

# **LEADERSHIP WITH PASSION**

## **2020 Sustainability Report of LU-VE Group**

Consolidated non-financial statement pursuant to Italian Legislative Decree no. 254/2016





# **LEADERSHIP WITH PASSION**

## **2020 Sustainability Report of LU-VE Group**

Consolidated non-financial statement pursuant to Italian Legislative Decree 254/2016



# HIGHLIGHTS

Two loans related to the achievement of sustainability goals signed for a total value of Euro 65 million



For the second year in a row, included among the best 300 Italian companies to work for, in the "Mechanical Industry" category



Eurovent certification obtained for its CO<sub>2</sub> evaporators



A new A2L fluid product line developed, with low environmental impact



Participation in the EASYGO (Efficiency and Safety in Geothermal Operations) international research project within the Horizon 2020 programme aimed at fighting climate change





## LEADERSHIP WITH PASSION



Dear readers,

The year 2020 was a difficult year from a health standpoint, and was complicated from an economic standpoint.

The appropriate and timely steps taken to safeguard health and maintain market share, saw us come through it well.

Our resilience stems from the tenacity and sense of responsibility of LU-VE Group's men and women.

My thanks go to them and to the entire organisation.

We have a new year ahead of us, which appears to be even more complicated.

We shall need to replace reaction with creativity, innovation and understanding of what the future will bring.

Our growth is based on our core values: humility, passion, creative intelligence, and hinges on our knowledge of the market, new products and technologies and on strict administrative management.

Since our first financial statements back in 1986, LU-VE Group has multiplied 40 times over.

Our wish is to continue to evolve and improve, creating value for our men and women, for the company, for the market, for the communities in which we operate and for all our stakeholders.

Keep up the good work.

A handwritten signature in dark ink, appearing to read 'Iginio Liberali', written in a cursive style.

Iginio Liberali

*The Chairman*

# CONTENTS

<b>1. “MAKE ONE (SUSTAINABLE) COMPANY” .....</b>	<b>6</b>
1.1 SUSTAINABLE GROWTH .....	6
1.2 THE SUSTAINABILITY GOVERNANCE MODEL .....	19
<b>2. THE COLD OF THE FUTURE.....</b>	<b>27</b>
2.1 INNOVATION IS IN OUR DNA.....	27
2.2 THE VALUE OF LU-VE GROUP SOLUTIONS.....	40
2.3 FOCUS ON CUSTOMERS .....	48
<b>3. THE LU-VE GROUP FAMILY.....</b>	<b>53</b>
3.1 GROWTH.....	53
3.2 IN SAFETY.....	65
3.3 SUPPORT OF LOCAL COMMUNITIES .....	70
3.4 RESPECT FOR THE ENVIRONMENT.....	79
<b>METHODOLOGICAL NOTE .....</b>	<b>90</b>
<b>GRI CONTENT INDEX .....</b>	<b>101</b>
<b>REPORT OF THE AUDITING FIRM .....</b>	<b>108</b>

# 1. “MAKE ONE (SUSTAINABLE) COMPANY”



## 1.1 SUSTAINABLE GROWTH

Over the last ten years, targeted acquisitions, organic growth and a focus on process and product innovation have made LU-VE Group the world’s third-largest player (second in Europe) in the air heat exchanger sector.

In 2020, the Group’s business model demonstrated its strong resilience to the Covid-19 pandemic and maintained its position at the forefront of technological experimentation and innovation, continuing its journey as a *Make One (Sustainable) Company*. The Group was able to guarantee the continuity of its business and supplies to customers because of its international presence and its ability to make up for the temporary closure of some facilities by moving production to other

Group sites. For several years, LU-VE Group has in fact been carrying out a project regarding the interchangeability of its production facilities for certain strategic product families.

From 1986 to present day, LU-VE Group has introduced a number of innovative and successful ideas into the market. Its success on the international market is the result of a highly advanced research and development policy and of its compliance with the core principles of environmental protection: energy efficiency, reduced use of refrigerant fluids, use of natural refrigerant fluids with low environmental impact, low noise levels, high reliability over time and lower overall dimensions.

Today, LU-VE Group is an international business consisting of 15 manufacturing companies in 9 countries throughout the world (Italy, the Czech Republic, Sweden, Poland, Russia, China, India, Finland and the United States), 9 sales companies and 5 representative offices. The group also has a software house dedicated to ICT, the development of product calculation software and digitalisation.



\* LU-VE was founded in October 1985  
 METALLUVE was later absorbed into LU-VE  
 LU-VE Changshu was substituted by LU-VE Tianmen





## HEADQUARTER

🌿 LU-VE - UBOLDO (VA) - ITALIA

## MANUFACTURING COMPANIES

🌿 LU-VE - UBOLDO (VA) - ITALY  
🌿 LUVEDIGITAL - UBOLDO (VA) - ITALY  
🌿 SEST - LIMANA (BL) - ITALY  
🌿 TECNAIR LV - UBOLDO (VA) - ITALY  
🌿 MANIFOLD - UBOLDO (VA) - ITALY  
🌿 TGD - TRAVACÒ SICCOMARIO (PV) - ITALY  
🌿 HTS - NOVOSÉDLY - CZECH REPUBLIC  
🌿 SEST-LUVE-POLSKA - GLIWICE - POLAND

🌿 LU-VE SWEDEN - ASARUM - SWEDEN  
🌿 SEST LU-VE - LIPETSK - RUSSIA  
🌿 LU-VE HEAT EXCHANGERS - TIANMEN - CHINA  
🌿 SPIROTECH - NEW DELHI - INDIA  
🌿 ZYKLUS - JACKSONVILLE - USA, TEXAS  
🌿 AIR HEX - ALONTE (VI) - ITALY  
🌿 FINCOIL - VANTAA - FINLAND





## **SALES COMPANIES**

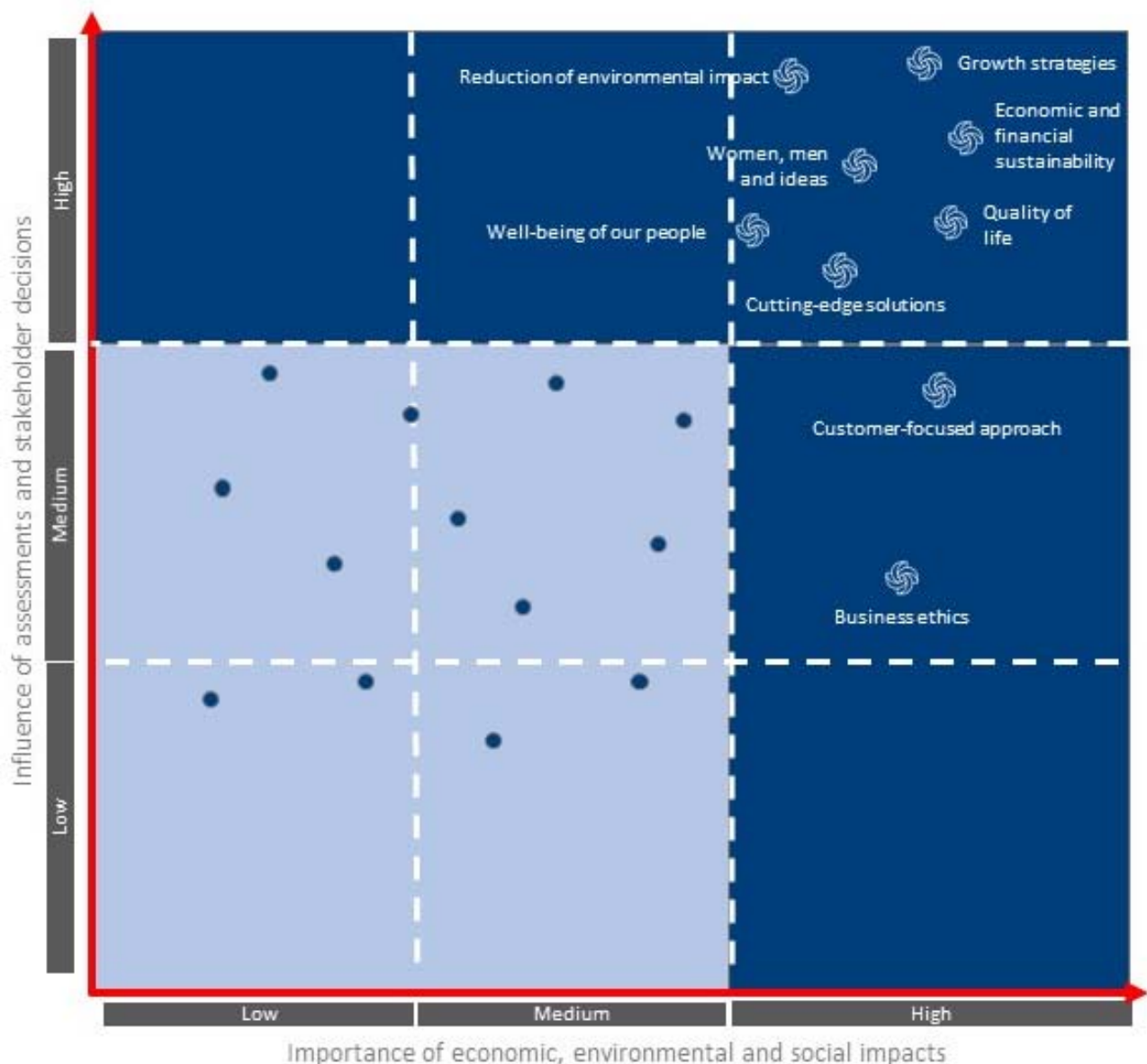
- 🌿 **LU-VE CONTARDO PACIFIC**
- 🌿 **LU-VE AUSTRIA**
- 🌿 **LU-VE DEUTSCHLAND**
- 🌿 **LU-VE FRANCE**
- 🌿 **LU-VE IBERICA**
- 🌿 **LU-VE NETHERLANDS**
- 🌿 **LU-VE MOSCOW**
- 🌿 **LU VE MIDDLE EAST**
- 🌿 **LU-VE ASIA PACIFIC**

## **REPRESENTATIVE OFFICES**

- 🌿 **FINCOIL DENMARK**
- 🌿 **FINCOIL NORWAY**
- 🌿 **LU-VE BELGIUM**
- 🌿 **LU-VE VIETNAM**
- 🌿 **LU-VE UK**

In 2020, LU-VE Group began a process towards integrating sustainability issues into its development strategy. The aim is to achieve a renewed approach to corporate social responsibility, with a strategic reporting role played by stakeholders in specifying the connections between the company's goals and the priorities of the communities.

In accordance with the materiality principle defined by the GRI Sustainability Reporting Standards, material topics are topics that influence the Group's capacity to create value in the short, medium and long term, since they reflect the significant impacts of the organisation and are of interest to the Group's stakeholders. LU-VE Group's Sustainability Report reports on the Group's performance with regard to these topics.



Topic	Description
<b>Growth strategies</b>	Promoting growth strategies aimed at commercial expansion at domestic and international level through the development of new geographical markets and an increase in shares in existing markets, within a context characterised by the reduction of labour in Industry 4.0 and delocalisation within a global economy.
<b>Women, men and ideas</b>	Safeguarding and strengthening the know-how of our people through professional growth paths which make it possible to provide customers with a competent and professional service, while motivating personnel and promoting talent.
<b>Well-being of our people</b>	Promoting the well-being of our people and offering them a workplace in which every individual can best express their potential, guaranteeing equal opportunities and investing in security and the creation of an inclusive environment which is capable of welcoming the many people who find themselves working side by side with their different cultures, ethnicities and religions.
<b>Customer-focused approach</b>	Making our customers excited about our excellent products and services, that meet their needs and the quality requirements defined at Group level, as well as supporting them throughout the product life cycle.
<b>Cutting-edge solutions</b>	Promoting sector technological progress by investing in the search for solutions capable of minimising the environmental impact and the noise emissions of finished products, also in collaboration with highly qualified partners linked to the world of universities and research.
<b>Business ethics</b>	Managing relationships marked by transparency with all Group stakeholders, ensuring compliance with regulations in force in terms of combatting active and passive corruption and guaranteeing institutional communications and honest, truthful promotions based on factual information.
<b>Economic and financial sustainability</b>	Ensuring that the Group achieves economic results in the long term, through adequate accounting management and the capacity to meet the needs of the market and of current and future customers.
<b>Reduction of environmental impact</b>	Minimising the environmental impact of its production processes, enacting energy efficiency policies, reducing direct and indirect emissions, water consumption and the generation of waste.
<b>Quality of life</b>	Offering solutions capable of boosting food preservation and ensuring control over temperature, humidity and air purity levels in specific environments (clean rooms) to increase service quality and improve quality of life.

In 2020, the Group also developed its Vision - “A better, advanced, balanced and informed world”, in accordance with the 17 Sustainable Development Goals (SDGs) defined in the UN 2030 Agenda. The Vision intends to strengthen the focus of the Group’s activities on its current areas of impact: ensuring safe and properly preserved food through refrigeration products, and ensuring climatic well-being through air conditioning systems and energy-efficient solutions for industrial processes and digital transformation.



## Generating value in the long term

The ability to innovate and develop cutting-edge technologies represents a key strategy to ensuring a business' profitability and guaranteeing added value in the long term, to all of its stakeholders.

The aspects on which LU-VE Group will base its long-term growth are: R&D investments, one of the largest R&D laboratories in Europe, expansion of production capacity, and strong commercial presence on the market. Recent acquisitions have played a central role in the development of technologies with low environmental impact. The acquisition of Alfa Laval's "Air" division, for example, has provided the Group with renewed technical know-how in the field of air cooled heat exchangers, enabling it to further increase the performance and reliability of this product range.

With regard to production capacity, in 2020, the Texas-based company Zyklus continued the construction of a new facility of approximately 4,650 square metres. These recent projects were added to others already started in the past years: Spirotech (India) is building a new production facility next to the current one; LU-VE Tianmen (China) completed the relocation of its factory and offices to the Hubei province, allowing it to make the most of the opportunities arising from the "New Silk Road" and the proximity to key customers.

As part of the "Air" operation, the integration of the new Indian site in Sarole, near Pune, took place at the end of January 2021 following the renegotiation of existing agreements and of the terms for the purchase of the facility and the business branch.

The Group's international presence requires a well-structured system: separation of business responsibilities, targeted development by area of expertise, and efficiency and quality in meeting the needs of markets and customers. Economic and financial performance monitoring is managed by the Administration, Finance and Control Department, which also handles the definition of the budget, including the collection of information from the various Companies and a subsequent phase of sharing it with the CEO and the COO, followed by approval by the Board of Directors of the Parent Company. Furthermore, the Department regularly monitors the progress of the various Group Companies to verify the budget information.

From a financial perspective, the Group is constantly committed to reducing as much as possible net working capital in order to minimise risk for investors, to have adequate and competitive costs of production that can be reconciled with the best technological levels and the timing accepted by customers as well as by the market.

## SUSTAINABILITY GOALS DRIVE NEW FINANCING

### New instruments for LU-VE Group's sustainable growth

In 2020 LU-VE Group took out a Euro 40 million “positive loan” with **BNL Gruppo BNP Paribas**. “Positive loans” are financing instruments which financial institutions make available to companies in order to combine business development with environmental and social sustainability. The loan envisages favourable financial conditions for the Group upon achievement of specific sustainability goals: for five years, between 2020 and 2024, the Group has undertaken to reduce the impact of freon products (halogenated hydrocarbons belonging to the HCFC family) by 2% each year with respect to the total turnover for the cooling system category. At the end of 2020, the reduction in the impact of freon products stood at 4 percentage points, exceeding the expected target.

Furthermore, a second loan was taken out in 2020 with **Intesa SanPaolo** amounting to Euro 25 million to expand the production of natural refrigeration equipment. At the end of 2020, the share of turnover relating to natural refrigeration equipment exceeded 50%.

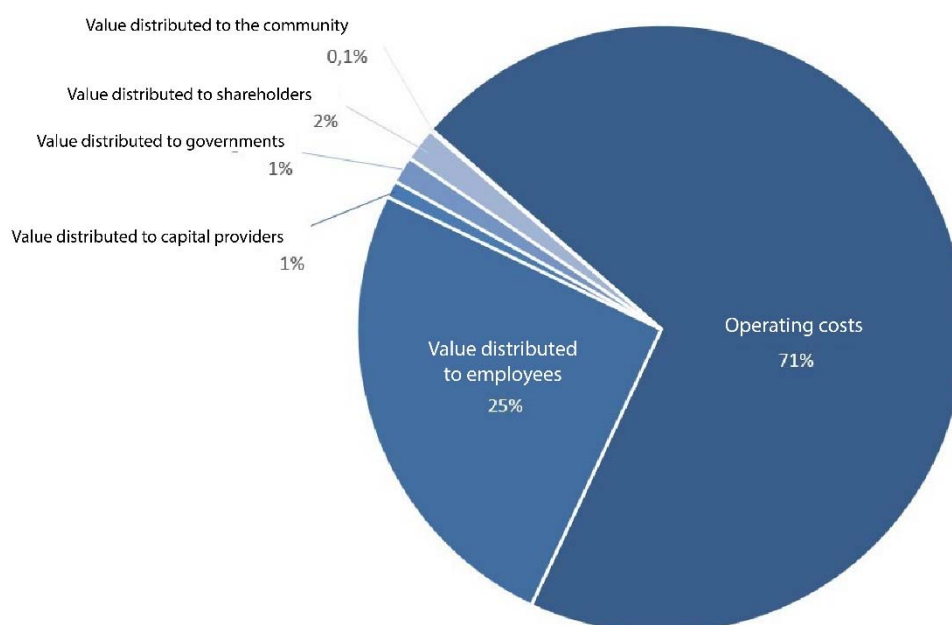
These loans are part of a broader strategy to strengthen LU-VE Group's main innovations in the field of heat exchangers with low environmental impact, i.e. with natural refrigerant fluids, with zero or very low OPD (Ozone Depletion Potential) and GWP (Global Warming Potential).

## DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (IN THOUSANDS OF EURO)

	2018	2019	2020
<b>Economic value generated</b>	<b>313,753</b>	<b>394,133</b>	<b>403,689</b>
<i>Revenues and operating income</i>	306,869	391,581	401,457
<i>Financial income</i>	1,241	2,062	2,232
<i>Change in inventories</i>	5,643	489	0
<b>Economic value distributed</b>	<b>284,304</b>	<b>356,578</b>	<b>364,590</b>
<i>Operating costs</i>	211,759	259,997	257,491
<i>Value distributed to employees</i>	62,823	83,361	91,684
<i>Value distributed to capital providers</i>	1,483	2,588	3,326
<i>Value distributed to governments</i>	2,932	4,631	5,208
<i>Value distributed to shareholders</i>	5,265	5,944	6,521
<i>Value distributed to the community</i>	42	57	360
<b>Economic value retained</b>	<b>29,449</b>	<b>37,555</b>	<b>39,099</b>



### *Breakdown of economic value distributed in 2020*



## **LU-VE GROUP'S TAX STRATEGY**

In line with the principles set out in its Code of Ethics, LU-VE Group behaves according to values of honesty, legality and fairness, including when managing tax matters. In accordance with the principle according to which the contribution resulting from taxes paid is a key channel for contributing to the economic and social development of countries and communities, the Group constantly monitors compliance with all applicable tax regulations, acting responsibly in the jurisdictions in which it operates.

The Group's Administration and Finance department is responsible for managing tax matters. The Group has not defined a formal tax strategy or policy at Group level, and individual companies operate in compliance with local tax regulations. Local Finance Managers are responsible for tax compliance, which is overseen by the Group's Administration and Finance department.

Tax risks are analysed and handled in accordance with the overall Enterprise Risk Management business model. Corporate whistleblowing channels may also be used to report any critical issues relating to unethical or illegal behaviour and to the organisation's integrity in tax matters.

To date, the Group has not received any requests from its stakeholders with regard to tax issues. Should any such requests be received, they will be dealt with by the company departments in charge of tax compliance.

Relations with tax authorities are based on principles of fairness and compliance with the different regulations applied in the countries where the Group operates. It should be noted that the Group does not carry out tax advocacy activities.

## AWARDS

### LU-VE: A GREAT COMPANY TO WORK FOR

Once again in 2020 and for the second year in a row, LU-VE Group was included in the ranking of the best 300 companies in Italy to work for (excelling in welfare and careers), in the “Mechanical Industry” category.

*Promoter:* German Institute for Quality and Finance (Istituto Tedesco Qualità e Finanza - ITQF); mediapartner La Repubblica Affari&Finanza

*Analysis:* ITQF examined 2000 companies with the aim of analysing their financial and quality characteristics. The analysis used the innovative “social listening” methodology, involving algorithms and artificial intelligence (AI): comments concerning company culture and careers were identified across the entire web in Italian (social media, blogs, forums, portals, news and videos). Amongst the companies selected in 2020 were: Adidas, Amazon, Armani, Deloitte, Coca Cola Italia, Google, FCA, Ferrari, Ikea, Lamborghini, Mapei, Mercedes Benz, Nestlè Italia, Open Fiber, Otis Servizi, Pirelli, Recordati, Samsung, Tetrapak and Vodafone.



## CHINA AWARDS 2020: LU-VE AWARDED FOR THE FOURTH TIME

In 2020, LU-VE Group received the “Silk Road” award for its long and significant development path on the Chinese market.



*Promoters:* Italy China Foundation and MF-Milano Finanza, in partnership with the Italian Chamber of Commerce in China and sponsored by the Ministry of Economic Development and the Italian-Chinese Chamber of Commerce

*Analysis:* The “China Awards 2020” (“Silk Road” category) was awarded to LU-VE Group for its long and significant growth and development path on the Chinese market, where it has grown by 20% each year over the past three years.

This is the fourth award for LU-VE Group, after the three already obtained in the “Top Investor” category, and LU-VE is the only company to have received the award for two consecutive years, in 2018 and 2019.

*Mention:* “What paid off above all was the focus on sustainable economic development: by supplying cutting-edge technologies in the commercial and industrial refrigeration sector, LU-VE helps to reduce the environmental impact of these systems in China and around the world”.

