

**LU-VE S.p.A.**

**Via Vittorio Veneto 11 – 21100 Varese**

**Economic and Administrative Repertory number: VA-191975**

**Tax Code: 01570130128**



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

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

## **2020 FINANCIAL YEAR**

approved by the Board of Directors of 17 March 2021

**LU-VE S.p.A.**

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

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

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

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## GLOSSARY

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

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

**Code of Conduct:** the Code of Conduct of listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**Corporate Governance Code:** the Corporate Governance Code of companies with shares listed on the MTA (as defined below), which received the final approval of the Corporate Governance Committee and was published on the website of the same Committee on 31 January 2020, applicable to companies that apply it from the first financial year starting after 31 December 2020, informing the market in this regard in the report on corporate governance to be published in 2022.

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

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

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

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

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

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

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

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

**Framework Resolution:** resolution of the Board of Directors of 13 March 2017, in which LU-VE subscribed to the Code of Conduct.

**Financial year:** the company year from 1 January to 31 December 2020.

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

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

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

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

**MTA:** the Mercato Telematico Azionario, the electronic equity market organised and managed by Borsa Italiana S.p.A.

**OPC Procedure:** the “*Related Party Transactions Procedure*”, with the updated version adopted by the Board of Directors on 3 May 2017.

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

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

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

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

**Remuneration Report:** the “*Remuneration report of LU-VE S.p.A.*” that the Company is required to draft annually in accordance with art. 123-*ter* of the Consolidated Law on Finance and art. 84-*quater* of the Issuers’ Regulation.

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

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

# 1. COMPANY PROFILE

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

The LU-VE Group (whose parent company is LU-VE S.p.A. has its operational headquarters in Uboldo in the province of Varese) is an international company with 16 production facilities in 9 different countries (Italy, China, Finland, India, Sweden, Poland, Czech Republic, Russia and USA), with a network of sales companies and representative offices in Europe, Asia, the Middle East and Oceania. The Group also contains a company responsible for Information and Communications Technology, the development of product calculation software and digitalisation. The Group boasts more than 3,000 qualified employees (of which more than 1,100 in Italy). A total of 83% of products are exported to more than 100 countries.

In 2015, LU-VE completed one of the first combinations between an industrial company and a so-called “SPAC” (special purpose acquisition company, i.e. vehicle company, containing exclusively cash, established for the purpose of obtaining, through the placement of its financial instruments on the markets, the financial resources needed to acquire an operating company, to be used to implement a combination): in fact, LU-VE ha incorporated SPAC Industrial Stars of Italy S.p.A., with the simultaneous listing of its shares on AIM Italia, the Alternative Capital Market organised and managed by Borsa Italiana S.p.A..

LU-VE’s shares have been traded on the MTA (electronic equity market) since 21 June 2017.

LU-VE employs a traditional corporate governance system (so-called Latin model) which is characterised by the presence:

- of a *Board of Directors*, vested with the powers of ordinary and extraordinary management of the company; two committees have been set up in the Board of Directors (the Remuneration and Appointments Committee and the Control and Risk Committee with responsibility for Related Party Transactions) which, with an investigatory, advisory and proposal role, aim to improve the efficiency and effectiveness of the Board’s activities; the activities of the Board of Directors relating to the monitoring and implementation of the rules regarding corporate governance are also supported by the Internal Audit function;
- of a *Board of Statutory Auditors*, required to conduct monitoring activities to ensure that the Company, in its operations: (i) respects the law and the Articles of Association; (ii) observes the principles of correct administration; (iii) for aspects within the competence of the Board, is equipped with an adequate internal control system and an adequate administrative-accounting system which is reliable in correctly representing management events; (iv) practically implements the rules of corporate governance set forth in the Code of Conduct which the Company has communicated its application of, as well as those of any additional codes of conduct drafted by the management companies of regulated markets or by trade associations which the Company, through public disclosure, states that it adheres to; and which also monitors (v) imparts orders to its subsidiaries in an adequate manner, so that the latter provide said Company with the necessary information for the fulfilment of the communication obligations set forth by law;

- a *Shareholders' Meeting* which, in ordinary and extraordinary sessions, resolves on the matters reserved to it by law and the Articles of Association.

The independent audit is assigned to an audit firm enrolled in the special register kept by CONSOB, appointed by the Shareholders' Meeting in compliance with the procedures required by the applicable internal and European regulations.

The roles and responsibilities of the Board of Directors, of the Board of Statutory Auditors and the Shareholders' Meeting are best described later in this report.

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

The objective of the corporate governance system adopted by LU-VE is to ensure the correct functioning of the Company, first and foremost, and of the Group in general, as well as the enhancement, on a global scale, of the reliability of its products and, consequently, its reputation.

\* \* \*

The Company's shares have been traded on the Mercato Telematico Azionario (electronic equity market) organised and managed by Borsa Italiana S.p.A. from 21 June 2017.

The Company has adhered to the Code of Conduct since its listing on the MTA; the Board of Directors has also adopted the Code of Ethics, which contains the ethical principles and general rules that characterise the organisation and the activities of the Issuer and of the Group, both internally and with respect to third parties.

At the date of this Report, the Issuer qualifies as an SME pursuant to art. 1, paragraph 1, letter *w-quater.1*) of the Consolidated Law on Finance and art. 2-*ter* of the Issuers' Regulation (LU-VE is in fact included in the list of SMEs published by Consob on its website), as its market capitalisation, calculated on the basis of the indications provided by art. 2-*ter* of the Issuers' Regulation, is lower than Euro 500 million. Pursuant to the above mentioned regulation of the Consolidated Law on Finance, the Company will no longer qualify as an SME if it exceeds said limit for three consecutive years.

The following table indicates the average market capitalisation of the Issuer in the 2020, 2019 and 2018 financial years.

Average capitalisation in Euro		
2020	2019	2018
273,934,389	245,013,599	228,125,000



## **2. INFORMATION ON OWNERSHIP STRUCTURES AS AT 17 MARCH 2021**

### **A) STRUCTURE OF THE SHARE CAPITAL** (PURSUANT TO ART. 123-BIS, PARAGRAPH 1, LETTER A), OF THE CONSOLIDATED LAW ON FINANCE)

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

The share capital is therefore composed exclusively of ordinary shares.

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

The share capital structure of the Issuer as at 17 March 2021 is presented in Table 1, attached in the appendix to this Report.

### **B) RESTRICTIONS TO THE TRANSFER OF SECURITIES** (PURSUANT TO ART. 123-BIS, PARAGRAPH 1, LETTER B), OF THE CONSOLIDATED LAW ON FINANCE)

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

### **C) RELEVANT INVESTMENT IN THE SHARE CAPITAL** (PURSUANT TO ART. 123-BIS, PARAGRAPH 1, LETTER A), OF THE CONSOLIDATED LAW ON FINANCE)

Based on the communications received by the Company pursuant to art. 120 of the Consolidated Law on Finance, the entities that, directly or indirectly, are holders of stakes of higher than 5% in the subscribed and paid-up share capital are:

- Matteo Liberali, through the subsidiary Finami S.p.A., direct holder of 11,175,159 ordinary shares, equal to 50.26% of the Issuer's share capital;
- G4 S.r.l., direct holder of 3,905,112 ordinary shares, equal to 17.56% of the Issuer's share capital,

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

### **D) SECURITIES THAT CONFER SPECIAL RIGHTS** (PURSUANT TO ART. 123-BIS, PARAGRAPH 1, LETTER D), OF THE CONSOLIDATED LAW ON FINANCE)

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

On 30 October 2018, the Shareholders' Meeting approved the proposal of the Board of Directors to introduce the institution of "Increased voting rights", pursuant to the provisions of art. 127-*quinquies*

of the Consolidated Law on Finance, with subsequent statutory amendments, which came into effect on 1 January 2019.

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

For more information regarding the statutory amendment, please refer to the relative explanatory report, available on the Company’s website [www.luvegroup.com](http://www.luvegroup.com), section “Investor Relations” - “Shareholders’ Meeting Documentation” - “Shareholders’ Meeting of 30 October 2018”.

The discipline for the registration, maintenance and updating procedures of the List is explained in the “Increased voting rights regulations” adopted by the Board of Directors on 10 December 2018 and available on the Company’s website [www.luvegroup.com](http://www.luvegroup.com), section “Investor Relations” - “Increased voting rights”.

At the date of this Report, 15,224,510 shares of the 22,234,368 ordinary shares have matured the right to increased voting rights.

In application of the provisions of art. 143-*quater*, paragraph 5 of the Issuers’ Regulation, the Company has published the names of shareholders with an interest of over 5% that have obtained increased voting rights in the above-mentioned section of its website. At the date of this Report, instead no shareholders with an interest of over 5% are registered on the List.

The following table contains the names of the significant shareholders registered who, at the date of this Report, have acquired increasing voting rights; note that, at the date of this Report, increased voting rights have also been acquired by another shareholder, even though relating to an interest of less than 5% (a total of 144,239 shares which, following the increase, gives the right to an overall total of 288,478 votes).

Controlling subject	Shareholder	no. of ordinary shares	% of capital	no. voting rights	% of voting rights	Date of Accrual
<b>Matteo Liberali</b>	<b>Finami S.p.A.</b>	11,175,159	50.26	22,350,318	59.66	16.01.2021
<b>G4 S.r.l.</b>	<b>G4 S.r.l.</b>	1,955,112	8.79	3,910,224	10.44	18.01.2021
		1,950,000	8.77	3,900,000	10.41	22.01.2021
	<i>Total G4 S.r.l.</i>	<i>3,905,112</i>	<i>17.56</i>	<i>7,810,224</i>	<i>20.85</i>	
<b>Total</b>		<b>15,080,271</b>	<b>67.82</b>	<b>30,160,542</b>	<b>80.82</b>	

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

**E) EMPLOYEE OWNERSHIP SCHEME: MECHANISM FOR THE EXERCISE OF VOTING RIGHTS** (PURSUANT TO ART. 123-BIS, PARAGRAPH 1, LETTER E), OF THE CONSOLIDATED LAW ON FINANCE)

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

**F) RESTRICTION TO THE RIGHT OF VOTE** (PURSUANT TO ART. 123-BIS, PARAGRAPH 1, LETTER F), OF THE CONSOLIDATED LAW ON FINANCE)

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

**G) AGREEMENTS BETWEEN SHAREHOLDERS** (PURSUANT TO ART. 123-BIS, PARAGRAPH 1, LETTER G), OF THE CONSOLIDATED LAW ON FINANCE)

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

**H) CHANGE OF CONTROL CLAUSE** (PURSUANT TO ART. 123-BIS, PARAGRAPH 1, LETTER H), OF THE CONSOLIDATED LAW ON FINANCE) **AND STATUTORY PROVISIONS RELATING TO THE PUBLIC OFFER** (PURSUANT TO ART. 104, PARAGRAPH 1-TER, AND 104-BIS, OF THE CONSOLIDATED LAW ON FINANCE)

At the date of this Report, neither the Company, nor its subsidiaries, are party to significant agreements that are modified or are extinguished in the event of a change of control.

The Articles of Association do not make provision for any exception to the provisions on the so-called passivity rule (company obligation to abstain from carrying out any acts or transactions that may not be in keeping with the achievement of the take-over bid objectives), set forth in art. 104, paragraphs 1 and 1-bis of the Consolidated Law on Finance, nor to the neutralisation rules set forth in art. 104-bis, paragraphs 2 and 3 of the Consolidated Law on Finance.

**I) DELEGATIONS TO INCREASE THE SHARE CAPITAL AND AUTHORISATIONS FOR THE PURCHASE OF TREASURY SHARES** (PURSUANT TO ART. 123-BIS, PARAGRAPH 1, LETTER M), OF THE CONSOLIDATED LAW ON FINANCE)

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

The Shareholders' Meeting of 29 April 2020 revoked the previous authorisation of the Board of Directors to purchase treasury shares conferred by the Shareholders' Meeting of 29 April 2019 and conferred a new authorisation to the Board of Directors, pursuant to and in accordance with art. 2357 of the Italian Civil Code, for the purchase of treasury shares of the Company, to acquire on one

or more occasions, within 18 months from the date of the shareholders' meeting resolution, and therefore by 28 October 2020, treasury shares up to the achievement of a maximum quantity of 2,223,436 (two million, two hundred and twenty-three thousand, four hundred and thirty-six) ordinary shares; the purchase price of each of the treasury shares, to be established by the Board of Directors, must be, including accessory purchase expenses, as a minimum, no less than 15% (fifteen percent) and, as a maximum, no more than 15% (fifteen percent) higher than the official trading price registered on the share listing market on the three market trading days prior to the purchase and, in any case, compliant with the indications on determining the consideration set forth in the permitted market practice or applicable legislation.

At the same time, the Shareholders' Meeting also authorised the Board of Directors, pursuant to art. 2357-*ter* of the Italian Civil Code to dispose of the treasury shares purchased by the Company, with no time limit, on one or more occasions; notwithstanding that the minimum price limit of the sale to third parties must be as such not to entail negative economic effects for the Company and, nonetheless, not lower than 95% (ninety-five percent) of the average of the official prices recorded on the share listing market in the three market trading days prior to the sale and, in any case, in compliance with the indications on determining the consideration set forth in the permitted market practice or applicable legislation; there may be an exception to this price limit, however, in cases of exchanges or transfers of treasury shares both as part of the implementation of industrial projects and/or commercial projects and/or nonetheless of interest to the company, and in the case of the assignment and/or transfer, against payment or free of charge, of shares or related options with relation to: (i) share-based compensation plans pursuant to art. 114-*bis* of the Consolidated Law on Finance (to, inter alia, the directors, employees or associates of the Company or of subsidiary companies), as well as (ii) the issue of financial instruments that may be converted into shares and (iii) programmes for the free allocation of shares to Shareholders or through exchange tender offers. The Shareholders' Meeting also determined that the sale must be made by the methods considered most appropriate to the interests of the Company, including disposal on the stock market, off-market or through swaps for investments or other securities as part of business and/or commercial projects and/or those in any event in the interests of the Company or Group, through the assignment and/or sale, free of charge or against payment, of shares or associated options in relation to the cases cited above.

