

LU-VE S.p.A.

Via Vittorio Veneto 11 – 21100 Varese

Economic and Administrative Index no.: VA-191975

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## **ANNUAL REMUNERATION REPORT**

**MARCH 2019**

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## DEFINITIONS

The main definitions regarding the general remuneration policy of LU-VE S.p.A. used in this document, in addition to those indicated in the text, are indicated below.

<b>Executive Directors</b>	The Directors of LU-VE S.p.A. vested with particular roles, to whom specific powers can also be delegated. At the date of this Report, the following persons are Executive Directors of the company: Iginio Liberali (Chairman), Pier Luigi Faggioli (Vice Chairman), Matteo Liberali (CEO) and Michele Faggioli (COO).
<b>Non-Executive Directors</b>	The Directors of LU-VE S.p.A not vested with particular roles. As at date of this Report, the Company's Non-Executive Directors are: Mr Giovanni Cavallini, Mr Michele Garulli, Ms Anna Gervasoni, Mr Fabio Liberali, Ms Laura Oliva, Mr Stefano Paleari, Ms Roberta Pierantoni and Mr Marco Vitale.
<b>Shareholders' Meeting</b>	The Shareholders' Meeting of LU-VE S.p.A.
<b>Shares</b>	The shares of LU-VE S.p.A., listed on the Mercato Telematico Azionario (electronic equity market) organised and managed by Borsa Italiana S.p.A..
<b>CEO</b>	The Chief Executive Officer of LU-VE S.p.A., Mr. Matteo Liberali, appointed by the Board of Directors at the meeting on 13 March 2017.
<b>Corporate Governance Code</b>	The Corporate Governance Code of listed companies prepared by the Corporate Governance Committee, promoted by Borsa Italiana S.p.A. (July 2018 edition).
<b>Board of Statutory Auditors</b>	The "Board of Statutory Auditors" of LU-VE S.p.A..
<b>COO</b>	The Chief Operating Officer of LU-VE S.p.A., Mr. Michele Faggioli, appointed by the Board of Directors at the meeting on 13 March 2017.
<b>Control and Risk Committee</b>	The "Control and Risk Committee" with responsibility for related party transactions of LU-VE S.p.A..
<b>Remuneration and Appointments Committee</b>	The "Remuneration and Appointments Committee" of LU-VE S.p.A..
<b>Board of Directors or BoD</b>	The Board of Directors of LU-VE S.p.A..

<b>Consob</b>	Commissione Nazionale per le Società e la Borsa, the Italian financial markets regulator, with registered office in Rome, via G.B. Martini, no. 3.
<b>Addressees of the Policy</b>	The members of the Board of Directors and of the Board of Statutory Auditors, Key Management Personnel, the Financial Reporting Manager and the Manager of the Internal Audit function.
<b>Key management personnel</b>	The Group executives identified by the Board of Directors who - in compliance with the provisions of Annex 1 to the OPC Regulation - have the power and responsibility, directly or indirectly, for planning, managing and controlling activities of the LU-VE Group. In particular, for the purposes of this Report, the Group Operations Director, the Group Chief Financial Officer, the Group Purchasing Director, the Group R&D and Technical Director and the Sales Director Components are considered Key management personnel.
<b>LTI</b>	Variable medium/long-term component of remuneration, attributed in relation to the office of Executive Director or the employment relationship in place with the Company or the Group, payable on attainment of predefined company objectives.
<b>LU-VE S.p.A. or LU-VE or Company</b>	LU-VE S.p.A., with registered office in Varese, via Vittorio Veneto no. 11, and administrative office in Uboldo (VA), Via Caduti della Liberazione no. 53, Tax Code and VAT no. 01570130128.
<b>LU-VE Group or Group</b>	The group of companies included in the scope of consolidation of LU-VE S.p.A..
<b>MBO</b>	Variable annual component of remuneration, attributed in relation to the office of Executive Director or the employment relationship in place with the company or the Group, payable on attainment of predefined company objectives.
<b>Remuneration Policy or Policy</b>	The policy adopted by LU-VE for 2019 for the remuneration of members of the Board of Directors and Board of Statutory Auditors, as well as Key management personnel.
<b>OPC Procedure</b>	The “Related Party Transactions Procedure”, prepared in accordance with Consob Regulation no. 17221 of 12 March 2010, i.e. the version approved by the LU-VE Board of Directors on 3 May 2017.
<b>Issuers’ Regulation</b>	The regulation implementing Legislative Decree no. 58 of 24 February 1998, concerning the regulation of issuers, adopted by Consob through resolution no. 11971 of 14 May 1999 and subsequent amendments and additions.

<b>OPC Regulation</b>	The regulation adopted by Consob by means of resolution no. 17221 of 12 March 2010, concerning the regulation of related party transactions, as subsequently amended and supplemented.
<b>Report</b>	This “Annual remuneration report” of LU-VE S.p.A..
<b>Gross Annual Remuneration</b>	Variable annual component of remuneration for those with an employment relationship in place with the Company or the Group.
<b>Consolidated Law on Finance or TUF</b>	Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on financial intermediation) and subsequent amendments and additions.

## INTRODUCTION

This Report was approved by the Board of Directors, on the proposal of the Remuneration and Appointments Committee, on 22 March 2019, in compliance with the applicable legislative and regulatory obligations and, in particular, art. 123-ter of the Consolidated Law on Finance and art. 84-quater of the Issuers' Regulation.