**“We are particularly honoured to have been awarded for the fourth time by the Italy China Foundation. Exactly one year ago, our Tianmen facility was in the eye of the pandemic storm. The award is a recognition of the strength and resilience of our employees who reacted when faced with difficulties, working closely with the Chinese authorities and strengthening an already solid friendship with them. Our thanks go to all of them.**

**Iginio Liberali, LU-VE Group Chairman, commented on the “China Awards 2020”**

## LU-VE GROUP: BUSINESS EXCELLENCE 2020 AWARD

LU-VE Group received a special mention in the “Internationalisation” category within the Business Excellence 2020 Awards.



*Promoters:* GEA, Harvard Business Review Italia and Arca Fondi SGR.

*Analysis:* Following the search for companies operating in Italy that were able to stand out in 2020 for their innovation, growth, sustainability and the management of human resources and talent, GEA, Harvard Business Review Italia and Arca Fondi SGR awarded LU-VE Group a special mention for its merits in the “Internationalisation” process.

*Mention:* “LU-VE Group is one of the three major manufacturers in the world (second in Europe) in the air cooled heat exchanger sector, thanks to the use of cutting-edge technologies that have since become a reference for the entire sector [...]. Over the years, the Group’s “glocal” growth strategy has led to international-level investments to serve their various local markets.”

---

## LU-VE AMONG THE MOST “DYNAMIC” ITALIAN COMPANIES

LU-VE is one of the 8 companies selected in the 55th edition of the research study on “Leading Italian Companies” for their increase in sales and for the impact of their results on turnover.

*Promoter:* Mediobanca – Area Studi

*Analysis:* The research study analysed the financial statements of 3,449 Italian companies which achieved a turnover of at least Euro 50 million in the last financial year, divided according to the sector in which they operate. Specific focus was placed on so-called “Dynamic Enterprises” of the

“Fourth Capitalism”, i.e. manufacturing companies falling within the intermediate size bracket in the Italian economic system, a category in which LU-VE Group was included. According to the study, “dynamic” companies stand out not only for their economic performance but also for their high levels of sustainability demonstrated during the pandemic period.

**“We are proud of this recognition, which confirms the validity of our long-term growth strategy, made up of geographical and product diversification, R&D investments and targeted acquisitions, but without ever forgetting our commitment to our territory and to the construction of an increasingly sustainable world.”**

**Iginio Liberali, LU-VE Group Chairman, commented on the award**

---

## **LU-VE AMONGST THE DIGITAL STARS**

**Of the 350 most digital companies measured via the Social Listening index, LU-VE Group was in the top 17 in the “Mechanical Industry” sector in 2020.**

*Promoter:* German Institute for Quality and Finance (Istituto Tedesco Qualità e Finanza - ITQF); mediapartner La Repubblica Affari&Finanza

*Analysis:* The research study analyses the online comments on a sample of 2,000 potentially relevant companies in Italy. All entries in the field of technology, digitisation and innovation were monitored, during the previous 12 months, on websites, social media, news portals and blogs in Italian. The analysis of 438 million web sources in Italian and 2.5 million citations considered relevant were then divided by importance to create the ranking of the *350 Digital Stars in Italy*, the ranking with the largest database of all studies on corporate digitalisation in Italy.

---

## **LU-VE INTERNALISATION AWARD**

**LU-VE was one of the top three companies in the “Italy Overseas - M&A Awards 2020” section, which awards the drive towards internationalisation and the ability to seize growth opportunities in the global market.**

*Promoter:* KPMG and Fineurop Soditic, sponsored by AIFI and Bocconi University

*Analysis:* LU-VE received the “M&A Award 2020” thanks to the acquisition of the Air Heat Exchanger division of the Swedish group Alfa Laval. The awards of the 16th edition were assigned after a long, complex screening and analysis of over 500 transactions, completed during 2019. The aim of the award is to enhance the value of M&A transactions between companies which contribute to increasing the competitiveness of the Italian economic system.



## 1.2 THE SUSTAINABILITY GOVERNANCE MODEL

The governance of LU-VE Group aims to maximise the value created for its shareholders and for all stakeholders. Seeking to maintain the full integrity and sustainability of its business, in 2020 the Group's Board of Directors included a member with specific technical expertise in sustainability matters.

LU-VE adopts a **traditional governance model**. Following its listing on the MTA in 2017, it subscribed to the Code of Conduct for Listed Companies approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria (most recently in the version approved in July 2018).

In December 2020, the Company revoked its subscription to the Code of Conduct and resolved to subscribe to the Corporate Governance Code, also approved by the Corporate Governance Committee, as of 1 January 2021. The above resolution was followed by further resolutions of the Board of Directors, concerning the actual implementation of the principles and recommendations laid down in the new Corporate Governance Code. The Company will provide detailed information about them in the report on corporate governance and ownership structures for the current financial year, which will be published in 2022.

The **Board of Directors** (BoD) is responsible for pursuing LU-VE Group's sustainable success. It provides strategic direction and evaluates the adequacy of the internal control and risk management system of LU-VE S.p.A. and LU-VE Group. With specific reference to non-financial information, the Board of Directors is also responsible for the approval of the non-financial statement. The Board of Directors has specifically appointed a Director (who is also the Group's COO) in charge of sustainability topics.

In line with the Corporate Governance Code, the **Control and Risk Committee** - formally tasked with responsibility for sustainability issues by the BoD at the beginning of 2019 - ensures that the periodic financial and non-financial information is able to suitably and correctly represent the business model, the company's strategies, the impact of its business activities and the performance achieved, and examines the content of periodic non-financial information which is relevant for the purposes of the internal control and risk management system.

The **Internal Audit** Manager is responsible for verifying that the internal control and risk management system is functioning and adequate. The **Supervisory Body** was established and operates pursuant to Italian Legislative Decree no. 231/2001.

It should also be noted that among the action taken by the Group to combat the Covid-19 pandemic, at the beginning of March 2020, the Group's Top Management promptly set up a **Crisis Committee** which discussed and coordinated the timely adoption of all necessary decisions to prevent the spread of the virus within the Group's companies and to ensure that the Group's operating activities could be carried out in total safety.

Thanks to this approach, ahead of the measures of the Italian Government (Annex 6 - Prime Ministerial Decree of 26 April 2020), most of the measures for combating and containing the spread of the Covid-19 virus were applied. The Committee also shared information about critical production and procurement issues resulting from the containment measures adopted by the

National Authorities, and discussed actions to mitigate them. The Committee anticipated the Italian Government's request issued with Prime Ministerial Decree of 9 March 2020, regarding the "Protocol for the regulation of measures for combating and containing the spread of the Covid-19 virus in the workplace". The mitigation plan was also developed based on the experience of the Chinese facility in Tianmen, in the province of Wuhan, which was the first to be exposed to Covid-19.

The Committee agreed on the possibility and the implementation methods to continue serving the customers of facilities situated in areas where restrictive measures leading to the interruption of production were in place. This was achieved by using facilities situated in other areas that were still operating. At the same time, it coordinated the resuming of production activities in the Italian facilities during the lockdown period, only with regard to the activities envisaged by Ministerial Decree of 22 March 2020, after notifying the competent Prefectures of their pending production orders.

The Committee, which met at different intervals depending on the phases of the pandemic, is still in place and is composed of:

- CEOs;
- Executives tasked with Group responsibilities;
- A number of managers from production companies (including the foreign companies in Poland, Russia and HTS);
- Facility managers and Health and Safety Officers of the Italian companies belonging to the Group;
- Manager of the Group's Internal Audit function

Participation in the Crisis Committee was also open to the directors and statutory auditors of LU-VE S.p.A., as well as the Chairman of the Company's Supervisory Board. With regard to the Group's operating companies not included in the Committee, the CEOs were entrusted with the task of providing timely updates on the evolution of the pandemic.

**"Our 'Crisis Committee' promptly put in place urgent measures to protect the Group's health, which were taken ahead of and were more stringent than the orders issued by the competent authorities in the various countries. This is why I would like to thank all those who literally worked day and night, with great passion and dedication, to protect our health and preserve the company's assets when confronted with an emergency of unimaginable proportions".**

**Iginio Liberali, LU-VE Group Chairman**

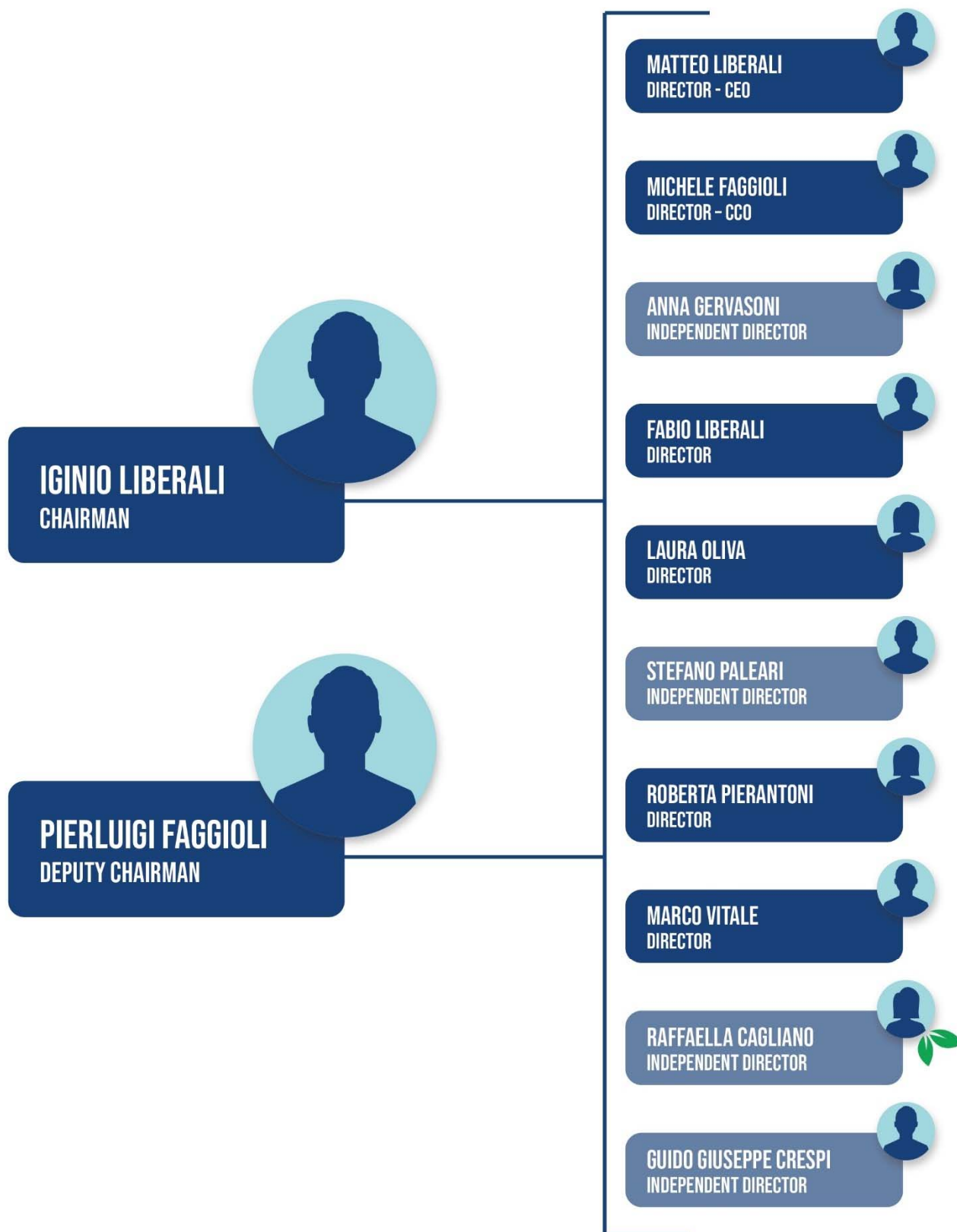
## A POLICY FOR GENDER DIVERSITY

In February 2020, LU-VE Group formally expressed its intention to ensure adequate levels of diversity among Corporate Body members and thus guarantee the best composition and fairness in the Group's Bodies.

The main aims of the gender diversity policies, approved by the Board of Directors at the beginning of 2020, are: encouraging lively dialogue (a basic condition for well-pondered and informed decisions) thanks to the members' various skills; enabling a better understanding of stakeholders' needs and requests; and reducing the risk of standardising members' opinions.

Based on the awareness that diversity and belonging are two key aspects for a multi-national company such as LU-VE Group, the policies it has adopted lay down specific criteria and goals with regard to the composition of the Board of Statutory Auditors and the Board of Directors. The Board of Directors, supported by the Remuneration and Appointments Committee, is also responsible for the application of these policies.





Raffaella Cagliano, independent member of the Group Board of Directors, owns technical specific skills in sustainability topics.

In addition to the parent company LU-VE S.p.A., the subsidiaries SEST S.p.A. and Tecnair LV S.p.A. have also adopted an **Organisation, Management and Control Model** (pursuant to Italian Leg. Decree 231/2001, updated in 2019 and approved in March 2020), to prevent and combat the risk of the commission of the offences laid out in the Decree, including the risks of the commission of offences against individuals, environmental crimes and offences of corruption. The adoption and dissemination of the Model, supported by the constant monitoring of activities, allow the Companies to rely on rules and control instruments that can prevent or promptly react to prevent the commission of any offences.

The Group has also had its own **Code of Ethics** since 2016 which has the purpose of affirming and disclosing the behavioural principles that guide the activities of LU-VE and all its subsidiaries. As well as complying with applicable regulations and the principles of transparency and responsibility towards the community, the Group is committed to protecting the health and safety as well as the rights of workers and to safeguarding the environment in every aspect. The Code of Ethics, which is applied to employees and to all individuals who work to achieve the Group's objectives, include the following key themes: the respect and empowerment of people; integrity in the conduct of business; the rejection of corrupt practices or behaviour; and the respect for business ethics in terms of transparency, market fairness and fair competition.

The **internal control and risk management system** is an integral part of the Governance Model and is described in the "Guidelines on the Internal Control and Risk Management System of the LU-VE S.p.A. Group" approved by the Board of Directors at the end of 2017. The Group's risks are analysed on a yearly basis and the results are then described in the Report drawn up by the Director in charge of the Internal Control and Risk Management System and submitted to the Board of Directors. The Report also contains actions to mitigate the individual risks highlighted.

Based on the risk assessment, the Board of Directors approved the **2020-2022 internal audit plan** in March 2020. The three-year plan is reconfirmed annually by the Board of Directors. This allows the Group to implement any amendments resulting from changes in the conditions/context that generated the three-year plan. With specific regard to the 2020 audit plan, following the onset of the Covid-19 pandemic, the plan was subject to significant changes and downsizing. This was due, on the one hand, to restrictions on the working practices and mobility of Group employees and, on the other, to the need to not further burden the departments involved in managing the emergency.

With particular reference to **non-financial risks**, the analysis (updated also to year 2020) took into consideration the main risks at global level, the phases of the value chain, specific details of the manufacturing processes and the countries in which the Group operates. Non-financial risks were classified into different categories depending on the likelihood of occurrence and the potential impact. The majority of the risks identified were assigned a low or negligible score, such as the loss of sensitive data due to cyber attacks, consumer health and safety, and cases of discrimination, inequality or failure to respect equal opportunities within Group companies. The risks classified as "moderate" were duly described, along with the management methods adopted by the Group to mitigate them, in the following chapters: *"The LU-VE Group family: In Safety, Growth, Respect for the Environment"*.



During 2020, the process of formalising a Non-Financial Reporting procedure for the Group was also launched. The procedure was approved in early 2021 and is designed to formalise sustainability reporting responsibilities and to strengthen the data collection and document approval process.

## RESPONSIBLE SUPPLY CHAIN

With the aim of extending the control of sustainability topics outside the Group's perimeter and analysing its ability to produce impact, a number of activities have been implemented over the past years to sustain long-lasting and mutually beneficial relations with a view to ensuring reliability and reciprocal trust and with a focus on social and environmental management.

For this purpose, every 6 or 3 months, depending on the changes in the external environment, the representatives of the Quality, Supply Chain and Purchasing departments meet to update the plan of **audits** to be conducted on the Group's suppliers. In 2020, due to the limitations imposed by the Covid-19 pandemic, 2 audits were carried out, compared to the 9 planned at the start of the year.

Along with preparing the plan and conducting the audits (a process that is well consolidated but always under further development and improvement), over the past two years, LU-VE Group has drafted a **supplier assessment questionnaire**. The aim of the questionnaire is to gain understanding of suppliers' sustainability management approach and check that suppliers share the same values, business ethics and social and environmental responsibility as LU-VE Group. The questionnaire that is sent out when assessing new suppliers and the checklist that is used during on-site audits examine the same macro-themes: quality, environment, health and safety, ethics and corruption. In addition to the supplier assessment questionnaire, LU-VE Group has also prepared a Supplier Form to promote good working practices and compliance with environmental regulations among suppliers. For further details see the box "Respect for human rights".

In addition to clauses strictly related to quality and labour compliance aspects, in signing the **General Purchase Conditions** (if possible when setting up the supplies or as soon as possible), LU-VE Group suppliers declare that they are aware of and share the fundamental principles on the basis of which LU-VE Group operates. These principles require that suppliers: work with ethical principles and integrity; limit their environmental impact by targeting efficiency and monitoring aspects such as waste, waste water, and air and noise pollution; ensure a healthy and safe working environment for all their employees; and comply with international conventions on human rights, such as the International Labour Organization and the United Nations Convention on the Rights of the Child.

In the event a supplier does not comply with these requirements or makes no effort to take suitable corrective measures, the LU-VE Group company concerned may terminate the business relationship with the supplier, even before the contractual deadline.

As part of the regular supplier assessment process carried out by LU-VE Group, the CMRT (**Conflict Mineral Reporting Template**) must be completed by the Group's main suppliers. This questionnaire seeks to monitor the trade of "Conflict Minerals" in politically unstable regions, aimed at preventing the financing of armed groups, enforced labour or other human rights violations. Furthermore, in the General Terms and Conditions of Procurement, the Group's

suppliers are also required to declare that they are familiar with relevant legislation and that they refrain from using minerals from the Conflict Minerals Region.



With reference to business and commercial management, LU-VE Group's **principles of honesty, transparency, loyalty, integrity and fairness** are formally set out in the **Code of Ethics** adopted by LU-VE, published on the Group's website, integrated in the General Purchase Conditions and General Sale Conditions, and also distributed to all Companies in order that they ensure its adoption and compliance by employees and commercial partners. The Group intends to promote a common ethical culture and approach; for this reason, all recipients are entitled and required to understand and apply the Code of Ethics, as well as to report any gaps found or the need to proceed with any updates or adjustments.

The control principles laid out in the Model and in the Code of Ethics also apply, within the limits of the contractual relationship in force, to those whom, although not part of the Company, operate on the mandate or on behalf of it or are in any event linked to the Company by significant legal relationships, such as suppliers, advisors and trade partners.

Furthermore, the introduction of a **whistleblowing** system for reporting unlawful activities by individuals who become aware of such activities was completed in 2020. The system is in keeping with the national legislative framework and allows any form or type of unlawful activity to be reported anonymously to the Group's Supervisory Body.

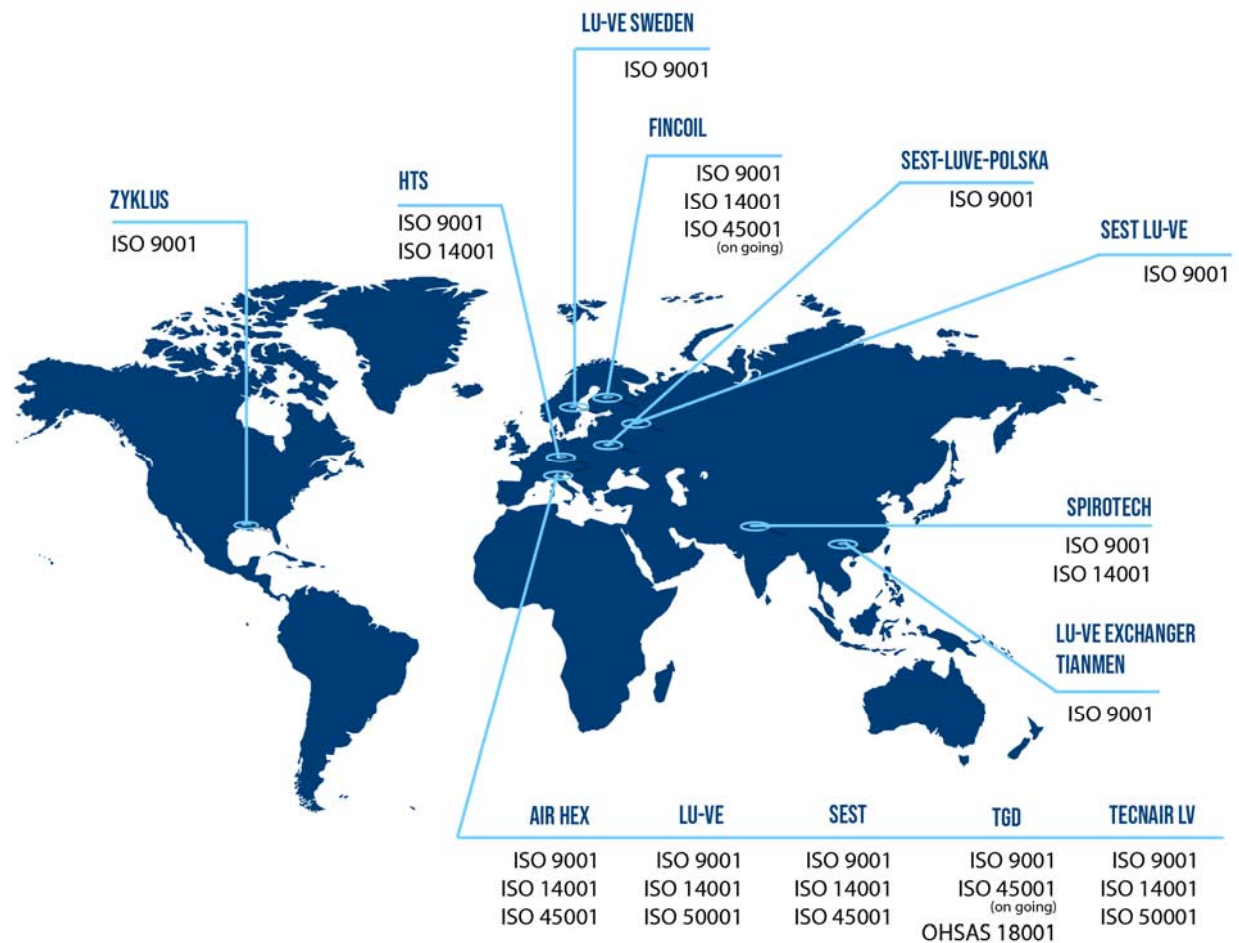
In the reporting period, LU-VE Group did not identify any cases of incidents of corruption, or legal actions for anti-competitive, anti-trust or monopolistic behaviours. Furthermore, the Group was

not subject to any penalty or assessment of non-compliance with laws or regulations regarding the environment and the communication of product information.