It should be noted that, by virtue of the purchases made by the Company based on the authorisations granted previously by the Shareholders' Meeting, on 29 April 2020, the Issuer held 28,027 treasury shares, equal to 0.1261% of its share capital, purchased at an average book value of Euro 10.2827 per share.

During the financial year, LU-VE did not purchase any additional treasury shares and, therefore, as at 31 December 2020 LU-VE held 28,027 treasury shares in its portfolio, corresponding to 0.1261% of its share capital. During 2021, up to the date of this Report, no purchases were made of treasury shares.

## **L) MANAGEMENT AND COORDINATION ACTIVITIES (PURSUANT TO ART. 2497 ET SEQ. OF THE ITALIAN CIVIL CODE)**

LU-VE is not subject to management and coordination activities by parent company Finami S.p.A., nor any other entity, pursuant to articles 2497 et seq., given that (i) the industrial, strategic, financial and budget plans of the Group are approved autonomously by the Board of Directors; (ii) the financial and credit policy and functions such as the treasury, administration, finance and control are

centralised at LU-VE; (iii) LU-VE operates with full business autonomy in managing relations with customers and suppliers; and (iv) in compliance with the principles of the Code of Conduct, the transactions of particular strategic, economic, equity and financial importance of the Group are reserved for the examination by the Board and exclusive approval of the Board of Directors.

\* \* \*

It should be noted that:

- the information required by art. 123-bis, paragraph 1, letter i) of the Consolidated Law on Finance (*“agreements between the company and the directors...which make provision for indemnities in the event of resignation or dismissal without just cause or if their employment contract ceases following a take-over bid”*) are contained in the Remuneration Report, published on the website of the Issuer on the address [www.luvegroup.com](http://www.luvegroup.com), in the section *“Investor Relations” “Corporate Governance” “Annual Reports 2021”*;
- the information required by art. 123-bis, paragraph 1, letter l) of the Consolidated Law on Finance (*“the regulations applicable to the appointment and replacement of directors... as well as the modification of the articles of association, if different from the legislative and regulatory ones applicable additionally”*) are contained in paragraph 4.1 of this Report.

### **3. COMPLIANCE (PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER A), OF THE CONSOLIDATED LAW ON FINANCE)**

LU-VE S.p.A. adheres to the Code of Conduct (available to the public on the website of the Corporate Governance Committee at <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2018clean.pdf>) and its corporate governance structure is configured in observance of the recommendations set forth in the above-mentioned Code as updated.

The application of the Code of Conduct was resolved by the Board of Directors with the adoption, at the meeting on 13 March 2017, of the Framework Resolution (which provides some exceptions indicated hereinafter in this report, with the clarification of the reasons for not applying some of the recommendations set forth in the Code of Conduct as well as the other information requested), which there subsequently followed by a series of additional resolutions of the Board of Directors, targeted at the practical implementation of the criteria and principles dictated by the Code itself.

Neither LU-VE, nor its subsidiaries with strategic relevance (indicated in paragraph 4.3.3 below of this Report) are subject to non-Italian legal provisions that influence LU-VE's corporate governance structure.

## 4. BOARD OF DIRECTORS

### 4.1 APPOINTMENT AND REPLACEMENT (PURSUANT TO ART. 123-BIS, PARAGRAPH 1, LETTER L), OF THE CONSOLIDATED LAW ON FINANCE)

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

The Board of Directors is appointed on the basis of lists, in observance of the applicable legislation governing independent directors and gender balance.

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

Pursuant to the statutory provisions:

- lists may be submitted by the incumbent Board of Directors and by shareholders who, at the time the list is submitted, hold alone or together with others, a share totalling at least 2.5% of the capital (share established by CONSOB with executive decision no. 44 of 29 January 2021, adopted in accordance with art. 144-*quater* and 144-*septies*, paragraph 1, of the Issuers' Regulation);
- individual shareholders, shareholders subscribing to a shareholders' agreement relating to the Company and of relevance pursuant to art. 122 of the Consolidated Law on Finance, the parent company, subsidiary companies and those subject to common control and other entities between which a direct or indirect association exists pursuant to applicable legislation and regulations in force at the time, cannot submit or contribute to the submission, not even through a third party or trust company, of more than one list or vote for different lists;
- each candidate may appear on one list only, otherwise they shall be considered ineligible;
- each list contains the names, indicated by a sequential number, of a number of candidates not exceeding the number of members to be elected;
- each list that contains a number of candidates no higher than 7 (seven) must include and identify at least 1 (one) candidate who meets the independence requirements established by applicable legislation and regulations in force at the time on the matter. Each list that contains a number of candidates higher than 7 (seven) must include and identify at least 2 (two) candidates who meet the independence requirements established by applicable legislation and regulations in force at the time on the matter. In the event of failure to comply with the above obligations, the list shall be deemed not to have been submitted;
- each list that submits a number of candidates equal to or higher than 3 (three) must also include candidates belonging to both genders, so that at least one third (rounded up) of candidates belong

to the under-represented gender. In the event of failure to comply with these obligations, the list shall be deemed not to have been submitted<sup>1</sup>;

- lists submitted must be filed at the Company's registered office, even using distance communication means as indicated in the notice of call, and made available to the public in accordance with the timeframes and procedures established by legislation and regulations in force at the time, accompanied by the certifications of the appointed intermediaries, the CVs of the directors in charge, the relevant declarations and statements required by the applicable legislation and regulations in force at the time and the Articles of Association.

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

- (a) no account is taken of lists that have not obtained a percentage at least equal to half of the percentage required for submission of lists;
- (b) from the list that obtained the highest number of votes, all the directors to be elected, except 1 (one), are taken, in the sequential order in which they are stated in the list, without prejudice to the provisions set forth below to ensure the presence of a suitable number of directors meeting the independence requirements and the gender balance in compliance with applicable legislation and regulations in force at the time on the matter;
- (c) the remaining director to be elected is taken from the list that obtained the second highest number of votes after the list referred to in letter (b) above, votes cast by shareholders who are not in any way associated, either directly or indirectly, pursuant to applicable legislation and regulations in force at the time, with the shareholders who submitted or voted for the list referred to in letter (b) above.

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

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

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<sup>1</sup> Note that the Company has not yet arranged for the amendment to the cited statutory provisions to be made following the entry into force of Italian Law no. 160 of 27 December 2019 ("Law no. 160/2019"), even though with the approval of the financial statements as at 31.12.2019, the term in office of the corporate bodies expired and their renewal needed to be organised, insofar as the provision referred to in paragraph 304 of Italian Law 160/2019 applied to the Company which, for the first renewal following the start of trading, does not prejudice the provision referred to in article 2 of Italian Law no. 120 of 12 July 2011, with respect to which the Articles of Association were already compliant.



candidates, it has been ensured that the composition of the Board of Directors complies with applicable legislation and regulations in force at the time on gender balance.

If the number of candidates elected on the basis of the lists submitted is lower than the number of directors to be elected, the remaining directors shall be elected by the Shareholders' Meeting, deliberating by majority vote of those represented.

If only one list is submitted, the Shareholders' Meeting casts its vote on said list and, if it obtains the majority of votes represented at the Shareholders' Meeting, all the members of the Board of Directors shall be taken from said list. If no lists are submitted or only one list is submitted and it does not obtain the majority of votes represented at the Shareholders' Meeting or if the entire Board of Directors does not need to be renewed or if it is not possible for any reason to appoint the Board of Directors in accordance with the procedures established by this article, the members of the Board of Directors shall be appointed by the Shareholders' Meeting with ordinary procedures and majority vote of those represented, without applying the list voting mechanism, in compliance with applicable legislation and regulations in force at the time on the minimum number of directors who meet the independence requirements and gender balance.

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

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

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

- in any case the Board of Directors and the Shareholders' Meeting shall arrange respectively for the aforesaid replacement and appointment, in compliance with applicable legislation and regulations in force at the time on gender balance and on the minimum number of board members meeting the independence requirements;

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

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

With regards to the modification of the Articles of Association, each change must be adopted in observance of the applicable legislative and regulatory principles, with the specification that the Board of Directors is attributed the responsibility to resolve on the matters set forth in art. 2365,

paragraph 2 of the Italian Civil Code, including therein adjustments of the Articles of Association into line with the regulatory provisions.

## Succession plans

In the Framework Resolution, the Board of Directors saw fit not to adopt a succession plan for executive directors given that the company management and members of the administrative body were chosen on the basis of competence, professionalism and knowledge of the company so that, in the event of the loss of one or more executive directors and until the new appointment and conferral of powers, the management can oversee the Company's ordinary operations and the Board of Directors the extraordinary operations of the Company. The decision, based on the same reasoning, was confirmed by the Board of Directors at a meeting held on 18 March 2020, on the proposal of the Remuneration and Appointments Committee.

It should also be noted that, even though the new Corporate Governance Code recommends that a succession plan be drawn up for the chief executive officer and executive directors, which indicates at least the procedures to be followed in the event of the early termination of office, Recommendation no. 24 does not apply to LU-VE as the Company is not considered a "large company". Nevertheless, the Board of Directors, with the support of the Remuneration and Appointments Committee, could in any event decide to draw up a succession plan for the chief executive officer and executive directors with the above-cited content.

## 4.2 COMPOSITION (PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER D), OF THE CONSOLIDATED LAW ON FINANCE)

The composition of the Board of Directors in office at the date of this report is reported in Table 2 in the appendix of this Report.

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

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

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

Against a voting capital corresponding to 17,206,909 ordinary shares representing 77.388793% of share capital, the election of the above-mentioned Directors was made with 15,040,147 votes in favour, representing 87.407604% of voting share capital, for the list submitted by shareholder Finami S.p.A. (List no. 1); with 2,151,013 votes in favour, representing 12.500868% of voting share capital

for the list submitted by shareholder Sofia Holding S.r.l. (List no. 2) and with 15,749 votes against both lists, representing 0.091527% of voting capital.

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

- IGINIO LIBERALI – Chairman of the Board of Directors from 16 October 1985.

Iginio Liberali graduated in Economics and Commerce from the Catholic University of Milan in 1955. Employee at Necchi di Pavia from 1956 to 1976, he held various roles, before taking up the position of Manager of the Compressors Division. In 1976 he assumes the position of General Manager of Merloni Elettrodomestici S.p.A. during a phase of major expansion in Italy and on the international market. Leaves the Merloni Group in 1985 to found LU-VE S.r.l, then transformed to a S.p.A. (joint-stock company), carrying out one of the first venture capital operations in Italy and acquiring the assets and trademark of Contardo S.p.A. in arrangement with creditors. Founded Mazzoni LB S.p.A. in Busto Arsizio in 1991, for the acquisition of Mazzoni S.p.A., which was bankrupt, returning it to a global leading position in the soap production machinery and plant sector, then selling it in 1999. During his tenure at the Merloni Elettrodomestici Group, he held the position of Associate Professor of International Commerce Technique at the faculty of Economics and Commerce of the University of Ancona and was also President of the Appliance Manufacturers Group of ANIE (National Association of Electrotechnical Companies). He was also the President of the Heat Exchangers Manufacturers Group of CECOMAF (Comité Européen Constructeurs Matériels Frigorifiques). He has been the Chairman of the LU-VE Board of Directors from 1985.

- PIERLUIGI FAGGIOLI – Vice Chairman of the Board of Directors in office from 18 July 2014.

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

- MATTEO LIBERALI – Chief Executive Officer, member of the Board of Directors since 15 May 2003.

Matteo Liberali graduated in Business Economics from the Luigi Bocconi Business University in Milan in 1991, and during his professional career, in 1999 and 2000, he completed a “Business Development” Master at the MIP of the Milan Polytechnic. From January 1992 for more than two years, he worked in the Milan office of independent audit firm Arthur Andersen & Co. In September 1994 he started working at LU-VE with increasing levels of responsibility, up to his appointment to Head of Sales (2003) then General Manager (2008). Member of the LU-VE Board of Directors from May 2003. Following the process of restructuring of the shareholding structure of the LU-VE Group in 2014, he took up the role of Chief Executive Officer of the LU-VE Group in July 2014.

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

Michele Faggioli was an office worker from June 1992 at the company Ferrara S.r.l. and, from 1993, in SEST. Subsequently, in SEST, he covered the position of Purchasing Manager, Human Resources and Organisation Manager of the company, as well as the role of Head of Operations. In January 2002, he became the General Manager of SEST, also assuming the position of Project Russia Manager in

2005 for the construction of the new production facility. In 2007, was the Head of coordination and supervision of the activities of the Russian plant of the company OOO Sest-LUVE. Then in 2008, he also became the Manager of coordination and supervision of the activities of the Polish plant of SEST-LUVE-Polska Sp. Z o.o. Since July 2014, he has been the COO of the LU-VE Group.

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

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

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

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

She has held and continues to hold positions in the company bodies of listed and unlisted companies. She is currently an independent director of Banca Generali, Generfid, SOL.

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

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

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

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

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

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

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

He is the joint holder of a TGD patent (no. 31537 filed on 22.03.2017) “Elevator cabin and similar with improved type communication and interactive functionalities”, first IoT product of the LU-VE Group.

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

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

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

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

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

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

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

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

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

Is the CEO and co-founder of eKuota, fintech company for financial risk management.

Graduated in business economics from the Luigi Bocconi University of Milan, boasts more than fifteen years' experience in capital markets.

Was Manager of Debt Capital Markets in the Allianz Group, worked for Italian and international merchant banks (including Deutsche Bank and Caboto) holding, from time to time, the role of global product specialist, manager of the structuring and placement of structured finance products, manager of syndicated loans and credit analyst. Is an expert in bond issues and securitisations and handles financial analysis and financial markets. Has organised and managed loans and bond issues for the main Italian issuers, including: ENI, Exor, IFIL, Pirelli and Telecom Italia. Writes on financial markets and risk management in international magazines and on-line blogs. Is part of the Advocacy committee of CFA Society ICFAS - Italian Chartered Financial Analyst Association.