The Report outlines:

- in **Section I**, the policy adopted by LU-VE for 2019 for the remuneration of members of the Board of Directors and Board of Statutory Auditors, as well as Key management personnel, and the procedures used for the adoption and implementation of the policy itself;
- in **Section II**, the fees paid in 2018 to the members of the Board of Directors and Board of Statutory Auditors, and Key management personnel, as well as the information on the equity investments held in the Company and in the other Group companies by said parties, as well as by their non-legally separated spouses or by their children, directly or via subsidiaries, or trust companies or third parties.

This Report:

- a) will be filed and made available to the public at the administrative offices and on the web site of the Company at [www.luvegroup.com](http://www.luvegroup.com), in the section "*Investor Relations*" - "*Corporate governance*" - "*Annual Reports*" - "*2019*", as well as on the authorized storage device *eMarket Storage* [www.emarketstorage.com](http://www.emarketstorage.com);
- b) is presented to the Shareholders' Meeting, pursuant to and in accordance with the aforementioned articles 123-ter of the Consolidated Law on Finance and art. 84-quater of the Issuers' Regulation, as well as pursuant to and in accordance with art. 13, paragraph 3, letter b) of the OPC Regulation and art. 8.1, letter c) of the OPC Procedure.

# SECTION I

## 2019 REMUNERATION POLICY

### 1. PURPOSES AND PRINCIPLES OF THE REMUNERATION POLICY

#### 1.1 PURPOSES

The Remuneration Policy is defined in accordance with the governance model adopted by the Company, according to the indications contained in the Corporate Governance Code.

The Remuneration Policy:

- is targeted at adequately valuing the individual contribution of the managers to the Group's growth and development, by creating sustainable value in the medium/long-term;
- constitutes a fundamental element for aligning shareholders' interests with those of management;
- is an essential tool for attracting, motivating and retaining personnel with the professional skills and individual qualities needed to pursue the objectives of the LU-VE Group.

#### 1.2 GENERAL PRINCIPLES

The Remuneration Policy aims to create a remuneration system based on the principles of fairness, quality and proactiveness, a sense of belonging and the recognition of merit.

In defining said policy, LU-VE adheres to the following principles set out in the Corporate Governance Code:

- 1) the non-executive members of the Board of Directors receive a fixed annual fee, commensurate to the commitment required from them; directors members of Board committees or to whom special offices are assigned receive not only a basic fee, but ad hoc compensation for the function performed in said committees or for the performance of the specific roles assigned;
- 2) for executive members of the Board of Directors - other than the Vice Chairman who receives only a fixed fee, given he is not attributed specific powers and responsibilities at LU-VE - and for Key management personnel:
  - (i) remuneration is incentivising and is composed:
    - of a fixed component, commensurate with the powers and responsibilities attributed, and sufficient to remunerate the performance of the director or the key manager in the event in which the variable component was not disbursed as a result of the non-achievement of the performance targets established;
    - of a short-term variable component, defined within the maximum limits and linked to the achievement of given performance targets;

- (ii) the total remuneration, for each type of role, is consistent with respect to the applicable market references for similar roles and in terms of the significance of the competitive panel selected;
  - (iii) the objectives connected with the variable remuneration are predetermined, measurable and defined in such a way as to ensure, through diversified parameters, the remuneration of performance in both the short- and medium/long-term and based on the results achieved;
  - (iv) provision is made for the periodic review of salary packages on the basis of the overall company and personal performances, the potential future development of the individual and the competitiveness and attractiveness of salaries with respect to market values;
  - (v) the fixed and variable short-term components are adjusted in relation to the characteristics of the role covered at the company and the responsibilities attributed, in order to ensure the sustainability of company results and the creation of value for shareholders in the medium/long-term;
  - (vi) benefits are recognised in line with the practices in the reference salary markets, in order to complete and enhance the total salary package, by taking account of the roles and/or responsibilities attributed;
  - (vii) provision is made for incentive mechanisms consistent with the tasks assigned for both the Manager of the Internal Audit function and the Financial Reporting Manager (who is also a Key Manager);
- 3) members of the Board of Statutory Auditors are attributed a fixed fee by the Shareholders' Meeting at the time of their appointment.

### **1.3 SCOPE OF APPLICATION**

The Remuneration Policy establishes the principles and guidelines which the Company adheres to and applies to Directors, Statutory Auditors, Key management personnel, the Financial Reporting Manager and the Manager of the Internal Audit function of LU-VE S.p.A.

The Company's Board of Directors, at the meeting on 13 March 2017, defined the Group Operations Director, the Group Chief Financial Officer (who also covers the role of Financial Reporting Manager), the Group Purchasing Director, the Group R&D and Technical Director and the Sales Director Components as Key management personnel.

The Policy was prepared in line with the contents of the Issuers' Regulation and in consideration of the recommendations regarding remuneration contained in the Corporate Governance Code.

### **1.4 CHANGES WITH RESPECT TO THE PREVIOUS FINANCIAL YEAR**

The Remuneration Policy stated above is consistent with that submitted for the final vote of the Shareholders' Meeting last year, confirming its arrangements, but requiring objectives and distribution of the relative weighting fixed in consideration of specific tasks and responsibilities assigned to each beneficiary for the short-term variable component (MBO) of Executive Directors and Key management personnel.



## 2. CORPORATE BODIES AND INDIVIDUALS INVOLVED

The bodies and entities involved in the definition, adoption and implementation of the Remuneration Policy, consistent with the applicable legislative and statutory provisions and taking account of the recommendations of the Corporate Governance Code are: the Shareholders' Meeting, the Board of Directors, the Remuneration and Appointments Committee, the delegated directors and the Board of Statutory Auditors.