Of further note is that in the three-year period 2018-2020, LU-VE Group did not disburse any sum to directly or indirectly finance a party or political person.

As regards business process management, a number of Group companies have adopted **management systems** that comply with the corresponding international standards: quality management system (ISO 9001), environmental management system (ISO 14001), energy management system (ISO 50001) and occupational health and safety management system (OHSAS 18001 / ISO 45001).

The progressive standardisation and development of these organisational models is one of the objectives defined at Group level. In 2020, SEST - the Italian company based in Limana (BL), Veneto - obtained certification for its safety and environment management system according to ISO 45001 and ISO 14001 standards. In 2018, the LU-VE Spirotech facility of Bhiwadi received the “IGBC Green Factory Building – Gold” certification (valid for 3 years). The Indian Green Building Council (IGBC) created the IGBC Green Factory Building Rating System to foster green practices and technologies in the industrial sector: waste management, water efficiency, reduced use of fossil fuels, energy efficiency and preservation of natural resources. The Bhiwadi facility had already received the “Gold” certification in July 2014.



## 2. THE COLD OF THE FUTURE

### 2.1 INNOVATION IS IN OUR DNA

Research and innovation are distinctive features of LU-VE Group's philosophy and actions.

Significant investments in research and development have made it possible through time to develop a broad range of innovative products which act as a point of reference for the largest heat exchanger manufacturers at global level. Overall, these investments are geared towards the development of alternative technologies designed to minimise energy consumption during use, to reduce the refrigerant circuit's internal volume and the amount of refrigerant fluid, and to further reduce the noise levels of the solutions chosen, allowing the Group to continuously overcome the technological limits of existing applications.

The need to come up with technologically innovative solutions in line with market trends represents a competitive advantage to ensure the Group's business in the long-term. In the context of risk assessment, while the likelihood that the Group is not able to effectively drive technological innovation is considered remote, this would be particularly significant in the case that the Group did not intercept a disruptive innovation within the sector.





Innovation is in our DNA

2019

**R-Fin**



2018

**Armonia**



2017

**Gateway**



2016

**Nidea**



2016

**Emeritus**



2015

**Zero Energy Glass**



2015

**Whisperer plus**



2014

**Plug&save**



2012

**Minichannel**



2010

**The Whisperer**



2010

**Line up - BLS door**



2009

**BLS Titan door**







2009

**LAS door**



2008

**BLS door**



2008

**Jetstreamer**



2006

**Dry and spray**



2006

**Smart system**



2003

**Wet and dry**



2001

**Jet-o-matic**



2000

**Water spray system**



1999

**Safetubes System**



1997

**Superhitec unit coolers**



1991

**Hitec condensors**



1988

**Hitec unit coolers with Turbocoil**



1971

**STF**



1969

**Alupaint**



1967

**Internal and external turbo-system**



1965

**Dual fin spacing**



1961

**Electric defrosting**



\* Innovations prior to the foundation of LU-VE (1985) refer to Contardo



## Team and laboratory of excellence for ongoing research



### **3,235 square metres dedicated to R&D laboratories**

The Group's design, research and development activities are led by a dedicated Department that operates in accordance with guidelines defined at Group level intended to maximise energy efficiency, starting from the instructions set forth in the European Energy related Products (ErP) Directive 2009/125/EC.

When designing its solutions - managed by a dedicated Technical Department - the Group assesses the environmental impacts throughout the life cycle of the project according to the principles of the Life Cycle Perspective, Design for the Environment, Life Cycle Assessment and Life Cycle Cost, to minimise impacts overall.

The research activities carried out at the Group's laboratory in Uboldo, Italy, plays a central role in the Group's strategy for growth and new product development. The R&D laboratory is indeed at the cutting edge in Europe in terms of size as well as expertise, being one of the few in the world capable of conducting performance testing on CO<sub>2</sub> fuelled equipment applied to evaporators and condensers. Research activities also include Computational Fluid Dynamics (CFD) analysis for

understanding fluid dynamics and heat exchange processes. Research and Development departments are also located at the newly acquired facilities in Alonte (Italy) and Vantaa (Finland), and they have been involved in innovation and new product development activities. The acquisition of the “Air” division of Alfa Laval led to successfully integrating the division into the Group’s R&D department, providing useful support for technical developments.

The solutions are designed through a proprietary software dedicated to the dimensioning of CO<sub>2</sub> systems, developed specifically by the Group and calibrated with data from our laboratory. The project enables the machine’s performance to be calculated during the design phase according to the specific specifications of the individual client and application, with the results then shared with the customer.

The Group continued to invest in natural refrigerant fluids in 2020. LU-VE Group’s interest and research into the field of refrigeration with natural fluids began in the late 1990s. This marked the beginning of a long journey - studied by numerous patents - aimed at increasing the competitiveness, both in terms of performance and cost, of solutions using natural refrigerants. An integral part of this strategy is the research into solutions that use a lower amount of refrigerant to exchange the same amount of heat.



**Surgical room test lab (Uboldo, Italy)**

## NATURAL REFRIGERANT FLUIDS: CHALLENGES AND SCENARIOS

The gradual introduction of **natural refrigerant fluids** such as carbon dioxide, ammonia and propane represents a valid alternative to hydrofluorocarbons (HFC) and enables the greenhouse gases associated with climate change to be significantly reduced. In fact, one kilogramme of carbon dioxide released into the atmosphere can have an environmental impact up to 4,000 times lower than one kilogramme of R-404A (which until recently was the standard refrigerant in the EU and still is in Non-EU Countries) in terms of global warming potential (GWP).

The international commitment to gradually reduce the greenhouse effect caused by HFC refrigerants is set out in the Kigali Amendment (2016) to the Montreal Protocol, ratified by over 170 countries. In this context, natural refrigerant fluids represent an important ally in delivering the commitments undertaken by the Montreal Protocol, as they are characterised by an Ozone Depletion Potential (ODP) of zero and low or zero Global Warming Potential (GWP).

Natural refrigerant fluids gradually gaining traction in the refrigeration industry include carbon dioxide and hydrocarbons. Another fluid used in this context is ammonia, which has long been used in industrial refrigeration applications. However, solutions using natural refrigerant fluids are characterised by certain limitations that must be managed carefully to ensure performance and safety during use.



**Carbon dioxide** is a fluid that guarantees high levels of system safety thanks to its non-toxic and non-flammable characteristics, factors which enable its use in unlimited quantities. Moreover, CO<sub>2</sub> is characterised by high thermodynamic performance at medium and low temperatures and low production costs compared to other refrigerant gases. The main system considerations for its application as a refrigerant fluid are the high operational pressures of the fluid and its inefficiency in the presence of high external temperatures.

In 2020, over 35,000 transcritical CO<sub>2</sub> systems were installed worldwide, mostly located in Europe\*. The most common applications were in large-scale retail outlets, followed to a small extent by data centres, industrial sites and skating rinks.

**Ammonia** is another high performance refrigerant fluid but is both toxic to humans and highly flammable, characteristics that limit its usage volume in many countries. Usually used in large refrigeration units, ammonia is the highest performing natural fluid but also requires various system adjustments and the introduction of technologies to reduce the ammonia charge to a minimum. For this reason, the number of “low charge” plants, with reduced refrigerant inventory,

has grown in recent years.

At the end of 2019, global installations exceeded 4,000 units, with growth expected mainly in Europe and North America\*.

**Hydrocarbons** such as propane are characterised by physical properties that enable their use in a vast range of applications. However, problems such as flammability currently limit the use of hydrocarbons in small-scale refrigeration systems. In line with other natural refrigerants, hydrocarbons have also increased significantly in recent years. A range of applications are also available here: from data centres to heat pumps for domestic and industrial use and vaccine storage.

\* Global Natural Refrigerants Market Trends and Developments to Watch, Virtual Trade Show (SHECCO, 2020)

## THE NEW FRONTIER OF A2L REFRIGERANTS

In 2020, the Group investigated the applications of non-flammable or low-flammable **A2L refrigerants** (ISO 817:2014 Refrigerants -- Designation and safety classification) and overall **reduced GWP environmental impact**. A2L fluids (R454A, R454C, R455A, R457A) have an average global warming potential (GWP) between 140 and 240, significantly lower than most common HFC fluids characterised by values even higher than 3,900 (R404A, R407C, R410A).

These characteristics make A2L fluids highly attractive as replacements for HFC fluids, the aim being to reduce the impact on climate change; however, they require engineering attention to ensure their safety during use, maintenance and disposal. The lower impact of greenhouse gas emissions plays an even more important role considering the new European regulations which, as of January 2021, further restrict the release of refrigerant gases on the market.

After researching the best engineering solutions, LU-VE Group designed **solutions dedicated to A2L fluids** (SFHC, SFHD and SSMA product families), in order to ensure the safety of exchangers even when using these refrigerants. The safety and reliability of the solutions were **certified by a third party** in accordance with the standards published by the International Electrotechnical Commission (IEC) for A2L fluids.

The research and design activities for this new category of fluids are part of the Group's strategy to promote and market solutions capable of **reducing the impact of refrigeration and air conditioning systems on climate change** while ensuring the highest standards of safety and efficiency.





# RELAX!

We've taken care of **A2L**



Commercial unit cooler range  
**TOP SAFETY** for A2L applications



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



## THE SEARCH FOR NEW SOLUTIONS

In 2020, LU-VE Group developed a research project concerning **evaporators with radial fans** (normally used with cubic cooling units) designed to maximise the air flow in the ducts. The study particularly investigated the advantages that can be achieved by applying double-flow radial solutions (CRD63-CRD64) instead of traditional solutions. These machines are generally used in large refrigerated logistics centres to support large-scale retail outlets. Tests carried out in the laboratories of ebm-papst, a company specialised in air cooled products based in Mulfingen, Germany, showed interesting advantages over standard solutions in terms of both electricity consumption and noise levels: particularly significant aspects considering that these systems often operate in staffed work environments.

During the tests, LU-VE Group's double radial flow solution made it possible to **reduce electricity consumption by up to 40%** and **noise levels by up to 5 dB(A)** compared to a traditional solution with axial motor and with equal heat exchange. The solution will be launched on the market in the first four-month period of 2021.



**Double radial flow CDH model**

## Cooperation with companies as a key to boost innovation

LU-VE Group is aware that technological innovation in the sector is bolstered by partnerships with various companies, sharing best practices and scientific research and publication activities.

The **international partnerships** with universities and specialist centres, several of which have been consolidated over the years, are promoted by the Group to further specific projects and experimental research activities. Some of these collaborations lead to the production of reports and scientific papers and promote the technological development of solutions in the sector. The results of innovative technologies and models are then protected with dedicated patents.

In 2020, the Group filed two new patents concerning refrigeration systems. The first regarded intake manifolds with upward outlet for refrigeration system evaporators in order to improve their functions, while the second focused on the improved control of frost formation in the cooling units to prevent malfunctioning.

### *Partnerships with universities and specialist centres, 2020*

PARTNER	PROJECT
Polytechnic University of Milan (Italy)	Research activities into thermal exchange Research activities into close control for operating theatres
Brno University of Technology (Czech Republic)	Development of new exchanger families
Danish Technological Institute (Denmark)	Experimentation of ammonia evaporators
Experimental Glass Station in Murano (Italy)	Thermal insulation performance of insulated glazing
Norwegian University of Science and Technology (Norway)	Experimental research activities into the application of CO <sub>2</sub> technologies in countries with tropical climates
Aalto University (Finland)	Research activities on energy efficiency and heat pump technology combined with district heating systems
LUT University (Finland)	

Partnerships with Universities and specialist centres have also led to publications with a scientific focus. Since 1989 LU-VE Group has published over 30 papers in collaboration with authoritative partners in the field of refrigeration and other sectors in which LU-VE Group has an active presence. In addition to continuing the research projects already underway, the Group signed new partnerships in 2020 with two Finnish universities: Aalto University of Helsinki, and LUT University of Lappeenranta.

In 2020, LU-VE Group also participated as Exclusive Partner in Chillventa, the leading international trade fair in the refrigeration and air conditioning sector. Due to the health emergency, the 2020 edition of the event was held entirely online, involving around 6,800 participants and 300 round tables. The Group gave 11 technical presentations in several languages with over 800 attendees. Drawing on LU-VE Group's ongoing commitment to share knowledge and strengthen its network with all players, the speakers tackled topics of key interest to the sector, such as the use of A2L fluids, trends in commercial refrigeration and energy efficiency in the use of natural refrigerants.

## New technologies for combating climate change

In 2020, LU-VE Group started to take part in the **EASYGO project**. Financed by the European Union under the Horizon 2020 programme with a Euro 3.4 million fund, this four-year project aims to develop system components and monitor concepts and paradigms of operation in order to improve the safety and efficiency of geothermal systems as well as their sustainability. The partnership is an important opportunity for the Group to increase its knowledge of new technologies which, when used, are able to reduce greenhouse gas emissions during electricity production. In addition, the project will allow the Group to further develop its Emeritus technology, a cooling device, patented and developed together with the Polytechnic University of Milan, which achieves 400% higher performance than traditional dry ventilated exchangers, with significant energy saving and noise reduction.

The leader of the project, is the Delft University of Technology (The Netherlands), alongside three other universities (ETH Zurich, RWTH of Aachen and the Polytechnic University of Milan) and 10 international industrial partners, including LU-VE Group. Geothermal energy will play a key role in the energy transition process, especially as part of climate change mitigation: in this regard, improving the efficiency and operation of a geothermal system and the relevant safety of its systems will be one of the key challenges. By creating connections between the academic and business world, the aim of the EASYGO project is to find an answer to these challenges from different perspectives, combining geology, geophysics, geochemistry, advanced thermodynamic modelling, and process engineering.

*“Given the huge environmental problems that the world is currently facing, there is an urgent need to develop environmentally sustainable technologies that reduce pollution while maintaining high levels of efficiency. For this reason, we are immensely proud to contribute to this important project by working alongside researchers and experts.”*

Iginio Liberali, LU-VE Group Chairman, commented on the participation in the “EASYGO” project



**Emeritus**®





# THE VALUE OF LU-VE GROUP SOLUTIONS



**LU-VE  
GROUP**  
*leadership with passion*



## CLIMATIC WELL-BEING

The trend in the use of air conditioners and electric fans is set to rise as the world's economic and population growth increases in warmer countries. More and more people and businesses will need to have greater access to cooling, with benefits to human development, health, well-being and economic productivity

13%\*

### LU-VE's commitment

Allowing people to enjoy climatic well-being in a context of overall increase in global temperature is crucial for human development, health and well-being



## FOOD SAFETY

Today, 3 billion people lack access to safe and healthy food. The development of sustainable and technologically advanced food supply chains is essential to enable an increasing part of the population to have access to safe food

56%\*

### LU-VE's commitment

Ensuring an adequate cold chain allows people to benefit from safe and properly stored food, while also reducing food waste



## DIGITAL TRANSFORMATION

Data centres currently account for 1% of the world's electricity demand while enabling the evolution of digital behaviour for the sustainable development of citizens and countries

6%\*

### LU-VE's commitment

Operational and efficient data centres are essential for a country's digital transformation.



## ENERGY EFFICIENCY

Average cooling consumption worldwide accounts for around 15% of electricity demand, with peaks of up to 50%. With a view to reducing environmental impact, efficiency standards need to be implemented to improve the energy performance of cooling equipment by more than 50% by 2030.

11%\*

### LU-VE's commitment

Enabling any industrial company to keep its equipment at appropriate temperatures and to preserve its energy efficiency and safety.

\* with respect to 2020 turnover



## 2.2 THE VALUE OF LU-VE GROUP SOLUTIONS

In order to outline and define an increasingly strategic and integrated approach to sustainable development issues, LU-VE Group has mapped and analysed the areas on which its activities can have a positive impact, for the environment and for local communities.

Four areas of impact were identified at global level (energy efficiency, food safety, climate well-being and digital transformation) to which LU-VE Group contributes with its solutions. The figure shows the economic value of the solutions, expressed in terms of impact on the Group's total turnover in 2020.

Over the years, the Group has contributed positively to these global areas of impact thanks to its solutions. Some of LU-VE Group's most significant applications are reported below.

### LU-VE Group for industry efficiency

In 2020, the **Volkswagen production sites** in Pamplona (Spain) installed 16 LU-VE Mega Giant Dry Coolers.



The project was developed by Volkswagen's engineering department in cooperation with the Group and consisted of the design and installation of sixteen 15.6 MW-capacity heat exchangers. Equipped with low consumption electronic motors, they will be able to increase the energy efficiency of Dry Cooler ventilation by around 20% and also ensure significant savings in terms of operating costs.

LU-VE Dry Coolers are already used at the Volkswagen headquarters in Wolfsburg, the Mercedes research centre in Stuttgart and the BMW factory in Leipzig. Other LU-VE products are installed in Audi and Porsche facilities in Germany and Volvo facilities in Sweden.

## LU-VE Group for a mega CO<sub>2</sub> logistics centre



In 2020, LU-VE Group supplied the machines for the refrigeration of the largest food logistics centre in Russia, cooled by CO<sub>2</sub>. The centre is owned by Maersk, the world leader in refrigerated food transport. The logistics centre is equipped for the conservation of fruit, vegetables and other perishable goods (fresh and frozen), with a storage capacity of 50,000 tons with three areas at different temperatures (+13°, +6° and -25°).

The Value Defender evaporators - produced at the LU-VE Group facility in Russia - ensure significant energy savings by recovering the compression heat of the refrigerant fluid and are installed in the low- and medium-temperature cold rooms. The condensers are "Big Giant" models, produced in Uboldo (Italy), and are equipped with electronic motors to minimise energy consumption. Thanks to the Group's innovative solutions, the Maersk facility has become one of the largest in Russia that uses carbon dioxide for refrigeration, a natural refrigerant with low or no environmental impact.

Matteo Liberali, LU-VE Group's CEO, commented as follows: "[...] The cold chain is a strategic sector because it ensures the continuous availability of goods and fresh or frozen products to the public. If we consider that 80% of the food products sent for consumption have been produced or processed at facilities equipped with refrigeration equipment, we can understand the enormous importance of optimising these systems, for the purpose of energy saving. Ahead of its time, LU-VE has been developing "green" and eco-sustainable products, to then focus - for over 15 years by now - on the use of natural refrigerant fluids with low environmental impact".



## LU-VE Group for heat pump efficiency



Denmark's target of zero greenhouse gas emissions by 2035 has significantly accelerated the demand for heat pumps for district heating systems in all Nordic countries. Heat pumps are a key technology thanks to their ability to use heat from various accessible heat sources such as ambient air, seawater, groundwater or waste heat from industrial processes.

The use of air-source heat pumps (ASHP) has also grown due to their flexibility, reliability and unlimited access to heat sources. ASHP systems use a special unit designed and engineered by LU-VE Group to make full use of the heat source. The Group has developed, in fact, a large ammonia evaporator which in winter conditions is able to absorb heat from the outside and transfer it to the working fluid, allowing the heat pump to operate at maximum efficiency. Special attention was paid to optimising operation during the accumulation of frost on the fins. Frost accumulation occurs when the ambient temperature falls below 0°C and is attended to by the LU-VE product thanks to a suitably designed heat exchange surface.

The Group then focused on further developing the product and optimising ventilation: the internal aerodynamics of the machine was improved, making it possible to reduce power consumption in design conditions by 21%.

The installations already completed by the Group include the facilities for the Danish municipalities of Skagen and Frederikshavn. The solutions allow total 108,000 kWh to be produced per year, serving over 5,000 inhabitants and saving an estimated 27,200 tonnes of CO<sub>2</sub>.

## LU-VE Group for digital evolution



In 2020, LU-VE Group developed seven close control air-conditioners for the GUS (Statistical Research Centre) Data Centres in Warsaw. GUS is an executive agency of the Polish government and is responsible for collecting and publishing statistics on the country's economy, population and society, at national and local level.

The seven air conditioners, which will integrate the complex server room, were carefully selected to meet the customer's demanding requirements in terms of energy efficiency and safety. Thanks to the Smart Cool cooling circuit control technology and the individual internal adjustable components, the system adapts perfectly to the complex working conditions required by the technology of the Data Centres.

The machines are also coupled to LU-VE Minichannel® condensers, a technology capable of reducing the refrigerant charge by 68%, with equal thermal power exchanged, making this solution among those with the lowest environmental impact on the market. These savings are particularly significant given that the impact of data centres on climate change is constantly growing: according to recent estimates, they account for 0.3% of global emissions, a figure that is set to increase fivefold by 2030, in the best case scenario, and up to 40 times in the worst case.

## Wet Wall for optimising data centre performance



In 2020, the first installations of “VXX3 Wet Wall” began at some data centres in Madrid, Spain. The “VXX3 Wet Wall” adiabatic air conditioner - developed by LU-VE Group’s Swedish company - is capable of optimising cooling performance by around + 300% compared to a traditional solution.