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

Stefano Paleari graduated in Nuclear Engineering with honours from the Milan Polytechnic in July 1990 and became a Management Engineering Researcher at the University of Bergamo in 1996. In 1998, he became Associate Professor in Economics and Business Organisation at the Milan Polytechnic and, in 2001, Full Professor of Analysis of Financial Systems in the Faculty of Engineering at the University of Bergamo. From October 2009 to 30 September 2015 was the Dean of the

University of Bergamo and from September 2013, for a two-year period, was the President of the Conference of Italian University Deans (CRUI).

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

Stefano Paleari is also the author of numerous international scientific publications in the financial markets, air transport and public management fields. From November 2016 to May 2018 he was the President of the Committee for the coordination of the scientific project Human Technopole. From May 2017 to December 2019 he was the Special commissioner of Alitalia S.p.A. In the 2018-2019 two-year period, he was an independent member of the Board of Directors of Industrial Stars of Italy 3 S.p.A., listed on the AIM Italia. In November 2019 he was appointed a member of the Pontifical Council for Culture by Pope Francis.

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

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

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

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

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

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

Is the author of publications regarding the corporate governance of listed companies, crowd funding, start-ups and innovative SMEs, real estate finance publications (SIIQ - listed real estate investment companies - and non-performing loans).

Is the speaker at seminars and conferences regarding listed companies, asset management companies, listed real estate investment companies (SIIQ), property funds, real estate and corporate governance.

She has held offices in administrative bodies of both listed and unlisted companies; currently, in addition to holding the office of director and member of the Remuneration and Appointments Committed of the Issuer, she is also an independent director and member of the Appointments Committee of Banca Mediolanum S.p.A. (a company listed on the MTA of Borsa Italiana), independent director of the benefit corporation FloWe S.p.A. Società Benefit (a financial entity of the Mediolanum Group included in the electronic money institutes register IMEL), as well as member of the Supervisory Board pursuant to Italian Legislative Decree 231/2001 of De' Longhi S.p.A. (a company listed on the MTA of Borsa Italiana); she has also held the following offices, among others: (i) since 5 March 2020, the office of independent director of TraWell Co. S.p.A. (formerly Safe Bag S.p.A., a company listed on the AIM Italia of Borsa Italiana), and (ii) since April 2018, the office of independent director and member of the Control and Risk and Transactions with Related Parties Committee of Italo - Nuovo Trasporto Viaggiatori S.p.A.

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

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

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

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

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

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

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

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

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

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

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

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

After leaving The Boston Consulting Group at the beginning of 2020, he worked with the Excellence group (management consulting). From March 2020, he had been a member of the board of directors of UBI Factor S.p.A.

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

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

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No changes were made to the composition of the Board of Directors from the date of the close of the year until the date of this Report.

## **Diversity policies and criteria**

Implementing the provisions of art. 123-*bis*, paragraph 2, letter d-*bis*) of the Consolidated Law on Finance, the Board of Directors has adopted its own policy with regard to diversity in relation to the composition of the administrative body with regard to aspects such as the age, gender and educational and professional background (the “**Policy**”).



This Policy is defined in the document “Diversity policy for members of the corporate bodies of LU-VE S.p.A.” approved by the Board of Directors in the meeting of 28 February 2020, on proposal of the Remuneration and Appointments Committee, which – with regard to the diversity of the composition of the administrative body - has prepared its contents taking into account the outcome of the periodic self-assessment process, conducted annually pursuant to art. 1.C.1 lett. g) of the Code of Conduct.

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

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

have an adequate knowledge of financial matters or remuneration policies; and (ii) at least one member of the Board of Directors should have an adequate knowledge of accounting and finance or of risk management;

- (g) the Chairman should be a person with experience, authority and ability of vision such as to ensure during the mandate a guaranteed management for all Shareholders and stakeholders, as well as ensure the efficient and effective management of the Board of Directors;
- (h) the Chief Executive Officers must be persons with proven leadership, authority, strategic vision and an in-depth knowledge of the industrial sectors preferably relevant to those in which the LU-VE Company and Group operate.

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

The text of the *“Diversity policy for members of the corporate bodies of LU-VE S.p.A.”* is available on the Company’s website at [www.luvegroup.com](http://www.luvegroup.com) (in the section *“Investor Relations” - “Corporate Governance” - “Corporate documents”*).

The administrative body currently in office was appointed by the Shareholders’ Meeting on 29 April 2020, and is the first Board to be appointed following the listing of LU-VE shares on the MTA: the election of the Board of Directors therefore took place through list voting pursuant to the provisions set forth in the applicable legislation and regulations in force at the time on gender balance. Note that, as this was the first renewal of the Board following the listing, the provision referred to in paragraph 304 of Italian Law 160/2019 applied to the Company, which in this case does not prejudice the provision of art. 2 of Italian Law no. 120 of 2 July 2011, which envisages that 1/5 of the members of corporate bodies must belong to the under-represented gender. Moreover, as illustrated in the general part of this paragraph 4.2, the Articles of Association of LU-VE in force on the date of the Shareholders’ Meeting of 29 April 2020 envisaged mechanisms that ensure that one third of the members of the Board belong to the under-represented gender. Therefore, one third of the members of the current Board of Directors belongs to the under-represented gender.

The Remuneration and Appointments Committee, at its meeting on 17 February 2021, and the Board of Directors, at its meeting on 24 February 2021, verified the compliance with the Diversity Policy by the administration and control bodies of LU-VE currently in office.

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

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

Of the employee population, 32% are women. The gender difference is mainly due to the peculiarity of the business which, especially in the past, mainly attracted male professional figures.

## Maximum number of offices

The Board of Directors, by means of the Framework Resolution last confirmed on the meeting of 28 February 2020, resolved not to acknowledge application criterion 1.C.3 of the Code of Conduct, which requires the Board to express its guidance on the maximum number of offices of director or statutory auditor in companies listed in regulated markets, including overseas, and in financial companies, banks, insurance companies or large companies which may be considered compatible with effective fulfilment of the engagement of director of the issuer, taking account of the directors' participation in the committees set up within the Board.

In fact, the Board saw fit not to express said guidance, as it relates to an evaluation that rests, first and foremost, with the shareholders at the time of appointment of the directors and, subsequently, the individual director at the time of acceptance of office.

In compliance with application criterion 1.C.2. of the Code of Conduct, the table below reports the offices of director or statutory auditor currently held by some directors in third party companies, listed in regulated markets, including overseas, and in financial companies, banks, insurance companies or large companies ("large companies" are defined by paragraph 1, letter f) of art. 144-*duodecies* of the Issuers' Regulation), at the date of this Report.

Name and surname	Company	Office held
Anna Gervasoni	Banca Generali S.p.A. ( <i>listed bank</i> )	Independent Director
	Sol S.p.A. ( <i>listed</i> )	Independent Director
	Generfid S.p.A. ( <i>significant</i> )	Independent Director
Roberta Pierantoni	Banca Mediolanum S.p.A. ( <i>listed bank</i> )	Independent Director and Member of the Appointments Committee
	FloWe S.p.A. Società Benefit ( <i>financial</i> )	Independent Director
Marco Vitale	Antares Vision S.p.A. ( <i>listed</i> )	Director
	Smeg S.p.A. ( <i>significant</i> )	Director
Guido Giuseppe Crespi	UBI Factor ( <i>banking</i> )	Director

## Induction Programme

In relation to application criterion 2.C.2 of the Code of Conduct (which requires the Company to allow directors and statutory auditors, during their mandate, to participate in initiatives targeted at providing them with adequate knowledge, inter alia, of the reference regulatory and self-regulation framework), it should be noted that, in the Board's opinion, Board disclosures, owing to their contents and frequency, allow directors to obtain adequate knowledge of the business sector in which the LU-VE Group operates, the company trends and their developments, the principles of correct risk management as well as the associated reference regulatory framework. In particular, during the meetings of the Board of Directors that are held at the Company's administrative headquarters during the year, the directors received constant insights on each specific sector in which the LU-VE Group carries out its activities, in order to best understand the company trends underlying the business and the relevant developments that have taken place during the year.

In addition to the above, on 3 November 2020, the members of the Board of Directors, together with those of the Board of Statutory Auditors, received an exhaustive report from director Roberta Pierantoni - who has acquired in-depth knowledge of this area in her professional career - on the new principles and recommendations dictated by the new Corporate Governance Code, so as to enable the directors to make an informed decision on adherence to the Corporate Governance Code, as well as the resolutions amending the Company's corporate governance, required for compliance with the new code.

### **4.3 ROLE OF THE BOARD OF DIRECTORS** (PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER D), OF THE CONSOLIDATED LAW ON FINANCE)

#### **4.3.1 Functioning of the Board of Directors**

LU-VE's Board of Directors holds a central role in determining the strategic objectives and managing the Company and the Group.

During the financial year the Board of Directors met 10 times and the meetings had an average duration of 2 hours and 45 minutes.

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

The Financial Reporting Manager and the Manager of Legal and Corporate Affairs of the Group regularly took part in the meetings of the Board of Directors and, where required, so did the Group Internal Audit Manager.

Six meetings are planned for the current year, 3 of which (including the one for approval of this Report) have already been held.

The items on the agenda are normally illustrated - also on the basis of the documentation distributed beforehand, according to the term set by the Board of Directors as per the recommendation of the Code of Conduct, set out below, and filed in the Company's records - by the Chairman of the Board of Directors or the Chief Executive Officer responsible for the matter, or by the Chairman of the competent Committee on each occasion for the matter. Following the presentation, the debate opened, with speeches by the directors in order to pose questions to the writer or provide suggestions or food for thought: the heterogeneous competences of the members of the Board of Directors make it possible to analyse and examine in-depth the items on the agenda from various perspectives, enriching Board discussions which is the prerequisite for each contemplated and fully-informed decision. The Chairman of the meeting ensures that the necessary time is dedicated to the items on the agenda to allow constructive debate.

Pre-Board meeting disclosures are guaranteed through distribution of all the documentation relating to the items on the agenda of the meeting of the Board of Directors via a platform adopted by the Company for the management of the Board of Directors and of the "DiliTrust Exec". Committees. It should also be noted, in this regard, that in compliance with application criterion 1.C.5., based on the Framework Resolution, the Company's Board of Directors determined, at least 2 days before the meeting (except in urgent cases), the corresponding notice for the transmission of the

documentation to the directors. In the meetings held during the Financial year, the term indicated by the Board was respected.

Note that, with reference to application criterion 1.C.1 letter g) of the Code of Conduct, the Board of Directors resolved, in its meeting on 21 December 2020, not to proceed with the annual board evaluation process on the size, composition and functioning of the same Board and of its two Committees with relation to 2020, as the results of this activity, given the limited period for which the current Board of Directors has been in office (appointed by the Shareholders' Meeting on 29 April 2020), would be partial and based on only a few months of activity, also because conducted remotely due to the ongoing COVID-19 pandemic.

### **4.3.2 Powers reserved to the Board of Directors**

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

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

In relation to application criteria 1.C.1 and 7.C.1 of the Code of Conduct, acknowledged on the basis of the Framework Resolution, the Board of Directors decided to reserve to its own competence not only the matters established by law or the Articles of Association, but all the competences indicated in application criterion 1.C.1 of the Code of Conduct, including therein that of identifying, based on prior determination of the relative criteria, the subsidiaries of strategic relevance, as well as, with the help of the Control and Risk Committee, those indicated in application criteria 7.C.1 of the Code of Conduct; the Board of Directors is also attributed the competences regarding the remuneration of executive directors and Key management personnel pursuant to art. 6 of the Code of Conduct.

The Board of Directors is therefore required to:

- (a) examine and approve the strategic, industrial and financial plans of the issuer and of the Group it heads up, by periodically monitoring their implementation; defining the corporate governance system of the Issuer and the Group structure;
- (b) defining the nature and level of risk compatible with the Issuer's strategic objectives, including in its evaluations all risks that may be significant in terms of the medium/long-term sustainability of the Issuer's activities;
- (c) based on prior determination of the relative criteria, identifying the companies of strategic relevance; evaluating the adequacy of the organisational, administrative and accounting

adequacy of the issuer as well as of the subsidiaries of strategic relevance, with particular reference to the Internal Control and Risk Management System;

- (d) establishing the frequency, nonetheless, no more than quarterly, according to which the delegated bodies must report to the Board on the activities performed in exercise of the powers conferred;
- (e) evaluating the general operating performance, taking into consideration, in particular, the information received from the delegated bodies, as well as periodically comparing the results achieved with those planned;
- (f) resolving on the transactions of the Issuer and its subsidiaries, when these transactions are of significant strategic, economic, equity or financial relevance for the issuer itself; to this end, the Board of Directors establishes the criteria for identifying the significant transactions;
- (g) carrying out, at least once per year, an assessment of the functioning of the Board and its committees, as well as their dimension and composition, also taking account of elements such as professional characteristics, experience, including managerial, as well as of their length of office; taking account of the outcomes of the assessment, expressing an opinion to the shareholders, before the appointment of the new Board, on the professionals whose presence in the Board is considered appropriate; in particular, evaluating the existence of the requirements of enforceability, non-enforceability and independence required by the Code of Conduct, ensuring the presence of a number of executive directors, non-executive directors and independent directors in conformance with the application criteria outlined in the Code itself;
- (h) disclose, in the report on corporate governance: (1) its composition, indicating, for each member, the qualification (executive, non-executive, independent), the position held in the Board, the main professional characteristics as well as the length of office from the first appointment; (2) the methods of application of art. 1 of the Code of Conduct and, in particular, on the number and average duration of the meetings of the Board and of the executive committee, where present, held during the year as well as on the percentage attendance of each director; (3) the methods of performance of the evaluation process set out in previous letter (g);
- (i) adopting, on the proposal of the Chief Executive Officer appointed or the Chairman of the Board of Directors, a procedure for the internal management and external communication of documents and information concerning the issuer, with particular reference to inside information.