### 2.1 SHAREHOLDERS' MEETING

The Shareholders' Meeting:

- (i) determines the maximum total amounts for the fixed remuneration of all members of the Board of Directors and for the variable remuneration to be allocated to the Executive Directors, at the time of their appointment and for the entire duration of their mandate;
- (ii) determines the fees due to each member of the Board of Statutory Auditors, at the time of their appointment and for the entire duration of their mandate;
- (iii) resolves, by advisory vote, regarding the Remuneration Policy, pursuant to art. 123-ter, paragraph 6 of the Consolidated Law on Finance;
- (iv) receives adequate information regarding the implementation of the Remuneration Policy;
- (v) resolves, where proposed by the Board of Directors, on the remuneration plans based on financial instruments intended for directors, employees and associates, including therein key management personnel, pursuant to art. 114-bis of the Consolidated Law on Finance.

### 2.2 BOARD OF DIRECTORS

The Board of Directors:

- (i) determines, in observance of the maximum total amounts established by the Shareholders' Meeting, on the proposal of the Remuneration and Appointments Committee and based on the prior opinion of the Board of Statutory Auditors:
  - the fixed fees for office attributed to each member of the Board of Directors;
  - the ad hoc fees attributed to members of the Remuneration and Appointments Committee and the Control and Risk Committee, based on the respective commitment, as well as to the Investor Relator;
  - the additional fixed and variable fees attributed to the executive directors;
- (ii) defines, on the proposal of the Remuneration and Appointments Committee, the remuneration policy of the members of the Board of Directors;
- (iii) approves the Remuneration Report, pursuant to art. 123-bis of the TUF (Consolidated Law on Finance);

(iv) where deemed appropriate, prepares, with the help of 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 TUF (Consolidated Law on Finance) and, based on an authorisation of the shareholders' meeting, handles its implementation by availing itself of the Remuneration and Appointments Committee;

(iv) where deemed appropriate, prepares, with the help of the Remuneration and Appointments Committee, the medium/long-term incentive plans and handles their implementation by availing itself of the Remuneration and Appointments Committee;

(vi) establishes the Remuneration and Appointments Committee within the Board itself, in observance of the principles indicated in the Corporate Governance Code.

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

(vii) defines 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;

(viii) approves the general criteria for the remuneration of Key management personnel;

(ix) defines, on the proposal of the director responsible for the internal control and risk management system, and based on the prior favourable opinion of the Control and Risk Committee, as well as having consulted the Board of Statutory Auditors, the structure of the remuneration of the Manager of the Company's Internal Audit function, in accordance with the salary policies of the company.

## **2.3 REMUNERATION AND APPOINTMENTS COMMITTEE**

The Remuneration and Appointments Committee:

(i) formulates proposals to the Board of Directors on the remuneration policy of directors and Key management personnel to be adopted annually by the Company, presenting it in advance to the shareholders' meeting for a non-binding vote pursuant to art. 123-*ter*, paragraph 6, of the Consolidated Law on Finance;

(ii) periodically assesses the adequacy, overall consistency and actual application of the remuneration policy for directors and key management personnel adopted, by availing itself, as regards the latter, of the information provided by the Chief Executive Officer; formulates the relevant proposals to the Board of Directors;

(iii) presents proposals or expresses opinions to the Board of Directors on the remuneration of executive directors and other directors who fulfil particular roles as well as on the establishment of performance targets relating to the variable component of said remuneration;

(iv) monitors the application of the decisions taken by said Board by verifying, in particular, the actual attainment of the performance targets;

(v) 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;

(vi) reports to shareholders on the methods of performance of its functions; to this end, the Chairman of the Remuneration and Appointments Committee or another member of said committee takes part in the annual shareholders' meeting;

(vii) if it considers it necessary or appropriate for the fulfilment of the duties attributed to it, avails itself of independent expert consultants regarding salary policies, in observance of the recommendations formulated in this regard by the Corporate Governance Code.

These functions - attributed by the Board of Directors, taking account of the recommendations of the Corporate Governance Code regarding the remuneration of directors or key management personnel in application criterion 6.C.5 – augment those then attributed regarding the appointment of directors, indicated in detail in paragraph 7.2 of the *“Report on corporate governance and ownership structures”* of LU-VE relating to 2018, published on the Issuer's website at the address [www.luvegroup.com](http://www.luvegroup.com), in the section “Investor Relations” – “Corporate Governance” – “Annual reports” – “2019”.

## **2.4 CEOS**

The CEOs:

(i) present the Remuneration and Appointments Committee with proposed medium/long-term incentive plans, including any plans based on financial instruments or, if applicable, support the Committee in the drafting of said plans;

(ii) prepare and implement, availing themselves of the collaboration of the Group's Human Resources Department: (a) salary policy initiatives for the individual manager, based on the manager's position in the company organisation, professional skills, performances, growth potential, of the market; (b) the incentive systems to which to link the accrual of the annual MBOs of the Key management personnel and other managers.

## **2.5 BOARD OF STATUTORY AUDITORS**

The Board of Statutory Auditors performs an advisory role in relation to which:

(i) it formulates the opinions required by law and the Corporate Governance Code; in particular, it expresses its opinion with reference to the proposed remuneration of the directors vested with special roles, pursuant to art. 2389, paragraph 3, of the Italian Civil Code, as well as the opinion relating to the remuneration of the manager of the Internal Audit function; in expressing the opinions, it verifies the consistency of the proposals formulated by the Remuneration and Appointments Committee to the Board of Directors with the remuneration policy approved;

(ii) participates, through one of its members, in the meetings of the Remuneration and Appointments Committee.

