

LU-VE S.p.A.

Via Vittorio Veneto 11 – 21100 Varese

Economic and Administrative Index no.: VA-191975

Tax Code: 01570130128



**BOARD OF DIRECTORS' EXPLANATORY REPORT ON THE PROPOSALS ON THE AGENDA OF THE
ORDINARY SHAREHOLDERS' MEETING CONVENED ON A SINGLE CALL ON 29 APRIL 2020**

(Report prepared pursuant to art. 125-ter of the Consolidated Law on Finance and articles 73 and 84-ter of the Issuers' Regulation)

Dear Shareholders,

In compliance with art. 125-ter of Italian Legislative Decree no. 58 of 24 February 1998 (the “**Consolidated Law on Finance**”), LU-VE S.p.A. (the “**Company**” or “**Issuer**”) makes an explanatory report (the “**Explanatory Report**”) available to you. The report refers to matters on the agenda of the ordinary Shareholders' Meeting - called by notice published on 20 March 2020 on the Company's web site (www.luvegroup.com, in the section “*Investor Relations*” - “*Shareholders' Meeting documentation*” - “*Shareholders' Meeting of 29 April 2020*”) and on the authorized storage device eMarket Storage www.emarketstorage.com, as well as by abstract, on 21 March 2020, in the daily newspaper “Milano Finanza” - to be held on single call at the Studio Notarile Marchetti, in Milan, Via Agnello no. 18, **at 14.30 on 29 April 2020** (the “**Shareholders' Meeting**”).

The **agenda** for the aforementioned Shareholders' Meeting is as follows:

1. *Annual Financial Report as at 31 December 2019:*
 - 1.1 *presentation of the Financial Statements as at 31 December 2019, the Director's Report, the Report by the Board of Statutory Auditors, the Independent Auditors' Report and the Report by the Financial Reporting Officer. Related and contingent resolutions;*
 - 1.2 *proposal for allocation of the profit for the year and distribution of the dividend. Related and contingent resolutions.*
2. *Annual Report on the remuneration and compensation policy:*
 - 2.1 *approval of the “2020 Remuneration Policy” in Section I, pursuant to art. 123-ter, paragraph 3-bis of Italian Legislative Decree 58/98;*
 - 2.2 *advisory vote on the “Remuneration paid in the 2019 financial year” reported in Section II, pursuant to art. 123-ter, paragraph 6 of Italian Legislative Decree 58/98.*
3. *Appointment of the Board of Directors*
 - 3.1 *determination of the number of members. Related and contingent resolutions;*
 - 3.2 *determination of the duration of the mandate. Related and contingent resolutions;*
 - 3.3 *appointment of the Directors and of the Chairman of the Board of Directors. Related and contingent resolutions;*
 - 3.4 *determination of remuneration; Related and contingent resolutions.*
4. *Appointment of the Board of Statutory Auditors for the 2020/2022 three-year period:*
 - 4.1 *appointment of the Statutory Auditors and of the Chairman of the Board of Statutory Auditors. Related and contingent resolutions;*
 - 4.2 *determination of remuneration; Related and contingent resolutions.*

5. *Proposed authorisation to purchase and dispose of treasury shares, subject to cancellation of the resolution adopted by the Shareholders' Meeting of 29 April 2019 for the part not executed. Related and contingent resolutions.*

This Explanatory Report will be filed and made available to the public on 20 March 2020 at the administrative offices and on the web site of the Company at www.luvegroup.com, section Investor Relations - Documentation of shareholders' meeting - Shareholders' Meeting of 29 April 2020,) and on the authorized storage device eMarket Storage www.emarketstorage.com.

* * *

FIRST ITEM ON THE AGENDA

ANNUAL FINANCIAL REPORT AS AT 31 DECEMBER 2019:

1.1 PRESENTATION OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019, ACCOMPANIED BY THE DIRECTORS' REPORT, THE REPORT BY THE BOARD OF STATUTORY AUDITORS, THE INDEPENDENT AUDITORS' REPORT AND THE REPORT BY THE FINANCIAL REPORTING OFFICER. RELATED AND CONTINGENT RESOLUTIONS.

Dear Shareholders,

Regarding paragraph 1.1 on the agenda for the Shareholders' Meeting, following the Board of Directors' approval of the draft financial statements of LU-VE S.p.A. as at 31 December 2019 on 18 March 2020, you will be asked to pass a resolution on them.

The draft financial statements submitted for your approval show profit for the year of €6,502,718.00 (six million, five hundred and two thousand, seven hundred and eighteen/00).

We also bring your attention to the following:

(1) the **consolidated financial statements** of the LU-VE Group at 31 December 2019, approved by the Board of Directors on 18 March 2020 which, though not subject to Shareholders' Meeting approval, provide supplementary disclosures with the draft financial statements of LU-VE S.p.A.

For all further information in this respect, you are invited to refer to the Annual Financial Report - containing the draft separate financial statements and the consolidated financial statements as at 31 December 2019, the Directors' Report, as well as the attestation pursuant to art. 154-bis, paragraph 5 of the Consolidated Law on Finance - which will be filed and made available to the public on **8 April 2020** at the administrative offices and on the web site of the Company at www.luvegroup.com, (section Investor Relations - Documentation of shareholders' meeting - Shareholders' Meeting of 29 April 2020) and on the authorized storage device eMarket Storage www.emarketstorage.com, together with additional documentation required by current regulations. The Board of Statutory Auditors' Report and Independent Auditors' Report will be filed and made available to the public in the same manner and by the same deadline;

(2) the **consolidated non-financial statement** ("NFS"); with regard to this, it is noted that the Company, in compliance with the provisions of article 5, paragraph 3, letter b) of Italian Legislative Decree 254/2016, has prepared the Consolidated non-financial statement relating to the year 2019 (hereinafter "Statement"). The statement, which is a separate report from the Directors' Report included in the Annual Financial Report, was prepared according to GRI Standards.

The reporting scope of the Statement includes all the companies part of the LU-VE Group. With regard to the treatment of data relating only to the environment and the aspects linked to product safety, in the three-year period only the manufacturing companies have been taken into account, excluding LUVEDIGITAL S.r.l., as the environmental impact of commercial offices and of LUVEDIGITAL S.r.l. were not deemed to be significant. Furthermore, it is noted that for 2019 these aspects also exclude the companies AIR HEX ALONTE S.R.L. and FINCOIL LU-VE OY as they were acquired during the reporting year.

The NFS reports on the Group's performance in relation to issues that affect its capacity to create value in the short, medium and long terms, reflecting the significant impacts of the organisation and those of interest to the Group's stakeholders. On **8 April 2020** it will be filed with at the Company's administrative office and published on their website at the address www.luvegroup.com,, section Investor Relations – Documentation of shareholders' meeting – Shareholders' Meeting of 29 April 2020, and , and on the authorized storage device eMarket Storage www.emarketstorage.com.

Note in this respect that the attestation required in accordance with art. 3, paragraph 10, Italian Legislative Decree 254/2016 on compliance of the information provided with that required by the decree and with its principles, methodologies and methods, is issued by the independent auditors Deloitte&Touche S.p.A. and is published and made available as an attachment to the consolidated Non-Financial Statement.

* * *

It is therefore proposed that the Shareholders' Meeting adopt the following resolution:

"The ordinary Shareholders' Meeting of LU-VE S.p.A., having examined the Directors' Report and the data in the financial statements of LU-VE S.p.A. at 31 December 2019, the Board of Statutory Auditors' Report and the Independent Auditors' Report

resolved

1) *to approve the financial statements of LU-VE S.p.A. as at 31 December 2019, which show a net profit of €6,502,718.00 (six million, five hundred and two thousand, seven hundred and eighteen/00), and the Directors' Report;*

2) *to grant the Board of Directors - and on behalf of the Board to the Chairman, Iginio Liberali, and to the CEO, Matteo Liberali, jointly or separately - all due power to enforce this resolution, with the option of sub-delegating, and file it with the relevant Register of Companies, making any necessary formal amendments, additions or suppressions as appropriate."*

1.2 PROPOSAL FOR ALLOCATION OF THE PROFIT FOR THE YEAR AND DISTRIBUTION OF THE DIVIDEND. RELATED AND CONTINGENT RESOLUTIONS.