The Board of Directors is also required, with the help of the Control and Risk committee, to:

- (a) define the guidelines of the Internal Control and Risk Management System, to ensure that the main risks relating to the Issuer and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, also determining the degree of compatibility of said risks with company management that is consistent with the strategic objectives identified;
- (b) internally identify one or more directors responsible for the Internal Control and Risk Management System;

- (c) evaluate, at least annually, the adequacy of the Internal Control and Risk Management System with respect to the characteristics of the company and the risk profile assumed, as well as its effectiveness;
- (d) approve, at least annually, based on the prior opinion of the Control and Risk Committee, the work plan prepared by the Manager of the Internal Audit function, having consulted the Board of Statutory Auditors and the director responsible for the Internal Control and Risk Management System;
- (e) describe, in the corporate governance report, based on the prior opinion of the Control and Risk Committee, the main characteristics of the Internal Control and Risk Management System, expressing its judgment on the adequacy of the same;
- (f) evaluate, based on the prior opinion of the Control and Risk committee and having consulted the Board of Statutory Auditors, the results reported by the auditor in any letter of suggestions and in the report on the fundamental issues to emerge during the audit;

In relation to art. 6 of the Code of Conduct, the following responsibilities are also reserved to the Board of Directors:

- (a) examining the proposals of the Remuneration and Appointments Committee, having consulted the Board of Statutory Auditors, determining the additional remuneration of the Chairman and the Vice Chairman and the Chief Executive Officer, and any other directors holding special offices; the Board of Directors also determines the fee to be paid to directors for participating in Board committees;
- (b) defining, on the proposal of the Remuneration and Appointments Committee, the company Remuneration Policy;
- (c) approving the Remuneration Report, pursuant to art. 123-ter of the TUF (Consolidated Law on Finance);
- (d) preparing, with the help of the Remuneration and Appointments Committee, the remuneration plans based on shares or other financial instruments, and presenting them to the Shareholders' Meeting for approval, pursuant to art. 114-bis of the TUF (Consolidated Law on Finance) and, based on an authorisation of the Shareholders' Meeting, handling its implementation by availing itself of the Remuneration and Appointments Committee;
- (e) preparing, with the help of the Remuneration and Appointments Committee, the medium/long-term "cash" incentive plans and handling their implementation by availing itself of the Remuneration and Appointments Committee;
- (f) establishing the Remuneration and Appointments Committee within the Board itself, in observance of the principles indicated in the Code of Conduct.

In line with the governance of the Company, the Board of Directors is also responsible for:

- (a) defining the objectives and approving the company results and the performance plans to which the determination of the variable remuneration of directors is related, where applicable;

- (b) approving the general criteria for the remuneration of Key management personnel identified by the Board itself;
- (c) defining, on the proposal of the Director responsible for the Internal Control and Risk Management System, and based on the opinion of the Control and Risk Committee, the structure of the remuneration of the Manager of the Internal Audit function, in accordance with the remuneration policies of the Company and based on the prior favourable opinion of the Control and Risk Committee, as well as having consulted the Board of Statutory Auditors.

In relation to application criterion 1.C.1. of the Code of Conduct, as part of the Framework Resolution, the Board of Directors formally reiterated the principle that the delegated bodies report to the Board on the activities carried in exercise of the powers conferred at least on a quarterly basis, all in compliance with the applicable provisions of the law and the Articles of Association. It should be noted that, in observance of the OPC Procedure, the delegated bodies provide a complete disclosure at least quarterly to the Board of Directors and Board of Statutory Auditors on the performance of related party transactions.

### 4.3.3 Activities of the Board of Directors

In implementation of the principles and responsibilities described above, the Board of Directors:

- (a) examined and approved strategic, industrial and financial plans of the Issuer and of the Group, periodically monitoring their application; in particular: lastly, on 24 February 2021, it approved the 2021-2024 business plan of the Group, in order to allow the performance of the impairment test on the value of the goodwill recognised in the financial statements;
- (b) defined the nature and level of risks compatible with the strategic objectives identified, most recently at the meeting on 17 March 2021;
- (c) evaluated the adequacy of the organisational, administrative and general accounting structure of the Issuer and the subsidiaries of strategic relevance, most recently at the meeting held on 17 March 2021, during which the annual financial report as at 31 December 2020 was approved. This activity was carried out with the assistance of the Control and Risk Committee which, at its meetings, was able to continuously verify the effective functioning of the Internal Control and Risk Management System of both the Issuer, and of the Group, expressing a favourable opinion on a half-yearly basis, at the meetings of the Board of Directors for approval of the half-yearly financial report and of the annual financial report (at the meetings on 15 September 2020 and 17 March 2021 respectively).

With reference to **subsidiaries of strategic relevance** of the LU-VE Group, it is to be noted that the Board of Directors has provided to their identification, since the meeting of 13 March 2017, and that, in the meeting of 15 July 2019, following the acquisition of the Air division of Alfa Laval, it integrated the relative list, confirming, last on 24 February 2021, the following companies to have strategic relevance: SEST S.p.A., with registered office in Italy; Heat Transfer System s.r.o., with registered office in the Czech Republic; SEST-LUVE-Polska Sp. z o.o., with registered office in Poland; OOO SEST-LUVE, with registered office in Russia; Spirotech Heat Exchanger Pvt. Ltd., with registered office in India; Fincoil LU-VE Oy, with registered office in Finland; AIR HEX ALONTE S.r.l., with registered office in Italy.



This identification occurred on the satisfying of at least three of the following size-related, qualitative and organisational parameters, as indicated in the SCIGR guidelines (approved by the Board of Directors at the meeting on 21 September 2017):

1. volume of turnover of no less than Euro 20 million;
  2. value of balance sheet assets of no less than Euro 5 million;
  3. strategic relevance of the range of products created by the subsidiary or the current and potential markets in which these products are sold;
  4. presence of a clear organisational structure, characterised by the presence of a number of employees of no less than 120;
- (d) in the meeting of 8 February 2018, the Guidelines were approved, which include precise identification criteria of the transactions concluded with third parties also through subsidiaries that, for their significant economic, financial and asset relevance, are required to be preliminarily examined and approved by the Board of Directors;
- (e) at the meeting on 3 May 2017, the OPC Procedure was approved, targeted at identifying the transactions realised with related parties by the Company and/or its subsidiaries, regulating their implementation processes, in order to ensure their substantive and procedural correctness, as well as the proper information to the market. In this regard, it should be noted that, given LU-VE can classify itself as a “small company” pursuant to art. 3 of the Consob Related Party Regulation, and as long as it can qualify itself as such, the Issuer avails itself of the exemption set forth in art. 10 of the Consob Related Party Regulation, adopting the same procedure of instruction and approval of all related party transactions (not within the competence of the Shareholders’ Meeting) of Shareholders, without distinguishing those of greater relevance from those of minor relevance;
- (f) periodically evaluated (with frequency of no less than quarterly), most recently on 17 March 2021, the general operating performance, taking into consideration the information received from the appointed directors, and comparing the results achieved with those planned;
- (g) verified, most recently at the meeting of 24 February 2021, compliance with the independence requirements set forth in the combined provisions of article 147-ter, paragraph 4 and article 148, paragraph 3 of the Consolidated Law on Finance and art. 3 of the Code of Conduct were also verified, as well the requirements of enforceability and non-enforceability relating to each director.

#### **4.3.4 Non-compete obligation**

Art. 15.3 of the Articles of Association sets forth that, unless otherwise decided by the Shareholders’ Meeting, directors are bound by the non-compete obligation set forth in art. 2390 of the Italian Civil Code.

The Shareholders’ Meeting of 29 April 2020, at the time of appointment of the new Board of Directors, did not derogate from said provision.

## 4.4 DELEGATED BODIES

The Board of Directors carries out activities not only directly and jointly, but through:

- the Chairman of the Board of Directors and
- the CEOs Matteo Liberali and Michele Faggioli.

The powers attributed to the Chairman and the CEOs by the Board of 29 April 2020 are reported below.

- The Chairman, IGINIO LIBERALI was vested, with sole signature rights, with all powers of ordinary and extraordinary management which are not reserved exclusively to the Board of Directors or to the Shareholders' Meeting by the Articles of Association or the law.

- The Chief Executive Officer, MATTEO LIBERALI, in relation to whom the interlocking directorate situation does not occur, pursuant to application criterion 2.C.6 of the Code of Conduct, was attributed the following: *(i)* the qualification of "Chief Executive Officer - CEO" of the LU-VE Group; *(ii)* with sole signature rights, all powers of ordinary and extraordinary management which are not reserved exclusively to the Board of Directors by the Articles of Association or the law, up to a limit of Euro 10,000,000.00 (ten million) per individual transaction.

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

- to enter into, amend and terminate contracts for the purchase, exchange, sale of:
  - (i)* materials, products and services for amounts of up to Euro 2,000,000.00 (two million) per individual transaction;
  - (ii)* raw materials, for amounts of up to Euro 5,000,000.00 (five million) per individual transaction;
- entering into, amending and terminating lease and gratuitous lease contracts for movables and real estate for amounts of up to Euro 2,000,000.00 (two million) per individual transaction;
- entering into, amending and terminating purchase, sale, exchange contracts, financial leases of plants, machinery and operating assets in general, for amounts of up to Euro 2,000,000.00 (two million) per individual transaction;
- entering into, amending and terminating, for the benefit of the Company, freight, transport or insurance contracts relating to the sale of goods, for amounts of up to Euro 2,000,000.00 (two million) per individual transaction;
- entering into, amending and terminating contracts for advisory services for amounts of up to Euro 500,000.00 (five hundred thousand) per individual transaction;
- ensuring the performance of construction, works, installations, repairs and modification of systems, offices and other premises owned by the company, by acquiring the machines and

furniture needed for said offices, such as materials, supplies and provisions, signing tender and supply contracts, for amounts of up to Euro 2,000,000.00 (two million) per individual transaction;

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

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

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

The Chairman of the Board of Directors is not the main person responsible for management of the Issuer (CEO), who is instead the Chief Executive Officer Matteo Liberali.

The Chairman of the Board of Directors is not the controlling shareholder of the Issuer.

Also in consideration of the transfer to the Chairman of extensive management powers, the Board of Directors deemed it appropriate to apply the recommendation regarding the provision of application criterion 2.C.4. of the Code of Conduct regarding the appointment of a lead independent director to which the functions recommended by the Code of Conduct are to be attributed (illustrated in paragraph 4.7 of this Report).

It should also be noted, in relation to principle 2.P.5. (opportunity to avoid the concentration of company offices in one person) and Principle 2.P.6. (illustration of the reasons for which management powers were conferred to the Chairman) that the Board, in re-examining the issue on 24 February 2021, confirmed its opinion, deeming the governance of the Issuer - also from a concentration of offices perspective - to be in full compliance with the company interest, taking into account, inter alia, that (i) the Chairman of the Board of Directors, which was conferred with management powers, is the director that accrued the greater number of years of experience at the company and that his role is not limited to institutional and representation functions, but is fully operational and so essential for the best performance of the company; and that (ii) broad management powers are also conferred to other directors as well as the Chairman of the Board of Directors.

## **Disclosure to the Board of Directors**

The delegated bodies, in fulfilling the obligations of law, the Articles of Association and the recommendations of the Code of Conduct, have always reported to the Board of Directors on the activities carried out in exercise of the powers attributed, with variable frequency according to the importance of the powers and the frequency of their exercise, but nonetheless no more than quarterly, providing, with a reasonable advance notice with respect to the date of the board meeting - except for cases in which, owing to the nature of the resolutions to be assumed, the confidentiality requirements and/or promptness with which the Board had to assume the decisions were recognised as reasons of necessity and urgency - the documentation and information needed to allow the Board of Directors to express an opinion, in a fully informed manner, on the items presented to it for examination and approval.

In compliance with Consob Related Party Regulation, the delegated bodies are required to provide a complete disclosure at least quarterly to the Board of Directors and Board of Statutory Auditors regarding the performance of related party transactions.

## **4.5 OTHER EXECUTIVE DIRECTORS**

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

## **4.6 INDEPENDENT DIRECTORS**

Pursuant to the combined provisions of art. 147-ter, paragraph 4, and art. 148, paragraph 3 of the Consolidated Law on Finance, as well as art. 3 of the Code of Conduct, the Board of Directors currently has 4 independent directors represented by Anna Gervasoni, Stefano Paleari, Raffaella Cagliano and Guido Giuseppe Crespi.

The Board of Directors evaluates the existence and continuity of the requirements set out above, by also applying all the criteria set forth in the Code of Conduct in this regard (application criteria 3.C.1. and 3.C.2.), based on the information that the interested parties are required to provide under their own responsibility, i.e. the information nonetheless available to the Board of Directors.

With reference to the Board of Directors in office, it should be noted that, during the meeting of 29 April 2020, following the appointment of the directors currently in office, the Board conducted checks on the independence of said directors, the outcome of which was announced in a press release on the same date.

In light of the above, 4 of the 12 members of the Board of Directors meet the independence requirements: therefore that requested by art. 147-*ter* of the Consolidated Law on Finance for boards comprised by more than 7 members has been fulfilled.

The maintenance of the independent requirements by the above-cited directors was, most recently, checked by the Board of Directors at the meeting on 24 February 2021.

In compliance with application criterion 3.C.5. of the Code of Conduct, the Board of Statutory Auditors considered correct to apply the assessment criteria and procedures adopted by the Board of Directors, lastly in the board meeting of 24 February 2021, for evaluating the independence of its members.

It is specified that, also in compliance with the recommendation dictated by application decree 3.C.6. of the Code of Conduct, the independent directors met on 10 March 2020 in the absence of other Directors to examine the Report on corporate governance and ownership structures.

## **4.7 LEAD INDEPENDENT DIRECTOR**

In consideration of the attribution of management powers to the Chairman of the Board of Directors, the Board of Directors deemed it appropriate to apply the recommendation regarding the appointment of a Lead Independent Director to which the functions recommended by the Code of Conduct are to be attributed.

At the meeting on 29 April 2020, the Board of Directors therefore attributed the function of Lead Independent Director to the independent director Stefano Paleari so that he represents a reference and coordination point for the non-executive directors, especially the independent ones, and collaborates with Chairman of the Board of Directors in order to guarantee that the directors are the recipients of complete and prompt information flows, attributing said person with the functions set out in criterion 2.C.5. of the Code of Conduct.