## **2.6 INDEPENDENT EXPERTS**

In preparing the Remuneration Policy, no intervention was requested from independent third party experts.

## **2.7 PROCESS FOR THE DEFINITION AND APPROVAL OF THE REMUNERATION POLICY**

The Remuneration Policy is presented to the Board of Directors for approval annually, on the proposal of the Remuneration and Appointments Committee. In drafting the policy, the Remuneration and Appointments Committee avails itself of the collaboration of the Group Human Resources Department, in order to collect the market data in terms of the practices, policies and benchmarking to be used for a better definition of the Policy itself; where it considers it appropriate, the Remuneration and Appointments Committee involves independent experts on the matter.

The Board of Directors, having examined and approved the Policy, presents it to the Shareholders' Meeting for an advisory vote, pursuant to and in accordance with art. 123-ter of the Consolidated Law on Finance, making it available to the public at least 21 days before the date of the shareholders' meeting.

For the purposes of the preparation of this Policy, the Remuneration and Appointments Committee, in performing its duties, defined its structure and contents at the meetings on 18 February and 18 March 2019; the Policy was then presented to the Board of Directors for approval on 22 March 2019, jointly with approval of the second part of this Report.

## 3. POLICY DESCRIPTION

### 3.1 REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

Pursuant to art. 2389, paragraph 3, of the Italian Civil Code, the Shareholders' Meeting of 10 March 2017 established the total maximum annual amount of fixed remuneration of all Directors at Euro 1,000,000 (one million), including those who are attributed special offices, and the total maximum annual amount of variable remuneration at Euro 1,000,000 (one million), linked to performance indicators, to be attributed to the Directors vested with special roles, bestowing a mandate to the Board of Directors to distribute it between the Directors based on the activities performed for the Company.

At the meeting on 12 April 2017, the Board of Directors resolved to attribute each member of said Board an annual fixed remuneration of Euro 18,000 (eighteen thousand).

#### 3.1.1 *Remuneration of Non-Executive Directors*

The Remuneration Policy adopted by the Company makes provision, in observance of the principles laid down by the Corporate Governance Code, not only for the fixed fee described above, but also the attribution of a fixed fee for the participation in the committees set up within the Board of Directors.

At the meeting on 12 April 2017, the Board of Directors resolved to attribute: (i) an annual fixed fee of Euro 7,000 to the Chairmen of the Remuneration and Appointments Committee and of the Control and Risk Committee; and (ii) an annual fixed fee of Euro 5,000 to each of the other two members of said committees.

An annual fixed fee of Euro 22,000 was attributed to the Director Michele Garulli, who was also assigned the role of Investor Relator.

No variable fees were allocated to the non-executive directors.

#### 3.1.2 *Remuneration of Executive Directors*

The Remuneration Policy also makes provision not only for a fixed fee of Euro 18,000 (eighteen thousand) as above, but the attribution of an additional fee to the Executive Directors, determined in relation to the commitment required of them.

This remuneration, determined by the Board of Directors on the proposal of the Remuneration and Appointments Committee, having consulted the Board of Statutory Auditors, is set within the limits of the total fee established by the shareholders' meeting, both for the fixed and variable components. In defining this remuneration, the Remuneration and Appointments Committee analysed the market benchmark for similar roles in other listed companies in the metalworking sector, with capitalisation comparable to that of LU-VE, and proposed a salary package in line with the market values for similar roles, adhering (except for the Vice Chairman, who was allocated exclusively a fixed fee for the reasons detailed below) to the principles of Corporate Governance Code, so that the fee attributed to the Chairman and the Chief Executive Officers is composed of:

- (i) a fixed component which guarantees an adequate and certain basic remuneration for the activity performed, and which is established on the basis of the role and the activity performed for the Company and the responsibilities attributed;
- (ii) a variable short-term component (“MBO”) linked to the attainment of specific performance targets.

It should be noted that the Company saw fit not to apply the recommendation of the Corporate Governance Code relating to the so-called “claw-back”, laid down in criterion 6.C.1, letter f) (referenced by criterion 6.C.3) which, regarding the remuneration of executive directors or directors vested with special roles (as well as Key management personnel) requires the issuers to make provision for contractual agreements that allow the Company to request the repayment, wholly or partly, of the variable components of remuneration paid (or to retain sums subject to deferment), determined on the basis of figures that later prove to be clearly incorrect. This is based on having deemed that the Company’s right to the repayment of sums unduly received by Executive Directors or Key management personnel in relation to the variable component of their remuneration is sufficiently protected in the general statutory remedial provisions that govern the execution of the contract in the presence of circumstances that have arisen or subsequently came to light (resolution, suspension, compensation, repayment of the undue amount, etc.).

The Vice President of LU-VE, not a recipient of specific powers in the company, was attributed solely a fixed fee by the Board of Directors, taking into account the duties performed by said person in the Issuer, as well as the important operating offices that said person fulfils in other Group companies, for which he receives significant remuneration from said companies.

Equally, the COO, who carries out a sizeable portion of his activities for LU-VE Group companies in which he is the recipient of powers, receives significant remuneration from said companies.

### **3.2 REMUNERATION OF KEY MANAGEMENT PERSONNEL**

The Remuneration of Key management personnel of the company is composed of the following elements:

- a gross annual fixed component (“RAL”) which is defined on the basis of the prechosen positioning with respect to the reference market, the levels of responsibility and complexity managed, as well as the professional skills, experience and growth potential of the individual.

