributed to Matteo Liberali have not been changed following his appointment as Chairman of the Board of Directors.

- The Chief Executive Officer, MICHELE FAGGIOLI, was attributed the following: (i) the qualification of “Chief Operating Officer - COO” of the LU-VE Group with company-wide responsibility for the areas relating to production activities, with relation to which he reports to the CEO Matteo Liberali; and; (ii) with sole signature rights, the following powers:

- to enter into, amend and terminate contracts for the purchase, exchange, sale of:
  - (i) materials, products and services for amounts of up to Euro 2,000,000.00 (two million/00) per individual transaction;
  - (ii) raw materials, for amounts of up to Euro 5,000,000.00 (five million) per individual transaction;
- entering into, amending and terminating lease and gratuitous lease contracts for movables and real estate for amounts of up to Euro 2,000,000.00 (two million/00) per individual transaction;
- entering into, amending and terminating purchase, sale, exchange contracts, financial leases of plants, machinery and operating assets in general, for amounts of up to Euro 2,000,000.00 (two million/00) per individual transaction;
- entering into, amending and terminating, for the benefit of the Company, freight, transport or insurance contracts relating to the sale of goods, for amounts of up to Euro 2,000,000.00 (two million/00) per individual transaction;
- entering into, amending and terminating contracts for advisory services for amounts of up to Euro 500,000.00 (five hundred thousand) per individual transaction;
- ensuring the performance of construction, works, installations, repairs and modification of systems, offices and other premises owned by the company, by acquiring the machines and furniture needed for said offices, such as materials, supplies and provisions, signing tender and supply contracts, for amounts of up to Euro 2,000,000.00 (two million) per individual transaction;
- purchasing, selling and exchanging motor vehicles of all types and carrying out any associated transaction at the Public Automobile Register, exonerating the aforementioned office and its officials from any liability;

- hiring, on fixed-term and open-ended contracts, suspending and dismissing blue and white collar workers, with gross annual salaries of up to Euro 100,000.00 (one hundred thousand), establishing their duties, salaries, indemnities and any bonuses, establishing, in general, the employment contract conditions of all employees, both at the time of hiring and during the contracts, always observing the annual gross salary limit indicated above;
- signing any declarations requested by entities such as Customs, Chamber of Commerce, Shippers, etc. in relation to the importing and/or exporting of goods (origin, source, nature etc.);
- signing declarations of conformity relating to the Company's products;
- representing the Company before trade union organisations of entrepreneurs and workers, Inspectorates, the Judiciary and any other Employment Institution or Body, limited to problems regarding employment and company personnel;
- signing correspondence relating to the acts indicated above and of ordinary administration and management;
- handling all formalities related to the fulfilment of the contracts and transactions referred to above;
- issuing authorisations and proxies to third parties within the limits of the powers attributed to him.

In consideration of his qualification as Chief Executive Officer and, therefore, the main person responsible for the management of the company, to the Chief Executive Officer Matteo Liberali is entitled, in compliance with the principles and recommendations of the Corporate Governance Code, to the functions and powers relating to the internal control and risk management system of the Company envisaged for the CEO by art. 5.1 of the SCIGR Guidelines (please refer to Section 9.1 of this Report in this regard).

The Board of Directors also attributed the Chief Executive Officer, Michele Faggioli, with all the typical responsibilities and tasks, with no exclusions, of Employer, as defined by art. 2, letter b) of Italian Legislative Decree no. 81/2008 and subsequent amendments and additions, as well as all responsibilities and tasks, with no exclusions, for the protection of the environment pursuant to Italian Legislative Decree no. 152/2006 and subsequent amendments and additions, establishing that the director Michele Faggioli: (i) can make use of the necessary sums for the fulfilment of the obligations deriving from the environmental and accident prevention legislation, with full autonomy and with no spending limits in observance of the company procedures and that, for all activities relating to the "Employer" function, will act in full autonomy without reporting to the director Matteo Liberali; and (ii) may confer the delegations of functions under the conditions set out in art. 16 of Italian Legislative Decree no. 81/2008 and any special proxies to other persons that meet the legal requirements.

### **Chairman of the Board of Directors**

At the date of this Report, the Chairman of the Board of Directors is Matteo Liberali, who is also the main person responsible for the management of the Issuer and of the Group (CEO), as well as the Issuer's controlling shareholder.

The Chairman was attributed, with sole signature rights, all powers of ordinary and extraordinary management which are not reserved exclusively to the Board of Directors by the Articles of Association or the law, up to a limit of Euro 10,000,000.00 (ten million/00) per individual transaction.

In this regard, at its meeting of 23 January 2023, the Board considered it appropriate to assign the role of Chairman to the CEO, Mr Matteo Liberali, based on the consideration that the appointment as Chairman of Matteo Liberali takes place following the death of Mr. Iginio Liberali, the founder who had always been the Company chairman, which made it necessary to give the Group, all its employees and the market a strong message of unity, togetherness and continuity with the past, as a way of ensuring all stakeholders' continued trust in the Group's current executive management.

### **Executive Committee (pursuant to art. 123-bis, paragraph 2, letter d), Consolidated Law on Finance)**

Pursuant to art. 17 of the Articles of Association, within the limits set forth in article 2381 of the Italian civil code, the Board of Directors may delegate its assignments to an executive committee and/or to one or more of its members, establishing the content, the limits and any procedures for the exercise of the same. At the date of this Report, the Issuer's Board of Directors has not appointed an Executive Committee.

### **Disclosure to the Board by the directors/delegated bodies**

The delegated bodies, in fulfilling the obligations of law, the Articles of Association and the principles and recommendations of the Corporate Governance Code, have always reported to the Board of Directors on the activities carried out in the Exercise of the powers attributed, with variable frequency according to the importance of the powers and the frequency of their exercise, but nonetheless at least quarterly, providing, with a reasonable advance notice with respect to the date of the board meeting - except for cases in which, owing to the nature of the resolutions to be assumed, the confidentiality requirements and/or promptness with which the Board had to assume the decisions were recognised as reasons of necessity and urgency - the documentation and information needed to allow the Board of Directors to express an opinion, in a fully informed manner, on the items presented to it for examination and approval.

In compliance with Consob Related Party Regulation and OPC Procedure, the Chief Executive Officer is required to provide a complete disclosure at least quarterly to the Board of Directors and Board of Statutory Auditors regarding the performance of related party transactions.

### **Other executive directors**

In addition to the Chief Executive Officers, Matteo Liberali and Michele Faggioli, the Vice Chairman Pier Luigi Faggioli is an executive director, who holds the position of chief executive officer of the Subsidiaries of strategic importance SEST S.p.A. and SEST-LUVE Polska Sp. z.o.o.

## **4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR**

### **Independent Directors**

Pursuant to the combined provisions of art. 147-ter, paragraph 4, and art. 148, paragraph 3 of the Consolidated Law on Finance, as well as art. 2, Recommendation 7 of the Corporate Governance

Code, the Board of Directors currently has 4 independent directors represented by Anna Gervasoni, Stefano Paleari, Raffaella Cagliano and Guido Giuseppe Crespi. The number of independent directors and their skills are considered adequate to promote the correct functioning of the board, through a thoughtful debate on strategic decisions, able to pursue the needs of the company. The number of independent directors is also adequate for the constitution of board committees.

The Chairman of the Board is not independent.

Upon adherence to the Corporate Governance Code during the meeting held on 21 December 2020, on the proposal of the Remuneration and Appointments Committee and having heard the opinion of the Board of Statutory Auditors, the Board of Directors identified the following quantitative and qualitative criteria to evaluate the significance of the relationships referred to in letters c) and d) of Recommendation 7 of the Code, in particular:

(i) significant commercial, financial or professional relationships ("Relevant Relationships") pursuant to lett. c) of Recommendation 7 of the Corporate Governance Code, are those from which an amount derives exceeding 5% of the annual turnover (or equivalent item) of the company and of the entity in which the director has control or is an executive director, or of the professional firm or consultancy company in which they are a partner or shareholder, provided that this amount is also at the same time greater than double the total amount of the annual remuneration received by the director as fixed remuneration for their office and of the remuneration envisaged for participation in board committees.

With regard to professional relationships, if the relationship is held by the director as part of an individual activity or as a representative of an institution to which they belong as a project contact person, the significance parameter to be considered for each financial year in relation to the remuneration received personally is double the total amount of the annual remuneration received by the director as fixed remuneration for the office and as remuneration for participation in board committees. If the director is a partner in a professional firm or consulting company, the significance of the professional relationship must also be assessed with regard to the effect that it could have on their position and role within the firm or the consulting company, as well as in consideration of the external visibility that the same could entail for the director or the importance of the transaction covered by the professional relationship for the Company and for the Group, regardless of the application of the aforementioned quantitative criteria;

(ii) significant additional remuneration pursuant to letter d) of Recommendation 7 of the Corporate Governance Code, means additional remuneration which is equal to, or greater than, in each single financial year, double the total annual remuneration amount received by the director by way of fixed remuneration for their office and of remuneration for participation in board committees.

During the first meeting following the appointment of the directors held on 29 April 2020, the Board of Directors carried out the checks on the independence of the directors Anna Gervasoni, Stefano Paleari, Raffaella Cagliano and Guido Giuseppe Crespi and the Board of Statutory Auditors acknowledged the correct application of the criteria and procedures adopted by the Board in carrying out these verifications, whose outcome was disclosed in a press release issued on the same date. It is specified that this assessment was carried out before the Corporate Governance Code came into force and therefore prior to the adoption of the above criteria for assessing the significance of the relationships in question, which have not been applied.

The permanence of the independence requirements for the aforementioned directors was verified by the Board of Directors, also with reference to the qualitative and quantitative criteria adopted during the Financial Year, in the meeting of 24 February 2022 and, most recently, in the meeting of 23 February 2023, in its current composition.

In assessing the existence and permanence of these requirements, the Board of Directors considers all the information available, including the information that the interested parties provide to the Company under their own responsibility, evaluating all the circumstances that appear to compromise independence identified by the Consolidated Law on Finance and by art. 2, Recommendation 7 of the Corporate Governance Code, also applying all the recommendations envisaged by the Corporate Governance Code in this regard.

During the Financial Year, each non-executive director provided all the elements necessary or useful for the Board's assessments, in particular on occasion of the annual declaration of independence made by the individual directors to the Issuer.

In light of the above-mentioned verifications made by the Board, the independence requirements were met by four of the 11 members of the Board of Directors: therefore the requirements of art. 147-ter of the Consolidated Law on Finance for boards comprised by more than seven members as well as Recommendation 5 of the Corporate Governance Code with reference to Concentrated Ownership Companies, were met.

In compliance of the provisions of art. 149, paragraph 1, lett. *c-bis* of the Consolidated Law on Finance, the Board of Statutory Auditors considered correct to apply the assessment criteria and procedures adopted by the Board of Directors, lastly in the board meeting of 23 February 2023 in view of the renewal of the Board of Directors, for evaluating the independence of its members, expressing a favourable opinion in this regard.

During the Financial Year, there was no need to hold any meetings of the independent directors; in this regard, it should be noted that, pursuant to the Corporate Governance Code, LU-VE does not fall within the definition of "large company" (see Section 1 of this Report).

### **Lead Independent Director**

In consideration of the fact that the Chairman of the Board of Directors is assigned significant management powers, at the same time as adhering to the Corporate Governance Code, on 21 December 2020, the Board of Directors resolved to confirm - in accordance with the principles and recommendations of the Code of Corporate Governance - the appointment of a Lead Independent Director, also confirming **Prof. Stefano Paleari** in this position, attributing to him all the duties and powers that the Corporate Governance Code provides for this position.

In accordance with the principles and recommendations of the Corporate Governance Code, the BoD and Committees Regulations assign to the Lead Independent Director the task of acting as a reference point for non-executive directors, coordinating their requests and contributions, with particular regard to those of the independent members, and to coordinate meetings exclusively for independent directors; to this end he:

- (a) collaborates with the Chairman in order to ensure that the directors receive complete and timely information flows to carry out their duties, and to define the initiatives aimed at allowing

directors and statutory auditors the best understanding of the Company and of the LU-VE Group as well as of company dynamics;

- (b) receives individual requests of non-executive directors, and in particular, of the Independent Directors;
- (c) autonomously or at the request of other directors, convenes specific meetings exclusively for independent directors primarily to discuss issues deemed to be of interest with respect to the functioning of the Board or the management of the company;
- (d) carries out the additional tasks attributed to him by the Board of Directors or by the Chairman;
- (e) reports to the Chairman any matters to be submitted for examination and evaluation by the Board.

During the financial year, the Lead Independent Director collaborated extensively with the Chairman of the Board of Directors in order to ensure the completeness and promptness of the information flows to all directors.

## 5.0 MANAGEMENT OF CORPORATE INFORMATION

In execution of the provisions applicable to the management of inside information and the related public disclosure obligations set forth in Regulation (EU) no. 596/2014 and its implementing provisions – including Delegated Regulations (EU) no. 2016/522 and no. 2016/960, and Implementing Regulations (EU) no. 2016/959 and no. 2016/1055 – as well as in consideration of the recommendations set forth in this regard by the Consob Guidelines and by the ESMA guidelines, the Board of Directors, upon proposal of the Chairman formulated in agreement with the CEO, approved in the meeting of 7 September 2021 the updated version of the "*Procedure for the internal management and market disclosure of corporate information*" the "**Corporate Information Procedure**") in force from 1 October 2021. The Corporate Information Procedure was adopted by the Company, for the first time, in 2015 and was subsequently subject to: (i) an initial revision approved by the Board of Directors at its meeting of 30 June 2016 in order to align its content to the European regulatory provisions set forth in Regulation (EU) No. 596/2014 and in the relevant European implementing rules; as well as (ii) a subsequent amendment which came into force on 21 June 2017 at the time of the listing of the Company's shares on the Euronext Milan market.

The Corporate Information Procedure (available on the Issuer's website at [www.luvegroup.com](http://www.luvegroup.com), section "*Investor Relations*" - "*Corporate governance & shareholders*" - "*Codes of conduct & corporate documents*" - "*Corporate procedures*") establishes the principles and rules relating to the internal management and external disclosure of documents and information concerning the Company and the Group, including Relevant Information (as identified by guidelines no. 1/2017 on the subject of "*Management of inside information*", published by Consob on 13 October 2017 and subsequent amendments) and the Regulated Information (as defined by article 113-ter, Consolidated Law on Finance), with particular reference to Inside Information (as defined by article 7, EU Regulation no. 596/2014); this in order to:

- (a) ensure compliance with the applicable European and Italian laws and regulations;
- (b) ensure respect for the utmost confidentiality and secrecy of the Relevant and Inside Information;
- (c) avoid that the disclosure of documents and information concerning the Company may be selective (i.e. that it may be disclosed in advance to some parties such as, for example, shareholders, journalists or analysts), or that it may be issued untimely, in incomplete or inadequate form.

In accordance with the provisions of art. 114, paragraph 2, of the Consolidated Law on Finance, the principles and rules contained in this Procedure are transposed by the other companies of the Group.

The provisions set forth in the Corporate Information Procedure regulate, inter alia: (i) the identification of the parties, of the corporate bodies, of the functions and of all organisational units, as well as all further subjects required to comply with the provisions contained therein; (ii) the assessment of the "relevant" nature and "inside" characteristics respectively of Relevant Information and Inside Information, as well as the subsequent mapping and management of the same; (iii) the principles of conduct which the parties and company organisational structures involved in various guises in the processing of Relevant Information and Inside Information; (iv) the process for initiating the procedure of delaying the communication of Inside Information to the public; (v) the methods of

dissemination and communication to the public of Regulated Information, including Inside Information.

In particular, it should be noted that the Corporate Information Procedure:

- identifies in the Issuer's Chief Executive Officer (or, in their absence, in the Chairman of the Board of Directors) the organisational function responsible for ensuring the timely identification, adequate monitoring and appropriate management of Relevant and Inside Information;
- establishes that the CEO: (i) with the support of the Info-Room (as defined therein), provides and is responsible for the assessment and identification of specific Relevant Information or Inside Information and vigilant on information flows within the Issuer of said information; (ii) identifies the "*Inside Information Competent Organizational Functions*" ("FOCIP") within which specific Relevant Information arises or is identified for the first time as being potential Inside Information; (iii) periodically checks the adequacy of the mapping of the Relevant Information and updates it if necessary; (iv) with the support of the Info-Room, is responsible for the management of public disclosure of Regulated Information (including Inside Information);
- regulates, in compliance with the provisions of art. 17, Regulation (EU) 596/2014 and the relative implementation provisions, the possibility, for the Company, to delay – under its own responsibility and based on a decision taken by the Chief Executive Officer (or, if the case or when it relates to a matter pertaining to its competence, by the Board of Directors – the public disclosure of Inside Information, provided that all the following conditions are satisfied: (i) the immediate communication would likely prejudice the Company's legitimate interests; (ii) the delay in communication would probably not mislead the public; (iii) the Company is able to guarantee the confidentiality of said information. In this regard, when the disclosure of Inside Information to the public is delayed, the procedure also requires the Company to notify Consob of this delay, immediately after the information has been disclosed to the public and, in any event, in compliance with the terms and conditions envisaged in the regulations applicable from time to time. In the event of a subsequent request from Consob, the Company also transmits to the Supervisory Authority documentation proving the fulfilment of the above conditions. Furthermore, pursuant to the procedure, the confidentiality of Inside Information whose communication to the public has been decided to delay will be ensured through the adoption of effective measures that allow: (i) the prevention of access to information by persons other than those who need it for exercising their functions in the Company; (ii) the guarantee that persons with access to such information accept the related legal and regulatory obligations and are aware of the possible penalties for abuse or unauthorised disclosure of the information; (iii) immediate public disclosure of the Inside Information, if those persons are not able to guarantee its confidentiality. Lastly, if disclosure of the Inside Information is delayed and the confidentiality of the information is no longer guaranteed, the Company arranges public disclosure as soon as possible in compliance with the procedures and terms of the Corporate Information Procedure.

Following the results of the 2018 self evaluation questionnaire, the Board of Directors, after conferring the necessary mandate, in the meeting of 19 December 2019 approved the project for the digitalisation of the Board of Directors in order to provide a greater guarantee of security and segregation of the data and document relating to the meetings of the same. With regard to this, DiliTrust Italia S.r.l. was identified as a provider of smart BoD solutions, whose product appears to be



able to combine the needs for security, operational flexibility and interaction with the Board of Directors. At the date of this Report, this service, provided to directors through the “DiliTrust Exec” platform, is fully functional.

## 6.0 INTERNAL BOARD COMMITTEES (pursuant to art. 123-bis, paragraph 2, letter d), CONSOLIDATED LAW ON FINANCE)

At the same time as adhering to the Corporate Governance Code, on 21 December 2020, in accordance with the principles and recommendations of the Corporate Governance Code, the Board of Directors also resolved to confirm the internal establishment of:

- Remuneration and Appointments Committee (see following Section 8.2 of this Report);
- Control and Risk and Related Party Transactions Committee (see following section 9.2 of this Report).

On occasion of the review of the OPC Procedure, on 29 June 2021, the Board of Directors resolved to establish the:

- Independent Committee for the assessment and approval of transactions of greater importance with related parties (see Section 10 below of this Report).

The establishment of the Independent Committee was necessary since LU-VE lost the qualification of a "small company" pursuant to art. 3 of the Consob Related Party Regulation on 1 January 2021, consequently the OPC Procedure was updated differentiating the instruction and approval procedures to be applied for transactions of greater importance and those to be applied for those of lesser importance: the composition of the Control and Risk Committee, with the sole presence of non-executive and mostly independent directors, did not comply with the provisions of the Consob Related Party Regulation for the committee called upon to oversee the transactions of greater importance.

All the Committees currently in office will expire with the approval of the Financial Statements as at 31 December 2022 and were established by resolution of the Board of Directors adopted on 29 April 2020 as regards the Remuneration and Appointments Committee and the Control and Risk Committee, and on 29 June 2021 with regard to the Independent Committee.

The BoD and Committees Regulations adopted by the Board of Directors on 24 February 2021 and subsequently amended on 17 March 2022, as well as lastly updated on 23 January 2023, among other things, in accordance with the principles and recommendations of the Corporate Governance Code, define the rules of functioning of the Committees, including the procedures for recording the minutes of the meetings and the procedures for managing information to the directors who compose them, specifying the terms for the prior sending of information and the procedures for protecting the confidentiality of the data and off the information provided so as not to jeopardize the timeliness and completeness of information flows.

As for the composition and chairmanship of Committees, the BoD and Committees Regulations provide as follows.

- (a) With reference to the CRN and the CCR, each Committee is made up of three non-executive directors, the majority independent. The Independent Committee, on the other hand, is made up entirely of independent directors.
- (b) In determining the composition of the Committees, the Board: (i) takes into account the independence requirements and professional characteristics recommended by the legislation

and regulations pro tempore applicable, by the recommendations of the Corporate Governance Code and by other regulatory applicable provisions, so that each Committee is made up of members whose competence, professionalism and qualities are adequate with respect to the tasks assigned to the Committee, and compliant with the legislation and regulations applicable from time to time, with the principles and recommendations of the Corporate Governance Code adopted by the Company, as well as with any additional applicable regulatory provisions; (ii) avoids an excessive concentration of offices held by the same members.