This efficiency can be used to reduce the machine’s overall dimensions and make it useful for special applications, e.g. data centres, which require high cooling performance in very confined spaces. “VXX3 Wet Wall” is therefore one of the most efficient and at the same time sustainable solutions available on the market, since capable of reducing energy and water consumption and noise pollution, with consequently interesting development prospects.



## LU-VE & Triple Solar: heating with zero impact



LU-VE Group together with the Dutch customer Triple Solar BV have developed a new heating solution with zero impact on the environment. LU-VE provides heat exchange batteries, which combined with a solar panel enable domestic heating. These batteries, since connected with a solar panel, are able to convert solar radiation into electricity and heat, and - in combination with a heat pump - can also exchange heat from the ambient air. Thanks to this technology, the heat exchanger is thinner and easier to mount on the roof.

### LU-VE Group: (digital) evolution of the species

The LU-VE/TGD line of IoT-Digital Signage products represents the Group's IoT digital revolution offering a wide range of applications: glass doors for refrigerators/vending machines, video mirrors for lift cars, hotel rooms, gyms and spas. This new technology allows content (e.g. videos and images) to be managed, transforming panes and mirrors into new, powerful tools. The products of this line are connected to the Internet, managed remotely and are able to interact with users/service staff. They are a new, revolutionary tool for communication and advertising activities or for supporting security and maintenance personnel. They also allow owners to generate income through the sale of advertising space. The new systems can also be provided with additional technologies, depending on the specific applications: touchscreens, mini-webcams and facial recognition systems (AI).

The range includes:



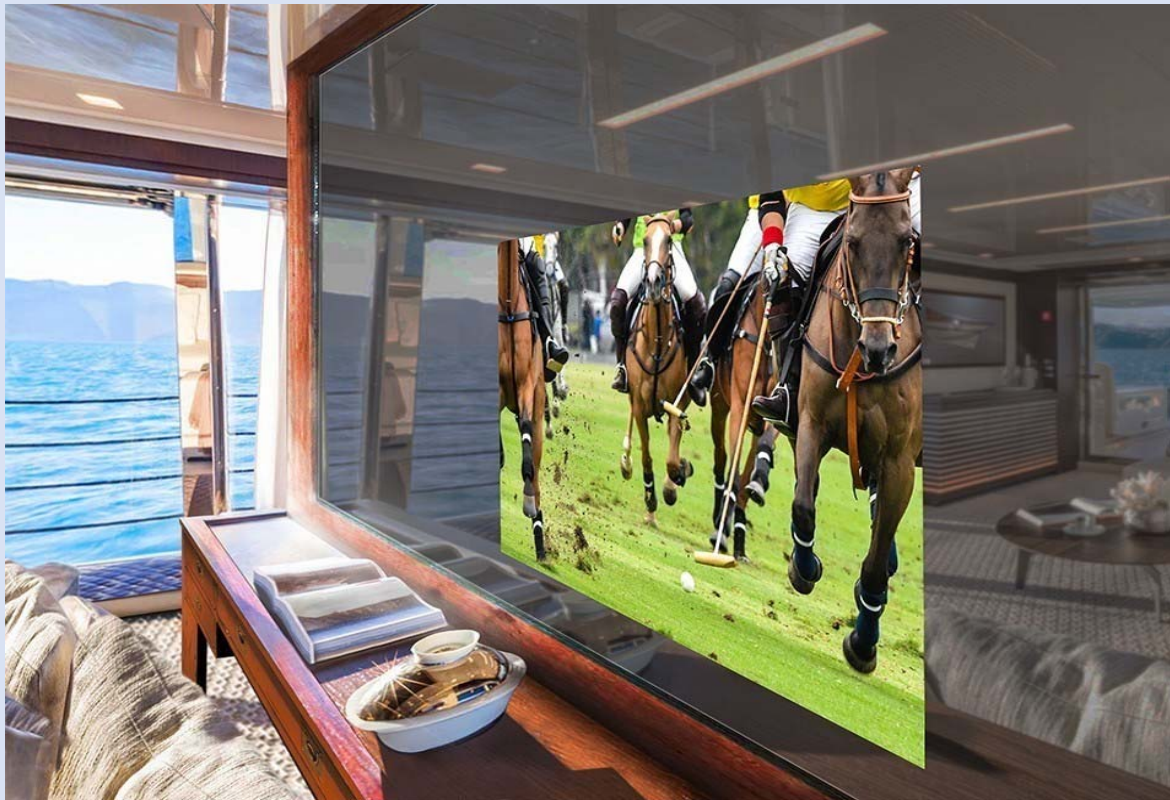
**Magic Vision:** glass door for commercial refrigerators and freezers;



**Gateway:** interactive mirror TV for lift cars (patented in Italy and patent pending in Europe);



**iMage:** interactive mirror TV designed for hotel rooms, restaurants, shopping centres, etc.;



**Ora-Pure Mindfulness:** interactive mirror TV for spas, wellness centres and meditation rooms (developed in cooperation with the architectural firm Massimo Mussapi).





## 2.3 FOCUS ON CUSTOMERS



The Covid-19 pandemic has created unprecedented challenges not only to the sectors served by LU-VE products, but also to the business relationships and normal activities carried out by the Group and its sales network. However, thanks to our swift response and targeted control actions, we were able to stay close to our customers, ensuring business continuity and at the same time increasing our turnover and order book. This was possible thanks to a modular approach to production, which allowed us to serve the various markets and geographical areas, depending on different needs and closing periods.

Specifically, the Group was able to maintain its production capacity above 50% in 2020, even during closures, thanks to the diversification of its different geographical areas and to keeping the facilities independent of each other.

This capacity was reached thanks to a project already launched over the past years. The aim of the project is to increase the interchangeability of certain facilities as regards specific product families by boosting the sharing of know-how and best practices among the various companies. More

specifically, in 2020 the Group's Italian facilities and the Indian facility were closed for three weeks and around two months, respectively, in accordance with measures adopted by local governments. The Russian facility closed for one week and the Chinese plant for about a month and a half. After the initial closures, the majority of production activities restarted, in some cases gradually, since some Group customers were included in production chains which were considered strategic. Back-up solutions were also agreed with some European customers, moving supplies from one facility to another to give continuity to production chains. Finally, thanks to its solid financial structure, the Group also supported some small suppliers by advancing payments and so alleviating the impact of the pandemic on them.

LU-VE Group continued with its commitment to interpreting and anticipating current and latent market demands and transforming them into technologically advanced, cutting-edge products able to provide excellent and reliable performance over time. Continuous improvement and focus to the future are among the characteristics underlying LU-VE's way of doing business. The Group has a matrix sales organisation: two Strategic Business Units (air cooled products and components), with centres of responsibility by country and experts for specific product lines. Our technical and sales structure allows us to adopt a customer-focused approach starting from the design phase and throughout all the different stages, leading to products developed according to our customers' specific requirements. While ensuring highest performance.

#### **EUROVENT-CERTIFIED SINCE 2000**

To ensure the transparency of sales communications based on facts, the Group has voluntarily signed up to the Eurovent certification scheme.



This certification guarantees that the information specified in the catalogue is consistent with the actual performance of the solutions, in terms of power, air flow, energy consumption, noise levels and construction characteristics, as a result ensuring the solution's capacity to provide optimal operating conditions and minimum costs, for the entire lifecycle of the system.

Certified since 2000, LU-VE Group has been the first three times. At the end of 2020, it was amongst the very first companies to obtain Eurovent certification (No. 00.10.214) for CO<sub>2</sub> evaporators (thermal performance, energy consumption and air flow rate), marketed under the brands LU-VE Exchangers and AIA LU-VE.

In 2016, LU-VE was the first manufacturer for which Eurovent officially certified that their heat exchangers for refrigeration had never registered a single negative test during three different test cycles (between 2011 and 2015).

In 2000, LU-VE was the first company in Europe to obtain Eurovent's new "Certify All" certification, for all ranges of condensers, dry coolers and unit coolers.

In the twenty years since then, LU-VE products have passed all the laboratory tests required by the certification procedure, which provides for an annual verification of some models of the ranges, chosen by Eurovent as a sample, and tested at specialised international institutes.



# THE NATURAL LEADER

to guarantee performance

“CO<sub>2</sub> EUROVENT CERTIFICATION” \*

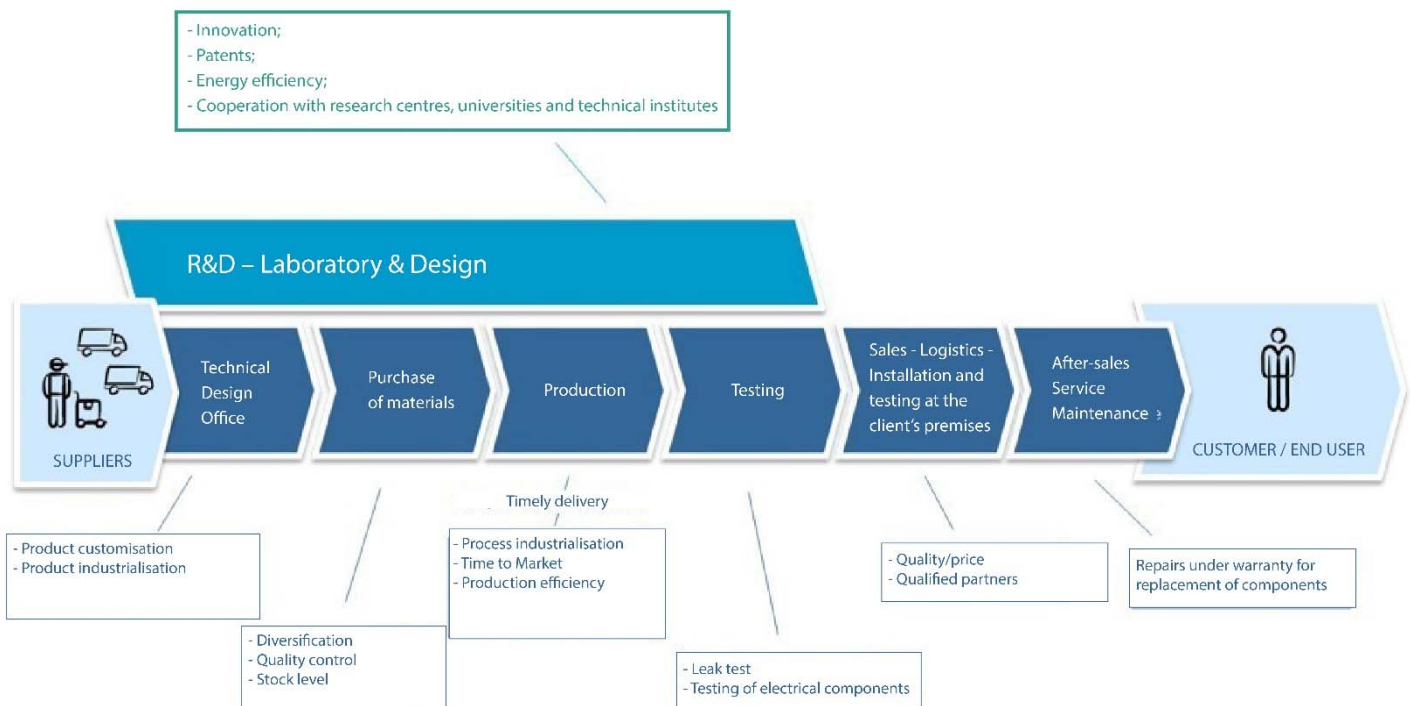


**CAPACITY, AIR FLOW, ENERGY CONSUMPTION ARE CERTIFIED!**

\*LU-VE Exchangers and AIA LU-VE CO<sub>2</sub> DX unit coolers

With the aim of developing, year after year, a customer-focused approach that could be common to the different companies and geographical areas, the project to improve and standardise the cost calculation methodology continued throughout 2020. The project was carried out with the collaboration of various company functions and regarded the creation of a dedicated tool for the production of a single database capable of mapping the production lines in the various manufacturing sites and related products. Specifically, during 2020, all existing machines in the facilities will continue to be mapped in order to extend the new calculation method to all of them. As a result of the coordinated efforts at Group level and at the level of each single facility, a large part of production complied with the new organisational principles at the end of 2020. It is now possible to further improve delivery flexibility and timeliness and adopt a smoother, customer-focused approach, thanks to new synergies between the various production facilities.

In 2020, the Group also launched a **project to reorganise the sales, logistics and planning of the condenser segment** for the Ho.re.ca sector (ST/STVF product families), i.e. the hotel industry and more in general businesses dealing with the serving of food and beverage. The project stemmed from the aim to reorganise production and sales management in order to further improve the service provided to markets and customers. Finally, an integral part of the project is the creation of a partnership with a distributor for the Italian market, the aim being to guarantee customers a timely service consistent with the Group's quality standards.





## QUALITY CONTROL

LU-VE Group products are tested before being introduced into the market. Controls are carried out in LU-VE Group laboratories or at the laboratories of the Group's technical partners such as universities or accredited centres. For the air cooled, close control and insulated glazing product categories, manufactured in Italy, the Group conducts health and safety impact assessments. Specifically, risk assessments are carried out relating to electrical safety, and further safety testing is conducted in accordance with European directives, such as the "Machinery Directive 2006/42/EC", applicable to all machinery introduced into the European market.

Once the solution planning and development phase is complete, the Planning, Research and Development Department produces a detailed Installation and Maintenance Manual that contains the technical specifications and instructions for the correct use of the solution. This document also provides information on the presence of potentially harmful substances for the environment, as well as the product's safety and disposal methods and the relative environmental impacts, based on applicable legislation. Customers have constant access to the Customer Services department of the Sales division for any subsequent maintenance requirements or requests for assistance.

Thanks to its partnerships with many suppliers, the Group is able to eliminate the majority of manufacturing defects, including those defined as "concealed", or which cannot be identified during the manufacturing and testing phase.

The recurrence of product defect events has historically been very limited, at a percentage which is considered natural for the business segment. Once again for 2020, total returns amounted to 0.1% of revenue, in line with 2019 and 2018. In cases in which product defects are identified, the Group company involved agrees on corrective actions to be taken with the customer and if necessary activates the insurance taken out to cover that eventuality.

The Group monitors its customers' satisfaction through periodic analyses, the results of which aim to identify solutions to improve its commercial range. In particular, in order to ensure continuous feedback, as well as the one-to-one relationship between the customer and the sales representative, the Group implements a **customer satisfaction survey** at least every two years.

In the course of 2020, the Group subsidiary TGD - which develops glass doors and closing systems for refrigerated counters and showcases as well as IoT mirrors for special applications - carried out a satisfaction survey on its marketing strategy, brand perception and on product strengths and weaknesses. The preliminary answers given by TGD's customers did not reveal any particular criticalities.



## 3. THE LU-VE GROUP FAMILY

### 3.1 GROWTH

In recent years, LU-VE Group's activities and business have undergone important changes: facilities in both Italy and abroad were affected by new acquisitions, renewals and consolidations. Following the increasingly rapid expansion of the business, LU-VE Group believes it is important that each separate company focuses continually on preventing and monitoring occupational health and safety risks, and on training, developing and enhancing the know-how of employees.



**"Companies are first and foremost women, men and ideas - commented Iginio Liberali, LU-VE Chairman - we have always believed this and we are committed to transforming these words into real action, especially in these months of disruptive change, during which we have had to face a complex challenge and the "new normal"**

**Iginio Liberali, LU-VE Group Chairman**

During 2020, due to the Covid-19 pandemic, LU-VE Group adopted strong policies to safeguard the health of its workers. Smart working was authorised for the majority of administrative workers, as well as, on a rotation basis, many of those employed in technical operations. The reorganisation of each facility with a cleaning, sanitisation and conduct protocol, also enabled any close contact between colleagues to be drastically reduced, significantly contributing to limiting the spread of the virus in the company. Lastly, the drastic reduction of travel between sites further reduced opportunities for contact and therefore infection. This meant that the need to close departments and activities at the various sites for reasons linked to infections was reduced to a minimum.

LU-VE Group managed the emergency situation alongside the management of ordinary aspects of its business, which had been structured and formalised in a **Group human resource management policy in 2019**, in line with the key values of the Code of Ethics, and adopted locally by all companies.

HR management objectives promoted by the new policy are of the utmost importance to LU-VE Group and cover various aspects of well-being and professional development, including optimising the recruitment and selection process, guaranteeing excellent training programmes to develop theoretical and practical expertise, maintaining a correct wage and remuneration management, complying with the legislation of the countries in which Group companies operate, preventing any episode of discrimination and safeguarding the health and safety of all employees.

In 2020, efforts continued to develop a harmonised and structured approach to **assessing individual performance**.

The **employee performance assessment** system was implemented in a specific module of SAP Success Factor. Depending on the tasks performed and the responsibilities held, each year, employees are involved in a Skills Development process. The process implemented envisages the assessment and the monitoring of competences belonging to four different sections: professional characteristics, professional ability, personal aptitude and, just for people involved in production activities, operational skills.

With regard to executives and managers, in 2020 new MBO - Management By Objectives - were defined, formalised and shared. More specifically, Zyklus (United States), Air Hex Alonte (Italy) and Fincoil (Finland) and three sales companies (in Holland, United Arab Emirates and Russia) were included in the system, reaching a total assignment of over 230 MBOs. The Group HR Department has developed the MBO (Management By Objectives) system on the SAP Success Factor platform, and has set itself the objective of completing the integration of the remaining Group companies into the system by 2021.

The architecture of the MBO process envisages strategic company objectives, namely Company Targets also associated with the financial performance of the Group or of the individual facility, individual targets for employees and behavioural objectives. The MBO also include, for some company departments, specific ESG aspects linked to occupational health and safety parameters.

Lastly, in 2020, the **project to map the roles and skills of employees** at all Group companies depending on the requirements of each company role. Following recent acquisitions, the primary aim of the project was to prepare the technical basis for the Skills Development process, draw up

an overall framework of the Group's organisation and map the skills available in each LU-VE company. This mapping exercise will allow the HR Department, on one hand, to design effective training courses in line with the Group's growth strategies, and on the other hand, to establish balanced and adequate remuneration policies with respect to the reference market.

## WIDESPREAD COMMUNICATION

In order to ensure an appropriate level of employee engagement in the Group's development, the Group has continued to develop an organic internal communications plan.

### BLOG AND DEDICATED NEWSLETTERS



To this end, and with a view to increasingly sharing information and promoting a sense of belonging, LU-VE Group has expanded its paper-based newsletter, established in 2019. From the beginning of 2020, a small dedicated editorial staff was created, which enabled the blog [we.luve.it](http://we.luve.it) to be produced for internal communication, which is organised into three sections: news (corporate, products, trade fairs and events), interesting facts from around the world (stories written by employees or on employees, recipes, travel), service information focused on the various Italian plants (conventions, services for employees, photographs, etc.). In particular, in 2020, pages entitled “everythingsgonnabeallright” were activated both on the websites and on the blog, focusing on information on the Covid emergency (see also the chapter entitled “In safety”). The blog is written alongside the newsletter, which is no longer paper-based, but is distributed each month to all Italian employees by e-mail and WhatsApp.

From 2021, the blog and the newsletter are also produced in English, to be able to include employees at all of the Group's facilities abroad.

### SOCIAL MEDIA

Communication to all employees now also takes place via several social channels, first focused on just corporate, financial and product areas. LU-VE Group pages are active on LinkedIn (Italian and English), Facebook (Italian and English), YouTube and recently also Instagram (Russian) and WeChat (Chinese).





The provision of benefits, applicable to certain Group companies and managed directly by HR Managers, differs from country to country depending on the requirements and cultures present within the Group. The Group HR Department oversees the adoption of these benefits and strives to ensure the adequacy of the various welfare packages. With the exception of some companies (LU-VE Heat Exchangers (China), Heat Transfer Systems (Czech Republic) and Spirotech Heat Exchangers (India)), which provide benefits exclusively to full-time workers, all Group employees have access to welfare systems.

With regard to the company welfare system, a series of initiatives are in place to increase the well-being of our people and their families.

### *The main benefits of LU-VE Group, 2020*

	LU-VE S.p.A.	SEST S.p.A.	TECNAIR LV S.p.A.	THERMO GLASS DOOR S.p.A. (TGD)	HEAT TRANSFER SYSTEMS (HTS) s.r.o.	SEST-LUVE-POLSKA Sp.z o.o.	"OOO" SEST-LUVE	SPIROTECH HEAT EXCHANGERS PRIVATE LIMITED	LU-VE HEAT EXCHANGERS (CHANGSHU) LTD	LU-VE SWEDEN AB	AIR HEX ALONTE S.R.L.	FINCOIL LU-VE OY
Work-life balance (e.g. flexible working hours, incentives for commuters)	X	X	X		X	X	X	X	X			
Promotion of healthy lifestyles (e.g. gym membership)					X	X	X	X	X			
Support for workers' families (e.g. scholarships)	X	X	X	X		X	X					
Medical insurance			X			X		X				

 Benefits introduced in this reporting year

Following the Covid-19 emergency and the consequent lockdown, the Group focused on the physical well-being of its employees and, thanks to an agreement with the CUS (*Centro Universitario Sportivo*) sports club in Pavia, has given its Italian employees the opportunity for free access to the Train@home programme, to be able to exercise from the comfort of their own homes, as well as following training programmes for specific sports, run by professional instructors and trainers.

## RESPECT FOR HUMAN RIGHTS

Given the growing attention placed on the protection of **human rights**, in 2018, LU-VE Group conducted an analysis focused on exploring aspects relating to forced and child labour, discrimination, respect for civil, political, economic and cultural rights and the violation of human rights across its supply chain, following the principles and criteria defined in the International Guidelines and Corporate Responsibility (ISO 26000), Social Accountability (SA 8000) and the Global Compact of the United Nations.

Although LU-VE Group mainly operates in Europe, a region that is not considered at risk from a human rights protection perspective, the age of the employees hired at all of the Group's facilities is constantly monitored, and during the periodic internal audits performed by the Parent Company in all Italian and foreign facilities, any risks or cases of violation of human rights are investigated. The assessment activities carried out by the Group are supported by regular inspections and evaluations by its clients, some of whom belong to international groups which, like LU-VE Group, operate worldwide.