This salary component is adjusted over time, in keeping with the evolution of the market, by evaluating the abilities and professional skills acquired and, mainly, the results achieved and potential developed;

- a short-term gross annual variable component (“MBO”) which can be achieved when predefined company objectives are met, defined in quantitative terms with reference to the role covered in the company (for more details, please refer to the paragraph 3.3 below), to be disbursed without deferment of the sums accrued.

For the same reasons outlined in paragraph 3.1.2, the Company also saw fit not to apply the recommendation of the Corporate Governance Code relating to the so-called “claw-back” for Key

management personnel; therefore, the variable components of the remuneration of the Key management personnel are not subject to the application, at contractual level, of so-called “claw-back” clauses.

Also for Key management personnel, the fixed component of the remuneration remunerates the role covered in terms of the scope of the responsibilities and the business impact, reflecting the experience, skills and expertise required for each position, as well as the overall quality of the contribution to the business results.

The variable component of the remuneration is targeted at recognising the results achieved by management, establishing a link between fees and performance. The incentives reward the attainment of objectives, in terms of both quantity and quality, by defining the payment of variable bonus. Maximum limits are established on the annual variable component of the remuneration linked to systems of a monetary nature (MBO).

### *3.2.1 Remuneration of the Manager responsible for preparing the company's financial reports (Financial Reporting Manager)*

The remuneration of the Financial reporting manager is determined, in observance of the aforementioned guidelines laid down for the remuneration of Key management personnel, consistently with the duties assigned to him and is based on the approach to the attribution and determination of remuneration applied for Key management personnel.

## **3.3 SHORT-TERM INCENTIVES: THE ANNUAL VARIABLE COMPONENT (MBO)**

The MBO incentive represents the annual variable component of the remuneration of the Executive Directors and of the Key management personnel (also including the Financial Reporting Manager), which can be achieved on attainment of predefined annual company objectives, both quantitative and qualitative, and individual/qualitative (and therefore linked to the qualitative assessment of individual performance).

The Remuneration Policy both for Executive Directors and for Key management personnel requires the main quantitative objectives to be linked to a performance scale, with a minimum objective, below which the Company does not pay any remuneration component, and with a maximum objective, above which the Company will always pay the maximum amount established.

Taking into account the tasks and responsibilities assigned to each beneficiary, the quantitative MBO objectives established for Executive Directors are represented by:

- for the Chairman
  - consolidated EBITDA (weight 50%);
  - Consolidated product turnover (weight 20%);
  - Net financial position, based on a scope consistent with that at the date of this Report (weight 15%).
  - EBITDA of the subsidiary TGD S.p.A. (weight 15%);
  
- for the CEO

- consolidated EBITDA (weight 50%);
- Consolidated product turnover (weight 25%);
- Net financial position, based on a scope consistent with that at the date of this Report (weight 20%).

The remaining 5% of the short-term variable component of the CEO is tied to the attainment of qualitative targets, connected to the Group's activities and projects in progress during 2019.

- for the COO

- consolidated EBITDA (weight 50%);
- Consolidated product turnover (weight 20%);
- EBITDA (weight 10%);

The remaining 20% of the short-term variable component of the COO is tied to the attainment of qualitative targets, connected to the Group's activities and projects in progress during 2019.

The weight of the MBO (expressed in percentage terms) linked to the short-term results with respect to the gross annual fixed component approved by the Board of Directors, on the proposal of the Remuneration and Appointments Committee, and having consulted the Board of Statutory Auditors, is equal to a maximum of 126% for the Chairman, and up to a maximum of 138% for the CEO and 121% for the COO.

The MBO objectives set for the Key management personnel are structured in a way whereby each manager will receive a share, equal to one-fifth of the amount that can be paid out, linked to consolidated EBITDA. A mix of both quantitative and qualitative objectives is then defined, diversified in relation to the role and function performed by each of the Key management personnel, aimed at incentivising, where applicable, the observance of the structure costs that can be controlled by each of the managers TBD.

For Key management personnel, the weight of the MBO (expressed in percentage terms) with respect to the Gross Annual Salary is included between a minimum of 16.4% and a maximum of 30.8%.

### **3.4 MEDIUM/LONG TERM INCENTIVES**

As at date of this Report, the Company has not adopted a medium/long-term incentive plan for its Executive Directors and Key management personnel.

The opportunity to develop an incentive plan for a medium/long-term variable component of the remuneration of Executive Directors and of Key management personnel was the object of examination by the Board of Directors, on the basis of the considerations expressed by the Remuneration and Appointment Committee, most recently in the meeting of 22 March 2019.

With regard to this, it was observed that the following events occurred during 2018: (i) a mechanism for the uniform valuation of all the Group's companies in the areas of environment and accidents at work was introduced and the fact that such themes should be fully considered in a medium/long-term monetary incentive plan aimed at the Group's top Management was discussed;



(ii) in October of last year the Shareholders' Meetings decided to introduce into the Company's articles of association, as from 1 January 2019, "Loyalty Shares", a provision of art. 127-*quinquies* of TUF which tends to recognise *ante litteram* an incentive to long-term shareholders; this will also benefit executive directors as shareholders of LU-VE S.p.A (indirectly through Finami S.p.A and G4 S.r.l.); (iii) on 12 December 2018 the Company signed an agreement with the Alfa Laval Group for the acquisition of their "Air" division, active in the production and marketing of industrial and commercial ventilated heat exchangers and with headquarters in Alonte (Vicenza), which in the 12 months to 30 June 2018 recorded revenues of around € 97.8 million, with an EBITDA of € 7.5 million and an EBIT of € 6.4 million; this will lead to a significant change in the LU-VE Group's size and therefore also to its organisational structure.