Dear Shareholders,

In relation to the issue indicated at **subparagraph 1.2** of the agenda for the Shareholders' Meeting, the Board of Directors proposes the following: (i) to allocate part of the profit for the year of €6,502,718.00 (six million, five hundred and two thousand, seven hundred and eighteen/00) to the legal reserve for €325,135.90 (three hundred and twenty-five thousand, one hundred and thirty-five/90); and (ii) to distribute a gross dividend of € 0.27 (zero/27) for each ordinary share

outstanding (net of any treasury shares held by the Company as at the ex-dividend date) drawn from to the profit for 2019.

The Board of Directors also proposes establishing that the dividend will be payable from 6 May 2020, with the detachment of coupon no. 5 on 4 May 2020, in accordance with the Borsa Italiana calendar and a record date pursuant to art. 83-terdecies of the Consolidated Law on Finance of 5 May 2020.

* * *

It is therefore proposed that the Shareholders' Meeting adopt the following resolution:

"The Ordinary Shareholders' Meeting of LU-VE S.p.A. approves the financial statements for the year ending as at 31 December 2019, which show a net profit of € 6,502,718.00 (six million, five hundred and two thousand, seven hundred and eighteen/00)

resolved

- to allocate part of the profit for the year of €6,502,718.00 (six million, five hundred and two thousand, seven hundred and eighteen/00) to the legal reserve for an amount of € 325,135.90 (three hundred and twenty-five thousand, one hundred and thirty-five/90);
- to distribute a gross ordinary dividend of €0.27 for each outstanding (net of any treasury shares held by the Company as at the ex-dividend date);
- to allocate the residual part of the profit for the year to the extraordinary reserve;
- to establish that the dividend will be payable from 6 May 2020, with detachment of coupon no. 5 on 4 May 2020, in compliance with the Borsa Italiana calendar, and a record date of 5 May 2020."

SECOND ITEM ON THE AGENDA

ANNUAL FINANCIAL REPORT ON REMUNERATION AND COMPENSATION POLICY:

2.1 APPROVAL OF THE “2020 REMUNERATION POLICY” IN SECTION I, PURSUANT TO ART. 123-TER, PARAGRAPH 3-BIS OF ITALIAN LEGISLATIVE DECREE 58/98;

2.2 ADVISORY VOTE ON “REMUNERATION PAID IN THE 2019 FINANCIAL YEAR” REPORTED IN SECTION II, PURSUANT TO ART. 123-TER, PARAGRAPH 6 OF ITALIAN LEGISLATIVE DECREE 58/98.

Dear Shareholders,

In relation to the second item of the agenda for the Shareholders’ Meeting, you are called upon to express your opinion, following the amendments introduced to art. 123-ter of the Consolidated Law on Finance by Italian Legislative Decree no. 49/2019, which implemented EU Directive 2017/828 (so called SHRD II) – on the “Annual Report on remuneration and compensation policy” of LU-VE S.p.A. (the “**Report on Remuneration**” or “**Report**”) in relation to:

- the remuneration policy of the members of the administration and control bodies, of general directors and key management personnel (the “**Relevant Subjects**”) proposed by the Board of Directors for the 2020 financial year and the procedures used for the adoption and implementation of this policy (the “**2020 Remuneration Policy**”); as well as
- compensations paid in 2019 to Relevant Persons.

We remind you that, as already provided in the past, the Report on Remuneration is broken down into two separate parts:

- **Section I**, which describes the Remuneration Policy and the procedures used for the adoption and implementation of the same policy; we highlight that, as every year, this section also reports the information on the remuneration of directors and on the Remuneration and Appointments Committee relative to the recommendations made in terms of the Corporate Governance Code of listed companies adopted by LU-VE;
- **Section II** (broken down into two parts), which includes, in the First Part, the details of the remunerations paid by the Company to Relevant Subjects with reference to each of the items which make up the remuneration for the 2019 financial year for these subjects; and, in the Second Part, the details of the fees paid or accrued in the 2019 financial year to Relevant Subjects, for any reason and in any form, by the Company and by subsidiaries and affiliates, using the tables attached to this Report on Remuneration, which form integral part of the same, as well as information on interests held in the Company and in its subsidiaries by the same parties, as well as their non-legally separated spouses or by their children, directly or via subsidiaries, or trust companies or third parties.

Among the main differences introduced by art. 123-ter of the Consolidated Law on Finance is the amendment of the nature of the vote to be expressed on the 2020 Remuneration Policy included in Section I of the Report on Remuneration, which goes from being an advisory vote to being a binding vote, as well as the introduction of an advisory vote on the remunerations paid in the 2019 financial year to Relevant Subject, reported in Section II of the Report.

Please note that the Remuneration Report and, consequently, the 2020 Remuneration Policy and the remunerations paid to Relevant Subject in the 2019 financial year included respectively in

Section I and Section II of the same report, were approved by the Board of Directors on 18 March 2020, at the proposal of the Remuneration and Appointments Committee, in accordance with current legal and regulatory provisions, and will be filed at the Company's administrative offices and made available to the public on the Company's web site at the address www.luvegroup.com , section Investor Relations - Documentation of shareholders' meeting - Shareholders' Meeting of 29 April 2019, as well as on the authorized storage device eMarket Storage www.emarketstorage.com, by the twenty-first day before the date of the Shareholders' Meeting (i.e. by **8 April 2020**).

For further details, reference should be made to the contents of the aforementioned Report, which are also defined in compliance with the provisions of art. 84-quater of the Issuers' Regulation and in consideration of the related Annexes 3A, Templates 7-bis and 7-ter.

* * *

It is therefore proposed that the Shareholders' Meeting approve the following resolutions:

In relation to point 2.1

"The Shareholders' Meeting of LU-VE S.p.A.:

- having examined Section I of the "Annual Report on remuneration and compensation policy" of March 2020, prepared pursuant to the current legislation and regulations)

resolved

to approve the "2020 Remuneration policy" contained in Section I of the above-mentioned Report and the relative procedures for its adoption and implementation.

* * *

In relation to point 2.2

"The Shareholders' Meeting of LU-VE S.p.A.:

- having examined Section II of the "Annual Report on remuneration and compensation policy" of March 2020, prepared pursuant to the current legislation and regulations)

resolved

to express a favourable opinion on the "Compensations paid in the 2019 financial year" indicated in Section II of the above-mentioned Report".

THIRD ITEM ON THE AGENDA

APPOINTMENT OF THE BOARD OF DIRECTORS

Dear Shareholders,

With the approval of the Annual Financial Report as at 31 December 2019 the term will expire of the mandate of the Board of Directors of the Company, appointed by the Shareholders' Meeting for the 2017-2019 financial years, and composed, at the date of this Report, by 12 (twelve) Directors and, in particular: Iginio Liberali, (Chairman), Pierluigi Faggioli (Deputy Chairman), Matteo Liberali (Chief Executive Officer CEO), Michele Faggioli (Chief Operating Officer COO), Giovanni Cavallini (independent), Michele Garulli, Anna Gervasoni (independent), Fabio Liberali, Laura Oliva, Stefano Paleari (independent), Roberta Pierantoni and Marco Vitale.

With regard to this, it is to be noted that all the above members of the Board of Directors were appointed by the Shareholders' Meeting on 10 March 2017.

You are therefore called to renew the Board of Directors, subject to the determination of the number of its members, also fixing the duration of its mandate and the relative remunerations or the procedures for their determination.

3.1 DETERMINATION OF THE NUMBER OF MEMBERS. RELATED AND CONTINGENT RESOLUTIONS.

It is to be noted that, pursuant to art. 15 of the Articles of Association of LU-VE (the "Articles of Association"), the number of members of the Board of Directors may not be fewer than seven or more than fifteen members.

You are advised that, as illustrated in detail below, within the scope of the self-assessment carried out internally by the Board with regard to its size, composition and operation, as well as that of its Committees, the Board of Directors has confirmed the adequacy of the size of the Board in its current composition (which, as indicated above, currently numbers 12 Directors).

3.2 DETERMINATION OF THE DURATION OF THE MANDATE. RELATED AND CONTINGENT RESOLUTIONS;

It is reminded that, pursuant to art. 15 of the Articles of Association, the duration of the mandate, in compliance with the provisions of art. 2383 of the Italian Civil Code, may not exceed three financial years.