- (c) At least one member of the Remuneration and Appointments Committee has adequate knowledge and experience in financial matters and remuneration policies, to be assessed by the Board at the time of appointment.
- (d) Overall, the Control and Risk Committee has such skills as to be able to understand and monitor risk strategies and guidelines, as well as assess the relative risks, with reference to the metalworking industrial sector in which the Company and the LU-VE Group operate; at least one member of the Control and Risk Committee has adequate knowledge and experience in accounting and financial matters or risk management, to be assessed by the Board at the time of appointment.
- (e) Each Committee is chaired by an independent director (hereinafter, the "**Chairman of the Committee**"). The Chairmanship of each Committee cannot be entrusted to the Chairman of the Board, even if they meet the requisites of independence. If the Board has not already done so, in its first meeting each Committee appoints its own Committee Chairman from among its members.
- (f) The activities of each Committee are planned and coordinated by the Chairman of the Committee, who convenes, chairs and directs the meetings, providing then to inform the Board, at the first possible Board meeting, of the activities carried out, the observations, the recommendations and the opinions formulated, as well as the resolutions passed by the relative Committee. The Chairman of the Committee signs, on behalf of the relevant Committee, the reports and opinions to be submitted to the Board and/or to other corporate bodies or functions of the Company.
- (g) The Chairman of the Committee may invite the Chairman of the Board, the Chief Executive Officer, the other directors and, by informing the Chief Executive Officer, the representatives of the company functions with competence in relation to the matter in question to provide information and assessments within their competence, with reference to the individual items on the agenda. The Committees meetings may be attended by the statutory auditors and those of the CCR meeting may in any case be attended by the Chairman of the Board of Statutory Auditors or the statutory auditor designated by them. The Committees meetings may also be attended by the Financial Reporting Manager, the Head of the Internal Audit function, as well as external consultants whose presence is deemed appropriate or useful in relation to the items on the agenda of the meeting.
- (h) No director takes part in meetings of the Committee in which proposals relating to their own remuneration are formulated and/or evaluated.
- (i) The functions of secretary of each Committee are performed by the Secretary of the Board who supports the Chairman of the Committee and its members in organizing and conducting the meetings, as well as in carrying out the activities relating to it.

As for the **functioning of Committees**, the BoD and Committees Regulations provide as follows.

- (a) Each Committee meets periodically for the correct performance of their assigned functions and tasks, which are specified in relation to each Committee in the BoD and Committees Regulations and in any case whenever the Chairman of the Committee deems it appropriate. The Committees must in any case meet before each meeting of the Board of Directors whose agenda includes topics for which a prior examination by the Committee is necessary, in relation to the matters under their remit.

Each Committee also meets whenever requested by one of its members by means of a written request to the Chairman of the Committee with indication of the items to be placed on the agenda, or by the Chief Executive Officer.

- (b) Each Committee may meet in any location, even outside the national territory and also by means of telecommunication.
- (c) The notice of call - which includes, in addition to the topics of the meeting, the date, time and place of the meeting or the indication that it will be held exclusively online with the relative connection methods - is sent by the Secretary on behalf of the Chairman of the Committee by registered letter, fax or e-mail with read receipt. After its notification to all recipients, the notice of the meeting is also made available on the DiliTrust Exec platform. The notice of call is sent to the members of each Committee at least three days before the date set for the meeting; in case of urgency, the Committees may be convened with 24 hours' notice. The notice of call is also sent to the members of the Board of Statutory Auditors as well as to the chief executive officers and made known, within the limits of their competence, to the heads of the corporate functions involved by e-mail limited to the relevant parties.
- (d) The meeting of the Committee convened without observing the methods indicated above will in any case be considered validly constituted if all the members of the Committee participate or if the chairman of the Board of Statutory Auditors or another auditor designated by them is present and all the absent auditors have been informed of the meeting and have not opposed its conduct.
- (e) The meetings of each Committee may be held through the use of suitable audio-videoconferencing and/or teleconferencing systems, provided that all the participants can be identified and are allowed to follow the meeting and to intervene simultaneously in the discussion of the topics set out in the meeting's agenda, as well as to receive, transmit or view documents in real time.
- (f) The meetings of each Committee are chaired by the Chairman of the Committee or, in the event of their absence or impediment, by the oldest member, who supervises the preparation of the work, directs, coordinates the meeting by moderating the discussion.
- (g) In case of absence or impediment of the Secretary, the Chairman of the Committee, at the beginning of the Committee meeting, appoints a meeting secretary, also chosen from outside its members.
- (h) For the meetings of each Committee, any documentation relative to the issues on the agenda is made available to the members of the Committee, by the Secretary, through the DiliTrust Exec platform well in advance of the meeting, and in any case within the second day prior to the day fixed for the meeting, except in cases of urgent convocation of the Committee, when the documentation is made available as quickly as possible.
- (i) For the meetings of each Committee to be valid, the presence of the majority of its members is required. Resolutions are taken by majority vote of the members of the Committee present; in the event of a tie, the meeting chairman will cast the decisive vote.

A member of the Committee with personal or third-party interest in the topics under discussion is required to disclose this to the Committee and, if this interest is in conflict with that of the Company, they must abstain from voting.

In all other cases, said member abstains from voting when, subject to verification of the voting intentions of the Chairman of the Committee (or the member acting in his stead), the vote of said member would be determining as to the Committee's decision to be taken (since this abstention is not taken into account for the purposes of calculating the relative decision-making quorum).

Pursuant to the OPC Procedure, in the event that the Committee is called upon to express a reasoned opinion on a transaction with related parties, all the members of the Committee must be unrelated parties pursuant to the Procedure itself. Otherwise, the principles indicated in the OPC Procedure apply.

- (j) The meetings and resolutions of each Committee are recorded in minutes kept at the Company and signed by the Chairman of the Committee and by the Secretary (or, in the event of absence or impediment, by their substitutes). The draft minutes, drawn up by the Secretary, are submitted to the Chairman of the Committee and to the other members of the Committee, as well as to the statutory auditors who participated in the meeting, for their observations, on whose receipt the minutes are considered to have been approved by all the members. The archive of the minutes and the extracts of the same are full proof of the meetings and resolutions passed. Copies and extracts of the minutes are verified with a declaration of conformity signed by the Chairman of the Committee and by the Secretary.

With reference to the **functions attributed to the Committees**, please note the following.

At the same time as the adoption of the Corporate Governance Code on 21 December 2020, taking into account the resolutions passed on 29 April 2020 following its renewal by the Shareholders' Meeting held on the same date, the Board of Directors resolved:

(i) to confirm the granting to the Remuneration and Appointments Committee of all the attributions and powers that the Corporate Governance Code provides for both the Appointments and the Remuneration Committee, as described in detail in the BoD and Committees Regulations (see Section 8.2 of this Report);

(ii) to confirm the granting to the Control and Risk Committee of all the attributions and powers that the Corporate Governance Code provides for the same committee, as well as responsibility in sustainability issues (attributed to the CCR since the meeting of 19 February 2019), as well as the relevant role and responsibilities that the Consob "Transactions with Related Parties" Regulation no. 17221/2010 (and subsequent amendments and additions) attributes to the committee consisting of non-executive directors, the majority of which are independent, as described in detail in the BoD and Committees Regulations (see Section 9.2 of this Report).

With regard to competences relating to Transactions with Related Parties, it should be noted that following the loss by LU-VE of its "small company" qualification pursuant to art. 3 of the Consob Related Party Regulation, the Board provided to update the OPC Procedure, which differentiates the instruction and approval procedures to be applied for transactions of greater importance and those to be applied for those of lesser importance; Competence for the instruction and approval of transactions of greater importance was assigned to the Independent Committee (please refer to Section 10 of this Report).

It should also be specified that, at the date of this report, the Board of Directors did not reserve to itself the performance of any function that the Corporate Governance Code attributes to the Committees.

In determining the composition of the Committees, the Board of Directors gave priority to the competence and experience of the relative members, confirming on occasion of their appointment as members of the committees and lastly on occasion of the self-assessment process carried out within it (see Section 10 below of this Report) that their professional experiences guarantee adequate knowledge and experience of the subjects assigned to the respective Committees.

In appointing the members of the Committees, the Board of Directors decided to make use of the simplification granted to companies that do not fall within the definition of "large company" with respect to Recommendation 17 on the subject of concentration of offices and, taking into account the experience accrued with regard to the activities of members of internal board committees of listed companies on the part of only two of the independent directors in the Board of Directors, has favoured: (i) a criterion of continuity in the performance of the activities of the internal board committees with respect to the previous three years; and (ii) the need for coordination of activities between the Committees.

### **Additional committees (other than those required by law or recommended by the Code)**

The Issuer has not established additional committees other than those required by applicable law or recommended by the Corporate Governance Code.

## **7.0 SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS - REMUNERATION AND APPOINTMENTS COMMITTEE**

### **7.1. SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS**

At the time of adhering to the Corporate Governance Code, on 21 December 2020, the Board of Directors resolved, on the proposal of the Remuneration and Appointments Committee and in agreement with the Chairman of the Board of Directors, to carry out its self-assessment every three years, in the occasion of the renewal of its mandate: it has in fact considered that the three-year period allows a more complete evaluation of the work of the Board of Directors, also functional to the possible activities of defining the optimal composition of the management body and its committees on occasion of its renewal.

Lastly, the Board of Directors carried out the self-assessment process (board evaluation process) on the size, composition and actual functioning of the Board itself and its Committees in relation to the 2020-2022 three-year period, also considering the role that the Board itself has played in defining the strategies and monitoring the management performance and the adequacy of the internal control and risk management system, in application of the principles and recommendations contained in the Corporate Governance Code.

The text of the self-assessment questionnaire, prepared by the Remuneration and Appointments Committee with the support of internal structures, was examined by the same Committee at its meeting on 15 December 2022 and approved by the Board of Directors on 21 December 2022.

The questionnaire - concerning: (i) the composition and responsibilities of the Board of Directors; (ii) the functioning of the Board of Directors; (iii) the activities of the Board of Directors and of the Chairman; (iv) the Internal Board Committees and the Independent Directors; and (v) compliance with the Principles and recommendations of the Corporate Governance Code - was then submitted to the members of the Board so as to guarantee the anonymity of responses through the Dilitrust platform in the period between 22 December 2022 and 13 January 2023.

On 16 January 2023 the results were examined and discussed by the Remuneration and Appointments Committee which, through its Chairman, presented them to the Board of Directors on 23 January 2023; on this occasion, the Board of Directors unanimously considered that the general opinion of the individual directors on all the issues covered by the questionnaire expresses the adequacy of the management body and its committees, with the exception of some issues which, although on the whole substantially adequate, highlight some aspects for improvement.

In particular, with reference to ESG issues, it emerged that in the last three years sensitivity to these issues has grown very rapidly and during the period the Group began to structure a systematic activity and governance of the issues in question, which have not yet found their full expression: consequently, the results of the questions included in the questionnaire on this issue indicate that the Group has not yet fully achieved the desirable standards of understanding, dissemination and implementation in relation to ESG issues, despite having launched a process aimed at strengthening corporate governance, the raising of awareness of these issues at all levels and the definition of a strategy and clear actions to be implemented.

With reference to pre-board information, the directors expressed a good opinion with regard to the timeliness of the information and a generally good opinion with regard to the adequacy of the information, highlighting in this last regard, also during the board debate, the opportunities to carry out specific “induction” or “on boarding” sessions regarding the Group's industrial, production and commercial issues in order to allow all Board members to gain comparable levels of knowledge of the context in which the Group operates. With regard to the timeliness of pre-board information, it was also noted that some presentations are used by executive directors exclusively to support the disclosure provided to the Board; in these contexts, since the Board is not called upon to express a decision, in some cases presentations are made directly to the Board as they represent additional documentation, which is filed with the records but which does not have a direct impact on the directors' adequate preparation and information for the purposes of adopting a decision.

It also emerged that in Board meetings time is mainly dedicated to discussions on business issues and to the analysis of the results achieved; on the other hand, on other matters, the directors rely on the preliminary activities carried out by the Committees, which the Directors' significantly appreciate. Finally, it was noted that in the three-year period, also in conjunction with the pandemic situation (the appointment of the current Board of Directors took place on 29 April 2020, in full lock-down), onboarding activities not formally take place, and for long periods meetings were held exclusively online, with consequent greater difficulty for some directors to become fully conversant with company issues; it was considered that differentiated onboarding and induction activities could be useful in the future, also in light of the knowledge of individual Directors of the sector in which the Group operates.

Lastly, the Board acknowledged and deferred to the assessment of the shareholders at the time of the proposal to the Shareholders' Meeting of the outcomes of the request regarding the adequacy of the remuneration of non-executive directors, which was assessed as capable of improvement (please refer to what has been highlighted in this regard at point 3.5 of the “Illustrative Report of the Board of Directors on the proposals on the agenda of the Shareholders' Meeting convened in ordinary session and extraordinary session on 28 April 2023 on a single call”, available on the Issuer's website [www.luvegroup.com](http://www.luvegroup.com), section “Investor Relations” - “Shareholders' Meeting Documentation” - “Shareholders' Meeting 28 April 2023”, as well as on the authorized storage mechanism eMarket Storage ([www.emarketstorage.com](http://www.emarketstorage.com)).

At the end of the three-yearly self-assessment process, considering that the Issuer qualifies as a company with concentrated ownership and therefore Recommendation 23 of the Corporate Governance Code is not applicable, the Board of Directors decided not to provide, in view of the renewal of the management body for the 2023-2025 three-year period, any guidelines regarding its optimal quantitative and qualitative composition, limiting itself to formulating some recommendations in this regard in the aforementioned illustrative report of the Board of Directors, in relation to the “*Third point of the agenda. Appointment of the Board of Directors*”

Since LU-VE cannot be qualified as a “large company” and therefore Recommendation 24 does not need to be applied, the Board of Directors has not adopted any plan for the succession of the CEO and executive directors.



## **7.2. APPOINTMENTS COMMITTEE**

On 21 December 2020 the Board of Directors resolved to confirm the conferral to the Remuneration and Appointments Committee of all the powers and duties that the Corporate Governance Code provides for both the Appointments and Remuneration Committees (see also point *(ii)*, Section 6, of this Report), illustrated in detail in the following paragraph 8.2. of this Report, to which reference is made.

## **8.0 REMUNERATION OF DIRECTORS - REMUNERATION AND APPOINTMENTS COMMITTEE**

### **8.1. REMUNERATION OF DIRECTORS**

For information relating to this paragraph, please refer to Section I of the “*Remuneration Report of LU-VE S.p.A. – March 2023*”, published on the Issuer’s website at the address [www.luvegroup.com](http://www.luvegroup.com), in the section “*Investor Relations*” – “*Corporate Governance & shareholders*” – “*Codes of conduct & corporate documents*” – “*Remuneration Policies*”.

### **8.2. REMUNERATION AND APPOINTMENTS COMMITTEE**

The establishment of the Remuneration and Appointments Committee, which originally took place pursuant to the old Corporate Governance Code with the resolution of 13 March 2017, was confirmed by the Board of Directors upon adherence to the new Corporate Governance Code on 21 December 2020.

#### **Composition and functioning of the Remuneration and Appointments Committee (pursuant to art. 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance)**

In the Board meeting of 21 December 2020, the Board of Directors also confirmed the constitution of the Remuneration and Appointments Committee in the same composition, which had been defined by the Board of Directors held on 29 April 2020. In this meeting, after verifying the non-executive and independence requirements of its members (for which reference should be made to Sections 4.3. and 4.7. of this Report), the Board appointed for the 2020-2022 three-year period the directors Stefano Paleari (Chairman), Anna Gervasoni and Roberta Pierantoni as members of the CRN.

The functioning of the Remuneration and Appointments Committee is governed by the BoD and Committees Regulations (see Section 6 of this Report).

The composition of the Remuneration and Appointments Committee has remained unchanged with respect to what was confirmed at the meeting of the BoD of 21 December 2020 during the Financial Year and at the date of this Report, and includes exclusively non-executive directors, most of them independent: the chairman is Stefano Paleari (independent director), the members are Anna Gervasoni (independent director) and Roberta Pierantoni (non-executive director). At the same meeting, on the basis of their respective resumes, the Board confirmed that their professional experiences guarantee adequate knowledge and experience in financial matters or remuneration policies.

The activities of the Remuneration and Appointments Committee were coordinated by the Chairman of the Committee, minutes were taken for the meetings and the relative minutes are stored at the Company. The Chairman of the Committee reported to the Board of Directors at the first available meeting on the main issues arisen during the works of the Remuneration and Appointments Committee.

During the financial year, the Remuneration and Appointments Committee met 8 times in the presence of all its members; the average duration of the meetings of the Remuneration and Appointments Committee was of around one and a half hours.

Seven meetings are planned for the current year, four of which have already been held on 16 January, 9 February, 22 February and 8 March 2023.

Pursuant to the BoD and Committees Regulations, directors must refrain from participating in the meetings of the Committee in which proposals are formulated to the Board of Directors relating their remuneration.

The following participated to the meetings of the Remuneration and Appointments Committee held in the financial year, on invitation of the Chairman of the Committee: the CEO, CCO, and, with the prior knowledge of the CEO, the Group Legal and Corporate Affairs Manager, which also played the role of Secretary for the Committee, and the Group HR Director, depending on the topics discussed on each occasion.

Furthermore, the Chairman of the Board of Statutory Auditors and at least one of the other two members of the Board of Statutory Auditors always attended the meetings of the Remuneration and Appointments Committee that took place during the financial year.

## **Functions of the Remuneration and Appointments Committee**

Considering the organizational needs linked to the Company's governance structure, the Remuneration and Appointments Committee is assigned all the attributions and powers that the Corporate Governance Code provides for both the Appointments and the Remuneration Committee. These attributions and powers are described in detail in the BoD and Committees Regulations.

Pursuant to the BoD and Committees Regulations and in compliance with Recommendation 19 of the Corporate Governance Code, the Remuneration and Appointments Committee is assigned the task of assisting and supporting the Board by carrying out the following propositional and consultative tasks and functions, after preliminary investigation carried out with the support of the Legal and Corporate Affairs function and of the Human Resources function.

In particular, **with regard to the appointment of directors and the Board's self-assessment**, the Remuneration and Appointments Committee supports the Board for the following purposes:

- (a) self-assessment of the Board (board evaluation) and of the Committees - the Remuneration and Appointments Committee instructs and supervises, on behalf of the Board of Directors, the self-assessment process of the Board itself and of the Committees, supporting the Chairman in ensuring the adequacy and transparency of the same process;
- (b) definition of the optimal composition of the Board and of the Committees – the Remuneration and Appointments Committee can formulate opinions to the Board of Directors on the size and composition of the same as well as on its Committees considered to be optimal, and make recommendations regarding the professional figures whose presence within the Board is deemed appropriate, also taking into account the diversity policies of the corporate bodies adopted by the Board of Directors;

- (c) integration of the Board with regard to directors leaving during their term in office, also with a view to identifying candidates to co-opt – the Remuneration and Appointments Committee identifies and proposes to the Board candidates for the office of directors in case of co-option;
- (d) possible presentation of a list by the outgoing Board to be implemented in a manner that ensures its formation and transparent presentation - if the outgoing Board decides to present a list on occasion of its renewal, the Remuneration and Appointments Committee proposes candidates for the office of director and expresses recommendations or opinions to the Board of Directors;
- (e) any plan for the succession of the Chief Executive Officer and of the other executive directors - the Remuneration and Appointments Committee: (i) supports the Board of Directors in any preparation, as well as in the consequent update and in the implementation of the succession plan for the CEO and of any other executive directors, which at least identifies the procedures to be followed in the event of early termination of office, formulating their opinion; (ii) examines and evaluates any procedures adopted for the succession of Top Management and expresses its opinion to the Board of Directors regarding their adequacy;
- (f) maximum number of positions as director or statutory auditor held in other listed or large companies - the Remuneration and Appointments Committee may possibly make recommendations to the Board of Directors regarding the maximum number of offices in other listed or large companies compatible with the effective performance of the office of director of the Company, also taking into account the commitment deriving from the role held;
- (g) diversity policies of the corporate bodies adopted by the Board of Directors - the Remuneration and Appointments Committee supports the Board in defining, updating and integrating them in the monitoring of what is indicated therein, formulating proposals and/or expressing opinions.

In addition, the Remuneration and Appointments Committee is also entrusted with the following tasks and functions **with regard to the remuneration** of directors, any general managers, statutory auditors, and Top Management:

- (a) assists the Board in drawing up the remuneration policy for members of the Board of Directors, of any general managers, and of Top Management, as well as, based also on the provisions of article 2402 of the Italian Civil Code, of the members of the Board of Statutory Auditors (hereinafter, the "**Remuneration Policy**");
- (b) submits the report on remuneration and compensation policy, pursuant to article 123-ter of the Consolidated Law on Finance to the approval of the Board, and, in particular the Remuneration Policy, for its submission to the Shareholders' Meeting called to approve the financial statements for the year, in the terms envisaged by law;
- (c) formulates proposals or expresses opinions on the remuneration of executive directors and of other directors who fulfil particular roles as well as on the establishment of performance targets relating to the variable component of said remuneration;
- (d) formulates proposals or express opinions on the remuneration of the members of the Committees established by the Board of Directors within it;
- (e) monitors the correct application of the Remuneration Policy and checks, in particular, that the performance targets linked to the variable remuneration of the executive directors have actually been achieved;

- (f) periodically assesses the adequacy and overall consistency of the Remuneration Policy of Directors and Top Management, making use of the information provided by the Chief Executive Officers through the Human Resources function;
- (g) supports the Board of Directors in the preparation and implementation of (i) remuneration plans based on shares or other financial instruments and (ii) medium/long-term incentive plans;
- (h) carry out the tasks that have been assigned to it pursuant to the OPC Procedure pro tempore applicable, limited to the "Transactions of lesser importance" regarding the remuneration of the directors and of the other key management personnel;
- (i) carry out the additional tasks that have been attributed to it by the Board of Directors.