The changes in the scope of the Group's activities (with the consequent need to assess the assignment of new organisational functions and the redefinition of some of the roles of top managers, taking into account a suitable assessment period) have led to a process of reflection that has not yet been concluded with regard to the definition of the long-term objectives that must be defined in line with the medium/long term plan, in particular taking into account the operation of consolidation.

On the basis of the above-mentioned considerations and of those of the previous year, the Board of Directors has therefore decided to postpone the assessment relating to the adoption of a medium/long-term incentive plan aimed at the Group's top management and the possible elaboration of its content to the current financial year.

The proposal for this plan may include, among other things: (i) beneficiaries accruing a medium/long-term incentive in reaching determined economic, equitable, financial and efficiency performance targets for the Company and/or the LU-VE Group overall, (ii) amounts of this incentive being subject to a partial deferment.

### **3.5 NON-MONETARY BENEFITS**

With the objective of ensuring an overall remuneration offer which is as competitive and aligned to best practices as possible, the salary package of the Chief Executive Officers and Key management personnel is completed with non-monetary benefits (e.g. company car), with the goal of supplementing the salary package components in kind consistent with the status of the beneficiary, as well as forms of supplementary insurance with the aim, broadly speaking, of protecting the beneficiary's well-being. In addition to insurance cover for life, permanent disability from illness and accidents, including non-professional, the company offers subscription to a fund for the reimbursement of supplementary healthcare costs, which augments that envisaged by FASI (Supplementary Healthcare Assistance Fund for managers of companies that produce goods and services).

In line with the best practice, a policy was also stipulated to cover the third party civil liability of company bodies (including the Board of Statutory Auditors), Key management personnel, executives and senior managers (so-called D&O - Directors&Officers Liability). This is in order to indemnify the persons referred to above from the expenses deriving from the performance of their respective functions (excluding cases of wilful misconduct and gross negligence) for compensation of damages.

### **3.6 INDEMNITY IN CASE OF TERMINATION OF OFFICE OR TERMINATION OF THE EMPLOYMENT RELATIONSHIP**

As at the date of this Report, no provision is made for any indemnity in the case of the termination of office of Executive Directors, or in the event of the termination of the employment relationship with Key management personnel.

### **3.7 REMUNERATION OF MEMBERS OF THE STATUTORY AUDITORS' COMMITTEE**

In respect of the statutory provisions, the remuneration of the standing members of the Board of Statutory Auditors is determined by the Shareholders' Meeting.

The Shareholders' Meeting of 10 March 2017 established, for the 2017-2019 three-year period, the fee of the Chairman of the Board of Statutory Auditors at Euro 45,000 per annum, and the fee for each Standing Auditor at Euro 30,000 per annum.

### **3.8 REMUNERATION OF THE MANAGER OF THE INTERNAL AUDIT FUNCTION**

The remuneration of the Manager of the Internal Audit function is composed of a fixed component and a short-term variable component (MBO), consistently with the functions assigned by the Board of Directors, on the proposal of the Director responsible for the Internal Control and Risk Management System, and based on the prior favourable opinion of the Control and Risk Committee, and having consulted the Board of Statutory Auditors.

The procedures for attributing and determining the short-term variable component are identified in observance of the general principles set out in the Remuneration Policy.

**SECTION II**  
**FEES PAID IN 2018 AND OTHER INFORMATION**

TABLE 1 – ANNEX 3A, TABLE 7-BIS ISSUERS' REGULATION  
FEES PAID TO MEMBERS OF THE ADMINISTRATION AND CONTROL BODIES, TO GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

## 1. FEES PAID IN 2018 AND OTHER INFORMATION

Information on the fees paid in the year ended as at 31 December 2018 to Directors, Statutory Auditors and Other Key management personnel is provided below.

Nome e cognome	Carica	Periodo per cui è stata ricoperta la carica	Scadenza della carica	Compensi fissi (Euro)	Compensi per la partecipazione a comitati (Euro)	Compensi variabili non equity (Euro)		Benefici non monetari (Euro)	Altri compensi (Euro)	Totale (Euro)	Fair value dei compensi equity (Euro)	Indennità di fine carica o di cessazione del rapporto di lavoro (Euro)
						Bonus e altri incentivi	Partecipazione agli utili					
<b>Iginio Liberali</b>	<b>Presidente esecutivo</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				232.000 <sup>(1)</sup>		269.675				501.674		
(II) Compensi da collegate e controllate				18.000						18.000		
(III) Totale				<u>250.000</u>		<u>269.675</u>				<u>519.675</u>		
<b>Pierluigi Faggioli</b>	<b>Vice Presidente</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				30.000 <sup>(2)</sup>						29.998		
(II) Compensi da collegate e controllate				185.000		269.675		3.693		458.368		
(III) Totale				<u>215.000</u>		<u>269.675</u>		<u>3.693</u>		<u>488.368</u>		
<b>Matteo Liberali</b>	<b>Amministratore Delegato CEO</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				315.000 <sup>(3)</sup>		402.500		6.103		723.600		
(II) Compensi da collegate e controllate				44.000						44.000		
(III) Totale				<u>359.000</u>		<u>402.500</u>		<u>6.103</u>		<u>767.600</u>		
<b>Michele Faggioli</b>	<b>Amministratore Delegato COO</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				205.000 <sup>(4)</sup>		230.000				434.996		
(II) Compensi da collegate e controllate				115.000		172.500		9.826		297.326		
(III) Totale				<u>320.000</u>		<u>402.500</u>		<u>9.826</u>		<u>732.322</u>		