3.3 APPOINTMENT OF THE DIRECTORS AND OF THE CHAIRMAN OF THE BOARD OF DIRECTORS. RELATED AND CONTINGENT RESOLUTIONS;

The appointment of the Board of Directors of the Company is carried out in compliance with the provisions of art. 20 of the Articles of Association, to which express reference is made for what has not been reported below.

The Directors are appointed through the list voting system.

Preparation of lists

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 (the share established by Consob with Managerial Resolution no. 28 of 30 January 2020, in compliance with current legislation and regulations) may submit a list including a number of candidates higher than the number of the members to be elected, progressively listed by number.

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 these obligations, the list shall be deemed not to have been submitted.

In order to allow for the composition of the Board Committees recommended by the Corporate Governance Code of Listed Companies adopted by LU-VE (the “**Corporate Governance Code**”), in any case please insert an adequate number of candidates in the list with the independence requirements pursuant to art. 3.C.1 of the same Corporate Governance Code.

Each candidate may appear on one list only, otherwise they shall be considered ineligible.

Shareholders submitting lists must guarantee compliance with the regulations relating to the balance of genders. Shareholders are reminded that this is the first time that the Shareholders’ Meeting has been asked to renew the corporate offices since the start of trading on the MTA (Electronic Equity Market): therefore, the applicable regulations pursuant to Italia Law 160/2019 require that at least one fifth of members of the body must belong to the less represented gender. However, art. 20 of the Articles of Association requires lists that include a total number of candidates equal to or higher than three must be composed of candidates belonging to both genders, so that one gender or the other is represented by at least one third (rounded up) of candidates for the office of Director. Shareholders are therefore invited to submit lists also in compliance with the Articles of Association in relation to the balance of genders, in the absence of which the list will be deemed not to have been submitted.

Submission of lists

The lists submitted by the Shareholders must be filed, together with the required documentation, otherwise they shall be considered not to have been submitted, at the Company’s registered office.

In view of the provisions issued by the President of the Council of Ministers for the containment of the Covid 19 pandemic, the lists may be submitted by shareholders to the Company’s registered office exclusively by email to the following email address lu-ve_legal@pec.it at least 25 days before the date set for the Shareholders’ Meeting (i.e. by **4 April 2020**). With regard to this, it is required that information which allow the identification of the subject filing the lists be submitted together with the above-mentioned documentation and a reference telephone number; this by taking into account the provisions of articles 144-octies, of the Issuers’ Regulation.

Lists must be accompanied by the following:

- (i) information on the identity of the shareholders who submitted the lists, with specification of the total percentage shareholding held, with certification showing the ownership of this shareholding issued by a legally qualified intermediary, with the understanding that this certification may even be produced after the lists have been filed, provided this occurs before the time limit established for the Company's publication of the lists, that is to say by **8 April 2020**;
- (ii) a statement from shareholders who do not hold, individually or jointly, a controlling interest or relative majority, stating the absence of any direct or indirect association, pursuant to applicable legislation and regulations in force at the time, with such shareholders;
Furthermore, the provisions of art. 147-ter, paragraph 3 of the Consolidated Law on Finance are noted with regard to the absence of a link between the minority interest list which has received the most votes and the Shareholders who have submitted or voted the list that has received the most votes, taking into account Consob Communication no. DEM/9017893 of 26 February 2009. It is also noted that in this communication the Supervisory Authority recommends shareholders submitting a "minority interest list" to file with the list a specific declaration that attests: (i) the absence of an association (also indirect) pursuant to art 147-ter, paragraph 3 of the Consolidated Law on Finance and art. 144-quinquies of the Issuers' Regulation with shareholders who hold, also jointly, a controlling or relative majority share, as well as the absence of the significant relationships indicated in the same Communication, that is to say (ii) which specifies, where they exist, the significant relationships indicated in the above-mentioned Communication and the reasons for which they were not deemed to be determining for the existence of an association;
- (iii) detailed information on the candidates' personal and professional characteristics, with specification, if applicable, of their suitability to qualify as independent directors pursuant to applicable legislation and regulations in force at the time and pursuant to the Corporate Governance Code, as well as a statement from the candidates certifying that they meet the requirements established by legislation and regulations in force at the time and by these Articles of Association, including those of good repute and, where applicable, independence, and their acceptance of the candidature and of the office, if elected;
- (iv) any further or different statement, information and/or document required by applicable legislation and regulations in force at the time.

It is to be noted that lists not submitted in accordance with the provisions indicated above will be considered not to have been submitted.

Structure of the Board of Directors and requirements for Directors

In relation to the composition of the lists, the Board of Directors, on the basis of the outcomes of the periodical self-assessment process carried out internally and taking into account the policy with regard to the policy on the diversity of the composition of the administrative body included in the "Policy on diversity for members of the corporate bodies of LU-VE S.p.A." adopted by the same Council on 28 February 2020 on the proposal of the Remuneration and appointments committee

(available for consultation on the Company's website www.luvegroup.com, section "*Investor Relations*" "*Governance*" "*Corporate documents*"), recommend to the Shareholders intending to submit a list:

(i) to include in their list candidates with managerial and professional profiles different from each other, with particular regard to the industrial sector in which the LU-VE Company and Group operate, the management of the processes and matters relating to economic, accounting, financial, legal form of enterprises, risk management and/or control, remuneration and sustainable development policies. More specifically:

- managerial profiles should include an industrial view with competences and experience acquired in the context of organisational functions within complex enterprises, active at international level;

- professional profiles should have accrued competences and accredited experience and have carried out their activity, with particular relevance to the enterprise activities, in at least one of these environments: economic, accounting, financial, legal form of enterprise, industrial organisation, as well as in the context of the management and/or control of risks and remuneration policies;

- academic and/or institutional profiles should hold competences that might prove useful for the development and the enhancement of the business of the LU-VE Group, with particular reference to strategic vision and sustainable development;

(ii) to include in the list a number of candidates with the independence requirements required by the law, the Articles of Association and the Corporate Governance Code, such as to guarantee compliance with the legal and statutory regulations for the heterogeneous composition of the Board committees (which, on the basis of the recommendations of the Corporate Governance Code, must be composed entirely or have a majority of independent Directors);

(iii) to include in the list a balanced representation of gender in compliance with the provisions of the law, of the Articles of Associations and the recommendations of the Corporate Governance Code;

(iv) to ensure, in selecting the candidates to include in the list, a balanced combination of different age bands within the Board of Directors, bringing sensitivities and competences different from each other, so as to allow - also taking into account, among other things, the relevant changes that characterise the competitive macro-economic scenario - a balanced plurality of perspectives and experiences different from each other;

(v) to include in the list candidates that, for the most part, can qualify as non-executive in terms of applicative criterion 2.C.1 of the Corporate Governance Code, which should play an important dialectic role and contribute to the monitoring of the choices made by the executive Directors;

(vi) to include in the list candidates that, in order to allow the Board to exercise its tasks in the most effective way, guarantee an availability of time adequate to the diligent and responsible performance of their tasks in their role of director;

(vii) to ensure, in line with the recommendations dictated by the Corporate Governance Code with regard to the composition of Board Committee, that: (a) at least one member of the Board of Directors has an adequate knowledge and experience in relation to financial and remuneration policy matters; and (b) at least one member of the Board of Directors has an adequate knowledge and experience in relation to accounting and financial or risk management matters;

(viii) to ensure that: (a) the Chairman is a person with experience, authority and vision ability such as to ensure during the mandate a guaranteed management for all shareholders and stakeholders, as well as to ensure the effective and efficient operation of the Board of Directors; and that (b) there are at least two candidates on the list with proven qualities of leadership, authority, strategic vision and with an in-depth knowledge of industrial sectors relating to that in which the LU-VE Company and Group operate, to ensure that the new Board of Directors proceed to the allocation of specific powers in line with actual governance.

In fact, the Board of Directors considers the presence among its member of personalities equipped with the above-mentioned characteristics to be particularly opportune, in the belief that the heterogeneous and highly qualified character of the professionals called to contribute to the work of the administrative body, as well as the balanced combination of gender and age bands allow: (i) to enrich the discussion, the distinctive premise of a thoughtful and informed decision, thanks to the diversified competences of its members which allow the taking of decisions with the contribution of a plurality of qualified and heterogeneous points of views able to examine discussion themes from different points of view; (ii) an improved knowledge of the needs and requirements of stakeholders; (iii) to reduce the risk of conformity of opinions of the members of the body; (iv) to make the decision-making process more effective and thorough; (v) for directors, to constructively discuss management's decisions.