With regard to suppliers, if possible before the supply agreement is implemented, or in any event as soon as possible, LU-VE Group requires - through the completion of a specific Supplier Form - a declaration that in all national and international facilities and activities, child and forced labour, physical punishment, mental and verbal abuse are strictly prohibited, that there are full rights to the freedom of association, that a system is in place to prevent discrimination, that working hours and pay are compliant with legislation. In the event of non-compliance with these principles, the supplier is requested to take the necessary corrective measures to improve the situation and to meet requirements within a reasonable period of time. At the end of 2020, 34% of LU-VE Group's important suppliers had completed the Supplier Form.

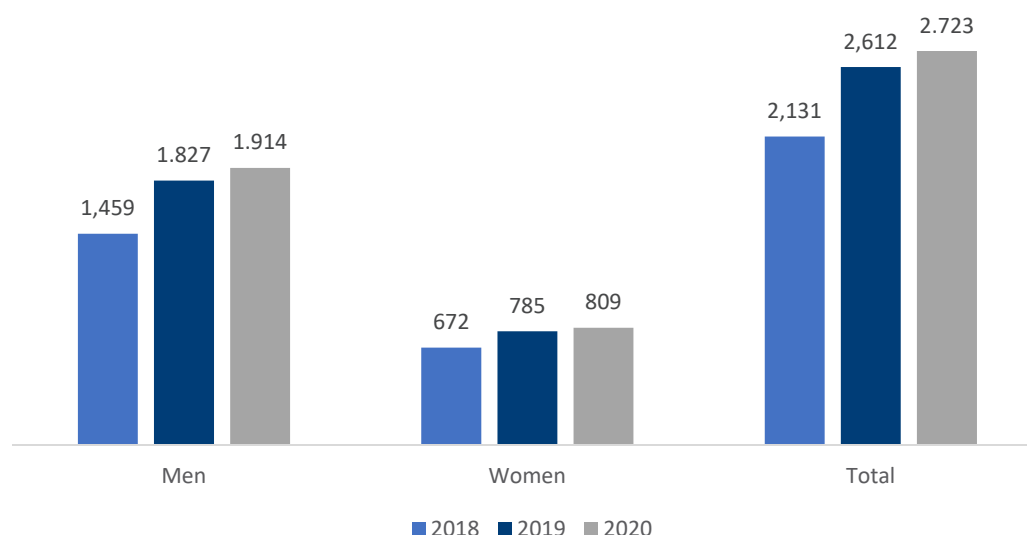
With regard to 2020, the Group did not record any cases of human rights violations.



As at 31 December 2020, LU-VE Group had a **workforce of 3,520<sup>2</sup>**, 2,723 of which were employees.

Of the employee population, around 30% are women. The gender difference is mainly due to the peculiarity of the business which, especially in the past, mainly attracted male professional figures.

*Number of employees by gender as at 31 December*



Overall, in 2020 60% of LU-VE Group employees were aged between 30 and 50, while 19% were under 30.

EMPLOYEES BROKEN DOWN BY PROFESSIONAL CATEGORY AND GENDER			
	2018	2019	2020
<b>Executives</b>	<b>2%</b>	<b>1%</b>	<b>1%</b>
Men	97%	97%	97%
Women	3%	3%	3%
<b>Middle managers and white collar workers</b>	<b>27%</b>	<b>31%</b>	<b>31%</b>
Men	65%	66%	68%
Women	35%	34%	32%
<b>Blue collar workers</b>	<b>71%</b>	<b>68%</b>	<b>68%</b>
Men	69%	71%	71%
Women	31%	29%	29%

<sup>2</sup> In addition to employees, the workforce include temporary workers, contractors and apprentices.



EMPLOYEES BROKEN DOWN BY PROFESSIONAL CATEGORY AND AGE			
	2018	2019	2020
<b>Executives</b>	<b>2%</b>	<b>1%</b>	<b>1%</b>
Under 30 years of age	0%	0%	0%
30-50 years	54%	44%	38%
Over 50 years of age	46%	56%	63%
<b>Middle managers and white collar workers</b>	<b>27%</b>	<b>31%</b>	<b>31%</b>
Under 30 years of age	22%	17%	16%
30-50 years	63%	65%	66%
Over 50 years of age	15%	17%	18%
<b>Blue collar workers</b>	<b>71%</b>	<b>68%</b>	<b>68%</b>
Under 30 years of age	25%	22%	21%
30-50 years	56%	57%	58%
Over 50 years of age	19%	21%	21%

In the course of 2020, 337 employees left the Group, while 448 were hired.

NUMBER OF NEW HIRES AND DEPARTURES BY GENDER						
	New Hires			Departures		
	2018	2019	2020	2018	2019	2020
Men	316	374	316	228	275	228
Women	123	129	132	105	83	109
<b>Total</b>	<b>439</b>	<b>503</b>	<b>448</b>	<b>333</b>	<b>358</b>	<b>337</b>
NUMBER OF NEW HIRES AND DEPARTURES BY AGE						
Under 30 years of age	213	168	154	123	115	97
30-50 years	205	309	260	177	201	183
Over 50 years of age	21	26	34	33	42	57
<b>Total</b>	<b>439</b>	<b>503</b>	<b>448</b>	<b>333</b>	<b>358</b>	<b>337</b>
NUMBER OF NEW HIRES AND DEPARTURES BY REGION						
Italy	66	60	42	46	60	54
EU Countries	240	234	232	152	134	145
Non-EU Countries	133	209	174	135	164	138
<b>Total</b>	<b>439</b>	<b>503</b>	<b>448</b>	<b>333</b>	<b>358</b>	<b>337</b>

TURNOVER RATE BY GENDER						
	Inbound turnover rate			Outbound turnover rate		
	2018	2019	2020	2018	2019	2020
Men	21.7%	20.5%	16.5%	15.6%	15.1%	11.9%
Women	18.3%	16.4%	16.3%	15.6%	10.6%	13.5%
<b>Turnover rate</b>	<b>20.6%</b>	<b>19.3%</b>	<b>16.5%</b>	<b>15.6%</b>	<b>13.7%</b>	<b>12.4%</b>

TURNOVER RATE BY AGE						
	2018	2019	2020	2018	2019	2020
Under 30 years of age	42.1%	31.8%	29.7%	24.3%	21.7%	18.7%
30-50 years	16.7%	19.8%	15.8%	14.5%	12.9%	11.2%
Over 50 years of age	5.2%	5.0%	6.0%	8.2%	8.0%	10.1%
<b>Turnover rate</b>	<b>20.6%</b>	<b>19.3%</b>	<b>16.5%</b>	<b>15.6%</b>	<b>13.7%</b>	<b>12.4%</b>

TURNOVER RATE BY REGION						
	2018	2019	2020	2018	2019	2020
Italy	8.5%	6.1%	4.3%	5.9%	6.1%	5.5%
EU Countries	28.6%	21.9%	20.1%	18.1%	12.6%	12.6%
Non-EU Countries	26.0%	37.5%	29.3%	26.4%	29.4%	23.3%
<b>Turnover rate</b>	<b>20.6%</b>	<b>19.3%</b>	<b>16.5%</b>	<b>15.6%</b>	<b>13.7%</b>	<b>12.4%</b>

## ALFA COOPERATIVE

Since 2006, LU-VE Group has supported the Alfa Cooperative through the “*Come le scarpe nel frigorifero*” (“Like shoes in the refrigerator”) project, aimed at promoting the integration of people with disabilities into concrete working roles that involve participation in normal company life. Indeed, this work plays a therapeutic role, favouring the social recognition of employees and thus boosting their self-esteem and personal dignity. Over the years, this consolidated partnership has enabled the stable integration of certain people of the Cooperative, over 30 in 2020 alone.



As at 31 December 2020, the Board of Directors was composed of 12 members, of which 4 were women.<sup>3</sup>

#### NUMBER OF MEMBERS OF THE BOARD OF DIRECTORS BY GENDER, AS AT 31 DECEMBER

	2018	2019	2020
Men	9	9	8
Women	3	3	4

#### NUMBER OF MEMBERS OF THE BOARD OF DIRECTORS BY AGE, AS AT 31 DECEMBER

Under 30 years of age	0	0	0
Between 30 and 50 years of age	3	1	2
Over 50 years of age	9	11	10
<b>Total</b>	<b>12</b>	<b>12</b>	<b>12</b>

LU-VE Group has always undertaken to develop its organisation, starting with local resources and professionals, recruiting resources from the countries it operates in and where its facilities are based. In 2020, the percentage of Directors at the various locations of the Group recruited from local communities was 87.5% (4 directors out of a total of 32 do not belong to local communities), compared to 91.7 in 2019.

In 2020, 86% of Group employees were employed on a permanent contract.

#### NUMBER OF EMPLOYEES BY CONTRACTUAL TYPE AND GENDER

	Permanent contract			Temporary contract			Total		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Men	1,223	1,554	1,651	236	273	263	1,459	1,827	1,914
Women	596	651	682	76	134	127	672	785	809
<b>Total</b>	<b>1,819</b>	<b>2,205</b>	<b>2,333</b>	<b>312</b>	<b>407</b>	<b>390</b>	<b>2,131</b>	<b>2,612</b>	<b>2,723</b>

<sup>3</sup> For more information on the Board of Directors, refer to the 2020 Report on Corporate Governance and Ownership Structures of LU-VE Group.



NUMBER OF EMPLOYEES BY CONTRACT TYPE AND REGION									
	Permanent contract			Temporary contract			Total		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Italy	734	974	969	45	14	7	779	988	976
EU Countries	573	775	875	267	292	279	840	1,067	1,154
Non-EU Countries	512	456	489	0	101	104	512	557	593
<b>Total</b>	<b>1,819</b>	<b>2,205</b>	<b>2,333</b>	<b>312</b>	<b>407</b>	<b>390</b>	<b>2,131</b>	<b>2,612</b>	<b>2,723</b>

NUMBER OF EMPLOYEES BY PROFESSIONAL TYPE AND GENDER									
	Full-time			Part-time			Total		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Men	1,449	1,814	1,905	10	13	9	1,459	1,827	1,914
Women	611	711	743	61	74	66	672	785	809
<b>Total</b>	<b>2,060</b>	<b>2,525</b>	<b>2,648</b>	<b>71</b>	<b>87</b>	<b>75</b>	<b>2,131</b>	<b>2,612</b>	<b>2,723</b>

With reference to the difference between the base salary and between the remuneration of women and men, the data provided in the table below is difficult to compare due to the presence of very different job levels and duties and the different number of men and women, particularly with regards to the company of the Spirotech Group where women cover very different roles to those of their male co-workers in the same category.

RATIO BETWEEN BASE SALARY OF WOMEN AND MEN (PERCENTAGE)									
	Executives			Middle managers and white collar workers			Blue collar workers		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Italy	63.6	71.7	63.9	79.2	78.6	78.1	97.8	101.9	95.3
EU Countries	-	-	-	71.4	72.5	72.5	67.4	69.2	68.8
Non-EU Countries	-	-	-	92.6	107.9	112.0	127.2	148.3	124.2

RATIO BETWEEN TOTAL REMUNERATION <sup>4</sup> OF WOMEN AND MEN (PERCENTAGE)									
	Executives			Middle managers and white collar workers			Blue collar workers		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Italy	53.8	65.0	67.2	76.4	76.6	76.1	93.8	99.6	93.4
EU Countries	-	-	-	71.6	70.9	71.8	75.3	71.1	71.6
Non-EU Countries	-	-	-	87.1	97.9	105.2	126.2	138.5	114.2

As regards **training**, every employee has the opportunity to take part in technical and management training courses. Based on the process to map the skills of each person, following the Skills Development process, effective training plans will be established, in line with the Group's growth strategies. The programmes have been designed to provide everyone with the tools and skills needed to carry out their activities in line with the company's objectives and values.

Due to the Covid-19 pandemic, in 2020, total training hours decreased, as it was not possible to implement the courses planned for the year. At the same time, the Group decided that certain categories of employees needed training in resource management and in aspects of smart working. Following the preventive measures requested by the Government, during the emergency situation, the switch to smart working was immediate (15 days). The application of remote working in terms of company Regulations required the analysis and preparation of the Regulations in question and of individual agreements. This was concluded and formalised over a two-month period.

The Italian HR departments, therefore implemented specific training courses on smart working, providing a total of 20 hours to executives and 222.5 hours to middle managers and white-collar workers.

In 2020, as in previous years, the Group also organised *ad-hoc* training courses for specific company positions. This year, for example, the Group Quality department, organised a specific training course for certain employees on the RoHS Directive and the REACH Regulation: European legislation regarding restrictions on the use of specific substances (chemical, in particular) retained hazardous for product distribution.

In 2020, LU-VE Group provided a total of 27,286 hours of training to its employees. In 2020, the training courses mostly regarded the development of a shared culture of health and safety, in addition to job-specific topics and environmental aspects. In view of the increasing internationalisation of the Group, following on from last year, foreign language courses were organised to promote inter-company communication.

<sup>4</sup> Total remuneration: gross salary in addition to annually variable amounts, such as bonuses in cash and available shares linked to individual performance and/or company productivity and all additional non-extemporaneous salary elements.

## AVERAGE HOURS OF TRAINING PER CAPITA BY GENDER AND PROFESSIONAL CATEGORY

	Men			Women		
	2018	2019	2020	2018	2019	2020
Average hours of training per capita	14.4	15.5	10.8	10.6	11.1	8.3

	Executives			Middle managers and white collar workers			Blue collar workers		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Average hours of training per capita	14.0	16.2	14.5	22.5	21.1	17.3	9.7	11.0	6.6

## RELATIONS WITH TRADE UNIONS

Constructive dialogue with trade unions is of primary importance to the creation of a working environment based on employee dialogue and feedback.

The formal health and safety agreements with trade unions are subject to the laws of the countries in which the Group operates. In Italy, 100% of employees are covered by the National Collective Labour Contract and formal health and safety agreements. In China, there are currently no agreements in place with the trade unions concerning occupational health and safety, but the local subsidiary enters into an internal agreement with all workers who manage activities with health and safety risks, calling for risk training and awareness raising and the supply of personal protection equipment, the application of which is checked periodically, in addition to the performance of periodic health checks. In Sweden, a collective agreement covering 100% of the company population is entered into by the employers and trade unions. A similar system is in place in Germany. This type of contract does not exist in the other countries in which the Group operates.

Even during this particularly complicated year, Industrial Relations continued, in any event, in a spirit of constructive collaboration. This enabled company agreements to be renewed, where present, and action, programmes and measures to sustain company objectives and the well-being of all workers to be shared.



## 3.2 IN SAFETY



In 2020, LU-VE Group focused on **managing the Covid-19 pandemic** by preparing a risk mitigation plan, also drawn up on the basis of the experience gained by the Chinese facility, one of the first to be hit.

Of the various measures implemented at Group level, first and foremost was the application of strict rules to manage people and spaces: for each site, distancing criteria in the various areas were defined, establishing the maximum number of people for each room, therefore reducing the possible number present and limiting access to areas that did not meet the minimum safety requirements. From 9 March, the date of publication of the first guidelines in Italy, measures to contain the spread of the pandemic had already been adopted at all Group sites, such as the sanitisation of offices, production facilities and common areas, the strict control of areas of access to external suppliers, as well as the reduction of face-to-face meetings to a minimum, and the relative maximisation of smart working. These initiatives were taken promptly also thanks to the close contact and collaboration between LU-VE Group and the various national and local Public Authorities. The extraordinary measures to safeguard health adopted by LU-VE at all of its

production facilities and offices in Italy and abroad, followed the guidelines provided by the Ministry of Health (and of the respective national health authorities), by the World Health Organisation on the precautions to adopt, as well as the recommendations provided by Assolombarda/Confindustria.

## MITIGATING THE RISK OF CONTAGION

During 2020, the Group found itself tackling the risk of the spread of the Covid-19 virus in the workplace, including offices, production departments, and in common areas and environments such as canteens and break rooms.

The Group immediately gave its utmost attention to risk prevention: first of all in the Chinese facility, giving the local General Manager a mandate in February 2020 to implement all of the measures recommended by the local authorities in view of a possible recovery. As the pandemic spread outside of China, through its Crisis Committee, the Group used the Chinese experience to prepare common guidelines for all plants even before the adoption of the national protocols and the issue of the guidelines by the competent authorities. Firstly, a distinction was made between the measures to adopt in offices and those to adopt in production areas.

In the offices, smart-working measures were immediately adopted, exploiting the provisions in derogation to legislation in force and limiting the number of people present in the various offices in line with social distancing and room ventilation. In production areas, face-masks were adopted and work areas were sanitised. In addition, workers were trained, to make them aware of the correct behaviour to adopt.

Safety measures were established to guarantee that common areas were used with a view to minimising risks and guaranteeing the limitation and distinction of access points for various groups of workers. Lastly, the company guaranteed sanitisation, temperature control at plant entry points, the provision of protection equipment (face-masks and gloves) and disinfectant to all workers.

With regard, instead, to managing ordinary aspects of health and safety, LU-VE Group continued to adopt the approach established by the **HR management policy**, formalised in 2019 and applicable at Group level. The purpose of the policy is to define a series of shared guidelines to promote a culture of safety based on awareness, the prevention of risks and widespread responsible conduct at all levels of the organisation, to prolong, streamline and improve the working lives of people within LU-VE Group and to guarantee the ambitious target of “zero accidents”. An integral part of this approach is the Group’s intention to create a widespread safety culture through targeted training which, in 2020, represented the main topic of the training provided.

## TRAINING BREAK



Training breaks are an approach created and developed in all Group companies, which consist of short training sessions (15-30 minutes) carried out during working hours for small groups of workers, focusing on individual aspects of health and safety and looking in particular at the risks related to their specific job, place of work, equipment and substances used and the relative safety procedures. These initiatives are based around the active involvement of employees and aim to promote the constant improvement and diffusion of the culture of safety and prevention.

In 2018, the Federmeccanica-Assistal Fiom-Fim-Uilm National Health and Safety Commission acknowledged training breaks as an innovative training method, including it the national Guidelines for the metalworking sector.

With regard to projects to **analyse how health and safety** are managed, launched in 2018 as part of the “Make One Company - Make One Culture” campaign, the Group continued with the audits planned and with the integration of new LU-VE, former Alfa Laval, facilities.

In September 2020, the purpose of the audit conducted at the facility in the Czech Republic was to assess the adequacy of occupational health and safety oversight and to align the management approach with best practices at Group level. The audit led to the preparation of an improvement plan, the primary objective of which is to significantly reduce the frequency and severity indexes of accidents in the workplace with respect to previous years. This plan will then be used as an example to promote similar plans of action in the other facilities in both Europe and the other countries. In parallel, for all Italian sites, reorganisation plans have been implemented, reviewing roles and tasks to better distribute the loads of responsibility within the various facilities, in line with the strategy to harmonise the way these aspects are managed at Group level. The launch of



the inter-facility audit plan envisaged for 2020 was postponed to 2021 due to the health emergency. In 2020, efforts were limited to gauging the willingness of Italian HSE Managers to implement said plan, and a specific audit procedure was drawn up, which permits an easy exchange of information and the standardisation of the assessments of the audit observations.

The development of an occupational health and safety management model shared at Group level is also be promoted through the adoption of an **organisational model** certified according to the new international occupational health and safety standards **ISO 45001** (for further details, refer to paragraph “1.2 THE SUSTAINABILITY GOVERNANCE MODEL”).

In 2020, due to the restrictions that came into force to counter the effects of the pandemic, the activities related to the monitoring, assessments of work environments and of the related work stress, launched by the Group in previous years, did not take place. Nevertheless, the Group’s objective is to continue with these activities, by creating a timetable for all Italian facilities, which envisages a four-year monitoring plan for all aspects relating to industrial hygiene: from chemical risk to water discharges and noise reduction. The ultimate aim of the project is once again that of creating a common approach, where the standardised measurement and management of the elements required for HSE reporting make the same increasingly reliable.

## **OUR RISK MANAGEMENT AND MITIGATION MODEL**

The risk management strategy relating to health and safety of LU-VE Group focuses both on checking and complying with legislation in force, as well as continuously searching for improvement projects, able to gradually mitigate the risks relating to occupational health and safety.

In 2020, the preparation of a standard method for all companies to assess the risks relating to occupational health and safety was completed and approved by all HSE managers of Italian facilities. The project will gradually be implemented in each Group facility, even where there is no obligation to do so, and will enable the standard levels of risk in the various facilities to be easily compared, undertaking improvement measures already implemented at other sites, for the areas considered most critical. Therefore, it is expected that this process will allow a greater control of compliance with legal regulations as well as the standardisation of the management of these areas at all sites. In addition to aspects related to health and safety, the project also includes environmental aspects, with a view to obtaining greater control of compliance with these legislative aspects as well as standardised management at all sites. To support this method, the Group has purchased a new software tool to manage all operational aspects relating to HSE risks, which will be used as a further tool to share best practices and to mitigate risk in all Group companies.

The new risk assessment model at Group level will follow the precautionary approach already adopted by the Group with regard to these topics, with the aim of mitigating the risks related to the failure to observe internal procedures as well as current occupational health and safety legislation. The Group’s role of coordination and supervision with regard to occupational health and safety risks, is ultimately aligned with the operating activities of all of the production companies, which are required to adopt the measures needed to implement the Group guidelines. Through specific targeted investments, the primary objective of the individual companies is to ensure compliance with the legislation in force in their countries. Systematic controls are also



carried out at site level on machinery and equipment and workers are provided with certified Personal Protective Equipment (PPE). In addition, employee work schedule and time off regulations are regularly respected in compliance with labour legislation and other regulations on workers' rights in the reference country.

In this context, the topic of accident monitoring is of central importance, performed both at individual production facility level and at Group level. The comprehensive and coordinated control and monitoring of accidents, injuries, absenteeism, reporting and near misses are performed regularly and reported to top management.