TABLE 1 – ANNEX 3A, TABLE 7-BIS ISSUERS' REGULATION  
FEES PAID TO MEMBERS OF THE ADMINISTRATION AND CONTROL BODIES, TO GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

Nome e cognome	Carica	Periodo per cui è stata ricoperta la carica	Scadenza della carica	Compensi fissi (Euro)	Compensi per la partecipazione a comitati (Euro)	Compensi variabili non equity (Euro)		Benefici non monetari (Euro)	Altri compensi (Euro)	Totale (Euro)	Fair value dei compensi equity (Euro)	Indennità di fine carica o di cessazione del rapporto di lavoro (Euro)
						Bonus e altri incentivi	Partecipazione agli utili					
<b>Attilio Arietti</b>	<b>Consigliere</b>	1/1/2018-14/05/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				5.769						5.769		
(II) Compensi da collegate e controllate										-		
(III) Totale				<u>5.769</u>						<u>5.769</u>		
<b>Giovanni Cavallini</b>	<b>Consigliere</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				18.000						18.000		
(II) Compensi da collegate e controllate										-		
(III) Totale				<u>18.000</u>						<u>18.000</u>		
<b>Michele Garulli</b>	<b>Consigliere</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				40.000 <sup>(5)</sup>	5.000					44.995		
(II) Compensi da collegate e controllate										-		
(III) Totale				<u>40.000</u>	<u>5.000</u>					<u>44.995</u>		
<b>Anna Gervasoni</b>	<b>Consigliere</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				18.000	10.000					28.000		
(II) Compensi da collegate e controllate										-		
(III) Totale				<u>18.000</u>	<u>10.000</u>					<u>28.000</u>		
<b>Laura Oliva</b>	<b>Consigliere</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				18.000						18.000		
(II) Compensi da collegate e controllate										-		
(III) Totale				<u>18.000</u>						<u>18.000</u>		

TABLE 1 – ANNEX 3A, TABLE 7-BIS ISSUERS' REGULATION  
FEES PAID TO MEMBERS OF THE ADMINISTRATION AND CONTROL BODIES, TO GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

Nome e cognome	Carica	Periodo per cui è stata ricoperta la carica	Scadenza della carica	Compensi fissi (Euro)	Compensi per la partecipazione a comitati (Euro)	Compensi variabili non equity (Euro)		Benefici non monetari (Euro)	Altri compensi (Euro)	Totale (Euro)	Fair value dei compensi equity (Euro)	Indennità di fine carica o di cessazione del rapporto di lavoro (Euro)
						Bonus e altri incentivi	Partecipazione agli utili					
<b>Fabio Liberali</b>	<b>Consigliere</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				129.894 <sup>(6)</sup>				4.851		134.738		
(II) Compensi da collegate e controllate										-		
(III) Totale				<u>129.894</u>				<u>4.851</u>	-	<u>134.738</u>		
<b>Stefano Paleari</b>	<b>Consigliere</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				18.000	14.000					32.000		
(II) Compensi da collegate e controllate										-		
(III) Totale				<u>18.000</u>	<u>14.000</u>					<u>32.000</u>		
<b>Roberta Pierantoni</b>	<b>Consigliere</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				18.000	5.000					23.000		
(II) Compensi da collegate e controllate										-		
(III) Totale				<u>18.000</u>	<u>5.000</u>					<u>23.000</u>		
<b>Marco Vitale</b>	<b>Consigliere</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				18.000						18.000		
(II) Compensi da collegate e controllate										-		
(III) Totale				<u>18.000</u>						<u>18.000</u>		
<b>Paola Mignani</b>	<b>Presidente Collegio Sindacale</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				45.000						45.000		
(II) Compensi da collegate e controllate										-		
(III) Totale				<u>45.000</u>						<u>45.000</u>		

TABLE 1 – ANNEX 3A, TABLE 7-BIS ISSUERS' REGULATION  
FEES PAID TO MEMBERS OF THE ADMINISTRATION AND CONTROL BODIES, TO GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

Nome e cognome	Carica	Periodo per cui è stata ricoperta la carica	Scadenza della carica	Compensi fissi (Euro)	Compensi per la partecipazione a comitati (Euro)	Compensi variabili non equity (Euro)		Benefici non monetari (Euro)	Altri compensi (Euro)	Totale (Euro)	Fair value dei compensi equity (Euro)	Indennità di fine carica o di cessazione del rapporto di lavoro (Euro)
						Bonus e altri incentivi	Partecipazione agli utili					
<b>Stefano Beltrame</b>	<b>Sindaco Effettivo</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				30.000						30.000		
(II) Compensi da collegate e controllate				25.833						25.833		
(III) Totale				<u>55.833</u>						<u>55.833</u>		
<b>Ivano Pelassa</b>	<b>Sindaco Effettivo</b>	1/1/2018-31/12/2018	Approvazione bilancio 2019									
(I) Compensi nella società che redige il bilancio				30.000						30.000		
(II) Compensi da collegate e controllate										-		
(III) Totale				<u>30.000</u>						<u>30.000</u>		
<b>Dirigenti con responsabilità strategiche (n. 5)</b>												
(I) Compensi nella società che redige il bilancio				503.520		117.700		28.781		650.001		
(II) Compensi da collegate e controllate				178.797		46.080		5.804		230.681		
(III) Totale				<u>682.317</u>		<u>163.780</u>		<u>34.585</u>		<u>880.683</u>		

- (1) di cui Euro 18.000 come consigliere, ed Euro 214.000 per la carica di Presidente del Consiglio di Amministrazione
- (2) di cui Euro 18.000 come consigliere, ed Euro 12.000 per la carica di Vice-Presidente del Consiglio di Amministrazione
- (3) di cui Euro 18.000 come consigliere, ed Euro 297.000 per la carica di Amministratore Delegato CEO
- (4) di cui Euro 18.000 come consigliere, ed Euro 187.000 per la carica di Amministratore Delegato COO
- (5) di cui Euro 18.000 come consigliere, ed Euro 22.000 per l'incarico di Investor Relator
- (6) di cui Euro 18.000 come consigliere, ed Euro 111.893,86 in virtù del rapporto di lavoro dipendente in essere con LU-VE S.p.A.