During the year, the Lead Independent Director collaborated extensively with the Chairman of the Board of Directors in order to ensure the completeness and promptness of the information flows to all directors and chaired the meeting of the independent directors that was held on 10 March 2020.

## 5. PROCESSING OF CORPORATE INFORMATION

In 2015, on occasion of the listing of its securities on the AIM Italia market, the Company adopted the “Procedure for internal management and communication to the public of Inside Information” (the “Inside Information Procedure”) which was subsequently updated, with effect from 3 July 2016, to incorporate the new elements introduced by Regulation (EU) no. 596/2014 and the relative implementing provisions (Delegated Regulations (EU) 2016/522 and 2016/960, and Execution Regulations (EU) 2016/959 and 2016/1055); in order to conform its content to the regulatory amendments introduced by Consob with Resolution no. 19925 of 22 March 2017, in the meeting of 12 April 2017 the Board of Directors lastly resolved to approve the amendment of the above mentioned procedure by assigning to the Chairman of the Board of Directors and the Chief Executive Officer, Matteo Liberali, also separately, the mandate to make all the amendments and integrations to the same procedure necessary to align its text to the regulatory provisions applicable to companies listed on a regulated market.

The Inside Information Procedure (available on the Issuer’s website at the address [www.luvegroup.com](http://www.luvegroup.com), section “Investor Relations”, “Corporate Governance”, “Procedures”) establishes the principles and regulations by which the Issuer and the other companies of the LU-VE Group abide in terms of internal management, processing and communication to the outside of information of a privileged nature pursuant to art. 7 of Regulation EU no. 596/2014, that is to say every information with a precise character, which has not been public, relating directly or indirectly to the Company or its shares, and which, if made public, could have a significant effect on the price of such shares or the price of linked derivative financial instruments (“Inside Information”).

The provisions set forth in the Inside Information Procedure regulate, inter alia: (i) the identification of the parties required to observe the provisions contained therein; (ii) the identification and processing of Inside Information; (iii) the principles of conduct which the parties and company organisational structures involved in various guises in the processing of Inside Information and confidential information must adhere to; (iv) the process for initiating the procedure of delaying the communication of Inside Information to the public; (v) the methods of dissemination and communication to the public of Inside Information.

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

- identifies the Chairman of the Board of Directors and the Chief Executive Officer of the Issuer who is attributed the task of organising and managing the area of administration, finance and control of LU-VE (the “CEO”), the persons responsible for evaluating the privileged nature of the information concerning, directly or indirectly, the Issuer and its financial instruments;
- establishes that the CEO (i) organises and is responsible for the processing of Inside Information so that said information is circulated in the Issuer without prejudicing its privileged nature; (ii) on behalf of the Company, handles all relations with reporting bodies, professional investors, financial analysts and shareholders in compliance with the applicable legal and regulatory provisions in force from time to time, as well as with the provisions of this Procedure;
- regulates, in compliance with the provisions of art. 17, Regulation (EU) 596/2014, the possibility, for the Company, to delay - under its own responsibility and based on a decision taken by the Chairman of the Board of Directors and the Chief Executive Officer, including severally - the public disclosure of Inside Information, provided that all the following conditions

are satisfied: *(i)* the immediate communication would likely prejudice the Company's legitimate interests; *(ii)* the delay in communication would probably not mislead the public; *(iii)* the Company is able to guarantee the confidentiality of said information. In this regard, when the disclosure of Inside Information to the public is delayed, the procedure also requires the Company to notify Consob of this delay, providing a written explanation of the aforementioned conditions, immediately after the information has been disclosed to the public and, in any event, in compliance with the terms and conditions envisaged in the regulations applicable from time to time. Furthermore, pursuant to the procedure, the confidentiality of Inside Information whose communication to the public has been decided to delay will be ensured through the adoption of effective measures that allow: *(i)* the prevention of access to information by persons other than those who need it for exercising their functions in the Company; *(ii)* the guarantee that persons with access to such information accept the related legal and regulatory obligations and are aware of the possible penalties for abuse or unauthorised disclosure of the information; *(iii)* immediate public disclosure of the Inside Information, if those persons are not able to guarantee its confidentiality. Lastly, if disclosure of the Inside Information is delayed and the confidentiality of the information is no longer guaranteed, the Company arranges public disclosure as soon as possible.

Following the results of the 2018 self evaluation questionnaire, the Board of Directors, after conferring the necessary mandate, in the meeting of 19 December 2019 approved the project for the digitalisation of the Board of Directors in order to provide a greater guarantee of security and segregation of the data and document relating to the meetings of the same. With regard to this, DiliTrust Italia S.r.l. was identified as a provider of smart BoD solutions, whose product appears to be able to combine the needs for security, operational flexibility and interaction with the Board of Directors. At the date of this Report, this service, provided to directors through the "DiliTrust Exec" platform, is fully functional.

## **6. INTERNAL BOARD COMMITTEES (PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER D), CONSOLIDATED LAW ON FINANCE)**

By means of the Framework Resolution, the Board of Directors has adhered to the application principles and criteria of art. 4 of the Code of Conduct, establishing the following internally:

- The Remuneration and Appointments Committee; and
- the Control and Risk and Related Party Transactions Committee.

The office of the two Committees currently in office will expire on approval of the financial statements for the year ended as at 31 December 2022.

The establishment and functioning of the two committees are governed by the criteria indicated in the Code of Conduct and, in particular:

- (a) the Committees are composed of 3 members, all non-executive, the majority of whom are independent; one of the members of the Control and Risk Committee must have adequate accounting and financial experience and one of those of the Remuneration and Appointments Committee must possess adequate knowledge and experience of financial matters and remuneration policies;
- (b) the Chairman of each of the Committees is chosen from its independent members;
- (c) minutes are taken for the meetings of each Committee;
- (d) in performing their functions, the Committees have the right to access information and the company departments as required to carry out their duties, and the right to make use of external advisors, based on prior authorisation of the Board;
- (e) meetings of the Committees may be attended by non-members, if invited by the Committee and limited to the individual items on the agenda.

The Board of Directors also resolved:

- (i) at the meeting of 13 March 2017, to attribute to the Control and Risk Committee the role and the relevant responsibilities that the Consob Related Party Regulation attributes to the committee composed of non-executive directors, the majority of whom are independent;
- (ii) at the meeting of 13 March 2017, in compliance with the provisions of the principles of the Code of Conduct and in consideration of the characteristics of the Company - not to establish an autonomous committee internally to which to attribute the functions regarding the appointments indicated in application criterion 5.C.1. of the Code, and to attribute said functions to a single committee that, therefore, assumed the name of the Remuneration and Appointments Committee;
- (iii) in the meeting of 19 February 2019, to assign the Control and Risk Committee competence in sustainability issues;



- (iv) in the meeting of 19 February 2019, to assign the Remuneration and Appointments Committee competence in relation to the Board of Directors' self evaluation, with effect from the 2019 financial year.

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

In relation to application criterion 4.C.1 letter e) of the Code of Conduct, it should be noted that the Board of Directors did not consider it necessary to attribute spending powers to Committee members, given willing, from time to time, to arrange the allocations required by the internal Committees to carry out the individual activities.

## **7. REMUNERATION AND APPOINTMENTS COMMITTEE**

### **7.1. COMPOSITION AND FUNCTIONING OF THE REMUNERATION AND APPOINTMENTS COMMITTEE**

The Remuneration and Appointments Committee was established within the Board of Directors, by means of resolution dated 13 March 2017 and subsequently constituted, following the appointment of the new Board of Directors, by a resolution of the latter on 29 April 2020. At the above board meeting, the Board of Directors - based on prior verification of the requirements of non-enforceability and independence of its members (see paragraphs 4.5 and 4.6 of this Report) - appointed the Remuneration and Appointments Committee for the 2020-2022 three-year period, in the persons of directors Stefano Paleari (independent director – with the role of Chairman), Anna Gervasoni (independent director) and Roberta Pierantoni (non-executive director), confirming, based on the respective curriculum vitae, that their professional track records guarantee adequate knowledge and experience regarding financial matters or remuneration policies.

At the meeting on 29 April 2020, the Board of Directors attributed the Remuneration and Appointments Committee with the functions for which it is responsible in accordance with the Framework Resolution, in compliance with the provisions of art. 6 of the Code of Conduct as well as those of application criterion 5.C.1. of the same Code (for a list of the individual functions attributed to the Remuneration and Appointments Committee, please see paragraph 7.2 of this Report).

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

Given the Company also adhered to application criterion 6.C.6 of the Code of Conduct, the directors must refrain from participating in the meetings of the Committee in which proposals are formulated to the Board of Directors relating their remuneration.

In carrying out its functions, the Remuneration and Appointments Committee had access to the information and company departments necessary for performing its duties.

During the financial year, the Remuneration and Appointments Committee met 8 times in the presence of all its members; the average duration of the meetings was of around 2 hours and the activities were coordinated by the Chairman with minutes being taken. The Chairman of the Committee has provided the Board of Directors information relating on the issues dealt with in each meeting, on occasion of the first subsequent Board meeting.

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

The following participated to the meetings of the Remuneration and Appointments Committee held in the financial year and in 2021 up to the date of this Report: the Chairman of the Board of Statutory Auditors and at least one of the other two members of the Board of Statutory Auditors as well, on invitation of the Chairman, the CEO, the COO, the Group Legal and Corporate Affairs Manager, which also played the role of secretary for the Committee and the Group HR Director, depending on the topics discussed on each occasion.

## **7.2. FUNCTIONS AND ACTIVITIES OF THE REMUNERATION AND APPOINTMENTS COMMITTEE**

Considering the organisational requirements related to the company's governance structure, the Remuneration and Appointments Committee has been attributed the proposal and advisory duties indicated in the Code of Conduct regarding both the appointment of the directors by art. 5, and regarding the remuneration of the directors (and of Key management personnel) by art. 6; therefore:

- pursuant to application criterion 5.C.1. of the Code of Conduct:
  - (a) formulates opinions to the Board of Directors on the size and composition of the Board itself and expresses recommendations regarding the professionals whose presence in the Board of Directors is considered appropriate;
  - (b) expresses recommendations to the Board of Directors on the maximum number of offices of director or statutory auditor in other companies listed in regulated markets, including overseas, and in financial companies, banks, insurance companies or large companies which may be considered compatible with effective fulfilment of the engagement of director of the Issuer, taking account of the directors' participation in the committees set up within the Board of Directors;
  - (c) expresses recommendations to the Board of Directors on any problems relating to the application of the non-compete obligation of directors in accordance with art. 2390 of the Italian Civil Code if the company's Shareholders' Meeting, owing to organisational requirements, has generally and preventively authorised exemptions to this prohibition;
  - (d) proposes candidates to the Board of Directors for the office of director in cases of co-optation, where independent directors need to be replaced; and
  - (e) carries out a preliminary investigation on the preparation of a succession plan for the company's executive directors, if the Board of Directors intends to adopt this plan;
- in addition, pursuant to art. 6 of the Code of Conduct and, in particular, of application criterion 6.C.5., the Committee:
  - (a) formulates proposals to the Board of Directors on the remuneration policy of directors and key management personnel to be adopted annually by the company, presenting it in advance to the Shareholders' Meeting for a non-binding vote pursuant to art. 123-ter, paragraph 6, of the Consolidated Law on Finance;
  - (b) periodically assesses the adequacy, overall consistency and actual application of the remuneration policy for directors and key management personnel adopted, by availing itself, as regards the latter, of the information provided by the Chief Executive Officer; formulates the relevant proposals to the Board of Directors;
  - (c) presents proposals or expresses opinions to the Board of Directors on the remuneration of executive directors and other directors who fulfil particular roles as well as on the establishment of performance targets relating to the variable component of said remuneration;

- (d) monitors the application of the decisions taken by said Board by verifying, in particular, the actual attainment of the performance targets;
- (e) supports the Board of Directors in the preparation and implementation of (i) remuneration plans based on shares or other financial instruments and (ii) medium/long-term incentive plans;
- (f) reports to shareholders on the methods of performance of its functions; to this end, the presence at the Annual Shareholders' Meeting of the Chairman of the Remuneration and Appointments Committee or another member of said Committee is recommended;
- (g) if it considers it necessary or appropriate for the fulfilment of the duties attributed to it, avails itself of expert external advisors regarding remuneration policies; the experts must be independent and, therefore, by way of an example, must not perform relevant activities in favour of the Company's Human Resources function, the Company's controlling shareholders or directors or Key management personnel of the Company. The independence of external advisors is verified by the Remuneration and Appointments Committee before the assignment of the associated engagement.

On 19 February 2019, the Board of Directors then resolved to assign the Remuneration and Appointments Committee the supervision of the board evaluation process, with effect from FY 2019.

During the financial year, the Remuneration and Appointments Committee, *inter alia*: (i) approved its own work plan for the 2020 financial year; (ii) analysed the final results of the management incentive plan (MBO) for executive directors for the 2019 financial year, formulating to the Board of Directors in the meeting of 18 March 2020 the relative proposal for the assignment of remuneration; (iii) verified the adequacy, the overall coherence and the actual application of the policy criteria set out in the 2019 Remuneration Report also with regard to the determination of the variable remuneration of Key management personnel and the Internal Audit Manager; (iv) drafted the proposed remuneration policy of Company's executive directors and Key management personnel for the 2020 financial year and the other contents of the 2020 draft remuneration report pursuant to art. 123-ter of the Consolidated Law on Finance, including a fixed component, a short-term variable component (MBO) and a medium/long-term variable component (LTI), which was then put forward for approval of the Board of Directors in the meeting of 18 March 2020; (v) evaluated the recommendations relating to the remuneration and appointments formulated by the Chairman of the Corporate Governance Committee promoted by Borsa Italiana in the letter of 19 December 2019; (vi) evaluated, in compliance with the recommendation of applicative criterion 5.C.2. of the Code of Conduct, the opportunity to adopt a succession plan for executive directors; (vii) evaluated the need to adopt policies on diversity in relation to the composition of the administrative, management and control bodies of the Company with regard to aspects such as age, gender and the educational and professional background, defining, with the support of the Company's consultants, the text of the document "*Diversity policy for members of the corporate bodies of LU-VE S.p.A.*", put forward for approval of the Board of Directors in the meeting of 28 February 2020; (viii) examined the results of the self evaluation questionnaire of the Board of Directors and prepared an opinion with regard to the size and composition of the Board of Directors; (ix) defined the objectives of the proposal for the short-term variable remuneration (MBO) of executive directors, as well as those of the proposed long-term incentive plan ("LTI Plan") and, considering the emergency situation caused by the COVID-19 pandemic and by the revision of the business plan by the BoD, drew up a proposal amending said objectives; and (x) provided support to the company functions in drawing up the regulation of the LTI Plan.