At the outcome of the self-assessment process relating of its size, composition and operation, as well as that of its Committees carried out internally, on the proposal of the Remuneration and appointments committee, at the council meeting of 28 February 2020 the Board of Directors confirmed the adequacy, with respect to the Company's operations, of the size of the Board itself in its current composition (with 12 members of which 9 are non-executive, 3 of which are also independent pursuant to the law and the Corporate Governance Code); the Board of Directors also considered: (i) the number of independent directors with respect to the size of the Board and the activities carried out by the Company to be adequate; (ii) the relationship between the members of the Board and non-executive directors to be adequate; (iii) the character of the professionalisms called to contribute to the work of the administrative body and, in particular, the competences of the non-executive directors in charge of economic, accounting, financial, legal form of the enterprise and industrial organisation to be satisfactory and sufficiently heterogeneous, in the expectation of strengthening competences in the context of sustainability and innovative processes.

In order to achieve the optimal composition of the new Board of Directors, it is therefore hoped that shareholders, in identifying members of the list for the renewal of this corporate body:

(i) pursue an objective of integration of managerial and professional profiles different from each other, with particular regard to the industrial sector in which the LU-VE Company and Group operate, the management of the processes and matters relating to economic, accounting, financial,

legal form of enterprises, risk management and/or control, remuneration and sustainable development policies.

(ii) also take into account a balanced representation of gender in compliance with the provisions of the law, of the Articles of Association and the recommendations of the Corporate Governance Code, as well as the benefits that may derive from the desirable presence of different bands of age and/or seniority in office, also from the point of view of plurality of perspectives and experiences different from each other;

Procedure for appointment

It is also noted that, pursuant to art. 20 of the Articles of Association, the members of the Board of Directors will be appointed as follows:

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

(d) 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.

(e) 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, 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;

(f) furthermore if, after voting has been completed and the previous letter (e) has been applied, the candidates elected do not ensure that the composition of the Board of Directors complies with applicable legislation and regulations in force at the time on gender balance, the last

candidate of the over-represented gender 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 of the under-represented gender following the sequential order. This replacement procedure shall take place until 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 at the end of this replacement procedure, the composition of the Board of Directors 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.

In case of submission or of admission to voting of a single list, the candidates of this list will be appointed directors in the context of that list, according to the progressive number with which the same have been listed in the same list, in respect to the applicable legislation and regulations in force at the time also in relation to (i) independent directors and (ii) tender balance.

If it is not possible to proceed with the appointment of directors with the list method, the shareholders' meeting shall resolve with ordinary methods and the legal majority, without observing the procedure indicated above, in compliance with applicable legislation and regulations in force at the time and, in particular, with those relating the balance of genders.

Appointment of the Chairman of the Board of Directors

Pursuant to art. 17.1 of the Articles of Association, the Chairman of the Board of Directors is elected by the Board itself from among its members, if the appointment has not been made by the Shareholders' Meeting.

3.4 DETERMINATION OF REMUNERATION; RELATED AND CONTINGENT RESOLUTIONS.

Members of the Board of Directors are reminded that, pursuant to article 15 of the Articles of Association and of the applicable legislation on the matter, they are entitled to the reimbursement of expenses incurred in performance of their office and, without prejudice to the provisions of Article 2389, paragraph 3 of the Italian Civil Code, to the remuneration established by the Shareholders' Meeting.

The same statutory regulation also determines that the Shareholders' Meeting may establish the overall remuneration of all board directors, including those with specific assignments, to be divided by the Board of Directors in accordance with the law, and may also recognise Directors an end of mandate fee and indemnity, also in the form of an insurance policy.

It is also reminded that, on occasion of the appointment of the Board of Directors currently in office, the Shareholders' Meeting of 10 March 2017 resolved to set (i) the total maximum annual amount of fixed remuneration of all Directors for the duration of the mandate at €1,000,000 (one million), including those who are attributed special offices; and (ii) the total maximum annual amount of variable remuneration for the duration of the mandate at €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.

With regard to the determination of remuneration to be attributed to new directors, Shareholders are asked to take into account, in formulating their proposal at this regard, of the 2020 Remuneration Policy in Section I of the “Annual Report on remuneration and compensation policy” of LU-VE S.p.A. which, as already indicated in this Report in relation to the second item on the agenda of the Shareholders’ Meeting, will be submitted for approval at the Shareholders’ Meeting on 29 April 2020.

* * *

Shareholders intending to submit a list for the renewal of the Board of Directors are recommended to prepare and file, together with the list, proposals for deliberation relative to each of the subpoints of this item on the Agenda, in particular in relation to:

- (i) the determination of the number of directors who will make up the Board of Directors, in accordance with the applicable statutory limits set;
- (ii) the duration of the mandate of the Board of Directors to be appointed, in accordance with the applicable statutory limits set;
- (iii) the appointment of directors and of the Chairman of the Board of Directors, it being understood that, pursuant to art. 17 of the Articles of Association, in the case that the Shareholders’ Meeting does not appoint a Chairman, the Board of Directors will provide to do so;
- (iv) the determination of the relative remuneration.

The lists and the information provided in their support, as well as the relative proposals for deliberation, will be made disclosed to the public, in compliance with the applicable legislation and regulations, and made available at the administrative offices and on the web site of the Company at www.luvegroup.com (in the section “Investor Relations” - “Shareholders’ Meeting documentation” - “Shareholders’ Meeting of 29 April 2020”) and on the authorized storage device eMarket Storage www.emarketstorage.com, at least 21 days before the date of the Shareholders’ Meeting (i.e. by **8 April 2020**).

FOURTH ITEM ON THE AGENDA

APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS FOR THE 2020/2022 THREE-YEAR PERIOD:

Dear Shareholders,

with the approval of the Annual Financial Report as at 31 December 2019 the term will expire of the mandate of the Board of Statutory Auditors of the Company, appointed by the Shareholders' Meeting for the 2017-2019 financial years, and composed, at the date of this Report, by: Paola Mignani (Chairman), Stefano Beltrame (Standing Auditor), Ivano Pelassa (Standing Auditor), Mauro Cerana (Alternate Auditor), Giulia Chiarella (Alternate Auditor).

With regard to this, it is to be noted that all the above members of the Board of Statutory Auditors were appointed by the Shareholders' Meeting on 10 March 2017 and took office at the time of admission of LU-VE shares to the MTA (Electronic Equity Market), on 21 June 2017.

You are therefore called to renew the Board of Statutory Auditors (which, pursuant to art. 22 of the Articles of Association, must be composed of three standing auditors, including the Chairman, and two alternate auditors), as well as to appoint its Chairman, determining their relative remuneration.

It is reminded that, pursuant to art. 22 of the Articles of Association, auditors are appointed for 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.

4.1 APPOINTMENT OF THE STATUTORY AUDITORS AND OF THE CHAIRMAN OF THE BOARD OF STATUTORY AUDITORS. RELATED AND CONTINGENT RESOLUTIONS;

The appointment of the Board of Directors of the Company is carried out on the basis of lists submitted by shareholders, in compliance with the provisions of art. 23 of the Articles of Association, to which express reference is made for what has not been reported below.

Preparation of lists

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 (the share established by Consob with Managerial Resolution no. 28 of 30 January 2020, in compliance with current legislation and regulations) may submit a list including a number of candidates no higher than the number of members to be appointed, listed progressively by number.

Each candidate may appear on one list only, otherwise they shall be considered ineligible.

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.

Shareholders submitting lists must guarantee compliance with the regulations relating to the balance of genders. Shareholders are reminded that this is the first time that the Shareholders' Meeting has been asked to renew the corporate offices since the start of trading on the MTA (Electronic Equity Market): therefore, the applicable regulations pursuant to Italian Law 160/2019 require that at least one fifth of members of the body must belong to the less represented gender. However, art. 23 of the Articles of Association require each list to contain – 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 one third (rounded up) of candidates 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 by the Articles of Association, the list shall be deemed not to have been submitted.