During the Financial Year, among other things, the Remuneration and Appointments Committee has: (i) analysed the final results of the short-term variable component (MBO) and the medium/long-term variable component (LTI) of the management incentive plan for executive directors for the 2021 financial year, formulating to the Board of Directors in the meeting of 14 March 2022 the proposal for the assignment of the remuneration pertaining to the 2021 MBO; (ii) verified the adequacy, the overall coherence and the actual application of the criteria of Remuneration Policy set out in the 2021 Remuneration Report also with regard to the determination of the variable remuneration of Key Management Personnel and the Head of Internal Audit; (iii) drafted the proposed Remuneration Policy of Company's executive directors and Key Management Personnel for the year 2022 and other content of the draft 2022 remuneration report, prepared pursuant to art. 123-ter of the Consolidated Law on Finance, including a fixed component, which was then put forward for approval of the Board of Directors in the meeting of 14 March 2022; (iv) evaluated the recommendations relating to the remuneration and appointments formulated by the Chairman of the Corporate Governance Committee in the letter of 3 December 2021; (v) examined and, with the support of Company consultants, proposed amendments deemed necessary to the document "*Diversity policies for members of the corporate bodies of LU-VE S.p.A.*", to align the text of the provisions of the new Corporate Governance Code, the put forward for the approval of the Board of Directors in the meeting of 24 February 2022; (vi) assessed the introduction of a new LTI plan for the 2023-2025 period, to replace the expiring 2020-2022 LTI plan, and discussed its possible structure taking into account for this purpose the outcomes of the survey carried out on six companies listed on the Euronext STAR Milan segment with characteristics comparable to those of LU-VE, selected by the same Committee; (vii) defined the objectives of the proposal for the short-term variable remuneration (MBO) of executive directors for 2023; (viii) verified compliance of Policy relating to the diversity of the members of the Board of Directors; (ix) formulated the proposal for the questionnaire for the self-assessment of the Board of Directors and of its committees in relation to the 2020-2022 three-year period then submitted to the Board of Directors.

During the four meetings held in 2023 up to the date of approval of this Report, the Remuneration and Appointments Committee: (i) approved its work plan for 2023; (ii) examined the results of the self-assessment process of the Board of Directors and of the Internal Board Committees conducted in relation to the 2020-2022 three-year period to be reported to the Board; (iii) examined and carried out its own assessments to be presented to the Board regarding the co-optation of a director following the death of the Chairman, Mr. Iginio Liberali; (iv) examined the proposals to review the "Regulation of the Board of Directors and of the Internal Board Committees" in relation to the parts pertaining to the Committee; (v) analysed the final results of the short-term variable component (MBO) and the medium/long-term variable component (LTI) of the management incentive plan for executive directors for the 2022, formulating to the Board of Directors in the meeting of 14 March

2023 the relative proposal for the assignment of remuneration relating to the MBO; (vi) verified the adequacy, the overall coherence and the actual application of the criteria set out in the Remuneration Policy outlined in the 2022 Remuneration Report also with regard to the determination of the variable remuneration of Key Management Personnel and of the Head of Internal Audit; (vii) evaluated the recommendations relating to remuneration and appointments formulated by the Chairman of the Corporate Governance Committee promoted by Borsa Italiana in the letter of 25 January 2023; (viii) verified the practical application of the diversity policy in relation to the composition of the administration, management and control bodies of the Company relating to the document "*Diversity policies for members of the corporate bodies of LU-VE S.p.A.*"; (ix) defined the guidelines for the adoption of a 2023-2025 LTI plan, to be adopted after the approval by the Shareholders' Meeting of the 2023 Remuneration Policy, submitted to the Board of Directors; (x) examined the benchmark on ESG indicators used in the remuneration policies of other listed companies prepared by internal structures as well as examined the remuneration position analysis (Market Assessment) carried out by OD&M Consulting; (xi) formulated the proposal for the Remuneration Policy of the Company's executive directors and Key Management Personnel for the 2023 financial year and other contents of the 2023 draft remuneration report pursuant to art. 123-ter of the Consolidated Law on Finance, which was then put forward for approval of the Board of Directors in the meeting of 14 March 2023; (xii) evaluated the proposal of the CEO and of the COO for the introduction of a General Director, verifying the selection procedure implemented by the Managing Directors, the profile of the selected candidate and the fulfilment of the same of the requirements set out by the applicable legislation, the proposal of powers to be assigned to them and the draft contract, as well as express their own opinion on the remuneration proposal.

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In performing its functions, the Remuneration and Appointments Committee had the right to access the information and the company departments needed to carry out its duties; during the year, the Remuneration and Appointments Committee did not make use of external advisors.

It should be noted that the Board of Directors did not consider it necessary to attribute spending powers to Remuneration and Appointments Committee members, given willing, from time to time, to arrange the allocations required for the performance of the individual activities.

## 9.0 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM - CONTROL AND RISK COMMITTEE

The Board of Directors of LU-VE had already resolved to establish an internal control and risk management system on occasion of the presentation of the application for the admission to trading of LU-VE's ordinary shares on the Euronext Milan market on 13 March 2017.

With the resolution of the Board of Directors of 24 February 2022, the Issuer proceeded to update its SCIGR Guidelines, in order to incorporate both the changes that have occurred in the regulatory system since the initial definition of the same in 2017, and the centrality of Sustainable Success.

These SCIGR Guidelines outline a set of rules, procedures and organizational structures aimed at the effective and efficient identification, measurement, management and monitoring of the main business risks, in order to contribute to the Sustainable Success of the Issuer in line with the strategies adopted ("**Internal Control and Risk Management System**" or "**SCIGR**") and concern the coordination and information flows between the various parties involved in the SCIGR, in order to maximize the efficiency of the system itself, reducing duplication of activities and ensuring effective performance of the duties of the Board of Statutory Auditors.

An effective Internal Control and Risk Management System helps to ensure:

- (a) the effectiveness and efficiency of company processes (administrative, productive, distribution, etc.);
- (b) the reliability, accuracy and trustworthiness of the information provided to the corporate bodies and to the market, including economic, financial and non-financial information;
- (c) respect for laws and regulations, as well as the Articles of Association, company provisions and procedures;
- (d) the safeguarding of the value of company assets and protection against losses;
- (e) the effective and efficient identification, measurement, management and monitoring of the main risks, in order to contribute to the Sustainable Success of the Company and of the Group.

An effective SCIGR system in fact allows managers to be able to periodically and promptly access a sufficiently exhaustive framework of the economic and financial situation of the Company and the companies of the LU-VE Group and allow the correct: (i) monitoring of the main key performance indicators and risk factors concerning the Company and the main Group companies; (ii) the production of data and information with particular regard to financial disclosures, according to the dimensions of the analysis suited to the type of business, the organisational complexity and unique characteristics of management's information requirements; (iii) preparation of the prospective financial data of the Business Plan and of the budget as well as the verification of the achievement of the company objectives through an analysis of gaps.

The Internal Control and Risk Management System outlined by the SCIGR Guidelines is characterised by the involvement, with different roles and within the scope of their respective functions and attributions, of:

- (a) the Board of Directors, which plays a policy-making role and evaluates the adequacy of the Internal Control and Risk Management System and identifies within it:
  - (i) the *Chief Executive Officer* responsible - as the main person responsible for the management of the company - for the establishment and maintenance of an effective Internal Control and Risk Management System; as well as
  - (ii) the Control and Risk and Transactions with Related Parties Committee, established by the Board of Directors internally, also with the duty of supporting, with adequate preliminary investigation activities, the assessments and decisions of the Board relating to the Internal Control and Risk Management System, as well as those relating to the approval of periodic financial and non-financial reports;
- (b) the Head of the Internal Audit function, responsible for verifying that the Internal Control and Risk Management System is functioning and adequate and consistent with the SCIGR Guidelines defined by the Board of Directors; it should be noted that, with effect from 1 June 2022, the Head of the Internal Audit function also assumed the role of Head of the “Enterprise Risk Management” Function as ERM Director.
- (c) the other roles and company functions involved in controls, in relation to the size, complexity and risk profile of the company (the Supervisory Body set up and operating pursuant to Italian Legislative Decree no. 231/2001, the Financial Reporting Manager and all personnel such as, for example, those involved occupational health and safety and environmental matters);
- (d) the Board of Statutory Auditors, which supervises: (i) compliance and effectiveness of the Internal Control and Risk Management System, as well as of the Company's administrative and accounting system; (ii) the adequacy of the organisational structure; (iii) compliance with the laws and the Articles of Association as well as compliance with the principles of correct administration in the performance of corporate activities; as well as (iv) the methods for concretely implementing the corporate governance rules laid out in the Corporate Governance Code;
- (e) the Directors and the control bodies of the Issuer's Subsidiaries, when present.

### **Characteristics of the Internal Control and Risk Management System**

The Internal Control and Risk Management System (despite being fully aware that no control process can fully safeguard company activities from intrinsic risks, nor from the possibility that fraudulent violations of the laws and regulations or company procedures, human errors or extraordinary events could cause damages to the Group) is targeted at:

- contributing to company management consistent with the company strategies and objectives defined by the Board of Directors, promoting the assumption of fully-informed decisions;
- ensuring the necessary separation between the operating and control functions, and therefore be structured in such a way to avoid or minimise conflicts of interests in the assignment of responsibilities;



- facilitating the adequate identification, measurement, management and monitoring of the risks assumed by the Issuer and the Group, with particular regard, inter alia, to companies of strategic importance;
- contribute to the Sustainable Success of the Company and of the Group;
- establishing control activities at every operating level and clearly identifying the tasks and responsibilities, in particular in the phases of supervision and intervention and correction of the irregularities identified;
- ensuring reliable information systems and suitable reporting processes at the different levels at which the control functions are attributed;
- guaranteeing that the anomalies identified are promptly brought to the knowledge of adequate levels of the company;
- allowing the registration of all operating events and, in particular, all transactions with an adequate level of detail, ensuring they are correctly attributed from a timing point of view.

The Internal Control and Risk Management System makes it possible, in a reasonably prompt manner, to address the different types of risk to which the Issuer and the Group are exposed over time, as well as identify, measure and control the degree of exposure of the Issuer and all other companies of the Group - and, in particular, inter alia, of companies with strategic relevance - to the different risk factors, and manage overall exposure, taking into account: (i) of the possible correlations existing between the different risk factors; (ii) of the significant probability that the risk will occur; (iii) of the impact of the risk on company operations; (iv) the overall extent of the risk.

The LU-VE Internal Control and Risk Management System involves corporate bodies and entities and all company personnel; its correct functioning is ensured through the contribution of a plurality of the subjects indicated below who are assigned different roles and responsibilities in consideration of their respective functions and powers, established by the SCIGR Guidelines, in compliance with the provisions of law and regulations in force, and with the recommendations established by the Corporate Governance Code:

- (a) the Board of Directors;
- (b) the Chief Executive Officer responsible for setting up and maintaining the Internal Control and Risk Management System;
- (c) the Control and Risk Committee;
- (d) the Head of the Internal Audit function;
- (e) the Financial Reporting Manager;
- (f) the Board of Statutory Auditors;
- (g) the Supervisory Body of the Parent Company, as well as the Supervisory Bodies of the Subsidiaries, where established.

The heads of the functions and bodies involved in the Internal Control and Risk Management System operate in a coordinated manner, by sharing their work plans, jointly participating - for matters of common interest - in meetings held with the heads of the relevant corporate functions, the exchange of information regarding the activities carried out and a constant dialogue with the CEO, the Head of the Internal Audit function and the Financial Reporting Manager, which allows effective access to the information necessary for the performance of their respective duties.

An integral and essential part of the Internal Control and Risk Management System is constituted by the existing internal control and risk management system in relation to the financial disclosure process (administrative and accounting procedures for the preparation of the financial statements and consolidated financial statements and the other reports and/or communications of an economic, equity and financial nature prepared in accordance with the law and/or regulations, as well as for the monitoring of the effective application of the same), prepared with the coordination of the Financial Reporting Manager.

### **Main characteristics of Internal Control and Risk Management Systems in relation to the financial disclosure process**

The risk management and internal control system in relation to the financial reporting of the LU-VE Group is developed using the "COSO Report 2017"<sup>1</sup> as a reference model, and is a process aimed at providing reasonable assurance on the achievement of the objectives of reliability, accuracy, reliability and timeliness of the financial information itself.

#### *Description of the main characteristics of the risk management and internal control system existing in relation to the financial reporting process*

The risk management and internal control system in relation to the financial reporting of the LU-VE Group is part of the broader internal control and risk management system of the Group which includes, among other things:

- the Code of Ethics;
- the organization and management model pursuant to Italian Legislative Decree no. 231/2001 and the related protocols;
- the Procedures for Internal Dealing communications;
- the Principles and procedures for carrying out significant transactions and transactions with related parties;
- the system of delegations and proxies;
- the company's organization chart and job descriptions;
- the Procedure for disseminating information to the Market;
- the Enterprise Risk Management (ERM) Process;
- the Accounting Control System.

In turn, the Accounting and Administrative Control System of LU-VE is made up of a set of operational procedures and documents, such as:

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<sup>1</sup>COSO model, developed by the Committee of Sponsoring Organizations of the Treadway Commission – “Internal Control – Integrated Framework” published in 1992 and last updated in 2017 by the Committee of Sponsoring Organizations of the Treadway Commission.

- Accounting and Administrative Control Model - document aimed at defining the methods of operation and verification of the Accounting Control System;
- Operating instructions for financial statements and reporting and closing calendars - documents aimed at communicating to the various company functions the detailed operating methods for managing the activities of preparing the financial statements within defined and shared deadlines;
- Administrative and accounting procedures – documents that define the responsibilities and control rules to be followed with particular reference to the administrative-accounting processes.

The central functions are responsible for disseminating the documentation to the various Group companies.

The functioning of the Accounting and Administrative Control System of LU-VE is based on a methodological approach, of risk management and internal controls, which is divided into the following phases:

- a) identification and assessment of financial reporting risks;
- b) identification and assessment of controls for identified risks and management of any problems identified.

### *Elements of the System*

#### **a) Identification and assessment of financial reporting risks**

The identification and assessment of the risks associated with the preparation of the accounting information takes place through a Risk Assessment process. The assessment, developed according to international models and best practices, allows company management to evaluate and prioritize risks both on the basis of the significance of the risk and on the basis of the time frame necessary for the occurrence of the risk to have a material impact on the company ("speed").

As part of this process, the set of objectives that the internal control system on financial reporting intends to achieve in order to ensure a true and correct representation are identified.

The risk assessment focuses on the processes and, therefore, on the areas of the financial statements in which the potential impacts on financial reporting have been identified with respect to the failure to achieve these control objectives.

The periodic assessment makes it possible to take into account any changes in the business, market conditions and events with a potential impact on the reliability, accuracy, reliability and timeliness of financial reporting.

#### **b) Identification and assessment of controls for identified risks and management of any problems identified**

The identification of the controls necessary to mitigate the risks identified on the administrative-accounting processes is carried out considering the objectives of reliability, accuracy, reliability and timeliness of financial reporting.

In particular, for the relevant company processes, controls are identified that are suitable for responding to the objectives of the internal control system for financial reporting. The controls thus defined are subsequently subject to an assessment of their adequacy and effective application. With

reference to automatic controls, the verification of adequacy and effective application also concerns the general IT controls relating to the applications that support the processes considered relevant.

The assessments relating to the adequacy and effective application of administrative and accounting procedures and of the controls contained therein are developed through specific testing activities, according to existing best practices, as part of the process audits to which they refer.

Control tests are carried out by Internal Audit, both to verify the effective performance of the controls required by administrative and accounting procedures and to carry out specific focused controls on companies and processes.

The administrative managers of the subsidiaries identified as significant are required to make a support statement to the Financial Reporting Officer with reference to the checks carried out on the adequacy and effective application of the administrative and accounting procedures.

The assessment of controls may involve the identification of compensatory controls, corrective actions or improvement plans in relation to any problems identified.

### *Roles and functions involved*

The risk management and internal control system on financial reporting is governed by the Financial Reporting Manager, appointed by the Board of Directors, in agreement with the Chief Executive Officer, who is responsible for planning, implementing and approving the Accounting and Administrative Control System, as well as evaluating its application, issuing a certification relating to the half-yearly and annual financial statements, including consolidated ones. The Financial Reporting Manager is also responsible for preparing adequate administrative and accounting procedures for the preparation of the separate and consolidated financial statements and, with the support of the Head of Internal Audit, providing the Subsidiaries considered as relevant in the preparation of the consolidated information of the Group guidelines for carrying out appropriate assessment activities of their own Accounting and Administrative Control System. In carrying out his activities, the Financial Reporting Manager:

- interacts with the Head of Internal Audit, who carries out independent checks on the operation of the control system and supports the Financial Reporting Manager in monitoring the System relating to financial reporting;
- is supported by the managers of the functions involved which, in relation to the area within their competence, ensure the completeness and reliability of the information flows to the Financial Reporting Manager for the purposes of the preparation of financial disclosures;
- coordinates the activities carried out by the Directors of the relevant subsidiaries, who are responsible for the implementation, within their company, together with the delegated bodies, of an adequate accounting control system to oversee the administrative-accounting processes and evaluate their effectiveness over time by reporting their results to the parent company through an internal certification process;
- establishes a mutual exchange of information with the Control and Risk Committee and with the Board of Directors, on the use of accounting standards and their consistency for the purposes of the preparation of the consolidated financial statements as well as the adequacy of the Internal Control and Risk Management System on financial disclosures.

Finally, the Board of Statutory Auditors and the Supervisory Body are informed about the adequacy and reliability of the administrative-accounting system.

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## Adequacy of the Internal Control and Risk Management System

In addition, availing itself of the contribution of the CEO and of the Control and Risk Committee, lastly in the meeting of 14 March 2023, the Board has evaluated the adequacy of the Internal Control and Risk Management System in respect of the company characteristics, as well as its effectiveness, also in light of the activities and analyses brought to the attention of the Control and Risk Committee, by the Head of the Internal Audit function and by the Supervisory Body established in accordance with Italian Legislative Decree no. 231/2001; this assessment was carried out by the Board of Directors also on occasion of the Board meeting of 7 September 2022, in which the half-yearly financial report as at 30 June 2022 was approved.

In the reports of 7 September 2022 and 6 March 2023, the Chairman of the Control and Risk Committee reported to the Board of Directors about the activities carried out by the same Committee. The Committee also expressed an opinion of substantial adequacy of the Internal Control and Risk Management System as a whole for the LU-VE Group and its Subsidiaries identified as “companies of strategic importance”.

Having examined the reports of the Chairman of the Control and Risk Committee and of the CEO, as well as those on the activities carried out and planned by the Company's Internal Audit function, on the meetings held by the Head of Internal Audit with the Financial Reporting Manager, the Board shared the opinion expressed by the Chairman of the Control and Risk Committee and assessed that the Internal Control and Risk Management System is substantially adequate for the structure of the Group and its type of business and suitable for preventing the risks identified. Furthermore, it considered that accounting standards and procedures are correctly used for the purposes of preparing periodic financial reports.

### 9.1. CHIEF EXECUTIVE OFFICER

The Board of Directors has identified in the Chief Executive Officer, Mr. **Matteo Liberali**, the person responsible for establishing and maintaining an effective Internal Control and Risk Management System, and in this capacity he performs the following functions:

- (a) handles the identification of the main company risks, taking account of the characteristics of the activities performed by the Issuer and its Subsidiaries, with particular attention to companies of strategic importance, and presents them to the Board of Directors for examination at least once a year, and normally at the time of (or prior to) the meeting of the Board of Directors for approval of the annual financial report;
- (b) implements the SCIGR Guidelines, handling the design, implementation and management of the Internal Control and Risk Management System and constantly verifying its adequacy and effectiveness, as well as managing its adaptation to the operating conditions dynamics and the legislative and regulatory landscape. More specifically:
  - he identifies the risk factors for the Issuer and the other LU-VE Group companies, with particular attention to companies of strategic importance – without prejudice to the primary responsibility of the respective chief executive officers of the individual companies – also in light of the changes in the internal and external conditions in which

they operate, as well as the operating performances, deviations from the forecasts and the legislative and regulatory framework in force from time to time, including all the elements that may assume significance in terms of the Sustainable Success of the Company and of the Group;

- defines the tasks of the operating units dedicated to the control functions, ensuring that the various activities are managed effectively and impartially by qualified personnel, who have specific experience and knowledge. In this regard, the areas of potential conflicts of interests are identified and minimised;
  - establishes effective communication channels in order to ensure that all personnel are aware of the policies and procedures relating to their tasks and responsibilities;
  - defines the information flows aimed at ensuring full knowledge and governance of corporate events; among other things, he ensures that the Board of Directors identifies the transactions of the Company and of its Subsidiaries that have a significant strategic, economic, patrimonial or financial importance for the same company - which must be subject to prior examination by the Board of Directors;
- (c) at least once a year, normally at the time of (or prior to) the meeting of the Board of Directors for approval of the annual financial report – as well as on each occasion in which, nonetheless, it considers it necessary or appropriate based on the circumstances, as in the event in which new relevant risks emerge or there is a significant increase in the possibility of risk – presents the company risks (including those that may assume relevance from the point of view of the Sustainable Success of the Company and of the Group) and the set of control processes implemented and designed for their prevention, reduction and effective and efficient management to the Board of Directors for examination and evaluation, in order to allow the Board of Directors to make an informed and fully-aware decision regarding the strategies and policies for the management of the main risks of the Issuer and of the LU-VE Group, with particular attention to companies of strategic importance;
- (d) proposes to the Board of Directors, also informing the Control and Risk Committee, the appointment, revocation and the remuneration of the Head of the Internal Audit function and ensures its operating independence and autonomy from each manager of the operating areas, verifying that it has the necessary tools to effectively carry out the tasks assigned to it;
- (e) presents the Board of Directors with the annual work plan prepared by the Head of the Internal Audit function, based on the prior opinion of the Control and Risk Committee and having consulted the Board of Statutory Auditors;
- (f) may request the Internal Audit function to perform checks on specific operating areas and on the observance of the internal rules and procedures in the performance of company transactions, simultaneously communicating this to the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors;
- (g) promptly reports to the Control and Risk Committee (or the Board of Directors) on problems and criticalities to emerge in the performance of his activities or, nonetheless, he has knowledge of, so that the Control and Risk Committee (or the Board) can take the necessary measures.