During the 4 meetings that took place in the 2021 financial year up to the date of approval of this Report, the Remuneration and Appointments Committee: (i) analysed the final results of the management incentive plan (MBO) for executive directors for the 2020 financial year and of the long-term incentive plan (“LTI”), formulating to the Board of Directors in the meeting of 17 March 2021 the relative proposal for the assignment of remuneration; (ii) verified the adequacy, the overall coherence and the actual application of the policy criteria set out in the 2020 Remuneration Report also with regard to the determination of the variable remuneration of Key management personnel and the Internal Audit Manager; (iii) drafted the proposed remuneration policy of Company’s executive directors and Key management personnel, as well as the directors and statutory auditors of the Company for the 2021 financial year and the other contents of the 2021 draft remuneration report pursuant to art. 123-ter of the Consolidated Law on Finance, including a fixed component, a short-term variable component (MBO) and a medium/long-term variable component (LTI), which was then put forward for approval of the Board of Directors in the meeting of 17 March 2021; (iv) evaluated the recommendations relating to the remuneration and appointments formulated by the Chairman of the Corporate Governance Committee promoted by Borsa Italiana in the letter of 22 December 2020; (v) verified the actual application of policies on diversity in relation to the composition of the administrative, management and control bodies of the Company referred to in the document “*Diversity policy for members of the corporate bodies of LU-VE S.p.A.*”.

\* \* \*

In performing its functions, the Remuneration and Appointments Committee had the right to access the information and the company departments needed to carry out its duties. During the first few months of the year, the Remuneration and Appointments Committee continued to work with Prof. Massimo Belcredi, full professor of Company Finance at the Economics Faculty of the Catholic University of Milan and an expert in the area of remuneration, who was asked to provide support to said Committee, as well as to the Board, in drawing up the remuneration policy for 2020. Prof. Massimo Belcredi has consolidated experience in the area of governance and remuneration, and his independence, pursuant to applicative criterion 6.C.7 of the Code of Conduct was positively assessed before the task was assigned.

In relation to application criterion 4.C.1. letter e) of the Code of Conduct, it should be noted (see previous paragraph 6 of this Report) that the Board of Directors did not consider it necessary to attribute spending powers to members of the Remuneration and Appointments Committee, given willing, from time to time, to arrange the allocations required for the performance of the individual activities, as occurred with the request of the Remuneration and Appointments Committee to consult Prof. Belcredi.

## **8. REMUNERATION OF DIRECTORS**

For information relating to this paragraph, please refer to Section I of the *“Remuneration Report of LU-VE S.p.A.”* published on the Issuer’s website at the address [www.luvegroup.com](http://www.luvegroup.com), in the section *“Investor Relations” - “Corporate Governance” – “Annual Reports 2021”*.

## **9. CONTROL AND RISK COMMITTEE**

### **9.1. COMPOSITION AND FUNCTIONING OF THE CONTROL AND RISK COMMITTEE**

The Control and Risk Committee was established within the Board of Directors, by means of resolution dated 13 March 2017. At the same board meeting, the Board of Directors - based on prior verification of the requirements of non-enforceability and independence of its members (see paragraphs 4.5 and 4.6 of this Report) - appointed the Control and Risk Committee for the 2017-2019 three-year period, in the persons of directors Stefano Paleari (independent director – with the role of Chairman), Anna Gervasoni (independent director) and Michele Garulli (non-executive director), confirming, based on the respective curriculum vitae, that their professional experiences guarantee adequate knowledge and experience regarding financial matters or risk management.

Following the appointment of the new Board of Directors, the Committee was established by Board resolution on 29 April 2020. At the above board meeting, the Board of Directors - based on prior verification of the requirements of non-enforceability and independence of its members (see paragraphs 4.5 and 4.6 of this Report) - appointed the Control and Risk Committee for the 2020-2022 three-year period, in the persons of directors Stefano Paleari (independent director – with the role of Chairman), Anna Gervasoni (independent director) and Laura Oliva (non-executive director), confirming, based on the respective curriculum vitae, that their professional experiences guarantee adequate knowledge and experience regarding financial matters or risk management. At the meeting held on 21 December 2020, on the occasion of the application of the new Corporate Governance Code, confirmed the establishment of the Remuneration and Appointments Committee, also confirming the composition approved on 29 April 2020.

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

In carrying out its functions, the Control and Risk Committee had access to the information and company functions necessary for performing its duties.

During the year, the Control and Risk Committee met 11 times with all members present; the average duration of each meeting was of around 3.5 hours and the activities were coordinated by the Chairman of the Committee and minutes were taken. The Chairman of the Committee provided information on the meeting held at the first subsequent Board of Directors meeting.

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

The following participated in the meetings of the Control and Risk Committee in the financial year and in 2021 up to the date of this Report: the Chairman of the Board of Statutory Auditors and at least one of the other two members of the Board of Statutory Auditors as well as the Group Legal and Corporate Affairs Manager, who acted as secretary, and the Internal Audit Manager. On the invitation of the Chairman, with regard to individual items on the agenda that required their attendance based on the topic under discussion, the CEO, the COO, and the other Group directors

attended Committee meetings, and for topics of common interest, the Chairman or another member of the Supervisory Body established pursuant to Italian Legislative Decree 231/2001 also participated.

## **9.2. FUNCTIONS AND ACTIVITIES OF THE CONTROL AND RISK COMMITTEE**

The Control and Risk Committee is attributed the functions and the tasks set out in the Code of Conduct and specified in the SCIGR Guidelines, in order to support, with an adequate investigatory activity, the evaluations and decisions of the Board of Directors relating to the Internal Control and Risk Management System, as well as those relating to the approval of the periodic financial reports.

The Control and Risk Committee has proposal and advisory functions and, more specifically it:

- (a) issues opinions to the Board of Directors regarding the identification and updating of the principles and the indications contained in the SCIGR Guidelines;
- (b) issues opinions to the Board of Directors regarding the evaluation of the adequacy of the Internal Control and Risk Management System with respect to the characteristics of the company and the risk profile assumed, as well as its effectiveness, in order to ensure that the main company risks are correctly identified and adequately managed. In relation to the above, it reports to the Board of Directors:
  - at least half-yearly, normally at the time of (or prior to) the meetings of the Board for approval of the annual financial report and the half-yearly financial report, on the activities performed, as well as on the adequacy and effectiveness of the Internal Control and Risk Management System;
  - normally at the time of (or prior to) the meeting of the Board for approval of the annual financial report, on the status of the Internal Control and Risk Management System, also in relation to the factors which may trigger risks for the company and the Group;
- (c) issues opinions to the Board of Directors on the approval of the work plan prepared by the Manager of the Internal Audit function;
- (d) issues opinions to the Board of Directors on the description, as part of the “Annual report on corporate governance and ownership structures”, of the main characteristics of the Internal Control and Risk Management System;
- (e) issues opinions to the Board of Directors on the evaluation of the results reported by the auditor in any letter of suggestions and in the report on the fundamental issues to emerge during the audit;
- (f) issues non-binding opinions to the Board of Directors as regards the appointment and revocation of the Manager of the Internal Audit function, the definition of his/her remuneration consistently with company policies, as well as the verification that said person has the necessary resources for fulfilling his/her responsibilities;



- (g) supports, with an adequate investigatory activity, the evaluations and decisions of the Board of Directors relating to the management of risks deriving from adverse events which the Board of Directors has learned of;
- (h) can request, at any time, the Manager of the Internal Audit function to report on the activities carried out and on the status of the Internal Control and Risk Management System; the Control and Risk Committee may also ask, any time, the Manager of the Internal Audit function for a copy of the documentation kept by the latter in accordance with these SCIGR Guidelines;
- (i) may ask the Internal Audit function to perform checks on specific operating areas, simultaneously communicating this to the Chairman of the Board of Statutory Auditors;
- (j) where applicable, expresses opinions on specific aspects regarding the identification of the main company risks;
- (k) evaluates, together with the Financial Reporting Manager, and having consulted the independent auditors and the Board of Statutory Auditors, the correct use of the accounting standards and their homogeneity for the purposes of the drafting of the consolidated financial statements;
- (l) examines, inter alia, the periodic reports and those of particular relevance drafted by the Internal Audit function;
- (m) monitors the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function;
- (n) carries out the additional tasks attributed to it by the Board of Directors.

It should be noted that, on 13 March 2017, the Board of Directors attributed to the Control and Risk Committee the role and the relevant responsibilities that the Consob Related Party Regulation attributes to the committee composed of non-executive directors, the majority of whom are independent.

Furthermore, on 19 February 2019, the Board of Directors assigned the Control and Risk Committee also competence on the matter of sustainability.

\* \* \*

Both at the time of the board meeting of 22 September 2020 for approval of the half-yearly financial report as at 30 June 2020, and at the time of the meeting of 17 March 2021 for approval of the draft financial statements as at 31 December 2020, the Chairman of the Control and Risk Committee illustrated to the directors the content of the activities performed by the committee during 2020, presenting the joint administrative body with its judgements on the adequacy and effectiveness of the Internal Control and Risk Management System.

\* \* \*

In 2020, the Control and Risk Committee carried out - in line with the functions and responsibilities attributed to it - essential monitoring and control of the Company's Internal Control and Risk Management System, as well as advisory and proposal activities relating to the prescribed corporate governance obligations. In particular the Committee, on the basis of information available to the same by virtue of its participation to meetings of the Board of Directors, of the exchange of

information with the Board of Statutory Auditors, the Supervisory Board and the Internal Audit Manager, of the Report of the Internal Control and Risk Management System Manager, as well as interviews with function managers of the LU-VE Group, proceeded to clarify some of the risks, particularly significant in the current context of the LU-VE Group. With regard to said risks, it identified the reference managers, with whom discussions were held at the time of its meetings, and from whom, in the majority of cases, it acquired documents and written reports.

\* \* \*

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

In relation to application criterion 4.C.1. letter e) of the Code of Conduct, it should be noted (see previous paragraph 6 of this Report) that the Board of Directors did not consider it necessary to attribute spending powers to members of the Control and Risk Committee, given willing, from time to time, to arrange the allocations required for the performance of the individual activities.

## **10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

### **10.1. CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The internal control and risk management system is the set of organisational rules, procedures and structures which aim to allow the identification, measurement, management and monitoring of the main company risks (“**Internal Control and Risk Management System**”). An effective Internal Control and Risk Management System helps to ensure:

- (a) the effectiveness and efficiency of company processes (administrative, productive, distribution, etc.);
- (b) the reliability of the information provided to company bodies and to the market, including economic and financial information;
- (c) respect for laws and regulations, as well as the Articles of Association, company provisions and procedures;
- (d) the safeguarding of the value of company assets and protection against losses.

On 10 March 2017, for the purposes of the presentation of the application for the admission to trading of LU-VE’s ordinary shares on the MTA, the Board of Directors resolved the adoption of an internal control and risk management system.

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

### **10.2. ACTIVITIES OF THE BOARD OF DIRECTORS**

On 8 February 2018, with the prior opinion of the Control and Risk Committee, the Board of Directors, which carries out the role of directing and assessing the adequacy of the Internal Control and Risk Management System, the Board of Directors adopted the “*Guidelines for the identification and performance of significant transactions of the LU-VE S.p.A. Group*”, which determines the criteria for the identification of transactions with a significant strategic, economic, financial and asset relevance that are reserved to the prior examination and approval of the Board of Directors of LU-VE.

In addition, with the contribution of the Director in charge of the Internal Control and Risk Management System (“**Director in Charge**”) Matteo Liberali, and of the Control and Risk Committee, most recently at the meeting on 17 March 2021, the Board of Directors:

- (a) identified, on the basis of the characteristics of the Company and the Group, taking account of the risk assessment activities put in place the Internal Audit function, the risks that may assume relevance in view of the medium/long-term sustainability of the LU-VE Group's activities;
- (b) defined the nature and level of risks compatible with the strategic objectives of the Issuer;
- (c) evaluated the adequacy of the Internal Control and Risk Management System in respect or the company characteristics, as well as its effectiveness, also in light of the activities and analyses brought to the attention of the Control and Risk Committee, by the Internal Audit function and by the Supervisory Body established in accordance with Legislative Decree 231/2001; this assessment was carried out by the Board of Directors also on occasion of the Board meeting of 15 September 2020, in which the half-yearly financial report as at 30 June 2020 was approved, and lastly, in the Board meeting of 17 March 2021;
- (d) approved the work plan prepared by the Manager of the Internal Audit function, having consulted the Board of Statutory Auditors and the Director in Charge;
- (e) described, in the Report, the main characteristics of the Internal Control and Risk Management System, expressing its judgement on the adequacy of the same;
- (f) evaluated, having consulted the Board of Statutory Auditors, the results reported by the independent auditing firm.

For the exercise of these functions, the Board of Directors availed itself of the contribution of the Director in Charge and the Control and Risk Committee.

### **10.2.1. Purpose of the Internal Control and Risk Management System**

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

- contributing to company management consistent with the company objectives defined by the Board of Directors, promoting the assumption of fully-informed decisions;
- ensuring the necessary separation between the operating and control functions, and therefore be structured in such a way to avoid or minimise conflicts of interests in the assignment of responsibilities;
- facilitating the adequate identification, measurement, management and monitoring of the risks assumed by the Issuer and the LU-VE Group, with particular regard, inter alia, to companies of strategic relevance;
- establishing control activities at every operating level and clearly identifying the tasks and responsibilities, in particular in the phases of supervision and intervention and correction of the irregularities identified;
- ensuring reliable information systems and suitable reporting processes at the different levels at which the control functions are attributed;

- guaranteeing that the anomalies identified are promptly brought to the knowledge of adequate levels of the company;
- allowing the registration of all operating events and, in particular, all transactions with an adequate level of detail, ensuring they are correctly attributed from a timing point of view.