Lastly, the topic of occupational health and safety is analysed following the stages of acquisition of new production facilities. When the acquisition process has been completed, the Group begins, in line with other aspects, the process of aligning the management of these topics and of the related risks, to guarantee a harmonised and coordinated approach.

Over the past few years, the Group has focused on boosting the monitoring and assessment of the health and safety of its workers, as well as increasing the number of training hours on these topics. In 2020, none of the injuries reported were classified as serious or with serious consequences. In fact, the injuries were all related to the handling of loads, superficial cuts and bruises. Although the rate of work-related injuries has been practically stable in the past two years, the Group's severity rate, which indicates the severity of injuries in terms of days lost, fell by 35% between 2019 and 2020.

INJURY RATES AND DATA			
	2018	2019	2020
Hours worked	3,609,410	4,196,916	4,347,949
Total number of work-related injuries	53	36	37
Commuting accidents <sup>5</sup>	6	4	5
Total number of high-consequence work-related injuries <sup>6</sup>	-	-	-
Rate of work-related injuries <sup>7</sup>	14.68	8.58	8.51
Rate of high-consequence work-related injuries <sup>8</sup>	-	-	-
Severity rate <sup>9</sup>	567.68	335.25	219.18

<sup>5</sup> A commuting accident means an accident that takes place during the trip between the workplace and a place relating to the private sphere (e.g. place of residence, place where meals are usually eaten).

<sup>6</sup> An high-consequence work-related injury is a work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.

<sup>7</sup> The rate of work-related injuries is calculated as the number of work-related injuries/hours worked x 1,000,000. The calculation of the rate of accidents does not consider accidents while travelling insofar as it is not organised by LU-VE Group.

<sup>8</sup> The rate of high-consequence work-related injuries is calculated as the number of high-consequence work-related injuries/hours worked x 1,000,000.

<sup>9</sup> The rate of severity is calculated as the number of days lost due to a work-related injuries/hours worked x 1,000,000. In the calculation of days lost, also those lost due to accidents while travelling are included.

In 2020, five injuries relating to external workers were recorded, for which, on a total of hours worked of 1,517,425, a specific rate of injuries was calculated of 3.3.

No fatalities have been reported in the last three years.

In 2020, one case of work-related ill health was recorded in Italy, for which the company was asked to pay the amount of Euro 359 by the competent entity. Two alleged cases of work-related ill health relating to 2019, reported in Italy and Sweden, instead, were not acknowledged by the competent entities, but were properly managed by the company as part of its processes to safeguard the health and safety of its workers.

### 3.3 SUPPORT OF LOCAL COMMUNITIES

For LU-VE Group, creating shared value means strengthening the competitiveness of a company while improving the economic, social and environmental conditions of the communities in which it operates. In fact, the Group has been involved in schemes to promote the well-being of its people and its communities for years.

Given the events of the past year, LU-VE Group also decided to provide material support to the healthcare staff working in the fight against Covid-19. Euro 300,000 was donated to support the activities of front-line clinical facilities to tackle the emergency generated by the virus. The donation was directed to structures operating in the four provinces in which the Group's Italian facilities are located, as a symbol of its proximity to the various local communities: the Hospitals in the Varese area, the IRCCS Foundation of the San Matteo Polyclinic in Pavia, the ULSS Dolomiti in the Province of Belluno and the San Bortolo Onlus Foundation for the Hospital of Vicenza.

Furthermore, to enable its workers to make a personal contribution to the facilities and to demonstrate their support, the Group gave them the opportunity to decide whether to donate the equivalent of an hour's pay.

**"In normal times we would not have disclosed this operation, but the country is going through difficult times and I think it is the duty of all of us, companies and citizens, to act and to call everyone to action. We don't just want to offer concrete help to the clinical structures that are in the front line against the threat of Covid-19, we also want to show them a sign of closeness, esteem and gratitude for their struggle to defend the community and all of us"**

**Iginio Liberali, LU-VE Group Chairman**

"Lots of small drops together make an ocean", under this aegis, the Group's workers decided to give their personal support to the healthcare facilities in their respective areas, engaged in the fight against Covid. Overall, the equivalent of 247 working hours were donated (each worker could donate a maximum of one): essentially, one in four of the almost one thousand Italian employees made a contribution.

LU-VE Group has a long history of promoting the education and training of young generations.

The “Chiara and Ermanno Liberali” Scholarships are an award in honour of the parents of the chairman Iginio Liberali (who thanks to scholarships, was able to finish his studies, from middle school to university). They are dedicated to the children of LU-VE’s workers and, in 2020, reached the 19th edition, awarding 48 scholarships, for a total of over Euro 100,000 to students who have excelled at school in the 2019-20 school year.



Since 2001, the year of inauguration of the scholarships, LU-VE Group has awarded 279 scholarships (71 of which to university students) for a total of Euro 400,000. From 2021, the initiative will be gradually extended to the Group’s international locations, and if the conditions and the organisational structures allow it, also to other facilities. **“We must think of our young people and their education. I know the value of scholarships well: I myself was able to continue my school career, from middle school to university graduation, thanks to scholarships from the Necchi company in Pavia, where my father was a worker. One of the first choices I made when I founded LU-VE was to create the ‘Chiara and Ermanno Liberali’ Scholarship, named after my parents.”**

**Iginio Liberali, LU-VE Group Chairman**

In 2020, due to the pandemic, computer technology has become the only possible way to continue studying and avoid the risk of educational isolation. LU-VE Group wanted to take action to help the children of its employees, to counter the IT gap and provide educational support to children that have been forced to follow their lessons from home due to the pandemic. Through the “Chiara and Ermanno Liberali” Scholarship, 130 last generation tablets were assigned on the basis of the overall household income, the presence of young children (elementary, middle and high school age) in the family, and giving priority to families with more than one child.



**First tablets delivered in Uboldo plant**

**"The future will flourish through our children and their education. Precisely for this reason, LU-VE Group has decided to support the new forms of learning that envisage the use of tablets for home study by our children. LU-VE Group wanted to take action to counter the IT gap, providing educational support to children of our employees that have been forced to follow their lessons from home due to the Covid-19 pandemic. The future walks on the legs of young people."**

**Iginio Liberali, LU-VE Group Chairman**





Although the pandemic slowed down all competitive activities, 2020 was an important year for the young athletes of the CUS of Pavia, who were able to compete and win a total of 21 gold medals, 11 silvers and 8 bronzes in Italian Championships, in various disciplines, including canoeing, rowing and track and field events.

## A TALENT ON THE ICE



In the world of ice skating, LU-VE Group sponsors Gabriele Galli, an athlete from Uboldo (where the HQ of LU-VE Group is located). With the senior national team, Gabriele is looking to qualify for the 2026 Winter Olympics in Milan/Cortina. LU-VE will support his Olympic dream.

## FUTURA JUNIOR FOOTBALL CLUB



LU-VE Group also sponsors sport for younger children, through the Futura Junior Football Club based in Porvoo Finland - football players aged between 8 and 12. Coach Jan Zimmer, the head of technical purchasing for Fincoil LU-VE Finland: "We try to make them understand that winning isn't the most important thing, but playing to improve is".





Mathilde Rosa, winner of the 2019 world cup



## SPIROTECH'S CONTRIBUTION TO LOCAL COMMUNITIES



In line with previous years, also in 2020, the Group's Indian subsidiary Spirotech launched various social responsibility projects in line with the provisions of The Companies Act, which introduced the obligation for large companies to dedicate 2% of their profits to social responsibility initiatives. Spirotech's commitment to promoting the development of local communities, formalised in its Corporate Social Responsibility Policy, envisages implementing numerous initiatives that have both social and environmental benefits. In 2020, the Group's Indian company funded these activities for a total of around Euro 85,000.



Around half of the funds were directed towards the Prime Minister's National Relief Fund (PMNRF), a fund established entirely by public donations, whose aim is to help the families of those who have been hit by natural disasters, such as floods, cyclones or earthquakes.

Funding continued for the creation of a digital library for blind or partially sighted people, carried out in collaboration with the National Association for the Blind (NAB) - the largest network of volunteers to assist blind people in India.

Also this year, Spirotech contributed to the establishment of two projects of the LEU Foundation, "Center for Developing Young Minds" and "JumpStart the future of a Child", with the aim of supporting children and young people in disadvantaged urban areas by providing access to education and employment opportunities.

In the field of sustainable development Spirotech has sponsored a project to plant trees in the area adjacent to the facility in the industrial area of Kaharani in Bhiwadi.

Again in 2020, Spirotech received the 2019 Sustainability Award in the "Global Supplier Award Program of Trane Technologies" section. The company was rewarded in particular for its optimisation of the use of natural light, to reduce water consumption and the collection of rainwater for green areas, as well as for the installation of solar panels on the roof of the new facility and for the new automated machines that permit significant energy saving.



## THE CONTRIBUTION TO COMMUNITIES IN RUSSIA AND TANZANIA

Various Group companies contribute to local initiatives, close to them or even far away.



### RUSSIA

Since 2015, SEST LU-VE Russia sponsors the Tau Centre, in Ussurijsk, in the cold and snowy extreme east of Russia. The centre, managed by a Franciscan monk, Stefano Invernizzi, offers shelter to homeless adults, a soup kitchen for the underprivileged and the disabled, an after-school care program, various laboratories for children of poorer families and a project for physically-challenged children. The Russian subsidiary contributes to the expenses for heating the facility and to a project to renovate the system, so that it can save on consumption and optimise internal heat retention.

The centre is particularly proud of the assistance it provides to guests to manage the red tape needed to obtain or renew the personal documents that they don't have for bureaucratic reasons. Brother Stefano looks after their physical well-being and social inclusion, following the procedures that enable them to obtain identity cards and residence certificates that are fundamental for healthcare. This restores dignity to the adult guests, who can return to being citizens with their own rights and to receive a pension that gives them independence and hope for the future.





## TANZANIA

TGD (Travacò Siccomario, Pavia) has sponsored “Malaika Children's Friends Onlus” for several years, a group home in Tanzania that hosts orphan children, who have been abandoned or who need medical care, and seeks to help them grow in peace within their culture, attempting to reunite them with their families of origin where possible, and to help them become independent

adults.

The Malaika (which in Swahili means “angel”) group home is located a few kilometres from Arusha close to the village of Moshono. It employs a number of people, so even the local economy benefits from it: “mums” who take turns in managing the home (cooking, cleaning and looking after the children); a “dad” who takes the children to school and works with them in the fields and the chicken coop; a coordinator, who oversees activities as a whole, does the accounts and manages spending; a nurse, who looks after the younger children and the health of everyone; a night watchman, who guarantees peace of mind for the mums and the young guests.



### 3.4 RESPECT FOR THE ENVIRONMENT



LU-VE Group is aware of the importance of minimising the consumption of the environmental resources needed for its production processes and to create efficient products that contribute to conserving the environment for future generations. Creating value for the Group's stakeholders is based on the constant search for innovative solutions and technologies able to reduce the impact of production processes on the environment, by using water and energy resources in a rational way, reducing harmful emissions and the generation of waste.

These same principles are the foundation of the Group's **environmental policy**, drawn up over the course of 2020, which will be implemented in 2021 following the completion of its formalisation in the first few months of the year, with a view to establishing a standardised approach to managing environmental aspects at all production facilities. More specifically, the policy states its commitment to safeguarding the environment through four fundamental pillars: people, by spreading a culture of sustainability, the market, for the involvement of the entire supply chain, products, for the continuous improvement of environmental performance and processes.



## OUR ENVIRONMENTAL RISK MANAGEMENT AND MITIGATION MODEL

Having assessed the non-financial risks, LU-VE Group has identified the management of water consumption and discharge, the management of atmospheric emissions and waste management as key issues upon which to focus its attention.

In order to adequately monitor possible risks associated with these environmental aspects, every Group Company has an appointed representative responsible for overseeing and managing environmental aspects at each production site. This representative is also responsible for disclosures to local authorities and, where necessary, may engage specialist third-party companies (for example, in relation to investigations regarding atmospheric emissions and waste treatment).

Processes to monitor the environmental performance of production facilities with regard to the environmental aspects deemed to be significant are in place at Group level. The identification of an HSE coordinator at Group level, who reports directly to the COO, represents another step in sharing best practices among the Group's various manufacturing companies and the implementation of optimisation measures.

Furthermore, the Group adopts a preventive approach in the management of environmental risks through the presence of management systems in line with international standard ISO 14001, which provides for the analysis of significant environmental risks at each individual site. The Uboldo and Alonte facilities in Italy, the Spirotech facility in India and the Fincoil facility in Finland already hold this certification. These models will be rolled out to other foreign sites in the future.

With regard to assessing risk and the opportunities relating to climate change, the Group focuses on setting scientific objectives to reduce greenhouse gas emissions in line with the Paris Agreement. More specifically, the targets take into consideration Scope 1 and 2 emissions (direct and indirect emissions relating to the energy generated by the organisation) and Scope 3 emissions (indirect generated along the value chain).

As far as risks relating to the increase in extreme weather events, the rise in average global temperatures and of the sea level linked to climate change are concerned, the Group mitigates their potential impact by diversifying its production capacity in different countries. Note in this regard that at present, the Group's operations have not suffered consequences or damage resulting from said atmospheric or natural phenomena.

As mentioned above, several Group Companies have already adopted an organisational model certified according to international environmental management standard **ISO 14001**, while certain Group Companies in Italy have developed an energy management model certified according to international standard ISO 50001. The Group also plays a role of coordination, support and supervision with a view to promoting common practices.

**“Since our foundation, we have been pioneers in upholding the essential principles of environmental protection: lower energy consumption, the reduced use of refrigerant fluid, low noise levels, high levels of reliability over time and reduced use of space. Today we are an international group with our heart and mind firmly rooted in Italy, yet we have replicated our original model wherever we manufacture and operate, placing the work of the men and women who have made LU-VE's history at the very centre of our development.”**

**Iginio Liberali, LU-VE Group Chairman**

With regard to performance, the Group constantly monitors all of the main environmental performance parameters in its facilities, in terms of energy consumption, water withdrawals and discharges, waste production, atmospheric and greenhouse gas emissions, as well as any spills. 2020 marked a year of discontinuity for these parameters due both to the measures introduced to reduce the impact of the Covid-19 pandemic, and to the inclusion in the reporting scope of the newly-acquired facilities in Alonte, in the province of Vicenza and Vantaa, in Finland. In terms of environmental impact and production processes, the two new facilities are similar to the Group's other facilities, while with regard to management practices, a gradual process of alignment to the Group's best practices and oversight mechanisms has already begun.

As regards the various environmental aspects, therefore, the performance for the last three years is shown, with a breakdown of the impact that the acquisitions and the pandemic have had on the various indicators.

With regard to energy consumption, the total consumption of the Group's manufacturing companies was **237,585 GJ** in 2020 and includes electricity sourced from the national grid, of which 2,429 GJ was certified as renewable, energy generated by the solar panel systems in place at the Group's sites and fuel used by the company fleet, the central heating systems and for production processes. The increase in energy consumption, despite the periods of closure due to the pandemic, was mostly due to the inclusion of the Alonte and Fincoil facilities in the reporting scope from FY 2020. The increase of LPG consumption, in particular, was due to the launch of a new painting line in the Polish facility.

Again in 2020, relamping initiatives and, in general, energy efficiency measures continued, recording overall a saving estimated as 3,367 GJ per year.

In line with last year, the photovoltaic panels at the Italian facilities and at the new Finnish facility in Vantaa made it possible to cover internal energy requirements for more than 3,200 GJ and satisfy a portion of the national grid electricity demand, equal to almost 400 GJ.

ENERGY CONSUMPTION WITHIN THE ORGANISATION			
ENERGY CONSUMPTION FROM FOSSIL FUELS (GJ)			
	2018	2019 <sup>10</sup>	2020
Natural Gas	87,453.4	91,083.3	96,905.2
Diesel	10,968.8	8,869.4	7,491.7
Gasoline	903	925	1,210.4
LPG and propane	4,302.6	8,814.7	16,764.9
<b>Total</b>	<b>103,627.8</b>	<b>109,692.3</b>	<b>122,372.3</b>

ENERGY CONSUMPTION FROM ACQUIRED ENERGY (GJ)			
Electricity from the national electricity grid	85,391.8	96,962	104,152.2
District heating	7,648.1	6,921.5	7,838.7
<b>Total</b>	<b>93,039.9</b>	<b>103,883.4</b>	<b>111,991</b>
ELECTRICITY SELF-GENERATED FROM RENEWABLE SOURCES (GJ)			
Electricity from photovoltaics generated and consumed	2,597.4	2,411	3,222.1
Electricity from photovoltaics generated and sold	307	288.1	394.6
<b>Total</b>	<b>2,904.5</b>	<b>2,699.1</b>	<b>3,616.6</b>

INDIRECT GHG EMISSIONS (SCOPE 1) (tCO <sub>2eq</sub> )			
	2018	2019	2020
Refilling of refrigerant gas <sup>11</sup>	78	15.7	52
Fuel consumption	5,527.3	5,859.9	6,552.3
<b>Total</b>	<b>5,605.3</b>	<b>5,875.5</b>	<b>6,604.4</b>

<sup>10</sup> The 2019 figures relating to natural gas and LPG consumption, as well as the relative emissions (Scope 1), have been amended following the availability of more accurate data for the Group's US facility.

<sup>11</sup> In 2018 the refrigerant gases considered for the calculation of Scope 1 GHG emissions were: HFC-134a, R404A, R410A; for 2019: R410A; for 2020: R410A, R404, R134a.



INDIRECT GHG EMISSIONS (SCOPE 2) <sup>12</sup> (tCO <sub>2eq</sub> )			
	2018	2019	2020
Electricity (market-based)	13,577	16,308.9	16,408.4
Electricity (location-based)	11,903.3	13,846.5	14,458.3
District heating	398.3	338.5	375.8
<b>Total (market-based)</b>	<b>13,975.3</b>	<b>16,647.4</b>	<b>16,784.3</b>
<b>Total (location-based)</b>	<b>12,301.5</b>	<b>14,185</b>	<b>14,834.1</b>

With regard to energy consumption and the related GHG emissions, the Group pursues the objective of disassociating economic growth and energy intensity and emissions, with a view to reducing its environmental impact. Compared to 2018, in 2020, against an increase in turnover of over 30%, energy intensity and GHG emissions both fell.

ENERGY INTENSITY AND GHG EMISSIONS			
	2018	2019	2020
Energy intensity (GJ/€ of turnover)	0.65	0.55	0.59
Intensity of GHG emissions (tCO <sub>2eq</sub> /€ of turnover)	0.058	0.051	0.053

Aside from greenhouse gas emissions, the main emissions of aeriform pollutants coming from the Group's manufacturing activities were also mapped. These emissions were calculated from the direct measurements taken by consultancy firms and certified laboratories and through estimates based on the manufacturing activities of the Group's various sites. The increase recorded in VOC, in particular, is due to a change in the sampling method of the Limana facility, which enabled this pollutant to be measured more accurately.

<sup>12</sup> Total emissions are expressed in CO<sub>2eq</sub> although the Scope 2 (location-based) emissions deriving from the consumption of electricity are expressed in CO<sub>2</sub>, as the portion attributable to CH<sub>4</sub> and N<sub>2</sub>O gases is not significant.

OTHER ATMOSPHERIC EMISSIONS (kg)				
		2018	2019	2020
CO		1,316	1,630	2,100
NOx		5,357	5,347	5,354
Particulate		462	452	434
VOC		4,867	5,286	9,525
Oil mist		164	216	235
Heavy metals	Copper	187	198	177
	Iron	165	137	134
	Zinc	13	4	3
	Aluminium	16	4	2
	Tin	3	5	6
	Lead	3	5	5

Water consumption trends within the Group are in line with the increase in production and change in perimeter, which in 2019 extended to include the company Zyklus. As regards water discharges, however, a significant variation can be seen in the values relative to discharge into surface water, owing to the introduction of a new calculation method at Group level which excludes rainwater, where possible. Of the water resources drawn from third parties in 2020, around 20% was drawn from surface water sources, while the remaining 80% from ground water.

With regard, instead, to areas characterised by water stress<sup>13</sup>, in 2020, the Group's Indian and Russian facilities were found to be located in areas with extremely high risk and high risk respectively. The Limana facility in Gliwice, Poland and in Tianmen, China, are instead located in areas with medium-high risk. Lastly, all of the Group's other production facilities are located in areas with low or medium-low levels of risk.

To mitigate these risks, the Group constantly monitors its withdrawals, seeking to adopt production practices and processes able to reduce its water requirements as far as possible. An example of this approach is the product testing stages that are conducted using helium, instead of water, systems in many of the group's facilities. LU-VE Group also monitors the impacts relating to water resources, both in terms of withdrawals and discharges, resulting from its activities, using an approach in line with the current legislation in the various countries it operates in and adopting best practices.

<sup>13</sup> Source: World Resources Institute, Aqeduct Water Risk Atlas, [www.wri.org/our-work/project/aqueduct/](http://www.wri.org/our-work/project/aqueduct/) (access made in February 2021)

WATER WITHDRAWAL BY SOURCE (m <sup>3</sup> )				
		2018	2019	2020
Groundwater		151,135	147,105	132,072
<i>of which freshwater (≤1,000 mg/l of total dissolved solids)</i>		4,327	6,235	7,954
<i>other types of water (&gt;1,000 mg/l of total dissolved solids)</i>		146,808	140,870	124,118
Third-party water sources		38,417	63,107	68,803
<i>of which freshwater (≤1,000 mg/l of total dissolved solids)</i>		38,417	63,107	68,803
<i>other types of water (&gt;1,000 mg/l of total dissolved solids)</i>		-	-	-
Total withdrawal of third-party water sources by withdrawal source	Surface water	7,521	8,240	13,258
	Groundwater	30,896	54,867	53,545
<b>Total</b>		<b>189,552</b>	<b>210,212</b>	<b>198,875</b>
WATER DISCHARGES (m <sup>3</sup> ) <sup>14</sup>				
		2018	2019	2020
Discharges in third-party water sources		185,828	201,793	196,159
<i>of which freshwater (≤1,000 mg/l of total dissolved solids)</i>		184,075	198,645	193,546
<i>other types of water (&gt;1,000 mg/l of total dissolved solids)</i>		1,753	3,148	2,613
<b>Total</b>		<b>185,828</b>	<b>201,793</b>	<b>196,159</b>
WATER WITHDRAWAL FROM WATER-STRESSED AREAS BY SOURCE (m <sup>3</sup> )				
		2018	2019	2020
Groundwater		4,327	6,235	7,954
Third-party water sources		16,651	29,584	34,662
<i>of which in surface water</i>		6,433	6,904	9,616
<i>of which in groundwater</i>		10,218	22,680	25,046
<b>Total</b>		<b>20,978</b>	<b>35,819</b>	<b>42,616</b>

<sup>14</sup> In view of the more accurate information which became available during the 2019 reporting process, data relative to 2018 has been restated compared to the previously published data in the 2018 Sustainability Report. For historical data published previously, refer to the 2018 Sustainability Report.