In execution of the tasks and functions assigned to him, during the Financial Year the CEO identified the business risks, which he reported to the Board, together with the mitigation actions implemented, most recently at the meeting of 14 March 2023; he implemented the SCIGR Guidelines, monitoring, with the support of the Internal Audit function, the overall compliance of the Internal Control and Risk Management System with the current legislative and regulatory framework and the Group's operational dynamics, verifying its effectiveness and efficiency. He also interfaced with the Head of the Internal Audit function on the proposed audit plan (as defined below) and the same discussed the results of the checks carried out by the function, subsequently interfacing with the Chairman of the Board, with the CCR and with the Board of Statutory Auditors regarding the findings. He also regularly attended the meetings of the Control and Risk Committee, reporting to the main problems and critical issues faced by the Group to the same.

## **9.2. CONTROL AND RISK COMMITTEE**

The establishment of the Control and Risk Committee, which originally took place pursuant to the old Corporate Governance Code with the resolution of 13 March 2017, was confirmed by the Board of Directors upon adherence to the new Corporate Governance Code on 21 December 2020.

### **Composition and functioning of the Control and Risk Committee (pursuant to art. 123-bis, paragraph 2, letter d), of the Consolidated Law on Finance)**

In the Board meeting of 21 December 2020, the Board of Directors also confirmed the constitution of the Control and Risk Committee in the same composition, which had been defined by the Board of Directors held on 29 April 2020. In this meeting, after verifying the non-executive and independence requirements of its members (for which reference should be made to Sections 4.3. and 4.7. of this Report), the Board appointed for the 2020-2022 three-year period the directors Stefano Paleari (Chairman), Anna Gervasoni and Laura Oliva as members of the CCR.

The functioning of the Control and Risk Committee is governed by the BoD and Committees Regulations (see Section 6 of this Report).

During the Financial Year, the composition of the Control and Risk Committee has remained unchanged with respect to what was confirmed at the meeting of the BoD of 21 December 2020 and includes exclusively non-executive directors, most of them independent: the chairman is Stefano Paleari (independent director), the members are Anna Gervasoni (independent director) and Laura Oliva (non-executive director). At the same meeting, on the basis of their respective resumes, the Board confirmed that their professional experiences guarantee adequate knowledge and experience in financial matters or risk management.

The activities of the Control and Risk Committee are coordinated by the Chairman of the Committee and minutes are taken for the meetings and stored at the Company. The Chairman of the Committee reports to Board of Directors at the first available meeting on the main issues arisen during the works of the Control and Risk Committee.

During the year, the Control and Risk Committee met seven times with all members present; the average duration of each meeting was of around three hours and 54 minutes.

Eight meetings are planned for the current year, 3 of which have already been held.

The following participated to the meetings of the Control and Risk Committee held in the financial year, on invitation of the Chairman of the Committee: the CEO, the COO, and, with the prior knowledge of the CEO, the Group Purchasing Manager, the Marketing Manager of the Cooling System division, the Marketing Manager of the Components division, the CFO, the Head of the Internal Audit function, the Group HR Director, the Risk Manager and the Group Legal and Corporate Affairs Manager, who also played the role of Secretary for the Committee, depending on the topics of their competence discussed on each occasion.

Furthermore, the Chairman of the Board of Statutory Auditors and at least one of the other two members of the Board of Statutory Auditors always attended the meetings of the Control and Risk Committee that took place during the financial year.

### **Functions assigned to the Control and Risk Committee**

In compliance with the recommendations of the Corporate Governance Role, the Control and Risk Committee carries out proposal and advisory functions, supporting, with adequate preliminary investigation activities, the assessments and decisions of the Board of Directors relating to the Internal Control and Risk Management System, as well as those relating to the approval of periodic financial and non-financial reports. With resolution of 19 February 2019, the Board of Directors also assigned the Control and Risk Committee the responsibility for the supervision of processes and activities relating to sustainability.

In particular, the Control and Risk Committee:

- (a) supports, also with the issue of opinions, the Board of Directors regarding for the purpose of identification and updating of the principles and the indications contained in the SCIGR Guidelines;
- (b) supports, also with the issue of opinions, the Board of Directors regarding the evaluation of the adequacy of the Internal Control and Risk Management System with respect to the characteristics of the company and the risk profile assumed, as well as its effectiveness, in order to ensure that the main company risks are correctly identified and adequately managed. In relation to the above, it reports to the Board of Directors:
  - at least half-yearly, normally at the time of (or prior to) the meetings of the Board for approval of the annual financial report and the half-yearly financial report, on the activities performed, as well as on the adequacy and effectiveness of the Internal Control and Risk Management System;
  - normally at the time of (or prior to) the meeting of the Board for approval of the annual financial report, on the status of the Internal Control and Risk Management System, also in relation to the factors which may trigger risks for the Company and the Group;
- (c) supports the Board of Directors for the purpose of evaluating the advisability of adopting measures to guarantee the effectiveness and impartiality of judgement of the corporate functions involved in controls, verifying that they are equipped with adequate professionalism and resources;
- (d) supports, also with the issue of opinions, the Board of Directors on the approval, at least on an annual basis, of the work plan prepared by the Head of the Internal Audit function;
- (e) supports the Board of Directors with regard to the description, as part of the Report on Corporate Governance, of the main characteristics of the Internal Control and Risk



Management System and the coordination procedures among the parties involved in it; the description also includes an indication of the reference models and national and international best practices;

- (f) supports the Board of Directors with regard to the evaluation of the results presented by the auditing firm in any letter of suggestions and in the additional report addressed to the Board of Statutory Auditors;
- (g) supports and issues opinions to the Board of Directors as regards the appointment and revocation of the Head of the Internal Audit function, the definition of his/her remuneration consistently with company policies, as well as the verification that said person has the necessary professionalism, independence and organisation, as well as adequate resources for fulfilling their responsibilities;
- (h) supports, also by issuing any opinions, the Board of Directors with regard the appointment and removal of the members of the Supervisory Body specifically set up pursuant to the supervisory functions referred to in Article 6, paragraph 1, letter b), of Italian Legislative Decree no. 231/2001;
- (i) expresses opinions on specific aspects relating to the identification of the main corporate risks and supports the assessments and decisions of the Board relating to the management of risks deriving from prejudicial facts of which the latter has become aware;
- (j) can request, at any time, the Head of the Internal Audit function to report on the activities carried out and on the status of the Internal Control and Risk Management System and ask, any time, for a copy of the documentation kept by the latter in accordance with these SCIGR Guidelines;
- (k) may assign to the Internal Audit function the task to perform checks on specific operating areas, simultaneously communicating this to the Chairman of the Board of Statutory Auditors;
- (l) having consulted the Financial Reporting Manager, the auditing firm and the Board of Statutory Auditors, evaluates the correct use of the accounting standards and, in the case of groups, their homogeneity for the purposes of the drafting of the consolidated financial statements;
- (m) monitors the development and implementation of the sustainability plan of the Company and the LU-VE Group aimed at pursuing Sustainable Success and supports the Board of Directors in analysing the issues relevant to the generation of long-term value for the benefit of the shareholders, taking into account the interests of the other stakeholders relevant to the Company, with a view to pursuing Sustainable Success for the Company and for the Group;
- (n) evaluates the correctness of the process of preparing the periodic financial and non-financial information, so that they are functional to correctly represent the business model, the Company's strategies, the impact of its activities and the performances achieved and acknowledges the information provided by the delegated bodies and by the Financial Reporting Manager regarding its suitability to correctly represent the business model, the Company's strategies, the impact of its activity and the performance achieved;
- (o) examines the content of the consolidated non-financial statement pursuant to Italian Legislative Decree no. 254/2016, and issues a prior opinion in this regard for the approval of the same by the Board, also taking into account the results of the analysis referred to in previous letter (m);
- (p) examines, inter alia, the periodic reports and those of particular relevance drafted by the Internal Audit function;

- (q) monitors the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function;
- (r) supports the further assessments and decisions of the Board of Directors regarding sustainability with adequate preliminary activities;
- (s) monitors the dissemination of sustainability culture among all stakeholders, in line with the corporate values, policies and sustainability plan;
- (t) promotes interaction dynamics with all stakeholders;
- (u) supports the Remuneration and Appointments Committee in assessments relating to the introduction and definition of non-financial performance targets linked to corporate social responsibility, for the determination of the variable remuneration of executive directors and Key Management Personnel.

The Control and Risk Committee also performs the functions of committee for Transactions with Related Parties, as per the OPC Procedure adopted by the Board, pursuant to the Consob Related Party Regulation, and exercises the relevant role and competences referred to in the Related Parties Regulation.

The Control and Risk Committee also carries out the additional tasks attributed to it by the Board of Directors.

During the financial year, the Control and Risk Committee assessed with the Financial Reporting Manager and the Board of Statutory Auditors, discussed with the auditing firm the activities carried out by the latter, the correct use of accounting standards and their consistency for the purposes of preparing the consolidated financial statements on occasion of the approval of the annual financial report as at 31 December 2021 (in particular, in its meeting of 9 March 2022).

On occasion of the approval of the periodic financial and non-financial disclosures, the Committee examined the draft documents, verifying that the business model, the Group's strategies, the impact of its activities and the performance were correctly and adequately represented, interfacing with the Issuer's structures in charge of preparing them and reporting on the activities carried out to the Board of Directors, most recently at the meeting of 14 March 2023.

The Committee also monitored the process of preparing periodic non-financial information, analysing with specific attention the relevant profiles for the purposes of the Internal Control and Risk Management System and in particular the mapping of non-financial risks.

The Committee maintained constant dialogue with the Head of the Internal Audit function, who updated the Committee on the activities carried out and those in progress, both through the transmission of reports following the outcome of the checks carried out and of the periodic reports, and by intervening in Committee meetings. Thanks to frequent meetings and the exchange of documents, the CCR was able to continuously monitor the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function.

During the 2022 financial year, the Control and Risk Committee also carried out monitoring and control activities on the Company's Internal Control and Risk Management System. In particular, on the basis of information available to the same by virtue of its participation to meetings of the Board of Directors, of the exchange of information with the other bodies which carry out control functions, as well as of interviews with function managers of the LU-VE Group, the Committee proceeded to clarify some of the risks, particularly significant in the current context of the LU-VE Group. With regard

to said risks, it identified the reference managers, with whom discussions were held at the time of its meetings, and from whom, in the majority of cases, it acquired documents and written reports.

Both at the time of the board meeting of 7 September 2022 for approval of the half-yearly financial report as at 30 June 2022, and at the time of the meeting of 14 March 2023 for approval of the draft financial statements as at 31 December 2022, the Chairman of the Control and Risk Committee illustrated to the directors the content of the activities performed by the committee during 2022, presenting the joint management body with its judgements on the adequacy and effectiveness of the Internal Control and Risk Management System.

\* \* \*

In performing its functions, the Control and Risk Committee had the right to access the information and the company departments needed to carry out its duties; during the year, the Control and Risk Committee did not make use of external advisors.

It should be noted that the Board of Directors did not consider it necessary to attribute spending powers to Control and Risk Committee members, given willing, from time to time, to arrange the allocations required for the performance of the individual activities.

### **9.3. HEAD OF THE INTERNAL AUDIT FUNCTION**

At the meeting on 19 December 2017, on the proposal of the Director in Charge, having taken note of the favourable opinion of the Control and Risk Committee, and having consulted the Board of Statutory Auditors, the Board of Directors appointed Ms Elena Negri as Head of the Internal Audit function the person responsible to check that the Internal Control and Risk Management System is operational, adequate and in accordance with the SCIGR Guidelines defined by the Board.

The SCIGR Guidelines provide that the Internal Audit function holds a central position in the governance of control system, and must be made up of qualitatively and quantitatively adequate personnel.

The establishment of the Internal Audit function, which initially took place pursuant to the old Corporate Governance Code with the resolution of 13 March 2017, was confirmed by the Board of Directors upon adherence to the new Corporate Governance Code on 21 December 2020.

In the same meeting, the Board of Directors also confirmed Ms. Elena Negri as head of the aforementioned function, assigning her all the tasks and functions that the new Corporate Governance Code provides for the Head of the Internal Audit function, as detailed in the SCIGR Guidelines.

The remuneration of Ms Negri was determined on the proposal of the CEO, with the favourable opinion of the Control and Risk Committee and having consulted the Board of Statutory Auditors, in accordance with corporate policies; the Board of Directors assigned her an expense budget considered to be adequate to the performance of her tasks, notwithstanding the willingness of the same Board to assign her further resources if necessary.

As reiterated in the SCIGR Guidelines, the Head of the Internal Audit function is not responsible for any operating area, reports hierarchically to the Board of Directors and coordinates her organisational plan with the Chief Executive Officer, ensuring the necessary information to the Board

of Directors, the Control and Risk Committee, the Board of Statutory Auditors and the Financial Reporting Manager. It should be noted that with effect from 1 June 2022, Ms Elena Negri has also assumed the role of Head of the “Enterprise Risk Management” Function as ERM Director.

Pursuant to the SCIGR Guidelines and in respect of the recommendations of the old Corporate Governance Code, the Head of the Internal Audit function extends her control activities to all companies of the LU-VE Group, with particular regard to the companies identified by the Board of Directors such as companies with strategic relevance, and has access to all their activities and the relevant documentation.

In performing her functions, the Head of the Internal Audit function had the right to access the information and the company departments needed to carry out its duties; during the year, she did make use of external advisors for the performance of specialist audits in relation to IT matters, as these competences are not available within the Company's Internal Audit function.

The Head of the Internal Audit function is responsible, inter alia, for verifying the suitability of the internal procedures for ensuring the adequate containment of the risks of the Issuer and of the LU-VE Group, and assisting the same Group with the identification and evaluation of the greatest exposures to risk, including all risks that may assume significance in terms of Sustainable Success of the Company and of the Group.

The duties of the Head of the Internal Audit function are carried out in compliance with the relevant professional best practices.

On the basis of the SCIGR Guidelines, the Head of the Internal Audit function:

- (a) prepares the annual work plan based on a structured process of analysis and prioritisation of the main risks (“Audit plan”) and illustrates it to the CEO, the Control and Risk Committee, the Board of Statutory Auditors and the Board of Directors, in the time needed for them to perform their respective functions and, in particular, to make any suggestions;
- (b) supports the CEO in handling the design, management and monitoring of the Internal Control and Risk Management System and in identifying the different risk factors, including all risks that may assume significance for the achievement of the Sustainable Success of the Company and of the Group;
- (c) plans and carries out, consistent with the annual work plan, direct and specific control activities in the Issuer and in all other Group companies, with particular regard to the companies of strategic importance, in order to identify any deficiencies of the Internal Control and Risk Management System in the different risk areas;
- (d) verifies, both continuously and in relation to specific needs and in compliance with the international standards, the functioning and suitability of the Internal Control and Risk Management System;
- (e) verifies, as part of the Audit Plan, the reliability of the information systems including the accounting systems;
- (f) verifies that the rules and procedures of the control processes are respected and that all the entities involved operate in compliance with the pre-established objectives. More specifically:

1. checks the reliability of the information flows, including automatic data processing systems and administrative-accounting data entry systems;
  2. verifies, as part of the work plan, that the procedures adopted by the Issuer and by the Group ensure respect, in particular, with the applicable legal and regulatory provisions;
- (g) also carries out assessment tasks with regards to specific irregularities, where she considers it necessary or at the request of the Board of Directors, the Control and Risk Committee, the CEO, the Board of Statutory Auditors or the Supervisory Body;
- (h) ascertains, using the most appropriate methods, that the anomalies in the operations and in the functioning of the controls have been rectified;
- (i) keeps all the documentation relating to the activities performed in an organised manner; this documentation is at the disposition of the entities responsible for the control processes (indicated in art. 2 of the current SCIGR Guidelines) who request it;
- (j) prepares periodic reports containing adequate information on her activities, the methods used to manage risks, as well as on the observance of the plans defined to contain them. The periodic reports also contain an evaluation of the suitability of the Internal Control and Risk Management System; in addition, in light of both the results of the controls and the analysis of company risks, identifies any deficiencies of the Internal Control and Risk Management System and proposes any necessary system initiatives; the deficiencies identified and the initiatives proposed are outlined in the associated internal audit reports;
- (k) where necessary, also at the request of the Board of Statutory Auditors or the Supervisory Body, promptly prepares reports on events of particular importance;
- (l) transmits the reports pursuant to points j) and k) to the CEO, the Chairman of the Board of Statutory Auditors and of the Control and Risk Committee, and, where necessary depending on the issues in question, the Chairman of the Board of Directors, the CEO, as well as the Supervisory Body, except in the case where the subject of these reports relates specifically to the activities carried out by these subjects; where the control activities involve other Group companies, the reports are also sent, if applicable, to the associated competent bodies of the company concerned;
- (m) at least twice a year, in time to allow the Control and Risk Committee and the Board of Directors, as well as the CEO, to carry out their respective tasks at the time of (or prior to) the meetings of the Board for approval of the annual financial report and the half-yearly financial report, prepares a half-yearly summary of the main findings that emerged during the reference half and during the entire year. The annual report compiled for the meeting of the Board for approval of the annual financial report also contains an update of the company risks which gave rise to the audit Plan, on the basis of what emerged during the performance of her activities in the year;
- (n) in the presence of critical issues that require urgent intervention, informs the CEO and the delegated bodies without delay, as well as the Chairman of the Control and Risk Committee, the Chairman of the Board of Directors and the Chairman of the Board of Statutory Auditors in order to update them on the results of her work.

\* \* \*

During the year, on occasion of the Board of Directors meeting on 17 March 2022, with the support and the prior opinion of the Control and Risk Committee, the Board of Directors approved the working plan prepared by the head of the Internal Audit function, having consulted the Board of Statutory Auditors and the CEO: the activity of the Internal Audit function carried out during the year in implementation of this working plan is part of the 2020-2022 three-year audit plan, prepared by the Head of Internal Audit in the first months of 2020 with the support of qualified external consultants, on the basis of a risk assessment conducted through interviews with the Group's Top Management and subsequent analysis and prioritization of the risks identified; the three-year plan was approved by the Board of Directors on 18 March 2020, and subsequently amended and adjusted to take into account, on the one hand, the restrictions imposed by the Covid-19 pandemic, which limited both the presence of people in the company and the possibility of travelling to the Issuer's Subsidiaries and, on the other hand, of the new needs that emerged as a result of the contingent condition.

On the basis of this three-year plan, the Head of the Internal Audit function continuously verified the suitability of the internal procedures to ensure adequate containment of the risks of the Issuer and the LU-VE Group on the basis of the work plan for the 2022. Furthermore, she carried out these checks also in relation to specific requests from the SB, which she joined on 17 March 2022.

During the Financial Year, the Head of the Internal Audit function has prepared both the annual and the half-yearly reports containing adequate information on her activities, the methods used to manage risks, as well as on the observance of the plans defined to contain them. At the conclusion of all the audits carried out, she reported on their outcomes by sending the audit reports to the Chief Executive Officer, the members of the Control and Risk Committee and of the Board of Statutory Auditors, with an assessment of the suitability of the Internal Control and Risk Management System, the specific indication of any shortcomings of the Internal Control and Risk Management System and suggesting the necessary action plan on the system itself.