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

### **10.2.2. Internal Control and Risk Management System in relation to the financial disclosure process**

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

The general managers and administrative managers of each Group company are responsible for maintaining an adequate internal control system.

The year was characterised by the explosion of the COVID-19 pandemic, an emergency situation in which the Group was faced with managing unexpected risks and circumstances, confronting a situation that was continually changing and often with extremely limited opportunity to forecast or plan.

In this regard, with reference to the financial, administrative and accounting management of the pandemic, the Group focused on the close monitoring of net working capital and its net financial position. This was made possible increasing the frequency of both monitoring of the Group's credit and debt situation and reports on the treasury situation, as well as through the availability of financial resources with a reference timeframe that rose from 24 months to at least 30, following the renewal/renegotiation of existing loans or by obtaining new loans.

During the year, despite the complex context of the pandemic emergency, two important projects were launched.

The Company decided to draw up documentation relating to transfer pricing. More specifically, a mandate was awarded to a leading consulting company for the preparation of the documentation, envisaged by the law in force, supporting intercompany transactions in tax year 2019: LU-VE's Master File and the Country File for the Italian companies of the Group. The above documents are based on transactions, considered significant, in relations between Group companies, regarding the purchase of products from the Group's foreign companies, the sale of products to the Group's foreign

companies, the provision of agency services, the provision of intercompany services with the Group's foreign companies, loan facilities with the Group's foreign companies. Note that the project is proceeding with regard to the transactions for the year.

In addition, the Company has implemented a new system for the electronic completion of expense requests for all of the Group's Italian companies; the system is already in use at AIR HEX ALONTE S.R.L. In this regard, from 1 January 2021, the Concur management system was adopted, which enables compliance with the travel policy to be automatically verified, the automatic accounting of expense requests through an interface with the payroll system, as well as greater control over travel expenses.

With reference to activities for compliance with Italian Law 262/2005, for which the administrative-accounting and Risk Control Matrix "262" procedures were formalised in 2019, note that, due to the COVID-19 pandemic emergency, the activities envisaged for the year have been temporarily suspended and postponed to 2021.

In carrying out his activities, the Financial Reporting Manager:

- interacts with the manager of the Internal Audit function, who has the power to carry out autonomous controls on the reliability of the information systems, including accounting systems;
- is supported by the managers of the functions involved which, in relation to the area within his competence, ensure the completeness and reliability of the information flows addressed to the Financial Reporting Manager for the purposes of the preparation of financial disclosures;
- coordinates the activities performed by the administrative managers of the relevant subsidiaries;
- establishes a mutual exchange of information with the Control and Risk Committee and with the Board of Directors, reporting on the activities carried out and on the adequacy of the Internal Control and Risk Management System, with particular reference to the risks relating to financial disclosures.

The Financial Reporting Manager informs the Board of Statutory Auditors of the adequacy, including organisational, and reliability of the administrative-accounting system. Both the monitoring of the effective application of the Internal Control and Risk Management System relating to financial disclosures, and its periodic evaluation, were performed continuously during the year.

The checks mentioned did not highlight any risks or situations that were not already subject to monitoring by the Group.

The Financial Reporting Manager, together with the Chief Executive Officer, provides the certification required by paragraph 5 of art. 154-*bis* of the Consolidated Law on Finance. For this purpose and in line with best practices, starting from the first half of 2019 a certification process was launched, through which specific "Attestation Letters" can be prepared, to be signed half-yearly by the Legal Representative and the Administration Finance and Control Representative of local Legal Entities and to be sent to the Issuer, in accordance with the deadlines set for the preparation and dispatch of the consolidation Reporting Package.

With these Attestation Letters, on occasion of the preparation of the reporting packages for the preparation of the consolidated half-yearly financial statements and the consolidated financial statements at the end of the financial year, the subsidiaries declare their “compliance to the accounting standards and the Group regulations periodically communicated by LU-VE S.p.A. and completeness of the information included in the Reporting Package”.

### **10.3. DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

On 13 March 2017, the Board of Directors identified the director Matteo Liberali as the Director in Charge of the Internal Control and Risk Management System who, pursuant to the SCIGR Guidelines:

- (a) handles the identification of the main company risks, taking account of the characteristics of the activities performed by the Issuer and its subsidiaries, with particular attention to companies of strategic relevance, and presents them to the Board of Directors for examination at least once a year, and normally at the time of (or prior to) the meeting of the Board of Directors for approval of the annual financial report;
- (b) implements the SCIGR Guidelines, handling the design, implementation and management of the Internal Control and Risk Management System and constantly verifying its adequacy and effectiveness. More specifically:
  - he identifies the risk factors for the Issuer and the other LU-VE Group companies, with particular attention to companies of strategic relevance - without prejudice to the primary responsibility of the respective chief executive officers of the individual companies - also in light of the changes in the internal and external conditions in which they operate, as well as the operating performances, deviations from the forecasts and the legislative and regulatory framework in force from time to time, including all risks that may assume significance in terms of the medium/long-term sustainability of the company’s activities;
  - defines the tasks of the operating units dedicated to the control functions, ensuring that the various activities are managed by qualified personnel, who have specific experience and knowledge. In this regard, the areas of potential conflicts of interests are identified and minimised;
  - establishes effective communication channels in order to ensure that all personnel are aware of the policies and procedures relating to their tasks and responsibilities;
  - defines the information flows targeted at ensuring full knowledge and governability of company events;
- (c) at least once a year, normally at the time of (or prior to) the meeting of the Board of Directors for approval of the annual financial report - as well as on each occasion in which, nonetheless, it considers it necessary or appropriate based on the circumstances, as in the event in which new relevant risks emerge or there is a significant increase in the possibility of risk - presents the company risks and the set of control processes implemented and designed for their prevention, reduction and effective and efficient management to the Board of Directors for examination and evaluation, in order to allow the Board of Directors to make an informed and

fully-aware decision regarding the strategies and policies for the management of the main risks of the Issuer and of the LU-VE Group, with particular attention to companies of strategic relevance;

- (d) proposes to the Board of Directors, also informing the Control and Risk Committee, the appointment, revocation and the remuneration of the Manager of the Internal Audit function and ensures its operating independence and autonomy from each manager of the operating areas, verifying that it has the necessary tools to effectively carry out the tasks assigned to it;
- (e) presents the Board of Directors with the annual work plan prepared by the manager of the Internal Audit function, based on the prior opinion of the Control and Risk Committee and having consulted the Board of Statutory Auditors;
- (f) adjusts the Internal Control and Risk Management System into line with the trend in the operating conditions and legislative and regulatory framework;
- (g) may ask the Internal Audit function to perform checks on specific operating areas and on the observance of the internal rules and procedures in the performance of company transactions, simultaneously communicating this to the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors;
- (h) promptly reports to the Control and Risk Committee (or the Board of Directors) on problems and criticalities to emerge in the performance of his activities or, nonetheless, he has knowledge of, so that the Control and Risk Committee (or the Board) can take the necessary measures.

\* \* \*

In execution of the engagements and functions assigned to him, during the year the Director in Charge:

- in consequence of the amended scope of the Group, proceeded, together with the Internal Audit function, to produce a new audit plan for the 2021-2023 three-year period;
- monitored, with the support of the Internal Audit function, the adjustment of the Internal Control and Risk Management System to the applicable legislative and regulatory framework and the operating trends of the Group, verifying its overall adequacy, effectiveness and efficiency.

The identification and management of risks was presented to the Board of Directors for examination, most recently at the meeting on 17 March 2021.

#### **10.4. MANAGER OF THE INTERNAL AUDIT FUNCTION**

In compliance with the recommendations of the Code of Conduct, the Board of Directors, at the meeting on 19 December 2017, on the proposal of the Director in Charge, having taken note of the favourable opinion of the Control and Risk committee, and having consulted the Board of Statutory Auditors, appointed Ms Elena Negri as responsible for the Internal Audit function.



Ms Negri took up office on 9 January 2018, succeeding at Protiviti S.r.l., whom the Board of Directors, in the meeting of 12 April 2017 had appointed as Manager of the Internal Audit function, considering that at the time there was no internal professionalism adequate to perform the above mentioned role and therefore deciding to assign it to an external company, with mandate to the Director in Charge to assess the appointment of an internal resource.

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

As reiterated in the SCIGR Guidelines, the Manager of the Internal Audit function is not responsible for any operating area, reports hierarchically to the Board of Directors and reports functionally to the Director in Charge, to the Board of Directors and to the Control and Risk Committee, ensuring the necessary information to the Board of Statutory Auditors.

Pursuant to the SCIGR Guidelines and in respect of the recommendations of the Code of Conduct, the Manager of the Internal Audit function extends her control activities to all companies of the LU-VE Group, with particular regard to the companies identified by the Board of Directors such as companies with strategic relevance, and has access to all their activities and the relevant documentation. The Manager of the Internal Audit function also has direct access to all the useful information for fulfilling her engagement. The Manager of the Internal Audit function is responsible, inter alia, for verifying the suitability of the internal procedures for ensuring the adequate containment of the risks of the Issuer and of the LU-VE Group, and assisting the Group with the identification and evaluation of the greatest exposures to risk, including all risks that may assume significance in terms of the medium/long-term sustainability of the company's activities.

The tasks of the Manager of the Internal Audit function are carried out by performing sample-based checks on the processes subject to verification.

Again pursuant to the SCIGR Guidelines and in respect of the recommendations of the Code of Conduct, the Manager of the Internal Audit function:

- (a) prepares the annual work plan based on a structured process of analysis and prioritisation of the main risks ("Audit plan") and illustrates it to the Director in Charge, the Control and Risk Committee, the Board of Statutory Auditors, the Supervisory Body and the Board of Directors, in the time needed for them to perform their respective functions and, in particular, to make any suggestions;
- (b) supports the Director in Charge in handling the design, management and monitoring of the Internal Control and Risk Management System and in identifying the different risk factors, including all risks that may assume significance in terms of the medium/long-term sustainability of the company's activities;
- (c) plans and carries out, consistent with the annual work plan, direct and specific control activities in the Issuer and in all other Group companies, with particular regard to the companies of strategic relevance, in order to identify any deficiencies of the Internal Control and Risk Management System in the different risk areas;

- (d) verifies, both continuously and in relation to specific needs and in compliance with the international standards, the functioning and suitability of the Internal Control and Risk Management System;
- (e) verifies, as part of the Audit Plan, the reliability of the information systems including the accounting systems;
- (f) verifies that the rules and procedures of the control processes are respected and that all the entities involved operate in compliance with the pre-established objectives. More specifically:
  - checks the reliability of the information flows, including automatic data processing systems and administrative-accounting data entry systems;
  - verifies, as part of the work plan, that the procedures adopted by the Issuer and by the Group ensure respect, in particular, with the applicable legal and regulatory provisions;
- (g) also carries out assessment tasks with regards to specific irregularities, where she considers it necessary or at the request of the Board of Directors, the Control and Risk Committee, the Director in Charge or the Board of Statutory Auditors;
- (h) ascertains, using the most appropriate methods, that the anomalies in the operations and in the functioning of the controls have been rectified;
- (i) keeps all the documentation relating to the activities performed in an organised manner; this documentation is at the disposition of the entities responsible for the control processes who request it;
- (j) prepares periodic reports containing adequate information on her activities, the methods used to manage risks, as well as on the observance of the plans defined to contain them. The periodic reports also contain an evaluation of the suitability of the Internal Control and Risk Management System; in addition, in light of both the results of the controls and the analysis of company risks, identifies any deficiencies of the Internal Control and Risk Management System and proposes any necessary system initiatives; the deficiencies identified and the initiatives proposed are outlined in the associated internal audit reports;
- (k) where necessary, promptly drafts any reports on any events of particular relevance;
- (l) transmits the reports pursuant to points (j) and (k) to the Director in Charge, the Chairman of the Control and Risk Committee, the Chairman of the Board of Directors and the Chairman of the Board of Statutory Auditors, as well as the Supervisory Body, where the Manager of the Internal Audit function has judged that these contain relevant information for the purposes of compliance with model 231; where the control activities involve other Group companies, the reports are also sent, if applicable, to the associated competent bodies of the company concerned;
- (m) at least twice a year, in time to allow the Control and Risk Committee and the Board of Directors, as well as the Director in Charge, to carry out their respective tasks at the time of (or prior to) the meetings of the Board for approval of the annual financial report and the half-yearly financial report, prepares a half-yearly summary of the main findings that emerged during the reference half and during the entire year. The annual report compiled for the

meeting of the Board for approval of the annual financial report also contains an update of the company risks subject to monitoring that emerged during the year;

- (n) in the presence of criticalities that require urgent intervention, informs the Director in Charge of the Internal Control and Risk Management system and the delegated bodies without delay, as well as the Chairman of the Control and Risk Committee, the Chairman of the Board of Directors and the Chairman of the Board of Statutory Auditors in order to update them on the results of her work.