TABLE 3B – ANNEX 3A, TABLE 7-BIS ISSUERS' REGULATION  
 CASH INCENTIVE PLANS IN FAVOUR OF MEMBERS OF THE ADMINISTRATIVE BODY, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

## 2. CASH INCENTIVE PLANS IN FAVOUR OF MEMBERS OF THE ADMINISTRATIVE BODY, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

The Table below shows the cash incentive plans recognised in the year ended as at 31 December 2018 to members of the administrative body and other Key management personnel.

Nome e cognome	Carica	Piano	Bonus dell'anno			Bonus di anni precedenti			Altri Bonus
			Erogabili/ Erogato	Differito	Periodo di differimento	Non più erogabili	Erogabili/ Erogato	Ancora Differiti	
<b>Iginio Liberali</b>	Presidente del Consiglio di Amministrazione								
(I) Compensi nella società che redige il bilancio		Piano MBO 2018	269.675						
(II) Compensi da controllate e collegate									
(III) Totale			<u>269.675</u>						
<b>Pier Luigi Faggioli</b>	Vicepresidente del Consiglio di Amministrazione								
(I) Compensi nella società che redige il bilancio									
(II) Compensi da controllate e collegate		Piano MBO 2018	269.675						
(III) Totale			<u>269.675</u>						



TABLE 3B – ANNEX 3A, TABLE 7-BIS ISSUERS' REGULATION  
 CASH INCENTIVE PLANS IN FAVOUR OF MEMBERS OF THE ADMINISTRATIVE BODY, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

Nome e cognome	Carica	Piano	Bonus dell'anno			Bonus di anni precedenti			Altri Bonus
			Erogabili/ Erogato	Differito	Periodo di differimento	Non più erogabili	Erogabili/ Erogato	Ancora Differiti	
<b>Matteo Liberali</b>	Amministratore Delegato CEO								
(I) Compensi nella società che redige il bilancio		Piano MBO 2018	402.500						
(II) Compensi da controllate e collegate									
(III) Totale			<u>402.500</u>						
<b>Michele Faggioli</b>	Amministratore Delegato COO								
(I) Compensi nella società che redige il bilancio		Piano MBO 2018	230.000						
(II) Compensi da controllate e collegate		Piano MBO 2018	172.500						
(III) Totale			<u>402.500</u>						
<b>Dirigenti con responsabilità strategiche (n. 5)</b>									
(I) Compensi nella società che redige il bilancio		Piano MBO 2018	117.700						
(II) Compensi da collegate e controllate		Piano MBO 2018	46.080						
(III) Totale			<u>163.780</u>						

### 3. EQUITY SHAREHOLDINGS HELD AS AT 31 DECEMBER 2018

The Table below indicates the equity investments held in the period 31 December 2017 - 31 December 2018 in LU-VE S.p.A and in its subsidiaries as at 31 December 2018, by Directors, Statutory Auditors and Other Key management personnel of the Company, as well as by their non-legally separated spouses, and underage children, directly or via subsidiaries, trust companies or third parties, reported in the shareholders' register, the communications received and other information acquired. <sup>1</sup>

Cognome e nome	Carica	Società partecipata	Numero delle azioni possedute alla fine dell'esercizio precedente	Numero azioni acquistate	Numero azioni vendute	Numero azioni possedute alla fine dell'esercizio in corso
<b>Iginio Liberali</b>	Presidente	LU-VE S.p.A.	-	32.218	-	32.218
<b>Pierluigi Faggioli</b>	Vice Presidente	LU-VE S.p.A.	-	5.000	-	5.000
<b>Matteo Liberali</b>	Amministratore Delegato	LU-VE S.p.A.	-	11.176.159 <sup>(1)</sup>	-	11.176.159
<b>Giovanni Cavallini</b>	Consigliere	LU-VE S.p.A.	782.532 <sup>(2)</sup>	-	-	782.532
<b>Dirigenti con responsabilità strategiche (n. 5)</b>	-	LU-VE S.p.A.	1.950	-	-	1.950

(1) Di cui: (i) n. 11.135.035 (già detenute da Finami S.p.A. alla data del 31.12.2017) sono pervenute a Matteo Liberali in data 9.02.2018, come comunicato al mercato in data 16.02.2018, a seguito dell'acquisizione da parte dello stesso del controllo di Finami S.p.A. (oggetto di comunicazione ex art 120 TUF in data 15.02.2018); (ii) n. 40.124 sono state acquistate nel corso dell'esercizio indirettamente, per il tramite di Finami S.p.A.; e (iii) n. 1.000 sono state acquistate dalla figlia a carico Eliana Liberali.

(2) Detenute in parte direttamente e in parte indirettamente attraverso Giober S.r.l., di cui Giovanni Cavallini detiene il 50% ed è amministratore unico.

<sup>1</sup> It should be noted that Mr Attilio Arietti, who resigned from the position of director of LU-VE on 14 May 2018, on the date of his resignation held 448,680 ordinary shares in the Company, already held as at 31 December 2017.