During the financial year, the Head of Internal Audit function carried out, among others, the following activities:

- (a) operational and compliance audit on the trade shows management of LU-VE S.p.A.;
- (b) operational and compliance audit on the warehouse management process at third parties of the Italian companies of the LU-VE Group;
- (c) operational audit on the business continuity and IT disaster recovery plans of the companies of the LU-VE Group;
- (d) operational audit on the budget preparation process of the LU-VE Group;
- (e) operational audit on the research and development activities management process of the companies of the LU-VE Group;
- (f) compliance audit on the management of LU-VE S.p.A. plants that generate atmospheric emissions;
- (g) compliance audit on the procedures for managing contracts and subcontracts of SEST S.p.A.;

- (h) *general audit review on LU-VE Iberica S.L., a company part of the LU-VE Group;*
- (i) *general audit review on Thermo Glass Door S.p.A., a company part of the LU-VE Group;*
- (j) *follow-up audit of the management process of the non-financial investments of LU-VE S.p.A.;*
- (k) monitoring of the Internal Audit checks conducted by the consulting company S S Kothari Mehta & Company Chartered Accountants from New Delhi on the Indian subsidiary Spirotech Heat Exchangers Pvt Ltd. (hereinafter "Spirotech");
- (l) participation in the project for the introduction of an integrated Enterprise Risk Management system (ERM) of the Group;
- (m) participation, in support of the Financial Reporting Manager, in the distribution of administrative and accounting procedures pursuant to Law 262/2005 to LU-VE S.p.A. and sharing of the related key control matrixes;
- (n) attendance at the meetings of the "Crisis Committee" established by the LU-VE Group following the COVID-19 emergency;
- (o) participation in the meetings of the "Committee on the Russia-Ukraine conflict", established by the LU-VE Group following the outbreak of the Russian-Ukrainian conflict;
- (p) periodic updating activities regarding the progress of the implementation of the action plans aimed at resolving the findings that emerged during the audits (administrative follow up at 31 December 2022);
- (q) preparation of the new 2023-2025 three-year audit plan, in collaboration with a leading consulting firm, following the performance of the necessary risk assessments.

#### **9.4. ORGANISATION MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/2001**

LU-VE adopted an organisation, management and control model pursuant to Italian Legislative Decree no. 231/2001 (the "**Model**"), an extract of which, including the types of offences considered relevant, is available on the Issuer's website [www.luvegroup.com](http://www.luvegroup.com) in the section "*Investor Relations*" - "*Corporate Governance & shareholders*" - "*Codes of conduct & corporate documents*" - "*Corporate documents*".

With particular reference to the Issuer, on 30 June 2016, the Board of Directors approved the adoption of the Model, which is composed of a "General Section" and a "Special Section", Model subsequently amended in 2020 and in 2022; in particular:

1. the "General Section" describes the reference information, including: (i) the Italian Legislative Decree no. 231/2001 system, which attributes direct responsibility to entities (which may be excluded if the entity has effectively adopted and implemented a model and an offence has been committed through the fraudulent evasion of said model), in the event certain offences are committed in the interest or for the benefit of said entity by the so-called "top management" figures of the entity, who perform the functions of representation, administration or management of the entity, or persons subject to the management or

monitoring of one of the aforementioned parties; (ii) the penalty system; (iii) a description of the organisational structure of LU-VE and of the activities carried out for the adoption of Model; (iv) the structure and the functions of the Supervisory Body; (v) the methods of training and information on the contents of the Model; (vi) the disciplinary and penalty system applied to those who commit violations of the rules of conduct set out in the Model;

2. the “Special Section” provides a general description of sensitive activities, the system of controls and general principles of behaviour, and therefore analyses in detail the individual sensitive activities, the applicable procedures, their *ex-post* verifiability, the segregation of duties and the existence of authorisations consistent with the organisational responsibilities assigned.

Together with the Model, a Code of Ethics was adopted, applied to both LU-VE and the Subsidiaries, which sets out the general principles of behaviour which must be adhered to by employees and those collaborating with the Group in any capacity.

The Supervisory Body of LU-VE appointed to supervise the functioning and compliance with the Model, was made up of three external members during the Financial Year, Mr. Marco Romanelli (Chairman), Antonella Beretta, and Giuseppe Sozzi, appointed on 22 March 2019 for a three-year period, until the approval by the Board of Directors' approval of the financial statements as at 31 December 2021.

On 17 March 2022, on the occasion of the expiry of the SB mandate, having heard the opinion of the Control and Risk Committee, the Board of Directors: (i) confirmed the appropriateness for the functions attributed to the supervisory body by Italian Legislative Decree no. 231/2001 not to be attributed to the Board of Statutory Auditors but – considering that the Issuer is an industrial metalworking company – to a body with the a subject that has consolidated expertise in the field of prevention and safety; (ii) deemed it appropriate, in order to ensure greater efficiency of intervention and coordination among the various parties involved in the Internal Control and Risk Management System, to integrate, at the time of renewal, the composition of the Supervisory Body from its members, for the three-year period 2022-2024, the Head of the Internal Audit function, Ms. Elena Negri.

The SB currently in office is composed of 3 members: Mr. Marco Romanelli (Chairman), Ms. Elena Negri and Mr. Andrea Colombo, and expires with the approval of the financial statements as at 31 December 2024.

The Supervisory Body is assigned the task of:

- (a) monitoring the effectiveness of the Model so that behaviour of the addressees complies with the provisions contained therein;
- (b) verifying the effectiveness and adequacy of the Model, i.e. checking that the Model prepared is suitable for preventing the offences set out in the Decree from being committed;
- (c) expressing a judgement on the proposed updates and/or revisions to the Model before they are actually adopted;
- (d) implementing all necessary initiatives so that the Board of Directors keeps the Model constantly updated, in order to adjust it into line with regulatory and company changes;



- (e) carrying out the checks and controls set forth in the Model in relation to members of the SB;
- (f) periodically verifying the mapping of the areas at risk of offence attached to the Model, in order to propose to the Company the necessary adjustments at the time of updating of the Model. To this end, the function managers and employees report to the SB on the control activities performed in relation to the individual functions and any situations capable of exposing the Company to the risk of offence;
- (g) conducting periodic checks, based on an annual plan, communicated to the Board of Directors, targeted at assessing the effectiveness of the Model and, in particular, at verifying that the procedures and controls set forth therein are adequately applied;
- (h) based on these checks, annually preparing a report to be presented to the Board of Directors which highlights the activities carried out, the results of the checks, any corrective actions suggested and their progress status;
- (i) coordinating with the functions (also through the specific meetings) for: (i) an exchange of information in order to keep the areas at risk of offence up-to-date; (ii) keeping the risk profile of the activities performed within the Company and their evolution under control in order to ensure constant monitoring; (iii) the various aspects relating to implementation of the Model; (iv) guaranteeing that the corrective actions needed to ensure the Model is adequate and effective are implemented promptly;
- (j) collecting, processing and storing all relevant information received in compliance with the Model;
- (k) promoting initiatives for the training of the recipients of the Model and for its communication and dissemination.

Furthermore, to ensure an effective and efficient Internal Control System within the LU-VE Group, the SCIGR Guidelines establish that:

- (a) the SB maintains constant relations with the Board of Directors and with the Board of Statutory Auditors with regard to issues relating to the implementation of the Model; in particular, the SB informs the Board of Directors at least every six months (or at different times with reference to specific or significant situations), also in writing, directly or also through the Control and Risk Committee, about the application and effectiveness of the Model (indicating in particular the controls carried out and the outcome of the same, as well as any updating of the "at risk" processes);
- (b) the SB can be convened by the Board of Directors or, on its behalf, by the Control and Risk Committee, to report on its activities and may ask to confer with it;
- (c) the SB may also ask to be heard by the Board of Directors (or by the Control and Risk Committee) whenever it deems it appropriate to promptly report violations of the Model or request attention to critical issues relating to the functioning and compliance with the Model itself;
- (d) if it deems it necessary and, in particular, for violations committed by top management or by the directors, the SB may also ask to be heard by the Board of Statutory Auditors and may request specific checks from the Head of the Internal Audit function.

Within the limits of the applicable legislation, the SB has free access to all the relevant company documentation, and is able to directly acquire data and information from the persons responsible.

The activities implemented by the SB in exercise of its functions cannot, under any circumstance, be controlled by another company body or structure, without prejudice to the fact, however, that the Board of Directors is required to check the adequacy of the activity of the SB.

The SB receives an annual allocation of funds from the Board of Directors for the autonomous performance of its activities. In any case, in consideration of the unique characteristics of its duties and its professional requirements, the SB, in performing the tasks for which it is responsible, may avail itself of the support of the internal personnel and external advisors of its choice.

The SB met 12 times during the year, in the presence of all its members. The meetings lasted an average of around two hours and thirty minutes.

The Italian subsidiary of LU-VE of strategic importance SEST S.p.A. adjusted its internal system into line with the provisions set out in Italian Legislative Decree no. 231/2001, adopting its own Organisation, and Management Model in accordance with said Decree and appointing its own Supervisory Body.

## **9.5. AUDITING FIRM**

The company tasked with the independent audit of LU-VE is Deloitte & Touche S.p.A., with registered office in via Tortona no. 25, Milan.

The engagement was conferred by the Shareholders' Meeting of 10 March 2017, effective from the date of the start of the trading of LU-VE shares on Euronext Milan market, which took place on 21 June 2017, until approval of the financial statements for the year ended as at 31 December 2025.

With the support of the Control and Risk Committee and having heard the Board of Statutory Auditors, on 7 September 2022 the Board of Directors evaluated the results presented by the independent auditors in the additional report pursuant to art. 11 of the Regulation (EU) no. 537/2014 relative to the 2021 financial year, addressed to the Board of Statutory Auditors, observing that they had not highlighted any specific critical issues.

## **9.6. FINANCIAL REPORTING MANAGER AND OTHER COMPANY ROLES AND FUNCTIONS**

At the meeting on 13 March 2017, with the prior opinion of the Board of Statutory Auditors, LU-VE's Board of Directors appointed as Financial Reporting Manager, pursuant to art. 154-*bis* of the Consolidated Law on Finance, Mr. **Eligio Macchi**, employee of LU-VE with the role of *Chief Financial Officer* of the LU-VE Group.

Art. 21 of the Articles of Association requires: (1) that the Financial Reporting Manager is appointed by the Board of Directors, based on the mandatory prior opinion of the Board of Statutory Auditors; (2) that the Financial Reporting Manager must meet, in addition to the requirements of integrity established by applicable legislation and regulations in force at the time for those who carry out administration and management functions in companies whose financial instruments are listed on an Italian regulated market or regulated market of other European Union member states,

professional requirements consisting of specific expertise in matters of administration, finance or control and must specifically have attained a degree in economic or financial disciplines or in areas pertaining to business management and organisation and have gained at least three years' experience in: (i) administration, finance or control activities or management tasks with capital companies; or (ii) administrative or management functions or tasks of independent auditor or consultant as accountant with organisations operating in the credit, financial or insurance sectors, or in sectors connected or associated with the activities carried out by the Company and referred to in art. 2 of the Articles of Association, which involve the management of economic and financial resources. Satisfaction of the above mentioned requirements of good repute and professionalism is ascertained by the Board of Directors. The Financial Reporting Manager is assigned the main task of designing, managing and monitoring the processes regarding, in particular, information flows of an administrative-accounting nature, including automatic data processing and accounting systems, also in order to draft – according to the forms required by law and the relevant implementing regulations – the certifications of their adequacy and effective application.

In accordance with the Articles of Association, the Board of Directors ensures that the same has adequate powers and means to carry out the duties assigned to him pursuant to applicable legislation and regulations in force at the time. In implementation of the statutory provision, the SCIGR Guidelines adopted by the Board of Directors also provide for the Financial Reporting Manager to be assigned all the powers and means necessary to guarantee the reliability, trustworthiness, timeliness and accuracy of financial information and, in general, the fulfilment of the duties deriving from the law and from the Issuer's articles of association, without any specific limitation on expenditure, with the sole limit of the necessary reasonableness of the provisions of the same as well as those required for the exercise of all further tasks assigned to them, including those of:

- (a) directly accessing all the necessary information for the production of accounting data, without the need for authorisations, dedicating itself (as with all members of its office) to ensuring the confidentiality of the documents and information acquired in fulfilling its duty, in observance of the applicable legal and regulatory provisions;
- (b) using internal communication channels that guarantee correct inter-company information;
- (c) structuring his office with reference to both personnel and technical equipment (tangible and IT resources, etc.) in an adequate manner;
- (d) preparing administrative and accounting procedures by also making use of the collaboration of departments that participate in the production of relevant information;
- (e) making use of external advisory services, where special company needs require it, by drawing on the budget assigned to him;
- (f) establishing relationships and flows with other persons responsible for control that guarantee not only the constant mapping of risks and processes, but adequate monitoring of the correct functioning of the procedures (auditing firm, Head of the Internal Audit function).

The Financial Reporting Manager also participates in the process of preparing the Sustainability Report drawn up by the Company in compliance with the legislation in force at the time, ensuring that the same provides an understanding of the Group's business, its performance, its results and its impact.

Finally, the SCIGR Guidelines attribute to the Financial Reporting Manager, in agreement with the Chief Executive Officer, also the task of instructing the Subsidiaries of the LU-VE Group, so that they adopt all the provisions, administrative and accounting procedures and any other deed and measure functional to the correct preparation of the consolidated financial statements, as well as any measure communicated by the Financial Reporting Manager pursuant to and for the purposes of Law 262/2005 and the additional applicable legislation on the subject, to ensure maximum reliability of direct information flows to the Financial Reporting Manager relative to the preparation of corporate accounting documents.

\* \* \*

In relation to its own characteristics, the Issuer did not see the presence of other corporate functions involved in controls during the year.

## **9.7. COORDINATION BETWEEN THE ENTITIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The methods of coordination among the entities involved in the Internal Control and Risk Management System and the information flows among them are specified in the SCIGR Guidelines, which define the reciprocal roles and functions.

The various parties maintain a periodic flow of mutual communication, also achieved through periodic joint meetings, which ensure a reciprocal exchange of information and the coordination of the respective activities.

In particular, the Board of Directors performs a role of management and evaluation of the adequacy and effectiveness of the Internal Control and Risk Management System. In fulfilling this role, the Board is assisted by the Control and Risk Committee, which has proposal and advisory functions, also exercised, but not solely, through the issuing of opinions to the Board of Directors. Supported by the Head of the Internal Audit function, the CEO handles the identification of the main company risks and implements the SCIGR Guidelines, overseeing the design, implementation and management of the Internal Control and Risk Management System and constantly verifying its adequacy and effectiveness.

The Head of the Internal Audit function is responsible, *inter alia*, for verifying the suitability of the internal procedures for ensuring the adequate containment of the risks of the Issuer and of the Group, and assisting the Group with the identification and evaluation of the greatest exposures to risk.

The Financial Reporting Manager is attributed the main task of designing, managing and monitoring the processes regarding, in particular, information flows of an administrative-accounting nature, including automatic data processing and accounting systems, also in order to draft – according to the forms required by law and the relevant implementing regulations – the certifications of their adequacy and effective application. First of all, the Financial Reporting Manager is responsible for the Internal Control and Risk Management System regarding financial disclosures and, therefore, for identifying and evaluating the risks regarding financial disclosures, identifying and conducting the necessary controls, targeted at mitigating the possibility of these risks materialising, and monitoring and assessing the effectiveness of the controls within the context of an adequate and functioning internal control and risk management system, in relation to the financial disclosure process.

The Supervisory Body is responsible for the tasks defined within the Organisation, Management and Control Model approved by the Company (indicated in detail in previous paragraph 9.4 of this Report), including that of monitoring the effectiveness of the aforementioned Model targeted at preventing some cases of offence, as well as the opportunity for its updating following changes to the company structure and/or the reference legislation, as well as the tasks assigned to it by the SCIGR Guidelines applicable at the time.

Lastly, the Board of Statutory Auditors conducts autonomous evaluations of the effectiveness and functioning of the Internal Control and Risk Management System, and can formulate, whenever it deems it necessary or appropriate, any recommendations to the competent bodies for the purpose of promoting the strengthening of the Internal Control and Risk Management System. In order to make the control activities more effective, the Board of Statutory Auditors and the Control and Risk Committee promptly exchange information relevant to the performance of their respective duties and all members of the Board of Statutory Auditors are always invited to the meetings of the CCR.

Finally, each of the subjects involved in the Internal Control and Risk Management System are required to meet specific obligations as regards relations and reporting between one another and, ultimately, as regards reporting to the Board of Directors.

## 10.0 DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

In compliance with the provisions of art. 2391-*bis* of the Italian Civil Code and in compliance with the principles dictated by the Consob Related Party Regulation, the Board of Directors adopts rules that ensure the transparency and substantial and procedural correctness of the transactions with related parties carried out by the Company directly or through Subsidiaries, and discloses them in the management report; to this end, it assesses where to seek the assistance of an independent expert, based on the nature, value or characteristics of the transaction. The Board of Statutory Auditors monitors compliance with the rules adopted and reports on them in the annual report to the Shareholders' Meeting.

To this end, LU-VE has adopted the "*Procedure for transactions with related parties*" to regulate the management of transactions concluded by the Issuer and the Group with related parties starting from 2015, on the occasion of its listing on the AIM Italia market. This procedure was subsequently amended before 2017, at the time of the transition of the LU-VE shares to the Euronext Milan market and, subsequently, subject to the favourable opinion expressed by the independent directors, on 29 June 2021, to reflect the loss by LU-VE of the qualification of "Smaller company" and to implement the regulatory changes introduced by Consob to the Consob Related Party Regulation with resolution no. 24624/2020 in implementation of the European directive 2017/828 on shareholder rights ("Shareholders Rights Directive", SHRD 2).

The updated version of the OPC Procedure (available on the Issuer's website [www.luvegroup.com](http://www.luvegroup.com), in the section "*Investor Relations*" - "*Corporate Governance & shareholders*" - "*Codes of conduct & corporate documents*" - "*Corporate procedures*"), which came into force on 1 July 2021, is targeted at identifying the transactions realised with related parties by the Company and/or its Subsidiaries, regulating their preliminary activities and implementation processes, in order to ensure their substantive and procedural correctness of the same, as well as the proper information to the market.

The OPC Procedure identifies "related parties" in subjects defined as such in application of the International Accounting Standards in force at the time of the start of the negotiations, or, in the absence of negotiations, at the time in which the relative decision is taken (the "Related Parties") on a specific transaction and governs the establishment, management and updating of the Register of Related Parties and the Register of Transactions with Related Parties, both to be stored electronically by the Legal and Corporate Affairs function in agreement with the Financial Reporting Manager.

The relevant role and competences – attributed by the Consob Related Party Regulation to committees consisting of a majority of independent directors – are, on the basis of the OPC Procedure, attributed:

- (a) to the Control and Risk Committee with the exclusion of the related party transactions reserved for the competence of the Remuneration and Appointments Committee;
- (b) to the Remuneration and Appointments Committee limited to the "transactions of lesser importance" regarding the remuneration of the directors and of the other Key Management Personnel.

The relevant role and competences – attributed by the Consob Related Party Regulation to committees consisting entirely of independent directors – are, on the basis of the OPC Procedure, attributed to the Independent Committee.

The activities of all three above-mentioned Committees are governed by the BoD and Committees Regulations, are coordinated by their respective Chairman, minutes are taken for the meetings and stored at the Company. The Chairman of the Committee reports to the first possible Board meeting on the main aspects that emerged during the proceedings (for more information on the functioning of the aforementioned Committees, see Section 6 of this Report).

The OPC Procedure separately governs the procedure for examining and approving transactions with related parties, depending on whether they are "transactions of lesser importance" or "transactions of greater importance", which do not fall within any hypothesis of exclusion provided for by the procedure itself, both if carried out directly by the Issuer, and if carried out by a Subsidiary Company. In particular, "transactions of lesser importance" are approved by the competent body (Board of Directors or chief executive officers) only after the release of a non-binding justified opinion by the Control and Risk Committee. The justified opinion is issued by the Remuneration and Appointments Committee, limited to the "transactions of lesser importance", relating to the remuneration of the directors and of the Key Management Personnel.

On the other hand, responsibility for transactions of greater importance are exclusively reserved for the Board of Directors, which decides after receiving the justified favourable opinion of the Independent Committee. The OPC Procedure also provides that right from the start of the negotiation and preliminary appraisal stages of the transaction, the Independent Committee must be assured of receiving a complete, adequate, prompt and updated flow of information on the transaction.

With reference to the publicity framework, the Procedure provides that: (i) on the occasion of the completion of "transactions of greater importance", the Issuer prepares and makes available to the public, an "information document" drawn up and published in compliance with the regulations in force at the time; (ii) if the transaction with related parties is qualified as having a privileged nature, the obligations provided for by Regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014 relating to market abuse as subsequently amended and integrated apply.

In addition, in accordance with the provisions of the Consob Related Party Regulation, the OPC Procedure provides for the waiver of the procedure described above for certain categories of transactions, without prejudice to the disclosure obligations envisaged by the current regulatory provisions. In particular, the following are exempt: (i) minor transactions; (ii) shareholders' meeting resolutions relating to the fees due to members of the Board of Directors and the Executive Committee pursuant to art. 2389, paragraph 1 of the Italian Civil Code, to members of the Board of Statutory Auditors, as well as the resolutions relating to the remuneration of Directors vested with special offices falling within the overall amount previously established by the Shareholders' Meeting pursuant to art. 2389, paragraph 3 of the Italian Civil Code; (iii) the additional resolutions relating to Directors vested with special offices and other key management personnel, on condition that the conditions referred to in art. 13, paragraph 3, letter b) Consob Related Party Regulation are met; (iv) transactions resolved by the Issuer and addressed to all Shareholders at the same conditions; (v) the share-based compensation plans approved by the Shareholders' Meeting pursuant to art. 114-*bis* of the Consolidated Law on Finance and the associated executive transactions; (vi) transactions with one or among Subsidiaries, including joint-venture; (vii) transactions with or among Subsidiaries and

those with associates as long as there are no "significant" interests in the Subsidiaries or associate counterparties in the transaction held by other Company's Related Parties; as well as (viii) ordinary transactions carried out at conditions equivalent to market or standard conditions.