Lists submitted must be filed with the additional required documentation, under penalty of forfeiture, at the Company's registered office, also using distance communication means.

In view of the provisions issued by the President of the Council of Ministers for the containment of the Covid 19 pandemic, the lists may be submitted by shareholders to the Company's registered office exclusively by email to the following email address lu-ve_legal@pec.it at least 25 days before the date set for the Shareholders' Meeting (i.e. by **4 April 2020**). With regard to this, it is required that information which allow the identification of the subject filing the lists be submitted together with the above-mentioned documentation and a reference telephone number; this by taking into account the provisions of articles 144-octies, of the Issuers' Regulation.

It is reminded that, if at the expiry date of the time limit for filing lists (i.e. **4 April 2020**) only one list has been filed, or only lists submitted by shareholders who are associated with one another pursuant to art. 144-sexies of the Issuers' Regulation, lists may be submitted up to the third day after this date (i.e. until **7 April 2020**). In this case, shareholders who, on the day the lists are filed on their own or with other shareholders, hold a share of capital of at least 1.25% (i.e. half of the share of 2.5% established by Consob in the above-mentioned Managerial Resolution) have the right to submit a candidate list. Lists must be accompanied by the following:

- (i) information on the identity of the shareholders who submitted the lists, with specification of the total percentage shareholding held, with certification showing the ownership of this shareholding issued by a legally qualified intermediary, with the understanding that this certification may even be produced after the lists have been filed, provided this occurs before the time limit established for the Company's publication of the lists, that is to say by **8 April 2020**;
- (ii) a statement from shareholders who do not hold, individually or jointly, a controlling interest or relative majority, stating the absence of any direct or indirect association, pursuant to applicable legislation and regulations in force at the time, with such shareholders.

Furthermore, the provisions of art. 147-ter, paragraph 3 of the Consolidated Law on Finance are noted with regard to the absence of a link between the minority interest list which has received the

most votes and the Shareholders who have submitted or voted the list that has received the most votes, taking into account Consob Communication no. DEM/9017893 of 26 February 2009. It is also noted that in this communication the Supervisory Authority recommends shareholders submitting a “minority interest list” to file with the list a specific declaration that attests: (i) the absence of an association (also indirect) pursuant to art 147-ter, paragraph 3 of the Consolidated Law on Finance and art. 144-quinquies of the Issuers’ Regulation with shareholders who hold, also jointly, a controlling or relative majority share, as well as the absence of the significant relationships indicated in the same Communication, that is to say (ii) which specifies, where they exist, the significant relationships indicated in the above mentioned Communication and the reasons for which they were not deemed to be determining for the existence of an association;

(iii) detailed information on the candidates’ personal and professional characteristics, with specification of the offices of administration and control held in other companies, as well as a statement from the candidates certifying that they meet the requirements, including those of good repute, professionalism and independence and those relating to the limit placed on the number of offices that may be held, established by applicable legislation and regulations in force at the time and by the Articles of Association and their acceptance of the candidature and of the office, if elected;

(iv) any further or different statement, information and/or document required by applicable legislation and regulations in force at the time.

Furthermore, taking into account that - pursuant to art. 2400, last paragraph, of the Italian Civil Code - at the time of appointment of the Auditors and before the acceptance of the mandate the Shareholders’ Meeting must be advised of the offices of administration and control taken by the candidates in other companies, and also taking into account of the provisions on the limit placed on the number of offices to be held pursuant to art. 148-bis of the Consolidated Law on Finance, it is advised to include all the relevant information in the CVs of individual candidates filed with the lists.

It is to be noted that lists not submitted in accordance with the provisions indicated above will be considered not to have been submitted.

Composition of the Board of Statutory Auditors and requirements for Auditors

The members of the Board of Statutory Auditors must meet the requirements of good repute, professionalism and independence and those relating to the limit placed on the number of offices that may be held, as established by applicable legislation and regulations in force at the time. For the purposes of Article 1, paragraph 2, letters b) and c) of Italian Decree of the Ministry of Justice No 162 of 30 March 2000, as subsequently amended and integrated, the subjects that are considered to be strictly pertinent to the Company’s activity are those relating to commercial law, corporate law, tax law, business economics, corporate finance, subjects covering the same or similar matters and lastly subjects and sectors pertaining to the activity carried out by the Company referred to in Article 2 of these Articles of Association.

Candidates must also have the independence characteristics required by the current legislation. With regard to ineligibility situations and the limits to the number of administration and control

offices held by members of the Board of Statutory Auditors, the current legislation and regulations apply.

In relation to the composition of the lists, the Board of Directors, taking into account the policy with regard to the policy on the diversity of the composition of the administrative body included in the "Policy on diversity for members of the corporate bodies of LU-VE S.p.A." adopted by the same Council on 28 February 2020 on the proposal of the Remuneration and appointments committee and having heard the opinion of the Board of Statutory Auditors (available for consultation on the Company's website www.luvegroup.com, section "*Investor Relations*" "*Governance*" "*Corporate documents*"), recommend to the Shareholders intending to submit a list that, for a more effective operation of the Board of Statutory Auditors, it is desirable:

- (i) that at least one standing Auditor and one alternate Auditor are statutory auditors registered in the specific register;
- (ii) that a balanced combination is considered within the Board of Statutory Auditors of different seniority in office and, if possible, different age bands, so as to allow for a balanced combination of experiences and sensitivities;
- (iii) that the composition of the Board of Statutory Auditors in any case ensures the balance between genders, in compliance with current legislation and regulations, as well as in the respect of the recommendations dictated at this regard by the Corporate Governance Code, both at the time of appointment and throughout the mandate;
- (iv) that at least one standing Auditor has an adequate experience with listed companies, complex and/or international contexts;
- (v) that the presence is ensured of Auditors who, overall, are competent in the industrial sectors that are preferably relevant to those in which the LU-VE Company and Group operate;
- (vi) that the presence is ensured of figures with a managerial and/or professional and/or academic and/or institutional profile such as to achieve a combination of competences and experiences different and complementary to each other;
- (vii) that the Chairman is a person of authority such as to ensure the adequate performance and coordination of the work of the Board of Statutory Auditors with any other activities carried out by other subjects involved in the internal control and risk management system.

In order for the Board of Statutory Auditors of the Company to perform its tasks in the most effective manner, in addition to the above mentioned requirements in terms of diversity, it is considered to be of fundamental importance that the Auditors guarantee a sufficient availability of time to the performance of their tasks, taking into account the number of other offices held in the administrative and control bodies of other companies (in compliance with legal provisions) and the commitment required of them by other working and professional activities carried out.

In order to achieve the optimal composition of the new Board of Statutory Auditors, it is therefore hoped that shareholders, in identifying members of the list for the renewal of this corporate body:

(i) pursues an objective of integration of professional and/or academic profiles different from each other, in particular with regard to economic, accounting, juridical, financial and risk management issues, and which for their own characteristics may allow the optimal performance of the control functions requested of the Board of Statutory Auditors;

(ii) also takes into account - in addition to the necessary requirements of good repute, professionalism and independence, as well as those relating to the limit placed on the number of offices that may be held - of the importance of a balanced representation of gender in compliance with the provisions of the law, of the Articles of Association and the recommendations of the Corporate Governance Code, as well as the benefits that may derive from the desirable presence of different bands of age, also in terms of the plurality of perspectives and experiences, as well as of different seniority in office, in order to efficiently mediate the needs for continuity and for renewal.

Procedure for appointment

It is also noted that, pursuant to art. 23 of the Articles of Association, the members of the Board of Statutory Auditors will be appointed as follows:

(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 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.

(c) 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.

(e) 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, also under provisions of the articles of association, 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, also under provisions of the articles of association, 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.

(f) 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.

(g) 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.

(h) 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 this article, 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.

Appointment of the Chairman

The Chairman of the Board of Statutory Auditors is identified as the standing auditor elected by the minority, unless only one list has been voted or no lists have been submitted, in which case the Chairman of the Board of Statutory Auditors shall be appointed by the Shareholders' Meeting deliberating by majority vote of those represented.