WATER DISCHARGES FROM WATER-STRESSED AREAS (m <sup>3</sup> )			
	2018	2019	2020
Discharges in third-party water sources	23,977	37,884	44,527
<b>Total</b>	<b>23,977</b>	<b>37,884</b>	<b>44,527</b>

The Group constantly monitors the applicable legislation on water management and disposal in the countries it operates in and works with certified suppliers in order to comply with laws and regulations and to promote best practices. As regards hazardous waste, the main types of hazardous waste deriving from Group operations are chemical compounds, such as lubricating oils and solvents, while as regards non-hazardous waste, the main types are processing scraps such as aluminium, copper, iron, packaging cardboard and, for some of the Group's Italian companies, waste water resulting from manufacturing activities and disposed of as waste, in the absence of the sewer network.



**HAZARDOUS AND NON-HAZARDOUS WASTE BY DISPOSAL METHOD 2018-2019 (t)<sup>15</sup>**

	2018	2019
<b>Total hazardous waste</b>	<b>241.0</b>	<b>375.8</b>
Recycling or reuse	106	182.3
On-site storage <sup>16</sup>	16.2	75.5
Disposal in landfill	77.8	73.2
Energy recovery	8.5	5.6
Other <sup>17</sup>	32.6	39.1
<b>Total non-hazardous waste</b>	<b>5,887.7</b>	<b>5,894.8</b>
Recycling or reuse	5,460.9	5,554.6
On-site storage	36.4	91.9
Disposal in landfill	91.9	121.7
Energy recovery	34.9	34.4
Other <sup>18</sup>	263.6	92.2
<b>Total waste</b>	<b>6,128.7</b>	<b>6,270.6</b>

<sup>15</sup> The figures relating to waste generated in 2018 and 2019 are shown according to GRI indicator 306-2 (2016), in line with the 2019 NFS.

<sup>16</sup> The item "On-site storage" includes temporary storage pending disposal pursuant to the provisions of applicable law.

<sup>17</sup> The category 'Other' refers primarily to waste disposed of through chemical/physical treatment and biological treatment for both hazardous and non-hazardous waste.

<sup>18</sup> The category 'Other' refers primarily to waste disposed of through chemical/physical treatment and biological treatment for both hazardous and non-hazardous waste.

## WASTE BY COMPOSITION 2020 (t)

	2020		
	Waste generated	Waste diverted from disposal	Waste directed to disposal
<b>Non-hazardous waste</b>			
Aluminium waste	1,851.1	1,851.1	0
Copper waste	478.8	478.8	0
Steel waste	643.2	643.2	0
Iron waste	1,017.6	1,017.6	0
Paper and cardboard	832.6	815.6	17.0
Plastic	104.8	104.8	0
Other <sup>19</sup>	2,346	1,905	441.2
<b>Hazardous waste</b>			
Oil-contaminated waste	11.4	11.2	0.1
Chemical	50.7	50.7	0.0
Other <sup>20</sup>	398.6	318.7	79.9
<b>Total</b>	<b>7,734.8</b>	<b>7,196.7</b>	<b>538.2</b>

## WASTE DIVERTED FROM DISPOSAL THROUGH RECOVERY OPERATIONS 2020 (t)

	2020		
	In loco	At an external site	Total
<b>Non-hazardous waste</b>			
Recycling	-	6,270.9	6,270.9
Other recovery operations	-	545.2	545.2
Preparation for reuse	-	-	-
<b>Hazardous waste</b>			
Recycling	8.5	163.5	172
Other recovery operations	-	156.1	156.1
Preparation for reuse	-	52.5	52.5
<b>Waste prevention</b>			<b>7,196.7</b>

<sup>19</sup> The category 'Other' refers primarily to waste disposed of through chemical/physical treatment and biological treatment for both hazardous and non-hazardous waste.

<sup>20</sup> The category 'Other' refers primarily to waste disposed of through chemical/physical treatment and biological treatment for both hazardous and non-hazardous waste.

Please note that in 2018, as part of a test conducted in a controlled environment at the facility of the company SEST S.p.A. certain anomalies were observed in the levels measured at one of the two cisterns used to store processing effluents. Following a number of checks, the company emptied the tanks, issued immediate notification of the methods pursuant to Article 242 of Italian Legislative Decree 152/06, and subsequently updated the Authorities on the progress of the activities. At the same time, as agreed with the local authorities the company acted to implement the measures necessary to ensure the safety of the area and to investigate any impact on the environmental matrices. The result of the environmental assessments, including after the measures introduced by the Group, did not identify any risks for human workers present at the site.

Also in 2020, in line with last year, no significant spills (such to impact the water, soil and subsoil matrices) were recorded.



## METHODOLOGICAL NOTE

This document is the Consolidated Non-Financial Statement (the “NFS” or “Sustainability Report”) pursuant to Italian Legislative Decree no. 254 of 30 December 2016, implementing Directive 2014/95/EU, of the companies belonging to the Group comprising LU-VE S.p.A. and its subsidiaries (the “Group” or “LU-VE Group”). As provided for by Article 5 of Italian Legislative Decree no. 254/16, this document constitutes a separate report featuring dedicated wording to identify it as the Non-Financial Statement required by legislation.

This NFS has been produced to the extent necessary to provide a clear understanding of the Group's activities, progress, results and impact, considering the material topics envisaged by Articles 3 and 4 of Italian Legislative Decree no. 254/16.

The topics reported in this document were confirmed following an analysis of the trends and the Italian and global context, both in terms of national and international trends and current non-financial reporting trends. With respect to last year, the Group has included the topic of human rights in the list of GRI disclosures reported. Although the Group believes that the risks of its scope in terms of the protection of human rights are low, these aspects are considered relevant due to their importance at international level. Similarly, the stakeholders and the main requests identified are unchanged from those indicated in the 2019 Sustainability Report.

In line with the requirements of the Decree, the reporting scope includes all LU-VE Group Companies consolidated line-by-line. As concerns the environmental data and aspects relating to product safety, in the three-year period only the Group's manufacturing companies have been taken into consideration, with the exception of LUVEDIGITAL S.r.l., as the environmental impacts of the sales offices and of LUVEDIGITAL were not deemed significant. From this NFS, the environmental data of AIR HEX ALONTE S.R.L. and FINCOIL LU-VE OY, acquired in 2019, have also been included in the reporting scope. Aspects relating to their human resources, training and occupational health and safety were already reported in the previous NFS. The 2019 data also includes Zyklus Heat Transfer Inc. acquired in 2018.

In 2020, no significant organisational changes were recorded. For details on the corporate structure, aside from the information reported in this document, reference may be made to the Group's annual documents: the Consolidated Financial Statements and the Report on Corporate Governance and Ownership Structures, both available on the company's website.

The data and information provided in this document refers to the activities carried out by LU-VE Group in 2020 (from January to December 2020), when not specified otherwise. Furthermore, to provide a fair representation of performance, the use of estimates was limited as much as possible; when estimates were used, they were based on the best methodologies available and duly identified. Any reclassification of previously published comparative data is clearly indicated as such.

The document was drafted in compliance with the fifth generation guidelines for sustainability reporting of the Global Reporting Initiative (GRI) and the 2016 Sustainability Reporting Standards GRIs and subsequent versions, according to the Core option and in compliance with the required content and quality principles. It should also be noted that, as regards GRI 403 (Occupational

health and safety), GRI 303 (Water and effluents) and GRI 306 (Waste), LU-VE Group has adopted the most updated versions, published in 2018 and 2020. A table with the list of contents relative to the requirements of GRIs, both general ones and those linked to specific issues, is reported at the end of the document.

The principles for the definition of report content are suggested by the GRI and include:

- **Completeness:** the material topics dealt with in the document are covered in their entirety and reflect the most material environmental, social and economic impacts for the Group's activities, thus enabling stakeholders to fully assess the Company's performance in the reporting year.
- **Sustainability context:** the performance of LU-VE Group presented in this document is portrayed within the wider context of the sustainability of the Company's business.
- **Inclusion of stakeholders:** this document reports on the Group's stakeholders and the methods in which their interests are considered when defining the report's content.
- **Materiality:** the topics reported on were identified based on their relevance for the Group's business, as well as its stakeholders. In 2019 the Group began an internal stakeholder engagement process, focusing in particular on the Human Resources departments of all Group companies, and next year aims to gradually enter into dialogue and engage with categories of external stakeholders with reference to non-financial topics. Furthermore, the Group intends to identify the most suitable engagement tools and methods in response to the characteristics and requirements of the various reference groups.

---

*For any clarifications or details on the topics dealt with in this Sustainability Report, please contact:*  
[investor.relations@luvegroup.com](mailto:investor.relations@luvegroup.com)

---

To ensure the quality of the information reported, in drafting the report the principles of report quality were followed as suggested by the GRI.

- **Accuracy:** the document content provides an adequate level of detail to understand and evaluate the sustainability performance of LU-VE Group in the reporting period.
- **Reliability:** the data presented in this document were gathered, processed and validated by the managers of each function with the collaboration of a consulting firm. The economic data is consistent with that set forth in the Financial report.
- **Clarity:** the use of clear and accessible language and graphs and tables to represent the Group's performance make this Report usable and easy to understand for stakeholders.
- **Comparability:** the indicators presented in the Report are laid out for the 2018-2020 three-year period and accompanied by a comment relating to their trends so as to enable comparisons between Group performance over time.
- **Balance:** the content of this document reports on the Group's performance in the reporting period in a balanced manner.
- **Timeliness:** the Report takes into consideration events that took place after 31 December 2020 which could be significant for the assessment of the Group's performance on the part of stakeholders.

The main stakeholders, whose requests were taken into consideration during the topic selection process, are listed in the table below. In 2020 stakeholder expectations were broadly in line with those identified by the Group. Following the restrictions introduced to mitigate the effects of the

pandemic, several of the instruments used for the direct involvement of the stakeholders were replaced by remote systems.

Stakeholder	Main expectations	Main instruments for listening and engagement
<i>Shareholders and Investors</i>	<ul style="list-style-type: none"> <li>Management of the inside information of LU-VE S.p.A.</li> <li>Long-term economic and financial sustainability</li> <li>Profitability</li> </ul>	<ul style="list-style-type: none"> <li>Insider Register</li> <li>One-to-one meetings</li> <li>Dedicated communications</li> <li>Press releases</li> <li>Website</li> </ul>
<i>Customers</i>	<ul style="list-style-type: none"> <li>Service improvement and development</li> <li>Capacity to meeting requirements in product design</li> <li>Service vicinity</li> <li>Project customisation in the pre-sale phase</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction analysis</li> <li>Group Customer Care Service</li> <li>Website</li> <li>Social networks</li> </ul>
<i>Local communities</i>	<ul style="list-style-type: none"> <li>Contribution to the creation of value for the region</li> <li>Being transparent and providing information on business matters</li> <li>Sharing and disseminating capacities and skills</li> </ul>	<ul style="list-style-type: none"> <li>Website</li> <li>Social networks</li> <li>Press releases</li> </ul>
<i>Employees</i>	<ul style="list-style-type: none"> <li>Respect for workers' rights</li> <li>Contribution to individual well-being</li> <li>Protection of occupational health and safety</li> <li>Listening capacity</li> <li>Adequate training for skills development</li> </ul>	<ul style="list-style-type: none"> <li>Ideas mailbox</li> <li>Company intranet</li> <li>Dedicated training meetings</li> <li>Dedicated internal communications</li> <li>Climate and satisfaction surveys</li> <li>International meetings on specific topics (e.g. HR meetings)</li> </ul>
<i>Regulatory entities and other associations</i>	<ul style="list-style-type: none"> <li>Maintenance of the certifications obtained in terms of solution quality and safety, performance and consumption</li> </ul>	<ul style="list-style-type: none"> <li>Certification audit</li> </ul>
<i>Suppliers and Trade associations</i>	<ul style="list-style-type: none"> <li>Being transparent and providing information on business matters</li> </ul>	<ul style="list-style-type: none"> <li>Dedicated meetings</li> <li>Annual and Sustainability Report</li> <li>Dedicated communications</li> </ul>
<i>Media</i>	<ul style="list-style-type: none"> <li>Clear and prompt communications</li> <li>Being transparent and providing information on business matters</li> </ul>	<ul style="list-style-type: none"> <li>Website</li> <li>Social networks</li> <li>Press releases</li> </ul>

The NFS considers the entire value chain of LU-VE Group.

As regards the value chain, the starting point and distinctive characteristic at the base of the Group's activities is the **design** of marketed solutions. The constant search for innovative technological solutions, made possible thanks to continuous collaborations with Universities and Research Centres, enables the Group to respond to the specific needs of its clients while actively contributing to improvements in the sector.

Based on the characteristics of the end solution, the Group activates **procurement** procedures to obtain the raw materials - copper, aluminium, steel and iron sourced mainly from the European Union - and semi-finished components such as motorised fans and other catalogue and specialist parts.

As well as controlling the **quality** of the supplied goods, the Group can count on various **production facilities** located near or in the immediate vicinity of the main markets it serves. When the manufacturing process is complete, before the product is transferred to the logistics

department, **final testing** is carried out. This activity is meant first and foremost to verify the exchanger’s seal against any leaks as well as to control the electrical components.

The product is then sent to customers all over the world.

The phases of our value chain



Note: the LU-VE Group logo denotes activities managed directly by the Group





## List of LU-VE Group companies and locations worldwide

HEADQUARTERS		
1	LU-VE S.p.A.	Uboldo (VA) - Italy

MANUFACTURING COMPANIES		
1	LU-VE S.p.A.	Uboldo (VA) - Italy
2	LUVEDIGITAL S.r.l. (software production)	Uboldo (VA) - Italy
3	SEST S.p.A.	Limana (BL) - Italy
4	TECNAIR LV S.p.A.	Uboldo (VA) - Italy
5	MANIFOLD S.r.l.	Uboldo (VA) - Italy
6	THERMO GLASS DOOR S.p.A.	Travacò Siccomario (PV) - Italy
7	HEAT TRANSFER SYSTEMS (HTS) s.r.o.	Novosedly - Czech Republic
8	SEST-LUVE-POLSKA Sp.z.o.o.	Gliwice - Poland
9	LU-VE SWEDEN AB	Asarum - Sweden
10	“OOO” SEST LUVE	Lipetsk - Russia
11	LU-VE HEAT EXCHANGERS (TIANMEN), CO LTD	Tianmen - China
12	SPIROTECH HEAT EXCHANGERS PRIVATE LIMITED	New Delhi - India
13	ZYKLUS HEAT TRANSFER, INC.	Jacksonville – USA, Texas
14	AIR HEX ALONTE S.R.L.	Alonte (VI) - Italy
15	FINCOIL LU-VE OY	Vantaa - Finland

SALES COMPANIES		
1	LU-VE Contardo Pacific Pty. Ltd.	Thomastown – Victoria, Australia
2	LU-VE Austria GmbH	Vienna - Austria
3	LU-VE Deutschland GmbH	Stuttgart - Germany
4	LU-VE France S.a.r.l.	Lyon - France
5	LU-VE Iberica s.l.	Madrid - Spain
6	LU-VE Netherlands B.V.	Breda - The Netherlands
7	“OOO” LU-VE Moscow	Moscow - Russia
8	LU VE Middle East DMCC	Dubai - United Arab Emirates
9	LU-VE Asia Pacific Ltd	Hong Kong - China

REPRESENTATIVE OFFICES		
1	Fincoil LU-VE Oy Denmark	Aarhus - Denmark
2	Fincoil LU-VE Oy Norway	Drammen - Norway
3	LU-VE NL Belgium	Brussels - Belgium
4	LU-VE Vietnam	HCM city - Vietnam
5	LU-VE UK	Milton Keynes - United Kingdom



#### VENTILATED PRODUCTS



#### COILS



#### CLOSE CONTROL



#### GLASS DOORS /DIGITAL SIGNAGE



In consideration of the Group's value chain, for each material topic the scope of impacts and the GRI Disclosure applied are indicated.

MATERIAL TOPICS IDENTIFIED BY LU-VE GROUP		Scope of impacts		
	Topic	Parties generating impacts	Type of impact	Reconciliation with GRI Topics
Responsible growth	1. Growth strategies	Entire Group	Generated by the Group	202 - Market presence
	2. Women, men and ideas	Entire Group	Generated by the Group	404 - Training and education 405 - Diversity and equal opportunity
	3. Well-being of our people	Entire Group	Generated by the Group	401 - Employment 403 - Occupational health and safety
Distinctive positioning	4. Customer-focused approach	Entire Group	Generated by the Group; To which the Group contributes	416 - Customer health and safety
	5. Cutting-edge solutions	Entire Group	Generated by the Group	417 - Marketing and labelling
	6. Business ethics	Entire Group	Generated by the Group; To which the Group contributes	205 - Anti-corruption 206 - Anti-competitive behaviour 207 - Tax 307 - Environmental compliance 419 - Socioeconomic compliance 408 - Child labour 412 - Human rights assessment
Creation of shared value	7. Economic and financial sustainability	Entire Group	Generated by the Group	201 - Economic performance 207 - Tax
	8. Reduction of environmental impact	Entire Group	Generated by the Group; To which the Group contributes	302 - Energy 303 - Water and effluents 305 - Emissions 306 - Waste
	9. Quality of life	Entire Group	Generated by the Group; To which the Group contributes	N/A

For each material topic, the report identifies a company management and organisational model, a formalised policy including those of due diligence, the results achieved through them and several non-financial performance indicators, as well as the main risks, generated or suffered, connected to the material topics and which derive from the Group's activities, its products, services or commercial dealings, including, when relevant, the supply and sub-contracting chains. Specifically, the management of significant non-financial risks identified by the risk assessment is reported under the respective chapters.

The relationship between the areas of Italian Legislative Decree 254 and the material topics, subject to this non-financial reporting, is described below.

		Growth strategies	Well-being of our people	Women, men and ideas	Customer-focused approach	Cutting-edge solutions	Business ethics	Economic and financial sustainability	Reduction of environmental impact	Quality of life
Environment	Use of energy resources					x			x	
	Water resources								x	
	Greenhouse gas emissions					x			x	
	Atmospheric emissions					x			x	
	Other impacts (waste, consumption of raw materials, logistics)					x			x	
Society	Health and safety		x							
	Gender equality		x							
	Dialogue with trade unions		x							
	Other relevant aspects			x						x
	Respect for human rights						x			
	Anti-corruption						x			

Please note that the topic of biodiversity is not currently considered significant by the Group based on assessments conducted by the Parent Company Departments in relation to the activity carried out by the Group and the location of its production facilities. Therefore, this topic is not reported on within this document.

This NFS has been subject to a limited audit by an independent auditing firm, which issues a separate report declaring the compliance of the information provided, as regards all significant aspects, to the requirements of Articles 3 and 4 of Italian Legislative Decree 254/2016, as well as to the reporting standards adopted by the Group (GRI). This audit was conducted according to the procedures identified in the “Report of the auditing firm” attached to this document.

This document was approved by the Board of Directors of LU-VE S.p.A. on 17 March 2021 in consultation with the Control and Risk Committee responsible for sustainability topics since 2019. The document is published on the website of LU-VE Group ([www.luvegroup.com](http://www.luvegroup.com)) in the “Investor relations - Sustainability” section.



## The calculation methodology

Some methodological information is provided below concerning several indicators used in this Sustainability Report.

When the reporting standard requires non-financial information broken down by region, the following distinctions have been drawn:

- Italy, including LU-VE S.p.A., TECNAIR LV S.p.A., MANIFOLD S.r.l., LUVEDIGITAL S.r.l., SEST S.p.A., THERMO GLASS DOOR S.p.A. (TGD) and AIR HEX ALONTE S.R.L.;
- European Union countries, including HEAT TRANSFER SYSTEMS (HTS) s.r.o. (Czech Republic), LU-VE SWEDEN AB (Sweden), SEST-LUVE-POLSKA Sp.z.o.o. (Poland), LU-VE France s.a.r.l. (France), LU-VE Deutschland GmbH (Germany), LU-VE Iberica s.l. (Spain), LU-VE Austria GmbH (Austria), and LU-VE Netherlands B.V. (Netherlands);
- Non-European Union countries, including LU-VE HEAT EXCHANGERS (TIANMEN) CO LTD (China), SPIROTECH HEAT EXCHANGERS PRIVATE LIMITED (India), “OOO” SEST-LUVE (Russia) and LU-VE Contardo Pacific Pty Ltd. (Australia), Zyklus Heat Transfer Inc. (USA), FINCOIL LU-VE OY (Finland), “OOO” LU-VE Moscow (Russia), LU VE Middle East DMCC (Arab Emirates) and LU-VE Asia Pacific Ltd (China).

## The employees of LU-VE Group

For each reporting year, the calculation of the Group’s personnel (broken down by geographical area, gender, contract type and work type) is based on the data received from the various sales and manufacturing branches and is expressed in the Head Count at 31 December. Furthermore, the employee on secondment at LU-VE S.p.A. was considered in the workforce of the company with whom the employment contract is held, specifically LU-VE HEAT EXCHANGERS (TIANMEN) LTD.