With regard to "minor transactions", the OPC Procedure establishes that reference should be made for their identification to the significance criteria established in Annex 3 to the Consob Related Party Regulation, to which the absolute thresholds indicated below are applied:

(a) significance threshold of counter-value: "minor transactions" are those whose counter-value is individually less than Euro 100,000.00 (one hundred thousand/00) if the Related Party is a natural person, and Euro 250,000.00 (two hundred and fifty thousand/00) if the Related Party is an Entity (i.e. a subject other than a natural person, including, for example, legal persons, private partnerships, unincorporated associations, as well as dedicated assets, trusts, partnerships);

(b) significance threshold of assets: "minor transactions" are those in which the assets of the entity involved in the transaction are individually less than Euro 250,000.00 (two hundred and fifty thousand/00);

(c) significance threshold of liabilities: "minor transactions" are those in which the total liabilities of the company or business unit purchased are individually less than Euro 250,000.00 (two hundred and fifty thousand/00)

If more than one of the above-listed ratios applies to the transaction, the transaction is deemed minor provided that all applicable ratios are below the thresholds established above.

The OPC Procedure also dictates the principles to be followed for transactions with Related Parties carried out by Subsidiaries of the Issuer, providing for the examination of the transaction by the Board of Directors of the supported Issuer, depending on the "of lesser importance" or "of greater importance" type of the transaction, by the Control and Risk Committee or by the Independent Committee, called upon to express an opinion on the transaction (non-binding by the Control and Risk Committee on "transactions of lesser importance", binding by the Independent Committee on "transactions of greater importance").

As regards the activities carried out by the Control and Risk Committee and the Remuneration and Appointments Committee with responsibility for transactions with related parties, please refer to Section 9.2 and Section 8.2 of this Report respectively. With reference to the Independent Committee, please refer to what is illustrated below in this Section.

It should be noted that the Board of Directors did not consider it necessary to adopt specific operating solutions for facilitating the identification and adequate management of situations in which a director is a stakeholder on his own behalf or on behalf of third parties, having evaluated, in this regard, the existing control based on the provisions of art. 2391 of the Italian Civil Code to be adequate ("*Directors' interests*").

#### *Independent Committee*

As mentioned above, in addition to the committees set up and functioning in accordance with the Code, the Board of Directors has set up the Independent Committee in compliance with current legislation on transactions with related parties.



The Committee carries out the tasks that the current OPC Procedure assigns to it in relation to transactions with related parties and in particular, those that the Consob Related Party Regulation assigns to the committee composed exclusively of independent directors.

In particular, within its competences, the Committee carries out, the following tasks:

(a) examines the OPC Procedure and its subsequent amendments, formulating its own reasoned opinion on the matter to the Board of Directors;

(b) examines, evaluating the management process, the operations carried out by the Company, directly or through its Subsidiaries, with its Related Parties, if they qualify as "Transactions of Greater Importance" pursuant to the OPC Procedure, carrying out the activities expressly indicated in the OPC Procedure and issuing motivated binding opinions on the Company's interest in completing the individual transaction, as well as on the convenience and substantial correctness of the related conditions;

(c) examines, before their execution, the disclosure on Transactions of Greater Importance as defined by the OPC Procedure, excluded from the application of the same procedure as Ordinary Transactions concluded at Equivalent to Market or Standard Conditions pursuant to the OPC Procedure;

(d) carries out any additional duties assigned to it by the OPC Procedure or by the Board of Directors in relation to transactions with related parties, as well as any additional duties that the Board should deem to entrust to it within the scope of the Committee's own competences.

The Independent Committee in office at the date of this Report was appointed by the Board of Directors at the Board meeting of 29 June 2021, until the expiry of the current Board mandate (therefore, until the next Shareholders' Meeting scheduled for 28 April 2023, which will be called upon, inter alia, to approve the financial statements as at 31 December 2022). This committee is made up of three independent directors of the Company and specifically by: Stefano Paleari (Chairman), Raffaella Cagliano and Guido Giuseppe Crespi.

It should be noted that there have been no changes in the composition of the Independent Committee as of the end of the year.

No meetings of the Independent Committee were held during the year. also for the current year, no meetings have been planned; the Independent Committee will meet when necessary.

As regards the functioning of the Independent Committee, please refer to Section 6 of this Report.

## 11.0 BOARD OF STATUTORY AUDITORS

### 11.1. APPOINTMENT AND REPLACEMENT

The Issuer's Articles of Association provide for the Board of Statutory Auditors to be composed of 3 (three) standing members and 2 (two) alternate members who meet the requirements of respectability, professionalism, independence and in terms of number of offices held set forth in legislation and regulations pro tempore in force; the statutory auditors are appointed by the Shareholders' Meeting for (3) three financial years; their office expires on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their office and may be re-elected.

The appointment of statutory auditors takes place on the basis of lists, also in order to ensure that minority interests are protected and in compliance with the legislation and regulations in force at the time, on the subject of gender balance.

The methods of presenting lists and appointment and voting proposals are governed by art. 23 of the Articles of Association, in compliance with the applicable legislation and regulations.

Pursuant to the statutory provisions:

- (a) lists may be submitted by Shareholders who, at the time the list is submitted, hold alone or together with others, a share totalling at least 2.5% of the capital or the different shareholding equal to at least the one established by Consob pursuant to art. 147-ter, paragraph 1, of the Consolidated Law on Finance (the share set by Consob executive decision no. 76 of 30 January 2023, corresponds to the 2.5% indicated by the Articles of Association);
- (b) individual shareholders, shareholders subscribing to a shareholders' agreement relating to the Company and of relevance pursuant to art. 122 of the Consolidated Law on Finance, the parent company, subsidiary companies and those subject to common control and other entities between which a direct or indirect association exists pursuant to applicable legislation and regulations in force at the time cannot submit or contribute to the submission, not even through a third party or trust company, of more than one list or vote for different lists;
- (c) each candidate may appear on one list only, otherwise they shall be considered ineligible;
- (d) each list contains the names, indicated by a sequential number, of a number of candidates not exceeding the number of members to be elected;
- (e) the lists are divided into two sections: one for candidates to the office of standing auditor, the other for candidates to the office of alternate auditor. The first of the candidates of each section must be entered in the register of independent auditors and have carried out auditing activity for no less than 3 (three) years. If the other candidates do not meet the requirement established above, they must meet the other requirements of professionalism established by applicable legislation and regulations in force at the time. In the event of failure to comply with the obligations set forth in this paragraph, the list shall be deemed not to have been submitted;
- (f) for the period of application of the legislation and regulations in force at the time on the matter of gender balance, each list that contains – considering both sections present – a number of

candidates equal to or higher than 3 (three) must also include candidates belonging to both genders, so that at least the minimum portion of candidates required by the legislation and regulations in force at the time to the office of standing auditor and at least one candidate to the office of alternate auditor (if the list also includes candidates to the office of alternate auditor) belong to the under-represented gender. In the event of failure to comply with the obligations set forth in this paragraph, the list shall be deemed not to have been submitted;

- (g) lists submitted must be filed at the Company's registered office, also using distance communication means as indicated in the notice of call, and made available to the public in accordance with the time frames and procedures established by legislation and regulations in force at the time, accompanied by information relating to the identity of the Shareholders submitting them, with an indication of the percentage of their shareholding as a whole, proven by a certification issued by an authorised intermediary in accordance with the law, without prejudice to this certification being also submitted after the submission of the lists, provided they are submitted by the deadline set for the publication of lists by the Company, as well as exhaustive information on the personal and professional characteristics of the proposed candidates, their relative declarations and certifications required by the legislation and regulations, in force at the time and by the Articles of Association, and a declaration from the same candidates attesting to their meeting the requirements, including of respectability, professionalism, independence and relative to the number of offices, set out by the legislation and regulations in force at the time and by the current Articles of Association and to their acceptance of the candidature and of the office, if elected. For the list submitted by shareholders who do not hold, individually or jointly, a controlling interest or relative majority, a statement is also required stating the absence of any direct or indirect association, pursuant to applicable legislation and regulations in force at the time. If at the expiry date of the time limit for filing lists only one list has been filed, or only lists submitted by shareholders who are associated with one another pursuant to applicable legislation and regulations in force at the time, lists may be submitted up until the subsequent time limit established by legislation and regulations in force at the time. In this case the shareholding percentage required for submission of lists pursuant to the applicable legislation and regulations is halved.

The Board of Statutory Auditors is elected according to the following statutory provisions:

- (a) from the list that obtained the highest number of votes, 2 (two) standing auditors and 1 (one) alternate auditor are taken, in the sequential order in which they are stated in the appropriate sections of the list;
- (b) the remaining standing auditor and the remaining alternate auditor are taken, on the basis of the sequential order in which they are stated in the appropriate sections of the list, from the list that obtained the second highest number of votes after the list referred to in letter (a) above, votes that must be cast by shareholders who are not in any way associated, either directly or indirectly, pursuant to applicable legislation and regulations in force at the time, with the shareholders who submitted or voted for the list that obtained the highest number of votes.

In the event of a tie between lists, the list submitted by shareholders holding the greater shareholding or, in the alternative, by the highest number of shareholders, shall prevail.

If, after voting has been completed the candidates elected do not ensure that the composition of the Board of Statutory Auditors complies with applicable legislation and regulations in force at the time

on gender balance, the last candidate to the office of standing auditor of the over-represented gender elected in the sequential order in the appropriate section of the list that obtained the highest number of votes shall be excluded and shall be replaced by the first non-elected candidate of the under-represented gender from the same section following the sequential order. If at the end of this replacement procedure, the composition of the Board of Statutory Auditors does not comply with applicable legislation and regulations in force at the time on gender balance, the replacement shall be made by resolution passed by the Shareholders' Meeting by majority vote of those represented, subject to submission of candidatures of persons belonging to the under-represented gender.

If the number of candidates elected on the basis of the lists submitted is lower than the number of statutory auditors to be elected, the remaining statutory auditors shall be elected by the Shareholders' Meeting, deliberating by majority vote of those represented and, in any case, so as to ensure compliance with applicable legislation and regulations in force at the time on gender balance. In the event of a tied vote between a number of candidates, a second ballot shall be held between them through a further shareholders' meeting vote, and the candidate who obtains the highest number of votes shall prevail.

If only one list is submitted, the Shareholders' Meeting casts its vote on said list and, if it obtains the majority of votes represented at the Shareholders' Meeting, all the members of the Board of Statutory Auditors shall be taken from said list in compliance with applicable legislation and regulations in force at the time, also on the matter of gender balance. If no lists are submitted or only one list is submitted and it does not obtain the majority of votes represented at the Shareholders' Meeting or if it is not possible for any reason to appoint the Board of Statutory Auditors in accordance with the procedures established by art. 23 of the Articles of Association, the members of the Board of Statutory Auditors shall be appointed by the Shareholders' Meeting with ordinary procedures and majority vote of those represented, without applying the list voting mechanism, and in any case so as to ensure compliance with applicable legislation and regulations in force at the time on gender balance.

The Chairman of the Board of Statutory Auditors is identified as the standing auditor elected by the minority (that is to say, the list that achieved the second highest number of votes), unless only one list has been voted or no lists have been submitted, in which case the Chairman of the Board of Statutory Auditors will be appointed by the Shareholders' Meeting deliberating by majority vote of those represented.

As regards the **replacement** of the Board of Statutory Auditors, art. 23 of the Articles of Association also sets forth that:

- (a) if during the year a member of the Board of Statutory Auditors taken from the list that obtained the highest number of votes is no longer able to fulfil office, he shall be succeeded, until the next Shareholders' Meeting, by the first alternate auditor taken from the same list. If during the year a member of the Board of Statutory Auditors taken from a list other than the list that obtained the highest number of votes is no longer able to fulfil office, he shall be succeeded, also with functions of Chairman of the Board of Statutory Auditors, until the next Shareholders' Meeting, by the first alternate auditor taken from the same list;
- (b) if the aforesaid mechanism of succession of alternate auditors does not allow compliance with applicable legislation and regulations in force at the time on gender balance, the Shareholders' Meeting must be called as soon as possible to ensure compliance with said legislation;

- (c) if, pursuant to law the Shareholders' Meeting must appoint the statutory auditors required to restore the Board of Statutory Auditors to full membership following termination, the procedure shall take place as follows:
- (i) if it is necessary to replace one or more members of the Board of Statutory Auditors taken from the list that obtained the highest number of votes, the replacement is made by decision of the ordinary Shareholders' Meeting deliberating by majority vote of those represented, without the choice being restricted to components of the lists submitted at the relevant time;
  - (ii) if instead it is necessary to replace the member of the Board of Statutory Auditors taken from a list other than the one that obtained the highest number of votes, the Shareholders' Meeting, by majority vote of those represented, shall select the replacement, if possible, from the candidates stated in the list to which the statutory auditor to be replaced belonged, who provided written confirmation, at least 10 (ten) days before the date set for the Meeting, of their candidature, together with statements relating to the non-existence of causes of ineligibility or forfeiture, as well as the existence of the requirements established by applicable legislation and regulations in force at the time or by the Articles of Association for the office. If this replacement procedure is not possible, the member of the Board of Statutory Auditors shall be replaced by resolution to be passed by the majority vote of those represented in the Shareholders' Meeting, where possible in compliance with minority representation. All of which in compliance with applicable legislation and regulations in force at the time on gender balance.

If the requirements established by legislation and by the Articles of Association are no longer met, the member of the Board of Statutory Auditors shall fall from office.

It should be noted that, as regards the composition of the Board of Statutory Auditors, legislative provisions of the sector other than the specific provisions of the Consolidated Law on Finance are not applicable.

## **11.2. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (pursuant to art. 123-bis, paragraph 2, letters d) and d-bis), of the Consolidated Law on Finance)**

The composition of the Board of Statutory Auditors in office during the Financial Year is reported in Table 4 attached in the appendix of this Report. No changes were made to the composition of the Board of Statutory Auditors from the date of the close of the year until the date of this Report.

The Board of Statutory Auditors composed as so was appointed by the Shareholders' Meeting on 29 April 2020 and shall remain in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ended as at 31 December 2022.

The current Board of Statutory Auditors was elected on the basis of two lists: (i) the list submitted on 3 April 2020 by the majority shareholder Finami S.p.A., holder at the time of presentation of the list of 11,175,159 shares, corresponding to 50.260% of the share capital of LU-VE ( "List no. 1") and (ii) the list submitted on 1 April 2020 by the shareholder Sofia Holding S.r.l., with 670,000 shares, corresponding to 3.013% of the share capital of LU-VE ("List no. 2").

List no. 1 proposed the candidates (1) Paola Mignani, (2) Stefano Beltrame, (3) Ivano Pelassa for the office of standing auditor and the candidates (4) Laura Acquadro and (5) Giancarlo Annibale Ballarati for the office of alternate auditor.

List no. 2 proposed the candidate (1) Simone Cavalli for the office of standing auditor and the candidate (2) Patrizia Paleologo Oriundi for the office of alternate auditor.

After the vote, the following candidates were elected: (1) Simone Cavalli, as Chairman, taken from List no. 2 (minority list); (2) Paola Mignani, as Standing Auditor; (3) Stefano Beltrame, as Standing Auditor; (4) Patrizia Paleologo Oriundi, as Alternate Auditor, taken from List no. 2 (minority list) and (5) Laura Acquadro, as Alternate Auditor.

Against a voting capital corresponding to 17,206,909 ordinary shares representing 77.3888% of share capital, the election of the above-mentioned Statutory Auditors was made with 15,040,147 votes in favour, representing 87.4076% of voting share capital, for the list submitted by shareholder Finami S.p.A. (List no. 1); with 2,151,013 votes in favour, representing 12.5009% of voting share capital for the list submitted by shareholder Sofia Holding S.r.l. (List no. 2) and with 15,749 votes against, representing 0.0915% of voting capital.

The personal and professional characteristics of each standing auditor in office during the Financial Year at the date of this Report is reported below, also pursuant to art. 144-*decies* of the Consob Issuers' Regulation.

• **SIMONE CAVALLI** – *Chairman of the Board of Statutory Auditors*

Simone Cavalli graduated in Economics and Commerce from the University of Bergamo in 1992. He has been enrolled in the Register of Auditors since 2003. He started his professional career with the auditing firm Arthur Andersen S.p.A. (now Deloitte & Touche S.p.A.), at the Milan office, with increasing responsibilities. In 2004, he founded the Studio per il Controllo Contabile – Analisi e valutazioni d'azienda (Study on Auditing – Analysis and company valuation firm), where he currently works as partner, specialising in valuations of companies and company divisions and, in general, providing consulting on topics of administration, finance and control. He is a member of the Board of Statutory Auditors, a member of the Supervisory Body and an external auditor of various companies, including companies whose shares are listed on the Milan Stock Exchange.

• **PAOLA MIGNANI** – *Standing Auditor*

Paola Mignani graduated in Economics and Commerce from the Luigi Bocconi University of Milan in 1989. Since 1991, she has been enrolled in the Register kept at the National Institute of Chartered Accountants and, from 1995, has been listed in the Register of Auditors. She carries out his professional activities in Milan, currently at Wepartner S.p.A., a business advisory services company specialising in valuations of companies and business units, opinions regarding the application of Italian accounting standards and IAS/IFRS, corporate restructuring operations, technical advisory services (in relation to criminal proceedings, civil proceedings and arbitration proceedings) and, in general advisory services in relation to extraordinary transactions. Since 1991, she has been a member of the Board of Statutory Auditors and of the Board of Directors of various companies, including companies whose shares are listed on the Milan Stock Exchange. She is a tutor of *Business Economics* at the Independent University of Languages and Communication, and was previously a tutor at the Luigi Bocconi University.

• **STEFANO BELTRAME** – *Standing Auditor*

Stefano Beltrame, after having graduated in Economics and Commerce at the University of Trento, obtained the title of Chartered Accountant and is listed in the Register kept at the National Institute of Chartered Accountants of Belluno (since 2004). In addition, he has been enrolled in the Register of Auditors since 2003. Over the course of his career, Stefano Beltrame has gained professional expertise in the field of advisory services and assistance in extraordinary business transactions and corporate restructuring operations, such as incorporations and dissolutions of companies, mergers, spin-offs, company transformations, purchase/sales of companies and corporate shareholdings, disposal of share packages in trusts, generational handovers, drafting of estimate appraisals, including certified, for the valuation of companies and business units, contract, corporate and tax advisory services, also with reference to “transfer pricing”, drafting of separate and consolidated financial statements, including of companies in international groups. He also carries out auditing of financial statements and tax due diligence activities. Since 2004, he has been a member of the Board of Statutory Auditors as Chairman, sole statutory auditor or standing auditor, as well as Chairman or member of Supervisory Bodies appointed pursuant to Italian Legislative Decree no. 231/2001, of various companies operating in the industrial and commercial sectors.

The Board of Statutory Auditors met 9 times during the financial year, with the meetings lasting an average of around three hours.

The meetings were regularly and diligently attended by the members of the Board: more specifically, Simone Cavalli (Chairman) 100%, Paola Mignani (Standing Auditor) 100%, Stefano Beltrame (Standing Auditor) 100%.

The Board of Statutory Auditors in office participated, with at least the majority of its members, in all the meetings of the Control and Risk Committee and the Remuneration and Appointments Committee.

For the current financial year and up to 28 April 2023, date scheduled for the Shareholders' Meeting called to deliberate on the appointment of the Board of Statutory Auditors for the 2023-2025 three-year period (until the approval of the 2025 financial statements) five meetings are scheduled, of which three have already been held at the date of this Report.

Also for the purposes of assessing the adequacy of its composition and ensuring its independence and professionalism, the Board of Statutory Auditors conducted self-evaluation activities by each member completing a questionnaire prepared independently, the results of which were then analysed by the board during the meeting on 15 February 2023; in particular, said exercise regarded:

- both subjective profiles (such as, in particular: *(i)* the quantitative composition of the Board of Statutory Auditors, *(ii)* the competences of the Auditors and their knowledge of the sector, *(iii)* their independence, professionalism, reputation and number of offices; *(iv)* their time availability; *(v)* their diversity);

- and the operation of the body (in relation to which the following have been considered: *(i)* the meetings of the Board of Statutory Auditors; *(ii)* the activity carried out by the Chairman; *(iii)* the information flows of the Board of Statutory Auditors, *(iv)* the role of the Board of Statutory Auditors in the Board of Directors and in the internal Board Committees and *(v)* the vigilance, control and inspection activities of the Board of Statutory Auditors).

At overall level the average evaluation has returned positive results, highlighting that both the subjective profiles and the operation of the Board of Statutory Auditors were considered to be adequate.

At the end of the analysis, the Board decided to continue to conduct the Self-Evaluation every six months (rather than annually).

The Board of Statutory Auditors reported about the outcomes of the above mentioned self-evaluation activity to the Board of Directors in the Board meeting of 23 February 2023.