4.2 DETERMINATION OF REMUNERATION; RELATED AND CONTINGENT RESOLUTIONS.

With regard to the determination of remuneration to be attributed to the standing members of the Board of Statutory Auditors, it is recalled that, pursuant to art. 2402 of the Italian Civil Code, the remuneration of standing Auditors is determined by the ordinary Shareholders' Meeting at the time of appointment, for the entire duration of their mandate. Therefore, Shareholders are called to deliberate also on the attribution of remuneration to its members.

With regard to this, it is recalled that the Shareholders' Meeting of 10 March 2017 established, for the 2017-2019 three-year period, the gross annual fee of the Chairman of the Board of Statutory Auditors at €45,000, and the fee for each of the two Standing Auditors at €30,000.

In order to allow the Shareholders to assess the adequacy of the remuneration to be proposed, the Board of Directors recalls the considerations expressed by the outgoing Board of Statutory Auditors in the report drawn up in accordance with Regulation Q.1.6 of the "Regulations on the conduct of the Board of Statutory Auditors of listed companies" issued by the National Board of Accountants and Accounting Experts, attached to this report.

* * *

The outgoing Board of Directors refrains from formulating specific proposals on this point and, therefore, invites the Shareholders' Meeting to express its right to vote, on the basis of the proposals that are formulated by the Shareholders.

Therefore, Shareholders intending to submit a list for the renewal of the Board of Directors are recommended to prepare and file, together with the list, proposals for deliberation relative to each of the subpoints of this item on the Agenda, in particular in relation to:

- (i) the appointment of auditors (three standing auditors and two alternate auditors) and of the Chairman of the Board of Statutory Auditors for the 2020, 2021 and 2022 financial years, via voting of the list of candidates possibly submitted;
- (ii) the determination of remuneration due to members of the Board of Statutory Auditors for the performance of the mandate to be conferred.

The lists and the information provided in their support, as well as the relative proposals for deliberation, will be disclosed to the public, in compliance with the applicable legislation and regulations, and made available at the registered office and on the web site of the Company at www.luvegroup.com (in the section *“Investor Relations” - “Shareholders’ Meeting documentation” - “Shareholders’ Meeting of 29 April 2020”*) and on the authorized storage device eMarket Storage www.emarketstorage.com, at least 21 days before the date of the Shareholders’ Meeting (i.e. by **8 April 2020**).

FIFTH ITEM ON THE AGENDA

PROPOSED AUTHORISATION TO PURCHASE AND DISPOSE OF TREASURY SHARES, SUBJECT TO CANCELLATION OF THE RESOLUTION ADOPTED BY THE SHAREHOLDERS' MEETING OF 29 APRIL 2019 FOR THE PART NOT EXECUTED. RELATED AND CONTINGENT RESOLUTIONS.

Dear Shareholders,

Having cancelled the resolution previously adopted on this matter by the Shareholders' Meeting of 27 April 2018, the Shareholders' Meeting of 29 April 2019 authorised the Company to purchase treasury shares, for a period of 18 months from the date of the resolution, or their disposal within an unlimited period.

At present the Company does not hold any treasury shares in portfolio, having transferred the no. 157,716 treasury shares held in portfolio as at 31 December 2018, equal to 0.7093% of the share capital of LU-VE S.p.A. The Company also does not hold treasury shares indirectly through subsidiaries, trusts or third parties.

As the validity deadline for the aforementioned authorisation will be reached on 28 October 2020, in order to avoid calling a specific Shareholders' Meeting closer to the deadline and as this proposal is in line with common practices of most listed companies, we consider it appropriate to propose that you now approve a new authorisation to purchase and sell treasury shares, subject to cancellation of the unused part of the authorisation previously resolved by the Shareholders' Meeting of 29 April 2019.

The reasons and methods for purchase and sale of treasury shares for which we ask your authorisation are indicated below.

(A) Reasons why authorisation was requested to purchase and sell the treasury shares

The resolution of the Board of Directors to submit, again, to the Shareholders' Meeting the request for authorisation to carry out treasury share purchase transactions - subject to the revocation of the authorisation resolved by the Shareholders' Meeting the previous year - and, under certain conditions, to sell those shares, in compliance with applicable laws and regulations on equal treatment of shareholders, including Regulation (EU) 596/2014 of the European Parliament and of the Council dated 16 April 2014 on market abuse ((EU) Regulation no. 596/2014) and the related regulatory technical standards, and market practices permitted by Consob, is justified by the opportunity for the Company:

- a) to be able to arrange investments in Company shares, in the interest of all the Shareholders, if the stock market performance or the extent of liquid funds make such a transaction convenient in economic terms;
- b) to be able to act in the interests of the Company and of all Shareholders, in compliance with applicable regulations, in relation to contingent market situations, by carrying out an activity that improves the share's liquidity and encouraging regular trading performance;
- c) if necessary, to use the treasury shares as part of transactions associated with business or commercial projects, or transactions in any event in the interests of the LU-VE S.p.A.

Company or the Group (the Group), in relation to which opportunities arise to trade or sell share packages or pledge the shares;

- d) if necessary, to be able to purchase and/or sell and/or assign treasury shares (or options on the shares) in relation to (i) compensation plans based on financial instruments pursuant to art. 114-bis of Legislative Decree no. 58/1998 (the Consolidated Law on Finance) in favour of, inter alia, directors, employees, collaborators or consultants of the Company or its subsidiaries, and (ii) the issue of financial instruments convertible to shares and (iii) plans to assign shares free of charge to Shareholders.

(B) Maximum number and nominal value of the shares that the authorisation proposal refers to

The proposal envisages that the authorisation involves purchases of the Company's shares, also carried out in tranches, up to a maximum of 2,223,436 (one million two hundred and twenty-three thousand and four hundred and thirty-six) treasury shares, equal to 10% of the share capital, and therefore less than one fifth of the Company's share capital, to this end also taking account any shares held by subsidiaries - and in any event within the limit of distributable profit and available reserves as recorded in the latest duly approved financial statements.

The requested authorisation includes the option to later dispose of the shares held, without any time limits, on one or more occasions, also before reaching the maximum quantity of shares that can be purchased, and if appropriate, to buy back those shares, always in compliance with the limits and conditions established in this authorisation.

(C) Information useful for the valuation in accordance with the provisions of art. 2357, paragraph 3 of the Italian Civil Code

As previously mentioned, the value of the shares for which purchase authorisation is requested does not exceed the corresponding limit of one fifth of the Company's share capital, to this end also taking into account shares already held by the Company and any that may be purchased by subsidiaries.

Specific instructions will be issued in any event to the subsidiaries to ensure that they promptly report any share purchases carried out pursuant to art. 2359-bis et seq. of the Italian Civil Code.

At present the Company does not hold any treasury shares and it does not hold treasury shares indirectly through subsidiaries, trusts or third parties.

(D) Duration of the authorisation

The authorisation to purchase the treasury stock is requested for a period of 18 (eighteen) months from the date of adoption of the related Shareholders' Meeting resolution.

The authorisation to dispose of treasury shares, also before all the purchases have been made, is requested without any time limits.

(E) Minimum and maximum payment and market evaluation

Purchase of treasury shares

The minimum purchase price of each of the treasury shares cannot be less than 15% (fifteen per cent), and the maximum cannot exceed 15% (fifteen per cent) of the average official

trading price recorded on Electronic Equity Market in the three days prior to the purchase or the announcement of the transaction, in accordance with the technical procedures established by the Board of Directors.

Sale of treasury shares

With regard to the sale of shares purchased, only the minimum price limit is set for sales to third parties, which must be sufficient to not have negative economic effects on the Company, and in any event not less than 95% (ninety-five per cent) of the average official prices recorded on the Electronic Equity Market in the three days prior to the sale. An exception to this price limit can be allowed in trading or sale of treasury shares (or pledging of the shares) if performed to implement transactions related to business and/or commercial projects and/or in any event, that are in the interests of the Company or Group, and in the case of assignment and/or sale of shares (or options drawn from them) in relation to (i) compensation plans based on financial instruments pursuant to art. 114-bis of the Consolidated Law on Finance (in favour of, inter alia, directors, employees, collaborators or consultants of the Company or the Group companies), and/or (ii) to serve the issue of other financial instruments that can be converted to shares and/or (iii) plans to assign shares free of charge to Shareholders.