For each year, the calculation of dismissed workers includes contract terminations as at 31/12 of the previous year, while it does not include employees dismissed as at 31/12 of the year in question, as these are considered as part of the workforce until said date.

The hiring and turnover rate, broken down by gender, age and geographical area, is calculated using the number of employees relative to the type of subdivision considered.

Following the acquisition in 2019 of the companies AIR HEX ALONTE S.R.L. and FINCOIL LU-VE OY, please note that the workforce data for 2018 and the new hires and departures in 2019 cannot be compared with the workforce data of 2019.

## The value of LU-VE Group solutions

The following paragraph illustrates the sources of the information contained in chapter 2.2 “The value of LU-VE Group solutions. The scale of the impact at global level”:

- Energy efficiency: IEA Cooling Report, 2020
- Food safety: “Food loss and waste must be reduced for greater food security and environmental sustainability” FAO, 2020
- Climatic well-being: “The Future of Cooling Opportunities for energy-efficient air conditioning” Report, OECD and IEA, 2018

- Digital transformation: “Data Centres and Data Transmission Networks” Analysis, IEA, 2020

Furthermore, with regard to “The value of LU-VE Group solutions”, note that a further category of products sold by the Group must be added to the turnover percentages published, grouped as a single category named “Other”, which includes the solutions for the white goods industry and other transport solutions.

## **Injury rates**

The injury rates were calculated as reported below:

- Rate of work-related injuries: number of work-related injuries/hours worked x 1,000,000
- Severity rate: number of days lost per injury/hours worked x 1,000,000
- High-consequence work-related injuries rate: the number of high-consequence work-related injuries, namely that recorded total days of absence exceeding 6 months/hours worked x 1,000,000

The calculation of the rates for the three years includes only employees, while interns or personnel working on the basis of project contracts were excluded.

Commuting accidents are not included in the calculation of the frequency and severity rates in 2018, 2019 and 2020.

The calculation of the injuries frequency and severity rate includes hours worked and (any) accidents of employees on secondment in the country to which the employees are seconded.

## **Salary and remuneration**

To calculate the ratio between basic salary and the ratio between total remuneration of women and men, broken down by geographical area and professional category, the salary of workers on secondment was considered with reference to the country to which the employees have been seconded.

## **Environmental aspects**

Please note that following the inclusion within the reporting scope of the environmental data for 2020 for AIR HEX ALONTE S.R.L. and FINCOIL LU-VE OY, the environmental data cannot be fully compared with previous years. However, to enable the comparison of data from previous years, in line with the various environmental aspects any irregular trends are noted, specifying the cases in which these relate to the inclusion of the Group’s new subsidiaries.

## **Energy consumption**

The conversion factors used to standardise energy consumption come from the DEFRA “UK Government GHG Conversion Factors for Company Reporting – Fuel properties” table for the years 2018, 2019 and 2020.

Energy savings have been calculated from comparative analyses based on direct measurements, where available, carried out before and after the implementation of energy optimisation

measures. In the absence of direct measurements, the data reported has been derived from estimates based on expected consumption values.

## Greenhouse gas emissions

Emissions were calculated in terms of CO<sub>2</sub> equivalent (gases including: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O) according to the following methodology:

- **Direct emissions (Scope 1):** emissions linked to refrigerant gas leaks, the consumption of natural gas and diesel for heating and fuel for the company car fleet, were calculated using the emission factors reported in DEFRA's "UK Government GHG Conversion Factors for Company Reporting" in the 2018, 2019 and 2020 editions.
- **Indirect emissions (Scope 2):** indirect emissions correspond to the consumption of electricity and heat from district heating. The calculation of emissions linked to electricity calculated according to the "market-based" approach used the factors presented in Figure 4 of the document "European Residual Mixes" (2018 and 2019 editions) published by the Association of Issuing Bodies, for European countries, and the factors published by the Center for Resource solutions in "Green-e Energy Residual Mix Emissions Rates" (2018 and 2020 editions) for the United States of America. For the countries for which the residual mix emission factors are not available, in accordance with the provisions of the reporting standards, the same factors as those in the "location-based" method were used. For the calculation of the latter in 2020, the factors presented in "Table 49 - Main socio-economic and energy indicators" published by Terna in the "International Comparison" section were considered, according to the most recent version available at the time of publication of this document (2018 data), while for 2019 and 2018 the respective previous editions were used. Lastly, for the calculation of emissions relating to consumption from district heating, the coefficients used are those reported in DEFRA's "UK Government GHG Conversion Factors for Company Reporting" in the 2018, 2019 and 2020 editions.

The indicators reported represent the best possible estimate on the basis of the data available when this document was prepared.

# GRI CONTENT INDEX

“In accordance-core” option

## General Standard Disclosures

General Standard Disclosures	Description of General Standard Disclosures	Page, references, notes and any omissions
<b>Organisational profile</b>		
102-1	Name of the organisation	LU-VE Group
102-2	Activities, brands, products and services	§ Innovation is in our DNA, p. 27-37 § The value of LU-VE Group solutions, p. 38-47
102-3	Location of headquarters	Via Caduti della Liberazione, 53, 21040 Uboldo VA, Italy
102-4	Location of operations	§ Sustainable growth, p. 6-9 § Methodological Note, p. 94-95
102-5	Ownership and legal form	§ The sustainability governance model, p. 19-22 Report on corporate governance and ownership structures 2020
102-6	Markets served	§ Sustainable growth, p. 6-9 § Innovation is in our DNA, p. 27-37 § The value of LU-VE Group solutions, p. 40-47
102-7	Scale of the organisation	§ Sustainable growth, p. 6-9 § The value of LU-VE Group solutions, p. 40-47 § The LU-VE Group Family - Growth, p. 58-59 Capitalisation: €310.17 million
102-8	Information on employees and other workers	§ The LU-VE Group Family - Growth, p. 58-59, 61-62 § Methodological Note, p. 98
102-9	Supply chain	§ Innovation is in our DNA, p. 27-37 § The value of LU-VE Group solutions, p. 40-47 § Methodological Note, p. 92-93
102-10	Significant changes to the organisation and its supply chain	§ Sustainable growth, p. 6-9 § Methodological Note, p. 92-93
102-11	Precautionary Principle or approach	In all of its actions, LU-VE Group applies the principle of prudence by carefully monitoring its activities. § The sustainability governance model, p. 19-26
102-12	External initiatives	§ Sustainable growth, p. 6-9 § The sustainability governance model, p. 19-20, 23-36 § The LU-VE Group Family - Respect for the environment, p. 79-80 § Methodological Note, p. 90-92
102-13	Membership of associations	Eurovent Certification (LU-VE S.p.A.), Unindustria Varese (LU-VE S.p.A. and Tecnaïr LV S.p.A., Manifold Srl), Associazione Italiana Condizionamento dell’Aria, Riscaldamento e Refrigerazione [Italian Air Conditioning, Heating and Refrigeration Association] (Tecnaïr LV S.p.A.)
<b>Strategy</b>		
102-14	Statement from senior decision-maker	§ Leadership with passion, p. 3
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards and norms of behaviour	§ The sustainability governance model, p. 19-24 § Focus on customers, p. 48-52



Governance		
102-18	Governance structure	§ The sustainability governance model, p. 19-24
Stakeholder engagement		
102-40	List of stakeholder groups	§ Methodological Note, p. 92
102-41	Collective bargaining agreements	§ The LU-VE Group Family - Growth, p. 64
102-42	Identifying and selecting stakeholders	§ Methodological Note, p. 92
102-43	Approach to stakeholder engagement	§ Methodological Note, p. 92
102-44	Key topics and concerns raised	§ Sustainable growth, p. 10-11 § Methodological Note, p. 90-97
Reporting practice		
102-45	Entities included in the consolidated financial statements	§ Sustainable growth, p. 6-9 § Methodological Note, p. 90-95
102-46	Defining report content and topic Boundaries	§ Sustainable growth, p. 10-11 § Methodological Note, p. 90-97
102-47	List of material topics	§ Sustainable growth, p. 10-11 § Methodological Note, p. 90-97
102-48	Restatements of information	§ Methodological Note, p. 90-91 § The LU-VE Group Family - Respect for the environment, p. 82-85
102-49	Changes in reporting	§ Methodological Note, p. 90-100
102-50	Reporting period	§ Methodological Note, p. 90
102-51	Date of most recent report	8 April 2020
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	§ Methodological Note, p. 91
102-54	Claims of reporting in accordance with the GRI Standards	§ Methodological Note, p. 90-91
102-55	GRI content index	§ GRI content index, p. 101-107
102-56	External assurance	§ Report of the auditing firm, p. 108-110

## Specific Standard Disclosures

Specific Standard Disclosures	Description of Specific Standard Disclosures	Page, references, notes and any omissions
-------------------------------	--	---

		Economic performance indicators
		<i>Economic performance</i>
GRI 103-1		§ Methodological Note, p. 90-100
GRI 103-2	Management approach disclosures	§ Sustainable growth, p. 12-14
GRI 103-3		
GRI 201-1	Direct economic value generated and distributed	§ Sustainable growth, p. 13-14
		Market presence
GRI 103-1		§ Methodological Note, p. 90-100
GRI 103-2	Management approach disclosures	§ The LU-VE Group Family - Growth, p. 53-57

Specific Standard Disclosures	Description of Specific Standard Disclosures	Page, references, notes and any omissions
GRI 103-3		
GRI 202- 2	Proportion of senior management hired from the local community	§ The LU-VE Group Family - Growth, p. 61-62
Anti-corruption		
GRI 103-1		§ Methodological Note, p. 90-100
GRI 103-2	Management approach disclosures	§ The sustainability governance model, p. 19-26
GRI 103-3		
GRI 205-3	Confirmed incidents of corruption and actions taken	§ The sustainability governance model, p. 25-26
Anti-competitive behaviour		
GRI 103-1		§ Methodological Note, p. 90-100
GRI 103-2	Management approach disclosures	§ The sustainability governance model, p. 19-26
GRI 103-3		
GRI 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	§ The sustainability governance model, p. 25-26
Tax		
GRI 103-1		§ Methodological Note, p. 90-100
GRI 103-2	Management approach disclosures	§ Sustainable growth, p. 14-
GRI 103-3		
GRI 207-1	Approach to tax	§ Sustainable growth, p. 14
GRI 207-2	Tax governance, control and risk management	§ Sustainable growth, p. 14
GRI 207-3	Stakeholder engagement and management of concerns related to tax	§ Sustainable growth, p. 14
GRI 207-4	Country-by-country reporting	The Group is working on developing the structure of the information relating to the specific disclosure GRI 207-4 "Country-by-country reporting". This disclosure is likely to be developed for the non-financial statement relating to FY 2021.
Environmental performance indicators		
Energy		
GRI 103-1		§ Methodological Note, p. 90-100
GRI 103-2	Management approach disclosures	§ The LU-VE Group Family - Respect for the environment, p. 79-84
GRI 103-3		
GRI 302-1	Energy consumption within the organisation	§ Methodological Note, p. 99 § The LU-VE Group Family - Respect for the environment, p. 81-82

Specific Standard Disclosures	Description of Specific Standard Disclosures	Page, references, notes and any omissions
GRI 302-4	Reduction of energy consumption	<p>§ Methodological Note, p. 99</p> <p>§ The LU-VE Group Family - Respect for the environment, p. 81</p>
GRI 302-5	Reductions in energy requirements of products and services	<p>§ Innovation is in our DNA, p. 27-37</p> <p>§ The value of LU-VE Group solutions, p. 38-45</p>
Water and effluents		
GRI 103-1	Management approach disclosures	§ Methodological Note, p. 90-100
GRI 103-2		§ The LU-VE Group Family - Respect for the environment, p. 79-82; 84-86
GRI 103-3		
GRI 303-1 (2018)	Interactions with water as a shared resource	§ The LU-VE Group Family - Respect for the environment, p. 79-82; 84-86
GRI 303-2 (2018)	Management of water discharge-related impacts	§ The LU-VE Group Family - Respect for the environment, p. 79-82; 84-86
GRI 303-3 (2018)	Water withdrawal	§ The LU-VE Group Family - Respect for the environment, p. 84-85
GRI 303-4 (2018)	Water discharge	§ The LU-VE Group Family - Respect for the environment, p. 85-86
Emissions		
GRI 103-1	Management approach disclosures	§ Methodological Note, p. 90-100
GRI 103-2		§ The LU-VE Group Family - Respect for the environment, p. 79-84
GRI 103-3		
GRI 305-1	Direct (Scope 1) GHG emissions	<p>§ Methodological Note, p. 100</p> <p>§ The LU-VE Group Family - Respect for the environment, p. 82</p>
GRI 305-2	Energy indirect (Scope 2) GHG emissions	<p>§ Methodological Note, p. 100</p> <p>§ The LU-VE Group Family - Respect for the environment, p. 83</p>
GRI 305-6	Emissions of ozone-depleting substances (ODS)	In 2018, 2019 and 2020 no leaks of refrigerant gases with ozone-depleting potential greater than 0 were identified.
GRI 305-7	Nitrogen oxides (NO <sub>x</sub> ), sulphur oxides (SO <sub>x</sub> ), and other significant air emissions	§ The LU-VE Group Family - Respect for the environment, p. 84
Waste		
GRI 103-1	Management approach disclosures	§ Methodological Note, p. 90-100
GRI 103-2		§ The LU-VE Group Family - Respect for the environment, p. 79-82; 86
GRI 103-3		

Specific Standard Disclosures	Description of Specific Standard Disclosures	Page, references, notes and any omissions
GRI 306-1 (2020)	Waste generation and significant waste-related impacts	§ The LU-VE Group Family - Respect for the environment, p. 79-82; 86
GRI 306-2 (2020)	Management of significant waste-related impacts	§ The LU-VE Group Family - Respect for the environment, p. 79-82; 86
GRI 306-3 (2020)	Waste generated	§ The LU-VE Group Family - Respect for the environment, p. 87-88
GRI 306-4 (2020)	Waste diverted from disposal	§ The LU-VE Group Family - Respect for the environment, p. 87-88
GRI 306-3 (2016)	Significant spills	§ The LU-VE Group Family - Respect for the environment, p. 89
Environmental compliance		
GRI 103-1		§ Methodological Note, p. 90-100
GRI 103-2	Management approach disclosures	§ The sustainability governance model, p. 19-26
GRI 103-3		§ The LU-VE Group Family - Respect for the environment, p. 79-81
GRI 307- 1	Non-compliance with environmental laws and regulations	§ The sustainability governance model, p. 25-26
Social performance indicators		
Employment		
GRI 103-1		§ Methodological Note, p. 90-95
GRI 103-2	Management approach disclosures	§ The LU-VE Group Family - Growth, p. 53-55
GRI 103-3		
GRI 401-1	New employee hires and employee turnover	§ Methodological Note, p. 98 § The LU-VE Group Family - Growth, p. 59-60
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	§ The LU-VE Group Family - Growth, p. 56
Occupational health and safety		
GRI 103-1		§ Methodological Note, p. 90-100
GRI 103-2	Management approach disclosures	§ The sustainability governance model, p. 19-20
GRI 103-3		§ The LU-VE Group Family - In safety, p. 65-70
GRI 403-1 (2018)	Occupational health and safety management system	§ The LU-VE Group Family - In safety, p. 65-70 § The sustainability governance model, p. 19-20; 26
GRI 403-2 (2018)	Hazard identification, risk assessment, and incident investigation	§ The LU-VE Group Family - In safety, p. 65-70



Specific Standard Disclosures	Description of Specific Standard Disclosures	Page, references, notes and any omissions
GRI 403-3 (2018)	Occupational health services	§ The LU-VE Group Family - In safety, p. 65-70
GRI 403-4 (2018)	Worker participation, consultation, and communication on occupational health and safety	§ The LU-VE Group Family - In safety, p. 65-70
GRI 403-5 (2018)	Worker training on occupational health and safety	§ The LU-VE Group Family - Growth, p. 63-64 § The LU-VE Group Family - In safety, p. 65-70
GRI 403-6 (2018)	Promotion of worker health	§ The LU-VE Group Family - In safety, p. 65-70
GRI 403-7 (2018)	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	§ The LU-VE Group Family - In safety, p. 65-70
GRI 403-9 (2018)	Work-related injuries	§ Methodological Note, p. 99 § The LU-VE Group Family - In safety, p. 69-70
GRI 403-10 (2018)	Work-related ill health	§ Methodological Note, p. 99 § The LU-VE Group Family - In safety, p. 70
Training and education		
GRI 103-1		§ Methodological Note, p. 90-100
GRI 103-2	Management approach disclosures	§ The LU-VE Group Family - Growth, p. 63-64
GRI 103-3		§ The LU-VE Group Family - In safety, p. 67
GRI 404-1	Average hours of training per year per employee	§ The LU-VE Group Family - Growth, p. 64
Diversity and equal opportunity		
GRI 103-1		§ Methodological Note, p. 90-100
GRI 103-2	Management approach disclosures	§ The LU-VE Group Family - Growth, p. 53-63
GRI 103-3		§ The sustainability governance model, p. 21-22
GRI 405-1	Diversity of governance bodies and employees	§ The LU-VE Group Family - Growth, p. 58-62
GRI 405-2	Ratio of basic salary and remuneration of women to men	§ The LU-VE Group Family - Growth, p. 62-63
Child labour		
GRI 103-1		§ Methodological Note, p. 90-100
GRI 103-2	Management approach disclosures	§ The sustainability governance model, p. 24-25
GRI 103-3		§ The LU-VE Group Family - Growth, p. 57
GRI 408-1	Operations and suppliers at significant risk for incidents of child labour	§ The LU-VE Group Family - Growth, p. 57

Specific Standard Disclosures	Description of Specific Standard Disclosures	Page, references, notes and any omissions
Human rights assessment		
GRI 103-1	Management approach disclosures	§ Methodological Note, p. 90-100
GRI 103-2		§ The sustainability governance model, p. 24-25
GRI 103-3		§ The LU-VE Group Family - Growth, p. 57
GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	§ The LU-VE Group Family - Growth, p. 57
Customer health and safety		
GRI 103-1	Management approach disclosures	§ Methodological Note, p. 90-100
GRI 103-2		§ Focus on customers, p. 48-52
GRI 103-3		
GRI 416-1	Assessment of the health and safety impacts of product and service categories	§ Focus on customers, p. 48-52 § The sustainability governance model, p. 24-25
Marketing and labelling		
GRI 103-1	Management approach disclosures	§ Methodological Note, p. 90-100
GRI 103-2		§ The sustainability governance model, p. 25
GRI 103-3		§ Focus on customers, p. 48-52
GRI 417- 2	Incidents of non-compliance concerning product and service information and labelling	§ The sustainability governance model, p. 25-26
Socioeconomic compliance		
GRI 103-1	Management approach disclosures	§ Methodological Note, p. 90-100
GRI 103-2		§ The sustainability governance model, p. 19-26
GRI 103-3		
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	§ The sustainability governance model, p. 25-26
Quality of life		
GRI 103-1	Management approach disclosures	§ Methodological Note, p. 90-100
GRI 103-2		§ The value of LU-VE Group solutions, p. 40-47
GRI 103-3		§ Focus on customers, p. 48-52

**INDEPENDENT AUDITOR'S REPORT  
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,  
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016  
AND ART. 5 OF CONSOB REGULATION N. 20267/2018**

**To the Board of Directors of  
LU-VE S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of LU-VE S.p.A. and its subsidiaries (hereinafter "LU-VE Group" or "Group") as of December 31, 2020 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 17, 2021 (hereinafter "NFS").

**Responsibility of the Directors and the Board of Statutory Auditors for the NFS**

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" established by GRI – Global Reporting Initiative ("GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

## Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the *"International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* (hereinafter *"ISAE 3000 Revised"*), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard.
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree.
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the LU-VE Group.
4. understanding of the following matters:
  - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
  - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
  - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report.



5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of LU-VE S.p.A. and with the employees of AIR HEX ALONTE S.r.l., TECNAIR LV S.p.A., SEST S.p.A., SEST-LUVE-POLSKA Sp.z.o.o., HEAT TRANSFER SYSTEMS (HTS) s.r.o. and SPIROTECH HEAT EXCHANGERS PRIVATE LIMITED and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company and subsidiaries level:
  - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
  - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following companies, LU-VE S.p.A., AIR HEX ALONTE S.r.l., TECNAIR LV S.p.A., SEST S.p.A., SEST-LUVE-POLSKA Sp.z.o.o., HEAT TRANSFER SYSTEMS (HTS) s.r.o. and SPIROTECH HEAT EXCHANGERS PRIVATE LIMITED, which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

## Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the LU-VE Group as of December 31, 2020 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Massimiliano Semprini**  
Partner

Milan, Italy  
April 1, 2021

*This report has been translated into the English language solely for the convenience of international readers.*





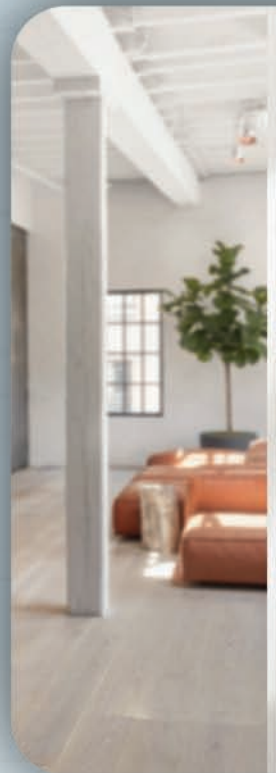
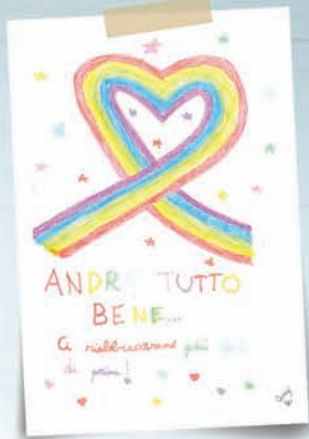
**#EVERYTHINGSG**





**ONNABEALRIGHT**









# 2021 CALENDAR

## #EVERYTHINGSGONNABEALRIGHT