During the same board meeting, the Board of Statutory Auditors also presented to directors its own report drawn up in accordance with the Rule Q.1.6 in relation to "Remuneration" included in the CNDCEC Rules of Conduct, reporting on the activities carried out during its three-year mandate expiring with the approval of the financial statements as at 31 December 2022. This so as to be able to provide the shareholders, who will be called to express an opinion on the renew of the Board of Statutory Auditors on occasion of the next Shareholders' Meeting, a significant indication to support the valuation of the adequacy of the remuneration that will be proposed in favour of the components of the future Board of Statutory Auditors of the Company.

This report will be made available to the public as an attachment to the "Illustrative Report of the Board of Directors on the proposals on the agenda of the Shareholders' Meeting convened in ordinary session and extraordinary session on 28 April 2023 on a single call" prepared by the Board of Directors pursuant to art. 125-ter of the Consolidated Law on Finance and by art. 73 and 84-ter of the Issuers' Regulation, available on the Issuer's website [www.luvegroup.com](http://www.luvegroup.com) (section "Investor Relations", "Shareholders' Meeting Documentation", "Shareholders Meeting of 28 April 2023"), as well as on the authorised storage mechanism eMarket Storage [www.emarketstorage.com](http://www.emarketstorage.com).

## Diversity policies and criteria

In addition to the provisions of the statutory clauses mentioned in Section 11.1 of this Report aimed at ensuring the balance of genders in the composition of the control body, implementing the provisions of art. 123-bis, paragraph 2, letter d-bis) of the Consolidated Law on Finance, the Board of Directors has adopted a policy with regard to diversity in relation to the composition of the Board of Statutory Auditors of LU-VE, with regard to aspects such as the age, gender and educational and professional background (the "Policy").

This Policy is defined in the document "*Diversity policies for members of the corporate bodies of LU-VE S.p.A.*" approved by the Board of Directors in the meeting of 28 February 2020, on proposal of the Remuneration and Appointments Committee shared with the Board of Statutory Auditors, which – with regard to the diversity of the composition of the control body – has prepared its contents taking into account the indications provided arisen from the self-evaluation of the Board of Statutory Auditors. In the meeting of 24 February 2022, on the proposal of the Remuneration and Appointments Committee shared with the Board of Statutory Auditors, the Board of Directors approved an update of the Policy in order to align its content with the principles and recommendations set out in the Corporate Governance Code.

In defining the criteria and the objectives of the Policy, the administration and control bodies of LU-VE considered that the optimal composition of the Board of Statutory Auditors must meet the following criteria:



- (a) at least one Standing Auditor and one Alternate Auditor are auditors entered in the relevant register;
- (b) a balanced combination of different seniority of office and, if possible, different age bands is desirable within the Board of Statutory Auditors so as to allow a balanced combination of experiences and sensitivities;
- (c) the composition of the Board of Statutory Auditors must in any case ensure the gender balance in compliance with the applicable regulatory and statutory provisions applicable at the time, as well as in accordance with the provisions of the Corporate Governance Code, both at the time of appointment and throughout the mandate;
- (d) at least one Standing Auditor should have an adequate experience in listed companies, complex and/or international environments;
- (e) the presence should be ensured of Auditors who, overall, are competent in industrial sectors preferably pertinent to that in which the LU-VE Company and Group operate;
- (f) the presence should be ensured of figures with a managerial and/or professional and/or academic and/or institutional profile such as to realise a combination of competences and experiences that are different from and complementary to each other;
- (g) the Chairman should be a person with authority such as to ensure the adequate performance of the coordination of the work of the Board of Statutory Auditors with any further activities carried out by other subjects involved in the Internal Control and Risk Management System.

In addition to the above mentioned requirements in terms of diversity, the Policy requires all Auditors to ensure sufficient time availability for the accurate and conscientious performance of their tasks, taking into account the number of other offices held in administration and control bodies of other companies (in compliance with the requirements of the law currently in force) and the commitment required of them by other working and professional activities carried out.

The Board of Statutory Auditors verified compliance with the Policy as regards its composition on occasion of the self-evaluation exercise carried out internally and reported its results to the Board of Directors at the meeting on 23 February 2023, confirming to the same Board that the above-indicated criteria are to be considered as fulfilled in terms of the current composition of the Board of Statutory Auditors. The text of the *"Diversity policy for members of the corporate bodies of LU-VE S.p.A."* is available on the Company's website at [www.luvegroup.com](http://www.luvegroup.com), in the section *"Investor Relations" – "Corporate Governance & shareholders" – "Code of conduct & corporate documents" – "Corporate documents"*.

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting on 29 April 2020, and is the first Board of Statutory Auditors to be appointed following the listing of LU-VE shares on the Euronext Milan market: the election of the Board of Statutory Auditors took place through list voting pursuant to the provisions set forth in the applicable legislation and regulations in force at the time on gender balance. Note that, as this was the first renewal of the Board following the listing, the provision referred to in paragraph 304 of Italian Law 160/2019 applied to the Company, which in this case does not prejudice the provision of art. 2 of Italian Law no. 120 of 12 July 2011, which envisages that 1/5 of the members of corporate bodies must belong to the under-represented gender. Moreover, as illustrated in the previous Section 11.1, the Articles of Association

of LU-VE in force on the date of the Shareholders' Meeting of 29 April 2020 envisaged mechanisms that ensure that one third of the members of the Board belong to the under-represented gender. In compliance with the applicable regulation, one third of the members of the current Board of Statutory Auditors belongs to the under-represented gender.

## **Independence**

The Board of Statutory Auditors verified that all its members met the independence requirements, also on the basis of the criteria set out in art. 3.C.1. of the former Corporate Governance Code, at the meeting that took place after their appointment on 29 April 2020, communicating them to the Board of Directors, which notified these to the public by means of press release on the same date. It should be noted that this assessment was carried out before the entry into force of the Corporate Governance Code and therefore prior to the adoption by the Board of Directors of the quantitative and qualitative criteria defined for the assessment of the significance of the circumstances referred to in letters c) and d) of Recommendation 7 of the Corporate Governance Code, which therefore did not apply.

The Board lastly verified, with a positive outcome, the continuation of the independence requirements set out by the law and by the Corporate Governance Code for its members in its own meeting of 15 February 2023 on occasion of the self evaluation activity carried out internally, in compliance with Rule Q.1.1 contained in "Rules of conduct of the Board of Statutory Auditors of listed companies", issued by the Board of Professional Accountants and Auditors updated in April 2018. On this occasion, all the statutory auditors in office were independent pursuant to art. 148, paragraph 3 of the Consolidated Law on Finance, as well as pursuant to the combined provisions of art. 2, Recommendations 9 and 7 of the Corporate Governance Code. To verify that the statutory auditors meet the requirements to qualify as independent directors pursuant to art. 2, Recommendation 7 of the Corporate Governance Code, the quantitative and qualitative criteria adopted by the Board of Directors on the proposal of the Remuneration and Appointments Committee and after hearing the opinion of the Board of Statutory Auditors were also applied, to assess the "significance" of commercial, financial and professional relations, as well as the additional remuneration referred to respectively in letters c) and d) of Recommendation 7 of the Corporate Governance Code (for a description of these criteria, please refer to what is stated for directors in the previous Section 4.7 of this Report).

In line with the provisions of Recommendation 6, in assessing the existence and permanence of these requirements, the Board of Statutory Auditors considered all the information available, including the information that the interested parties provide to the Company under their own responsibility, evaluating all the circumstances that appear to compromise independence identified by the Consolidated Law on Finance and by Recommendation 7 of the Corporate Governance Code.

## **Remuneration**

The remuneration of the Statutory Auditors is commensurate to the competence, professionalism and commitment required by the relevance of the role covered as well as the size and sector-related characteristics of the company and its situation. In setting the remuneration of the Board of Statutory Auditors for the 2022-2024 three-year period, the Shareholders' Meeting of 29 April 2020 also had access to the Report of the Board of Statutory Auditors available to the Board of Directors, which illustrated in detail the activities carried out, the number of meetings, their duration and the time required to carry out the office, to allow shareholders to make an informed decision on the issue.

For information relating to (i) the policy for the remuneration of the members of the Board of Statutory Auditors, as well as (ii) the remuneration paid to Auditors during the Financial Year, please refer to Section I and Section II of the “*Remuneration Report of LU-VE S.p.A. – March 2022*”, published on the Issuer’s website at the address [www.luvegroup.com](http://www.luvegroup.com), in the section “*Investor Relations*” – “*Corporate Governance & shareholders*” – “*Codes of conduct & corporate documents*” – “*Remuneration Policies*”.

## **Interest management**

Pursuant to the SCIGR Guidelines and in compliance with Recommendation 37 of the Corporate Governance Code, each member of the Board of Statutory Auditors who has, on their own behalf or on behalf of third parties, an interest in a given transaction of the Issuer, promptly and fully informs the other statutory auditors and the Chairman of the Board of Directors regarding the nature, terms, origin and scope of his interest.

## **Induction Programme**

During the 2022 financial year, it should be noted that participation in the Board meetings, owing to their contents and frequency, allowed statutory auditors to obtain adequate knowledge of the business sector in which the LU-VE Group operates, the company trends and their developments, the principles of correct risk management as well as the associated reference regulatory framework.

In particular, during the meetings of the Board of Directors that are held at the Company’s administrative headquarters during the financial year, the Statutory Auditors received information and constant insights on each specific sector in which the LU-VE Group carries out its activities, in order to best understand the company trends underlying the business and the relevant developments that have taken place during the financial year.

In addition, the Chairman of the Board of Directors ensured that the Board of Statutory Auditors was able to receive information on the business sector and on the specific risks relating to the Company and to the Group, ensuring that the competent company functions represented the activities in progress and any criticalities to emerge in a comprehensive and accurate manner.

In addition to the above, on 21 December 2022 the members of the Board of Statutory Auditors, together with those of the Board of Directors, received an update on the sustainability scenario from the consultant who supports LU-VE in sustainability activities in whose scope LU-VE is located (in particular in relation to the news on the relevant LU-VE GRI Standards, the benchmark regarding the sustainability activities reported by listed companies, the rules on taxonomy and the Science-based Target Initiative), on the positioning of sustainability for LU-VE, and on the characteristics of a sustainability plan that aspires to be effective and incisive.

The Board of Statutory Auditors, in carrying out its activity, coordinated with the Group CFO, the Legal and Corporate Affairs Manager, the Head of the Internal Audit function, the Control and Risk Committee, the Remuneration and Appointments Committee and with the SB, both through joint meetings and through the participation of the members of one body in the meetings of another body, thus determining the areas of action of each one, in order to optimise the controls and initiatives and guarantee an effective exchange of information.

## 12.0 RELATIONS WITH SHAREHOLDERS

### Access to information

In order to make dialogue with its shareholders easier, the Issuer created an appropriate section called “*Investor Relations*” on its website [www.luvegroup.com](http://www.luvegroup.com), in which it publishes all the necessary financial and corporate information for the community of investors and, more specifically, for Shareholders for the exercising of their rights in a fully-informed manner.

The Company appointed as Investor Relation Officer, responsible for managing relations with shareholders, Mr. Michele Garulli. The reference details that allow contact to be made with the Investor Relations structure (also accessible on-line on the website [www.luvegroup.com](http://www.luvegroup.com), section “*Investor Relations*” - “*Contacts*”) are as follows: telephone 02 967 16.1- fax 02 967 805 60 - e-mail: [investor.relations@luvegroup.com](mailto:investor.relations@luvegroup.com). The Investor Relation Officer, in carrying out his activities, avails himself of the support of the Group CFO and the Group Legal and Corporate Affairs Manager.

It should be noted that the Company complies with the disclosure obligations set forth in the applicable legislation and regulations, with precision and promptness, and has structured its website to make easy for the public to access information regarding the Issuer.

### Dialogue with Shareholders

In compliance with the recommendations of the new Corporate Governance Code (Art. 1, Recommendation 3), at the proposal of the Chairman, in agreement with the Chief Executive Officer and after consulting the Lead Independent Director of the Company, the Board of Directors has approved a “*Policy for the management of dialogue with all Investors and other Stakeholders*”, also taking into account the engagement policies adopted by institutional investors and asset managers (“**Engagement Policy**”).

The Engagement Policy, in the edition last updated by the Board of Directors on 14 November 2022, is published on the Company’s website [www.luvegroup.com](http://www.luvegroup.com), in the “*Investor Relations*” - “*Corporate Governance & Shareholders*” - “*Codes of Conduct & Corporate Documents*” - “*Corporate Procedures*” section.

The Engagement Policy is aimed at establishing and maintaining a constant and continuous relationship with the Shareholders, the other Investors and the other main Stakeholders of the Company, through methods of active listening and dialogue, respectful of the principles of fairness and transparency, as well as that of equal treatment for Shareholders, which help to improve the understanding of mutual perspectives and legitimate interests, strengthen the relationship of trust, through stable and continuous relationships and to raise the level of governance of the Company, with the aim of promoting long-term value creation, in compliance with the Regulations applicable from time to time and international best practices.

The Engagement Policy defines the topics of the dialogue with shareholders and other investors, the parties involved in the management of the dialogue, as well as the methods of conducting and managing the dialogue. It also governs dialogue with Stakeholders other than Shareholders and identifies other channels for managing dialogue with investors.

All dialogue activities carried out by the Company are carried out in full compliance with the regulations applicable from time to time, in particular with regard to disclosure transparency, equal treatment and *Market Abuse*, as well as the procedures and operating rules adopted by the Company and in particular the Corporate Information Procedure to the Market. As a rule, the Dialogue activities governed by the Policy do not take place during the Closing Periods (known as *Black-out Period*), as identified pursuant to the Internal Dealing Procedure. In any case, engagement activities conducive to the participation of the Shareholders in the Shareholders' Meetings of the Company, or relating to public information, are permitted, also during the Closing Period. The Board of Directors is informed on the development and on the significant contents of each Dialogue that has taken place, at the first possible board meeting.

To this end, the Chairman coordinates with the Appointed Director, the Investor Relator and the Secretary.

The Board of Directors monitors and evaluates the implementation of the Policy and its adequacy over time, at least once a year, with the aim of identifying possible areas for improvement of the Policy. The Chairman and the CEO, also separately when not coinciding in the same person, have the right to modify the Policy in response to changes that may occur in the Regulations of reference, applicable from time to time, as well as in the organisational structure of LU-VE. The Board of Directors will be informed of any changes at the first possible meeting.

During the year, the Investor Relation Manager function complied with the provisions of the Policy, periodically informing the Board of Directors about the development of its activities.

## **Dialogue with other significant Stakeholders**

LU-VE also promotes dialogue with other Stakeholders other than Shareholders, considering exchanges with the same an essential function in order to achieve its sustainable growth objectives and for the preparation of its medium and long-term strategic plans, with the aim of generating value for local communities and for all parties along the value chain.

The LU-VE value chain includes numerous Stakeholders, including shareholders, customers, local communities, collaborators, regulatory bodies and other associations, suppliers and trade associations, academic centres and universities.

The Company identifies the Stakeholders to be involved in the “*One-way*” or “*Two-way*” dialogue activities, following a careful assessment of their relevance, taking into account various factors, including jointly, such as for example: openness to dialogue and to engage in constructive and continuous dialogue; reputational factors; potential to influence the Company’s activities and/or to be influenced by the Company’s activities.

Dialogue activities with other Stakeholders are organised in relation to the topics and according to the procedures envisaged for Dialogue with Shareholders, insofar as they are compatible, without prejudice to ordinary interactions with these Stakeholders who contribute on a regular basis to the Company’s value chain.

Therefore, similarly to the Dialogue with Shareholders, the Board of Directors is informed on the development and on the significant contents of each Dialogue with other Stakeholders, within the first useful board meeting.

## Topics subject to Dialogue

The most relevant topics that were the subject of Dialogue and of initiatives adopted in this regard in the 2022 Financial Year are reported below.

Dialogue with Investors and other Stakeholders was conducted taking into account the Engagement Policy, as well as in compliance with the principle of equal information and the applicable regulations for the management and communication of documents and information concerning the Company, with particular reference to inside information and selective disclosure.

The most relevant topics subject of Dialogue are the following:

- Corporate strategy and competitive scenario.
- ESG issues and in particular the impact of natural refrigerants in limiting global warming.
- Market trends in Europe and worldwide.
- Growth opportunities in particular in the North American and Asian markets.
- Group's economic and financial performance in relation to the evolution of the economic cycle.
- "Capital allocation" policies and thus relating to investments, "deleverage" and dividends.
- M&A strategy and integration of the acquired companies.
- Medium-term value creation framework.
- Transfer to the Euronext STAR Milan segment.
- Trading volume and share liquidity.

The Board of Directors was periodically informed of the topics covered by Dialogue by the Appointed Director.

In order to take into account the requests for greater visibility by the Company's shareholders, dialogue with shareholders was intensified and an "Investor Day" was organized on 27 September 2022.

## 13.0 SHAREHOLDERS' MEETING

The Shareholders' Meeting resolves on the matters within its competence pursuant to the applicable legislation. The Articles of Association do not provide for further specific competences. It should be noted that the Articles of Association, pursuant to art. 2365, paragraph 2 of the Italian Civil Code, attributes the Board of Directors with the competence to resolve mergers in the cases set forth in articles 2505 and 2505-*bis* of the Italian Civil Code, the opening and closing of secondary offices, the reduction in share capital in the event of the withdrawal of Shareholders, the adjustment of the Articles of Association in line with the regulatory provisions and the transfer of the company's headquarters within Italy.

Pursuant to art. 11 of the Articles of Association, the shareholders' meetings are called according to the methods and terms prescribed in the currently applicable law and regulations.

As a rule, all directors participate in the Shareholders' Meetings. For the validity of constitution and the resolutions of the Shareholders' Meeting, both ordinary and extraordinary, the applicable legal provisions apply pursuant to art. 11 of the Articles of Association.

With regards to the modification of the Articles of Association, each change must be adopted in observance of the applicable legislative and regulatory principles, with the specification that the Board of Directors is attributed the responsibility to resolve on the matters set forth in art. 2365, paragraph 2 of the Italian Civil Code, including therein adjustments of the Articles of Association into line with the regulatory provisions.

Pursuant to art. 6-*bis* of the Articles of Association, introduced by the Shareholders' Meeting on 30 October 2018, each shareholder has the opportunity to obtain increased voting rights.

In particular, each share will have the right to a double vote when both the following conditions are met: (i) the voting right remains with the same subject as a result of a real legitimate right (full ownership with voting rights, bare ownership with voting rights or usufruct with voting rights) for a continuous period of at least 24 months; (ii) the presence of this condition results from the continuous registration for the same period of time in the special list instituted by the Company (the "Special List"), (iii) the recurrence of the assumption of point (i) is certified in a dedicated communication released in accordance with current regulations by the intermediary on the request of the shareholder.

In compliance with the provisions of art. 6-*bis* of the Articles of Association, the Board of Directors has established the Special List and has identified the person responsible for managing it. The procedures for maintaining the Special List are defined in a specific regulation published on the Company's website [www.luvegroup.com](http://www.luvegroup.com), section "Investor relations" – "Corporate governance & shareholders" – "The group" – "Share capital" – "Increased vote". At the date of this Report, 3,341,271 shares of the 22,234,368 ordinary shares have matured the right to increased voting rights.

In application of the provisions of art. 143-*quater*, paragraph 5 of the Consob Issuers' Regulation, the Company has published the names of shareholders with an interest of over 5% that have obtained increased voting rights in the above-mentioned section of its website. The list of relevant shareholders pursuant to art. 143-*quater* is available on the Company's website [www.luvegroup.com](http://www.luvegroup.com), section "Investor relations" – "Corporate governance & shareholders" – "The group" – "Share capital" – "Increased vote".

The legitimate right to take part in the Shareholders' Meeting and exercise the right to vote is governed by the legislation and regulations currently in force; art. 12 of the Articles of Association envisages that the proxy for representation in the shareholders' meeting may also be notified to the Company electronically, through transmission by certified e-mail in accordance with the procedures stated in the notice of call.

The Articles of Association make no provision for the Shareholders' Meeting to also be held via audio/video-conference, nor with methods of voting electronically or by correspondence. Nevertheless, in accordance with the provisions of art. 106, paragraph 4, of Italian Decree Law no. 18 of 17 March 2020 ( "Cura Italia" – Save Italy Decree) converted, with amendments into Italian Law no. 27 of 24 April 2020 (as lastly amended by Law Decree no. 183/2020 converted with amendments into Law no. 21 of 26 February 2021), for the Shareholders' Meeting held on 29 April 2022 to approve the financial statements as at 31 December 2021, the meeting was conducted solely in the presence of the representative designated by the Company pursuant to art. 135-*undecies* of the Consolidated Law on Finance; the Directors and Statutory Auditors, as well as other legally eligible parties, other than those with voting rights, participated in the Shareholders' Meeting by means of telecommunication that allowed their identification.

For the Shareholders' Meeting called to approve the financial statements as at 31 December 2022, the Board of Directors positively assessed the opportunity to use the same online participation instruments permitted by the regulations in view of the recent extension of the aforementioned regulations.

\* \* \*

During the Financial Year, the shareholders who control the Issuer did not submit to the Shareholders' Meeting any proposals regarding issues on which a specific proposal had not been formulated by the directors.