(F) Procedures to use for the purchase and sale of the treasury shares

The transactions for the purchase of treasury shares can be made in compliance with the provisions of art. 5 of (EU) Regulation no. 596/2014, and must be carried out in compliance with art. 132 of the Consolidated Law on Finance, art. 144-bis of the Issuers' Regulation and of any market acceptable market practices, therefore including, among other things (i) via the public offer for purchase or exchange. (ii) on the market or possibly through multilateral trading systems, according to the operational procedures established by the market management company which do not allow the direct combination of offers to buy with predetermined offers to sell, or (iii) through purchase and sale, in compliance with the applicable regulatory provisions, of traded derivative instruments on regulated markets, or possibly on multilateral trading systems which require the physical delivery of the underlying shares, or also (iv) through allocation to Shareholders, proportionally to the shares held, of an option to sell to be exercised within 18 (eighteen) months from the date on which the Shareholders' Meeting adopts the corresponding resolution, or also (v) with the procedures established by market practices admitted by Consob pursuant to art. 13 of the (EU) Regulation no. 596/2014, or in any event, in a way that ensures equal treatment among the Shareholders and compliance with all applicable law, including European laws (specifically including the regulatory technical standards adopted in implementation of (EU) Regulation no. 596/2014.

Treasury share purchases can be carried out by methods other than those indicated above where permitted in accordance with the regulations in force, taking into account the requirement in any event to comply with the principle of equal treatment of Shareholders.

The purchases can be made in one or more tranches.

With regard to the sale of the treasury shares, this can be done on one or more occasions, even before having carried out all permitted purchases. The sale must be by disposal on the stock market, off-market or through swaps for investments or other securities or through

the pledging of shares as part of business and/or commercial projects and/or those in any event in the interests of the Company or Group, in execution of incentive schemes or in any case of compensation plans based on financial instruments pursuant to art. 114-bis of the Consolidated Law on Finance (in favour of, for example, directors, employees, collaborators of the Company or of Group companies), a service of issue of other financial instruments convertible into shares, through programs for the assignment free of charge of shares, also through the offer for sale or swap; shares may also be disposed of in association with financial instruments.

Treasury share sales can be carried out by methods other than those indicated above where permitted and/or compatible with domestic or European regulations in force.

(G) Information on the instrumentality of the purchase to reducing the share capital

Note that the aforementioned purchase of treasury shares is not instrumental to a reduction in share capital.

* * *

In view of the above, we propose that the following resolution be adopted:

“The Shareholders' Meeting of LU-VE S.p.A.,

- *having read the resolution of the ordinary Shareholders' Meeting of LU-VE S.p.A., held on 29 April 2019, regarding the authorisation to purchase and sell treasury shares;*
- *having accepted the Board of Directors' Report and taken into account the prevailing legal and regulatory provisions;*

resolved

- 1) *to cancel, with effect from the date of this Shareholders' Meeting resolution, to the extent it has not been used, the resolution relating to the authorisation to purchase and sell treasury shares adopted by the Shareholders' Meeting of 29 April 2019;*
- 2) *to authorise purchase and sale transactions of treasury shares for the purposes indicated in the above-mentioned Directors' Report, in accordance with the terms and methods set out below:*
 - *notwithstanding the limits pursuant to art. 2357 of the Italian Civil Code, the purchase may take place through one or more solution, up to the total amount of no. 2,223,436 (two million two hundred and twenty-three thousand and four hundred and thirty-six) own shares equal to 10% shares, taking into account the shares held by the Company and by the subsidiaries of LU-VE S.p.A. and within the limits of the distributable profits and of the available reserves resulting on the basis of the last regularly approved financial statements;*
 - *the authorisation to purchase the treasury shares has been decided for a period of 18 (eighteen) months from today's date and therefore up to 29 October 2021;*
 - *the authorisation includes the option to later dispose of the shares held, on one or more occasions, also before reaching the maximum quantity of shares that can be purchased, and if appropriate, to buy back those shares, always in compliance with the limits and conditions established in this authorisation.*

- *the minimum purchase price of each of the treasury shares cannot be less than 15% (fifteen per cent), and the maximum cannot exceed 15% (fifteen per cent) of the average official trading price recorded on Electronic Equity Market in the three days prior to the purchase or the announcement of the transaction, in accordance with the technical procedures established by the Board of Directors.*
- *the sales price to third parties may not be less than 95% (ninety-five per cent) of the average official prices recorded on the Electronic Equity Market in the three days prior to the sale. An exception to this price limit can be allowed in trading or sale of treasury shares (or pledging of the shares) if performed to implement transactions related to business and/or commercial projects and/or in any event, that are in the interests of the LU-VE Company or Group, and in the case of assignment and/or sale of shares (or options drawn from them) in relation to compensation plans based on financial instruments pursuant to art. 114-bis of Italian Legislative Decree no. 58/1998 (in favour of, inter alia, directors, employees, collaborators of the LU-VE Company or Group companies), and/or to serve the issue of other financial instruments that can be converted to shares and/or plans to assign shares free of charge;*
- *purchase transactions can be carried pursuant to art. 5 of EU Regulation no. 596/2014 and must be completed in compliance with art. 132 of Italian Legislative Decree no. 58/1998, art. 144-bis of the Regulations adopted with Consob resolutions no. 11971/1999 and any accepted market practices, therefore including, among others: (i) via the public offer for purchase or exchange; (ii) on regulated market or possibly through multilateral trading systems, according to the operational procedures established by the market management company; (iii) through purchase and sale, in compliance with regulatory provisions from time to time applicable, of derivatives traded on the market or in multilateral trading facilities that envisage the physical delivery of the underlying shares; (iv) through assignment to Shareholders, in proportion to the shares they already hold, of a sell option to be exercised within 18 (eighteen) months from today's date; (v) by methods established by market practices permitted by Consob pursuant to art. 13 of (EU) Regulation no. 596/2014; (vi) by other methods permitted by the regulations, also European, from time to time applicable; in any event, the transactions must ensure equal treatment among the Shareholders and compliance with every applicable regulation, also European ones;*
- *the authorisation to dispose of treasury shares, also before purchases have been made, was granted without any time limit”.*

* * *

Uboldo, 18 March 2020

On behalf of the Board of Directors

The Chairman

Iginio Liberali

LU-VE S.p.A.

Registered Office in Varese - Via Vittorio Veneto, 11 - Share Capital € 62,704,488.80

Tax Code and VAT no. 01570130128, Varese Economic and Administrative Index 191975

* * * *

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE BOARD OF DIRECTORS

Dear directors,

With this report, drawn up in accordance with the “*Codes of conduct of the board of statutory auditors of listed companies*” issued by the National Board of Accountants and Accounting Experts (Edition of April 2018, making reference in particular to Regulation Q.1.6, “*Remuneration*”), the Board of Statutory Auditors of LU-VE S.p.A. (hereinafter “LU-VE S.p.A. or the “Company””) reports on the activities carried out, specifying the number of meetings and their duration, as well as the time required for the activities carried out and the professional resources used, in order to allow shareholders and auditors candidates to assess the adequacy of the compensation proposed.

1. Introduction

In its current composition, the Board of Statutory Auditors began its term of office on 21 June 2017 (two of the three members were already in office prior to this date), the date corresponding to that on which the Company’s shares were admitted to trading on the MTA (Electronic Equity Market) and starting from which, therefore, the Company became a “public interest entity”. The report below, therefore, refers to the period included between 21 June 2017 to today, 10 March 2020.

2. Activities carried out, number of meetings and their duration, time required

In its supervisory activity (on the observance to the law and to the articles of associations, on compliance with the principles of correct administration and the adequacy of the organisational, administrative and accounting structure adopted by the Company and its correct operation), during the period in question (21 June 2017 to 10 March 2020) the Board held regular meetings, met various managers of company functions, participated in the Shareholders’ Meetings, the Board of Directors’ meetings and the meetings of the Board Committees, i.e., the Control and Risk Committee with responsibility for Related Party Transactions and the Remuneration and Appointments Committee, met the members of the Supervisory Body, the Company’s auditors, as well as exchanged information with members of the Board of Statutory Auditors of the Group’s Italian subsidiaries.

A summary of the data and information useful to provide a comprehensive framework of the time spent on average (per financial year) to carry out their role is provided below. The forecast of the time necessary to develop their own knowledge of the Company and of the reference group as well as keeping up to date with the legislation, regulations and the uses pertaining to the role of the Board of Statutory Auditors in listed companies, which can be assessed only by each individual, must be added to the summary provided.