\* \* \*

With regards to the regulation of the activities of the Shareholders' Meeting, both ordinary and extraordinary, it should be pointed out that, on 10 March 2017, the Shareholders' Meeting adopted the "*Shareholders' Meeting Regulation of LU-VE S.p.A*", in order to guarantee the correct and organised functioning of the meeting and, in particular, the right of each shareholder to take part, follow the debate, express his/her opinion on the matters being discussed and the right to exercise his/her vote. This regulation – published on the website [www.luvegroup.com](http://www.luvegroup.com), section "*Investor Relations*" – "*Corporate Governance & shareholders*" – "*Codes of conduct & corporate documents*" – "*Corporate documents*" – represents an effective tool for guaranteeing the protection of the rights of all Shareholders and the correct establishment of the intent of the Shareholders' Meeting.

The Shareholders' Meeting Regulations specify the procedures for attending and participating in shareholders' meetings, the procedures for verifying the legitimacy to attend the Shareholders' Meeting and access to the meeting's premises, the opening and conduct of the meeting's work, the discussion of the points in the agenda, voting and closing of proceedings.

As dictated by art. 8 of the Shareholders' Meeting Regulation, all those who attend the Shareholders' Meeting are entitled to take the floor on each of the items put up for discussion, by presenting a written request to the Chairman of the Meeting containing an indication of the matter to which the request refers, which may be presented as long as the Chairman of the Meeting has not declared the



discussion closed on the matter to which the request to speak refers. Taking into account the subject matter and importance of individual items on the agenda, when opening the meeting the Chairman of the meeting can specify the period of time – in any event not less than five minutes – allotted to each speaker to complete their speech. Those who have already participated in the discussion can ask to take the floor again in relation to the same topic, after the replies stage has ended.

\* \* \*

During the Financial Year, only one Shareholders' Meeting was held, on 29 April 2022, in which the Board of Directors reported to the shareholders on the activities carried out and planned, by making available the documentation relating to the matters covered by the Shareholders' Meeting and encouraging shareholders to submit questions or to request additions to the items on the agenda. On this occasion, the Board of Directors submitted to the Shareholders' Meeting: (i) the approval of the financial statements at 31 December 2021, the proposals regarding the allocation of the profit for the year and the distribution of the dividend; (ii) the 2022 Remuneration Policy of the LU-VE Group, defined on the proposal of the Remuneration and Appointments Committee, as well as the remuneration paid in 2021, respectively described in Section I and Section II of the Annual Remuneration Report approved by the Board of Directors and making it available to the public in compliance with the terms and procedures established by current legislation; (iii) the renewal of the authorization to purchase and dispose of treasury shares, subject to revocation of the resolution passed on the matter by the Shareholders' Meeting on 27 April 2021.

The Shareholders' Meeting of 29 April 2022 was held in the presence of 11 (eleven) directors out of 12 (twelve) in office (in particular, the Chairman, Iginio Liberali, the Deputy Chairman, Pier Luigi Faggioli, the directors Matteo Liberali, Michele Faggioli, Anna Gervasoni, Stefano Paleari, Laura Oliva, Fabio Liberali, Roberta Pierantoni, Raffaella Cagliano and Guido Giuseppe Crespi were present; Director Marco Claudio Vitale was excused), and the entire Board of Statutory Auditors (the Chairman of the Board of Statutory Auditors, Simone Cavalli, and the standing auditors Paola Mignani and Stefano Beltrame were present). During the Shareholders' Meeting, the Board of Directors endeavoured, also through the publication of the documentation required by the laws and regulations in force, to ensure shareholders adequate information so that they could take, with full knowledge of the facts, the decisions within their competence at the shareholders' meeting. The Chairmen of the Control and Risk Committee and of the Remuneration and Appointments Committee did not take the floor, considering the information already provided to shareholders with the Report on Corporate Governance relating to the year 2021 and with the Remuneration Report (containing the Remuneration Policy relating to the 2022 financial year and the description of the remuneration paid in 2021 in application of the 2020 Remuneration Policy), both published within the terms and in the manner required by current legislation, to be sufficient.

\* \* \*

During the financial year, the Board of Directors did not consider it necessary to draft motivated proposals to be submitted to the Shareholders' Meeting regarding either the choice and characteristics of the corporate model, or the size, composition and appointment of the Board and the term of office of its components, nor to the articulation of the administrative and equity rights of the shares nor to the percentages established for the exercise of the prerogatives set up to protect minority interests, as the current governance system has already been assessed as adequate and appropriate to the needs of the Company.

## **14.0 ADDITIONAL CORPORATE GOVERNANCE PROCEDURES** (pursuant to art. 123-*bis*, paragraph 2, letter a), second part of the Consolidated Law on Finance)

The Company did not adopt any additional corporate governance procedures with respect to those described in this Report.

## 15.0 CHANGES AFTER THE CLOSE OF THE FINANCIAL YEAR

The changes in the Company's governance structure, which occurred after the closing date of the financial year and up to the date of approval of this Report, are reported below.

On 23 January 2023, the Board of Directors, following the death of the late Mr. Iginio Liberali, former Chairman of the Company, resolved to **appoint as Chairman** until the next Shareholders' Meeting Mr. Matteo Liberali, who also holds the position of CEO, without changing the powers already attributed to him.

On 23 February 2023, the Board of Directors: (i) appointed the **General Manager** in the person of Mr. Riccardo Quattrini, with effect from 27 March 2023; (ii) resolved to submit to the Shareholders' Meeting convened for 28 April 2023 amendments to the Articles of Association aimed at providing, inter alia, the introduction in the Articles of Association of the role of **Honorary Chairman** of the Company.

## 16.0 CONSIDERATIONS ON THE LETTER OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The recommendations formulated in the letter of 25 January 2023 by the Chairman of the Corporate Governance Committee, Prof. Lucia Calvosa, were examined by the Board of Directors at the meeting on 23 February 2023, during which observations were formulated in this regard, taking into account the outcomes of the examination of the aforementioned letter, conducted by the Remuneration and Appointments Committee (at the meeting on 9 February 2023) and by the Control and Risk Committee (at the meeting on 10 February 2023), each regarding the matters within their competence.

With reference to the areas for improvement indicated in the letter, the following is noted.

- **Dialogue with shareholders:** with the **first recommendation**, companies are invited: *“(i) to adopt a policy of dialogue with shareholders that also provides for the possibility that this is initiated by investors, defining graded methods and procedures, on the basis of the principle of proportionality, based on the characteristics of the company in terms of size and ownership structure; and (ii) to assess the opportunity to provide information, in its report on corporate governance, on the most significant issues that have been the subject of the dialogue with shareholders and on any initiatives adopted to take into account the indications that have emerged”*. The Board of Directors has instructed the corporate structures to indicate in this Report that the Issuer has adopted a new Engagement Policy in 2022, which provides for the possibility of dialogue being initiated by investors, and to report on the activity carried out (see Section 12.2).
- **Dialogue with other relevant stakeholders:** with the **second recommendation**, companies are invited: *“to provide, in their Corporate Governance Report, adequate information on the criteria and methods used by the management body to promote dialogue with other relevant stakeholders”*. The Board of Directors has instructed the corporate structures to indicate in this Report that the Engagement Policy in force specifically provides for dialogue to be held also with all stakeholders other than shareholders (see Section 12.2).
- **Assignment of management powers to the chairman:** with the **third recommendation**, *“companies whose chairman is assigned significant management powers”* are invited to *“provide, in the Corporate Governance Report, adequate reasons for this choice, even when the chairman is not qualified as CEO”*. The Board of Directors has instructed the corporate structures to indicate in this Report the reasons why the Board of Directors has decided to attribute to the CEO, Mr. Matteo Liberali, also the office of Chairman of the Board of Directors (see Section 4.6).
- **Pre-meeting information:** with the **fourth recommendation**, the management bodies are invited to *“provide for procedures for the management of pre-meeting information that do not contemplate generic exemptions to the timeliness of the information for reasons of data and information confidentiality and to provide, in the corporate governance report, detailed information on any failure to comply with the notice period indicated in the procedures for sending the board documentation, justifying the reasons and illustrating how adequate in-depth analysis was ensured at the board meeting”*. The Board of Directors has instructed the

corporate structures to indicate in this Report how the BoD and Committees Regulation does not provide for such exemptions and how the timeliness and adequacy of the pre-meeting information was the subject of a specific question included in the self-assessment, summarizing the relative results (see Section 7.1).

- **Participation of managers in board meetings:** with the **fifth recommendation**, companies are invited to *“define, in the regulations adopted for the functioning of the administrative body and its committees, the methods by which said bodies may access the competent corporate functions according to the subject matter dealt with, under the coordination of the chairman of the board of directors or the committee, respectively in agreement with or informing the CEO thereof. The Committee also invites companies to provide, in their corporate governance report, information on the actual participation of managers in the meetings of the board and of committees, indicating the functions involved and the frequency of involvement”*. Having noted that the BoD and Committees Regulation governs the aforementioned aspects, the Board of Directors has instructed the corporate structures to include in this Report the information on the participation of management in the activities of the Remuneration and Appointments Committee and of the Control and Risk Committee, respectively (see Sections 8.2 and 9.2). The Board of Directors has reserved the right to evaluate the opportunity for management to participate directly in the meetings of the Board of Directors.
- **Guidelines on optimal composition:** the **sixth recommendation** reiterates *“the importance that the management body, at least in companies other than those with concentrated ownership, provides, in view of its renewal, guidelines on the optimal composition of the body and invites companies to publish these guidelines well in advance, so as to allow those submitting candidates list to take them into account for the purposes of the composition of the list”*. The Board considered that the recommendation does not apply to the Issuer, which is a concentrated ownership company.
- **Criteria for assessing the significance of relationships that may influence the independence of directors:** the **seventh recommendation** reiterates *“the importance of defining in advance and disclosing in the corporate governance report the quantitative parameters and qualitative criteria for assessing the significance of any commercial, financial or professional relationships and any additional remuneration for the purposes of assessing the independence of directors. The Committee invites companies to assess the opportunity to provide quantitative parameters, also defined in monetary terms or as a percentage of the remuneration attributed for the office and for participation in committees recommended by the Code”*. The Board has instructed the corporate structures to indicate in this Report the criteria approved at the board meeting of 21 December 2021 with effect from 1 January 2022 for the assessment of the significance of professional, commercial or financial relationships and of the additional remuneration referred to respectively in letters c) and d) of Recommendation 7 of the Corporate Governance Code (see Sections 4.7 and 11.2). Taking into account its upcoming renewal, the Board in any event reserved the right to verify these criteria at the beginning of the next mandate, taking into account the content of the aforementioned recommendation.

- **Transparency of remuneration policies on the weighting of variable components:** the **eighth recommendation** invites companies *“to include in the remuneration policy of the CEO and of other executive directors an executive summary, in table form, showing the composition of the remuneration package, with an indication of the characteristics and weighting of the fixed, short-term variable and long-term variable components with respect to the total remuneration, at least with reference to the achievement of the target objective of the variable components”*. In this regard, the Board noted that the remuneration policy drawn up for the year 2022 and contained in Section I of the Remuneration Report published last year, contained tables representing the paymix of the CEO and the other executive directors, agreeing with the Remuneration and Appointments Committee on the opportunity to retain this representation also in the new remuneration policy drawn up for the year 2023 that will be submitted to the next Shareholders' Meeting (“2023 Remuneration Policy”).
- **Long-term time frame in remuneration policies:** the **ninth recommendation** invites companies *“to include in their remuneration policies a variable component with a multi-year time frame, in line with the strategic objectives of the company and with the pursuit of sustainable success”*. In this regard, the Board of Directors notes that, on the proposal of the Remuneration and Appointments Committee, at its meeting of 14 March 2023, it approved the guidelines for a new 2023-2025 LTI plan, replacing the 2022-2023 LTI plan, which expired on 31 December 2022, to be adopted subject to the approval of the 2023 Remuneration Policy by the Shareholders' Meeting, which also includes a parameter linked to sustainability objectives; in particular, this parameter is represented by the reduction of Scope 1 and Scope 2 emissions with the same consolidated EBITDA, which encourages the increase in the ratio between consolidated EBITDA and total Scope 1 and Scope 2 emissions, i.e. profitability per emission unit with respect to a reference base value (in this regard, please refer to Section I of the Report on the 2023 remuneration policy and on the remuneration paid in the year 2022 pursuant to art. 123-ter of Italian Legislative Decree no. 58/98, available on the Issuer's website [www.luvegroup.com](http://www.luvegroup.com) , (section *“Investor Relations” - “Shareholders' Meeting Documentation” - “Shareholders' Meeting of 28 April 2023”*), as well as on the authorized storage mechanism eMarket Storage [www.emarketstorage.com](http://www.emarketstorage.com).
- **ESG parameters for the remuneration of directors:** the **tenth recommendation** invites companies *“that provide incentive mechanisms for the CEO and other executive directors linked to sustainability objectives to provide a clear indication of the specific performance objectives to be achieved”*. On the proposal of the Remuneration and Appointments Committee, the Board of Directors approved the 2023 Remuneration Policy at its meeting of 14 March 2023: this policy contains incentive mechanisms for the CEO and other executive directors linked to sustainability objectives, characterized by measurability and which are reported in the Non-Financial Statement.

Within its scope, the Board of Statutory Auditors examined the recommendations made in the cited letter jointly with the Control and Risk Committee at the committee meeting held on 10 February 2023 and with the Remuneration and Appointments Committee at the committee meeting held on 9 February 2023.

Uboldo, 14 March 2023

On behalf of the Board of Directors

The Chairman and Chief Executive Officer

Mr. Matteo Liberali

## TABLES

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURES

SHARE CAPITAL STRUCTURE				
	no. shares	no. voting rights	listed (indicate the markets) / unlisted	rights and obligations
Ordinary shares	22.234.368	25.575.639	listed on the Euronext Milan market managed by Borsa Italiana S.p.A.	as per law and Articles of Association
- of which majority vote	3.341.271	6.682.542	listed on the Euronext Milan market managed by Borsa Italiana S.p.A.	as per law and Articles of Association
Preferential shares	-	-	-	-
Multiple-voting shares	-	-	-	-
Other categories of shares with voting rights	-	-	-	-
Savings shares	-	-	-	-
Convertible savings shares	-	-	-	-
Other categories of shares without voting rights	-	-	-	-
Other	-	-	-	-
SIGNIFICANT SHAREHOLDINGS				
Declarant	Direct	% of share capital held	% of voting capital held	
Matteo Liberali	Finami S.p.A.	45,8210%	50,7944%	
Michele Faggioli	G4 S.r.l.	16,0035%	14,2344%	



**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AT THE CLOSING DATE OF THE FINANCIAL YEAR**

Board of Directors													
Office	Member	Year of birth	Date of first appointment (*)	In office from	In office until	List (presenters) (**)	List (M/m) (***)	Exec.	Non-exec.	Indep. Code	Indep. TUF	No. other offices (****)	Participation (*****)
Vice Chairman	Pier Luigi Faggioli	1936	2014	29.04.2020	Approval of the financial statements as at 31.12.2022	Shareholders	M	x				0	12/12
CEO • ♦	Matteo Liberali	1968	2003	29.04.2020	Approval of the financial statements as at 31.12.2022	Shareholders	M	x				0	12/12
COO	Michele Faggioli	1967	2014	29.04.2020	Approval of the financial statements as at 31.12.2022	Shareholders	M	x				0	12/12
Director	Raffaella Cagliano	1970	2020	29.04.2020	Approval of the financial statements as at 31.12.2022	Shareholders	M		x	x	x	0	9/12
Director	Guido Giuseppe Crespi	1967	2020	29.04.2020	Approval of the financial statements as at 31.12.2022	Shareholders	m		x	x	x	0	11/12
Director	Anna Gervasoni	1961	2017	29.04.2020	Approval of the financial statements as at 31.12.2022	Shareholders	M		x	x	x	2	12/12
Director	Fabio Liberali	1963	2008	29.04.2020	Approval of the financial statements as at 31.12.2022	Shareholders	M		x			0	10/12
Director	Laura Oliva	1968	2017	29.04.2020	Approval of the financial statements as at 31.12.2022	Shareholders	M		x			1	12/12
Director o	Stefano Paleari	1965	2015	29.04.2020	Approval of the financial statements as at 31.12.2022	Shareholders	M		x	x	x	0	12/12
Director	Roberta Pierantoni	1971	2017	29.04.2020	Approval of the financial statements as at 31.12.2022	Shareholders	M		x			1	12/12
Director	Marco Claudio Vitale	1935	1985	29.04.2020	Approval of the financial statements as at 31.12.2022	Shareholders	M		x			1	3/12
<b>DIRECTORS WHO LEFT OFFICE DURING THE REFERENCE YEAR</b>													
Chairman	Iginio Liberali	1931	1985	29.04.2020	22.12.2022	Shareholders	M	x				0	10/12
<b>No. meetings held during the year: 12</b>													
<b>Quorum required for the presentation of lists by minority interests for the election of one or more members (art. 147-ter of the Consolidated Law on Finance): 2.5% of the share capital</b>													
<b>NOTES</b>													
The symbols indicated hereunder must be inserted in the column "Office":													
• This symbol indicates the director in charge of the internal control and risk management system.													
o This symbol indicates the Lead Independent Director (LID).													
(*) Date of first appointment of each director means the date on which the director was appointed for the first time ever to the issuer's Board of Directors.													
(**) This column indicates whether the list from which each director was drawn was submitted by shareholders ("Shareholders") or by the BoD ("BoD").													
(***) This column indicates whether the list from which each statutory auditor was drawn was a "majority" ("M") or a "minority" ("m") list.													
(****) This column indicates the number of offices as director or statutory auditor held by the interested party in other listed companies or large entities. Offices are indicated in full in the Corporate governance report.													
(*****) This column indicates directors' participation in meetings of the BoD (number of meetings the director has attended out of the total meetings they could have attended; e.g. 6/8; 8/8, etc.).													

**TABLE 3: STRUCTURE OF THE BOARD COMMITTEES AT THE CLOSING DATE OF THE FINANCIAL YEAR**

BoD		Control and Risk Committee (***)		Remuneration and Appointments Committee (***)		Independent Committee (***)	
Position/Qualification	Member	(*)	(**)	(*)	(**)	(*)	(**)
Non-executive Director - independent pursuant to the Consolidated Law on Finance and/or the Code	Stefano Paleari	7/7	P	8/8	P	0/0	P
Non-executive Director - independent pursuant to the Consolidated Law on Finance and/or the Code	Raffaella Cagliano					0/0	M
Non-executive Director - independent pursuant to the Consolidated Law on Finance and/or the Code	Guido Giuseppe Crespi					0/0	M
Non-executive Director - independent pursuant to the Consolidated Law on Finance and/or the Code	Anna Gervasoni	7/7	M	8/8	M		
Non-executive director - non-independent	Laura Oliva	7/7	M				
Non-executive director - non-independent	Roberta Pierantoni			8/8	M		
<b>No. meetings held during the year:</b>		<b>7</b>		<b>8</b>		<b>0</b>	
<b>NOTES</b>							
(*) This column indicates directors' participation in committee meetings (number of meetings the director has attended out of the total meetings they could have attended; e.g. 6/8; 8/8, etc.).							
(**) This column indicates the position of the director in the committee: "P": Chairman; "M": member.							
(***) With reference to transactions with related parties, the Control and Risk Committee is responsible with regard to "Transactions of Lesser Importance", The Remuneration and Appointments Committee is responsible with regard to "Transactions of Lesser Importance" relating to the remuneration of directors and of other Key Managers, while the Independent Committee is responsible for "Transactions of Greater Importance".							

**TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT THE CLOSING DATE OF THE FINANCIAL YEAR**

Board of Statutory Auditors									
Office	Member	Year of birth	Date of first appointment (*)	In office from	In office until	List (M/m) (**)	Indep. Code	Participation in meetings of the Board (***)	No. other offices (****)
Chairman	Simone Cavalli	1965	2020	29.04.2020	Approval of the financial statements as at 31.12.2022	m	x	9/9	10
Standing Auditor	Paola Mignani	1966	2017	29.04.2020	Approval of the financial statements as at 31.12.2022	M	x	9/9	16
Standing Auditor	Stefano Beltrame	1973	2014	29.04.2020	Approval of the financial statements as at 31.12.2022	M	x	9/9	13
Alternate Auditor	Laura Acquadro	1967	2020	29.04.2020	Approval of the financial statements as at 31.12.2022	M	x	NA	35
Alternate Auditor	Patrizia Paleologo Oriundi	1957	2020	29.04.2020	Approval of the financial statements as at 31.12.2022	m	x	NA	12
No. meetings held during the reference year: 9									
Quorum required for the presentation of lists by minority interests for the election of one or more members (pursuant to art. 147-ter of the Consolidated Law on Finance): 2.5% of the share									
<b>NOTES</b>									
(*) Date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time ever to the Issuer's Board of Statutory Auditors.									
(**) This column indicates whether the list from which each statutory auditor was drawn was a "majority" ("M") or a "minority" ("m") list.									
(***) This column indicates statutory auditors' participation in meetings of the Board of Statutory Auditors (number of meetings in which the statutory auditor has participated out of the total meetings he could have attended; e.g. 6/8; 8/8 etc.).									
(****) This column indicates the number of offices as director or statutory auditor held by the interested party pursuant to art. 148-bis of the Consolidated Law on Finance (TUF) and the associated implementing provisions contained in the Consob Issuers' Regulation. The full list of offices is published by Consob on its website in accordance with 144-quinquiesdecies of the Consob Issuers' Regulation.									