More specifically, the Board

1) during the 2017 financial year (from 21 June to 31 December)

- met 6 times; all auditors attended the meetings and the average duration of these meeting was of around 4 hours;
- attended 4 meetings of the Board of Directors, whose average duration was of around 3.5 hours;
- participated, typically in the form of the entire board,
 - ✓ in the 6 meetings held by the “Control and Risk Committee with responsibility for Related Party Transactions”;
 - ✓ to the meeting held by the Remuneration and Appointments Committee;

2) during the 2018 financial year met 14 times;

- all auditors attended the meetings and the average duration of these meeting was of around 4 hours;
- attended 10 meetings of the Board of Directors, whose average duration was of around 3.5 hours;
- participated in the Shareholders’ Meeting held on 27 April 2018;
- participated, typically in the form of the entire board,
 - ✓ in the 7 meetings held by the “Control and Risk Committee with responsibility for Related Party Transactions”;
 - ✓ to the 6 meetings held by the Remuneration and Appointments Committee;

3) during the 2019 financial year met 14 times; all auditors attended the meetings and the average duration of these meeting was of around 4 hours;

-
- attended 6 meetings of the Board of Directors, whose average duration was of around 3.5 hours;
- participated in the Shareholders’ Meeting held on 29 April 2019;
- participated, typically in the form of the entire board,
 - ✓ in the 7 meetings held by the “Control and Risk Committee with responsibility for Related Party Transactions”;
 - ✓ to the 6 meetings held by the Remuneration and Appointments Committee;

4) during the 2020 financial year met 2 times; all auditors attended the meetings and the average duration of these meeting was of around 4 hours;

-

- attended 1 meeting of the Board of Directors, whose duration was of around 3.5 hours;
- participated, typically in the form of the entire board,
 - ✓ in the 2 meetings held by the “Control and Risk Committee with responsibility for Related Party Transactions”;
 - ✓ to the 4 meetings held by the Remuneration and Appointments Committee.

In the period in question, the Board of Statutory Auditors

- verified the compliance of the organisational structure, the internal procedures, the corporate deeds and the resolutions of the corporate bodies with applicable legal standards, provisions of the articles of association and regulations, as well as the codes of conduct which the Company has declared it follows;
- obtained information from the Directors, with the required frequency, on the activity carried out as well as on the transactions of greatest significance for the profit and loss, financial position or cash flows approved and carried out during the year, including through subsidiaries. With regard to transactions capable of significantly impacting the profit and loss, financial position and cash flows of the Company, the following are to be noted, inter alia:
 - ✓ with reference to 2017 March, the submission of an application to Borsa Italiana for the admission of its securities to trading on the MTA (Electronic Equity Market) and, at the same time, a request to Consob to receive authorisation for the publication of the Prospectus. Having completed the respective investigations, negotiations started on 21 June 2017. during the year, the investment was approved for the expansion of the production site of the subsidiary Sest-LUVE-Polska in Poland and the process to integrate the Indian company Spirotech, of which LU-VE had acquired control in October 2016 (through one of its already existing subsidiary) continued;
 - ✓ with reference to 2018, the acquisition of 100% of the American company Zyklus Heat Transfer Inc. (located in Texas), operating in the production of heat exchangers and copper components for the refrigeration and air conditioning markets; the start of two important projects designed to significantly change the Group's production landscape (the doubling in size of the Polish production site and the transfer of the Chinese production site to the special economic area of Tianmen in the Hubei province; the signature of a preliminary agreement for the acquisition of the Air division of the multinational Swedish company Alfa Laval;
 - ✓ with reference to 2019, the substantial completion of two significant projects started in Poland and China, referred to in the previous point; the start of an industrial expansion project in India;

the closing of the acquisition transaction of the Air division of the Swedish multinational Alfa Laval, which essentially doubled the sales of SBU Cooling System, and the relative integration in the LU-VE Group;

- supervised the compliance of the procedures adopted by the Company with the principles specified by Consob, as well as their observance, also by participating in the meetings of the Control and Risk Committee;
- supervised the adequacy of the organisational structure of the Company and the Group, compliance with the principles of proper administration in terms of structure, procedures, roles and responsibilities, taking into account the size of the Company and the nature and methods for the pursuit of the corporate purpose, also with reference to the adequacy of the instructions provided by the Company to its subsidiaries, pursuant to art. 114, paragraph 2 of the Consolidated Law on Finance.
- released opinions relating to the annual bonus scheme for Executive Directors, the remuneration structure of the Internal Audit manager and the proposal of an annual audit plan;
- verified that each of the three standing members and the two alternates provided the Company with a list of their current management and control positions, along with information about their personal and professional characteristics; the Board has also carried out a self-assessment process;
- evaluated and supervised the adequacy of the internal control and risk management system, the activities of the Control and Risk Committee and, lastly, the activities of the Remuneration and Appointments Committee;
- supervised the accounting-administrative system and, on the basis of the provisions of art. 19 of Italian Legislative Decree 39/2010, on: (i) the financial reporting process; (ii) the independent audit of the annual and consolidated accounts; (iii) the independence of the auditing firm, with reference to the non-audit services provided. The company responsible for auditing the accounts of LU-VE is Deloitte & Touche S.p.A. (hereinafter also the “Auditing firm”). This engagement was assigned by the LU-VE Ordinary Shareholders' Meeting by resolution of 10.03.2017 and will end with the approval of the financial statements as at 31 December 2025; The Board has monitored the tasks assigned to Deloitte & Touche S.p.A. relative to other services. During systematic meetings between the Board of Statutory Auditors and the Auditing Firm:
 - analysed the auditing plan prepared by the auditing firm, verifying the adequacy of the audits and the validations planned with respect to the size and organisational and business complexity of the Company;
 - received the audit reports from the auditing firm on the financial statements of the Company and the Group pursuant to arts. 14 of Italian Legislative Decree 39/10 and 10 of Regulation (EU) 537/2014;

- received the additional report established by art. 11 of Regulation (EU) 537/2014 from the auditing firm;
- received the report from the auditing firm pursuant to art. 3, paragraph 10 of Italian Legislative Decree 254/2016 and art. 5 of Consob Regulation no. 20267, concerning the limited assurance engagement, on the consolidated non-financial statement (NFS) of LU-VE S.p.A. and its subsidiaries;
- received a communication from the auditing firm confirming its independence pursuant to article 17, paragraph 9, letter a) of Italian Legislative Decree no. 39/2010. In addition, it verified compliance with the provisions of Italian Legislative Decree 135/2016 and Regulation (EU) no. 537/2014 which, so as to guarantee the independence of the Auditing Firm, establish specific limits on the assignment of advisory projects to auditing firms which already perform audit activities.

The performance of the above-mentioned activities took place in a context of relevant development of the Company and of the holding Group, also through external lines (mention was made of the significant acquisitions made in the period), as well as through organic development (see, inter alia, the references made to the development of the Group's industrial sites).

In summary, the overall commitment for an individual member, overall considering the activities of pertinence to the Board of Statutory Auditors, was on average of around 220 hours per year for each Permanent Auditor and of around 295 hours per year for the Chairman of the Board of Statutory Auditors.

3. Summary considerations

In the awareness of the objective difficulty in calculating a precise quantification of the time and commitment required from the Board of Statutory Auditors to adequately complete its role, the Board deems that what has been reported here is indicative of the breadth and complexity of the issues dealt with in the context of its operation, the operation of the Board of Directors and the relative Committees, as well as of the Shareholders' Meeting and in consequence of the professionalism and commitment, also in temporal terms, required from the members of the Board of Statutory Auditors itself. It is also to be noted that the professionalism and the necessary competences require continuous updating, also taking into account the development of the national and European regulations for listed companies and the sectors in which the LU-VE Group operates.

Having said this, it is deemed that what has been reported represents a significant indication in support of the assessment of the adequacy of the compensation that will be proposed for the members of the future Board of Statutory Auditors of the Company.

Uboldo, 10 March 2020

The Board of Statutory Auditors of LU-VE S.p.A.

Paola Mignani (Chairman)

Stefano Beltrame

Ivano Pelassa