During the financial year, the Internal Audit Manager carried out, among others, the following activities:

- in consequence of the changed scope of the Group and of the consequent increasing complexity of the same, carried out a new risk assessment and formulated a new proposal for the audit plan for the 2020-2022 three-year period, submitting it to the Director In Charge, to the Control and Risk Committee and the Board of Directors at the meeting on 18 March 2020;
- with regard to the Audit Plan, verified the reliability of the Company's process to manage overtime hours and of LU-VE S.p.A.'s process to manage trademarks and patents;
- monitored the internal audits conducted by the consulting company S S Kothari Mehta & Company Chartered Accountants from New Delhi on the Indian subsidiary Spirotech Heat Exchangers Ptv Ltd.;
- regularly attended meetings of the "Crisis Committee" established by the LU-VE Group following the COVID-19 emergency;
- regularly reported on their work on occasion of the meetings of the Control and Risk Committee, to the members and of the same committee and to the Board of Statutory Auditors;
- updated the risk assessment conducted to take into account the management complexity linked to the COVID-19 pandemic;
- provided advice as regards 9001, as well as the establishment of new procedures for the Company and the revision of Group procedures;
- monitored the reconciliation of the inventory of assets of LU-VE S.p.A.;
- regularly reported on their work to the Director in Charge;
- analysed, discussed and shared the results of the audit activities with the managers of the processes/functions concerned from time to time and the company management, in order to agree and put into effect the preventive/corrective measures;
- monitored the effective implementation of the preventive/corrective measures agreed by the managers of the interested processes/functions;
- reported with regard to the outcomes of the audit interventions carried out by sending the audit reports to the members of the Control and Risk Committee and of the Board of Statutory Auditors;

- presented her audit reports on a half-yearly basis, which were brought to the attention of the Director in Charge, the Control and Risk Committee, the Board of Directors and the Board of Statutory Auditors.

## **10.5. ORGANISATION MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001**

LU-VE adopted an organisation, management and control model pursuant to Legislative Decree 231/2001 (the “**Model**”) available in extract form on the Issuer’s website [www.luvegroup.com](http://www.luvegroup.com) in the section “*Investor Relations*” “*Corporate Governance*” “*Corporate documents*”.

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

- the “General Section” describes the reference information, including: (i) the Legislative Decree 231/2001 system, which attributes direct responsibility to entities (which may be excluded if the entity has effectively adopted and implemented a model and an offence has been committed through the fraudulent evasion of said model), in the event certain offences are committed in the interest or for the benefit of said entity by the so-called “top management” figures of the entity, who perform the functions of representation, administration or management of the entity, or persons subject to the management or monitoring of one of the aforementioned parties; (ii) the penalty system; (iii) a description of the organisational structure of LU-VE and of the activities carried out for the adoption of Model; (iv) the structure and the functions of the Supervisory Body; (v) the methods of training and information on the contents of the Model; (vi) the disciplinary and penalty system applied to those who commit violations of the rules of conduct set out in the Model;
- the “Special Section” provides a general description of sensitive activities, the system of controls and general principles of behaviour, and therefore analyses in detail the individual sensitive activities, the applicable procedures, their *ex-post* verifiability, the segregation of duties and the existence of authorisations consistent with the organisational responsibilities assigned.

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

The Supervisory Board of LU-VE (“**SB**”) is comprised by three external members, Marco Romanelli (Chairman), Antonella Beretta, and Giuseppe Sozzi, appointed on 22 March 2019 for a further three-year period, until the approval by the Board of Directors’ approval of the financial statements as at 31 December 2021.

The Supervisory Body is assigned the task of:

- monitoring the effectiveness of the Model so that behaviour of the Addressees complies with the provisions contained therein;

- verifying the effectiveness and adequacy of the Model, i.e. checking that the Model prepared is suitable for preventing the offences set out in the Decree from being committed;
- expressing a judgement on the proposed updates and/or revisions to the Model before they are actually adopted;
- implementing all necessary initiatives so that the Board of Directors keeps the Model constantly updated, in order to adjust it into line with regulatory and company changes;
- carrying out the checks and controls set forth in the Model in relation to members of the SB.

At more operational level, the SB is also assigned the job of:

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

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

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

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

The SB met 13 times during the year, in the presence of all its members. The meetings lasted an average of around one hour and thirty minutes.

During the year, at the meeting held on 18 March 2020, the Board of Directors adopted the text of the updated model to take into account both the organisational changes internal to the Issuer, that occurred after the adoption of the Model in question, and of all of the predicate offences envisaged by Italian Legislative Decree 231/2001. At the same meeting, it was also decided to plan a further update of the risk assessment with regard to tax offences, coordinating with the project to examine internal controls in the area of transfer pricing.

The Italian subsidiary of LU-VE of strategic relevance SEST S.p.A. also adjusted its internal system into line with the provisions set out in Italian Legislative Decree 231/01, adopting its own Organisation and Management Model in accordance with said Decree, updated during the year, and appointing its own Supervisory Body.

The Italian subsidiary TECNAIR LV S.p.A. also updated its own internal system in accordance with the provisions of Italian Legislative Decree 231/01 and, during the year, adopted its own Organisational and Management Model pursuant to the same Decree, and appointed its own Supervisory Body.

The Board of Statutory Auditors, at its meeting on 18 March 2020, following an in-depth evaluation of the opportunity to attribute the Board of Statutory Auditors with the functions of supervisory body pursuant to Legislative Decree 231/2001, considered it preferable to maintain said functions with a Supervisory Body established on an *ad hoc* basis, also in light of competences that were considered to be opportune to effectively perform the functions assigned to the SB of an industrial company.

## **10.6. AUDITING FIRM**

The company tasked with the independent audit of LU-VE is Deloitte & Touche S.p.A., with registered office in via Tortona no. 2, Milan.

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

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

At the meeting on 13 March 2017, LU-VE's Board of Directors appointed Eligio Macchi as the **Financial Reporting Manager**, a LU-VE employee who holds the position of Chief Financial Officer of the LU-VE Group.

Art. 21 of the Articles of Association requires: (1) that the Financial Reporting Manager is appointed by the Board of Directors, based on the mandatory prior opinion of the Board of Statutory Auditors; (2) that the Financial Reporting Manager must meet, in addition to the requirements of integrity established by applicable legislation and regulations in force at the time for those who carry out administration and management functions in companies whose financial instruments are listed on an Italian regulated market or regulated market of other European Union member states, professional requirements consisting of specific expertise in matters of administration, finance or control and must specifically have attained a degree in economic or financial disciplines or in areas pertaining to business management and organisation and have gained at least three years' experience in: (i) administration, finance or control activities or management tasks with capital

companies; or (ii) administrative or management functions or tasks of independent auditor or consultant as accountant with organisations operating in the credit, financial or insurance sectors, or in sectors connected or associated with the activities carried out by the Company and referred to in art. 2 of the Articles of Association, which involve the management of economic and financial resources.

The Financial Reporting Manager is attributed the main task of designing, managing and monitoring the processes regarding, in particular, information flows of an administrative-accounting nature, including automatic data processing and accounting systems, also in order to draft - according to the forms required by law and the relevant implementing regulations - the certifications of their adequacy and effective application and, at the same time, all the powers and resources needed to fulfil this obligation were ensured, including those of:

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

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

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

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

In particular, the Board of Directors performs a role of management and evaluation of the adequacy and effectiveness of the Internal Control and Risk Management System. In fulfilling this role, the Board is assisted by the Control and Risk Committee, which has proposal and advisory functions, also exercised (but not solely) through the issuing of opinions to the Board of Directors. The Director in

Charge of Control and Risks, supported by the Manager of the Internal Audit function, handles the identification of the main company risks and implements the SCIGR Guidelines, overseeing the design, implementation and management of the Internal Control and Risk Management System and constantly verifying its adequacy and effectiveness.

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

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

The Supervisory Body is responsible for the definitive tasks within the Organisation, Management and Control Model approved by the Company (indicated in detail in previous paragraph 10.5 of this Report), including that of monitoring the effectiveness of the aforementioned Model targeted at preventing some cases of offence, as well as the opportunity for its updating following changes to the company structure and/or the reference legislation.

Lastly, the Board of Statutory Auditors conducts autonomous evaluations of the effectiveness and functioning of the Internal Control and Risk Management System, and can formulate, whenever it deems it necessary or appropriate, any recommendations to the competent bodies for the purpose of promoting the strengthening of the Internal Control and Risk Management System.

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



## 11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

In 2015, at the time of the listing of its financial instruments on the AIM Italia market, the Company adopted the "Related Party Transactions Procedure" for the regulation of the management of transactions concluded by the Issuer and by the Group with related parties, in respect of the provisions of art. 13 of the AIM Italia Issuers' Regulation, art. 10 of the Related Party Regulation and the Provisions regarding Related Parties issued by Borsa Italiana in May 2012 and applicable to companies that issue shares traded on AIM Italia.

In order to ensure compliance between the content of said procedure and the provisions set forth in the Consob Related Party Regulation, at the meeting on 3 May 2017, the Board of Directors approved, based on the prior opinion of the independent directors, a new text of the OPC Procedure, which came into force at the start of trading of LU-VE's shares on the MTA.

The OPC Procedure (available on the Issuer's website [www.luvegroup.com](http://www.luvegroup.com), in the section "*Investor Relations*" - "*Corporate Governance*" - "*Procedures*") is targeted at identifying the transactions realised with related parties by the Company and/or its subsidiaries, regulating their implementation processes, in order to ensure their substantive and procedural correctness, as well as the proper information to the market.

With regard to the definition of "related party", it should be noted that the OPC Procedure sets out all the categories of entities indicated in the associated concept pursuant to Annex 1 to the Consob Related Party Regulation without the indication of additional ones in accordance with art. 4, paragraph 2 of the same regulation.

The role and the relevant responsibilities - attributed by the Consob Related Party Regulation to the committees composed wholly or by a majority of independent directors - are, based on the OPC Procedure, attributed to the company's Control and Risk Committee, composed of three non-executive directors, the majority of whom Independent (for more information, please refer to previous paragraph 9 of this report: this Committee is known as the "*Control and Risk and Related Party Transactions Committee*" (in short, the "*Control and Risk Committee*"). This obligation takes account of the fact that LU-VE falls under the definition of "*smaller company*" set out in art. 3 of the Consob Related Party Regulation.

In order for it to qualify as such, the Issuer avails itself of the exemption provided by art. 10 of the Consob Related Party Regulation. Based on the above, the OPC Procedure incorporates the same procedure of instruction and approval of all transactions with related parties (not within the competence of the Shareholders' Meeting), without distinguishing between those of greater relevance (meaning those in which the relevance ratio of the value or of assets or liabilities is higher than the 5% threshold, as better defined and detailed in Annex 3 to the Consob Related Party Regulation and in Consob communication no. 10078683 of 24.09.2010 - "*Transactions of Greater Importance*") and those minor importance (meaning those in which the aforementioned relevance ratios are equal to or less than the 5% threshold, as better defined and detailed in Annex 3 to the Consob Related Party Regulation and in the aforementioned communication - "*Transactions of Lesser Importance*"). In the case in which the Issuer should lose the qualification of "*smaller company*", the OPC Procedure sets out that the Board of Directors, having recorded said circumstance, promptly supplements the OPC Procedure with a specific procedure for Transactions of Greater Importance

pursuant to the provisions of the Consob Related Party Regulation and approves its modified text, based on the prior favourable opinion of the independent directors present in the Board of Directors or, in their absence, the non-binding prior opinion of an independent expert.

In addition, the OPC Procedure envisages, in compliance with what is permitted by the Consob Related Party Regulation, the exclusion from the application of the procedure described above of certain categories of transactions, without prejudice to the disclosure obligations set forth in the regulatory provisions in force (in particular, transactions involving a “negligible amount”, transactions with or between subsidiaries, including jointly, as well as transactions with associates, provided that there are no “significant” interests of other related parties of the company in the counterparty subsidiaries or associates; the shareholders’ meeting resolutions relating to the fees due to members of the Board of Directors and the Executive Committee pursuant to art. 2389, paragraph 1 of the Italian Civil Code, to members of the Board of Statutory Auditors, as well as the resolutions relating to the remuneration of Directors vested with special offices falling within the overall amount previously established by the Shareholders’ Meeting pursuant to art. 2389, paragraph 3 of the Italian Civil Code; the additional resolutions relating to Directors vested with special offices and other key management personnel, on condition that the conditions referred to in art. 13, paragraph 3, letter b) Consob Related Party Regulation are met, and without prejudice to periodic disclosure obligations; the share-based compensation plans approved by the Shareholders’ Meeting pursuant to art. 114-*bis* of the Consolidated Law on Finance and the associated executive transactions; ordinary transactions concluded under conditions equivalent to market or standard conditions).

The OPC Procedure also sets out the principles to be adhered to for related party transactions entered into by the subsidiaries of the Issuer, making provision, inter alia, for the involvement of the Control and Risk Committee, required to express a non-binding opinion on the transaction.

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

## 12. APPOINTMENT OF STATUTORY AUDITORS

The Board of Statutory Auditors is composed of 3 (three) standing members and 2 (two) alternate members who meet the requirements set forth in legislation and regulations in force; the statutory auditors are appointed by the Shareholders' Meeting for (3) three financial years; their office expires on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their office and may be re-elected.

The statutory auditors are appointed on the basis of lists, in observance of the legislation governing gender balance.

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

Pursuant to the statutory provisions:

- lists may be submitted by shareholders who, at the time the list is submitted, hold alone or together with others, a share totalling at least 2.5% of the capital or the different shareholding equal to at least the one established by CONSOB (share confirmed by CONSOB executive decision no. 44 of 29 January 2021, adopted in accordance with art. 147-ter, paragraph 1 of the Consolidated Law on Finance);
- individual shareholders, shareholders subscribing to a shareholders' agreement relating to the Company and of relevance pursuant to art. 122 of the Consolidated Law on Finance, the parent company, subsidiary companies and those subject to common control and other entities between which a direct or indirect association exists pursuant to applicable legislation and regulations in force at the time, cannot submit or contribute to the submission, not even through a third party or trust company, of more than one list or vote for different lists;
- each candidate may appear on one list only, otherwise they shall be considered ineligible;
- each list contains the names, indicated by a sequential number, of a number of candidates not exceeding the number of members to be elected;
- the lists are divided into two sections: one for candidates to the office of standing auditor, the other for candidates to the office of alternate auditor. The first of the candidates of each section must be entered in the register of independent auditors and have carried out auditing activity for no less than 3 (three) years. If the other candidates do not meet the requirement established above, they must meet the other requirements of professionalism established by applicable legislation and regulations in force at the time;
- for the period of application of the legislation and regulations in force at the time on the matter of gender balance, each list that contains – considering both sections present – a number of candidates equal to or higher than 3 (three) must also include candidates belonging to both genders, so that at least one third (rounded up) of candidates to the office of standing auditor

and at least one candidate to the office of alternate auditor (if the list also includes candidates to the office of alternate auditor) belong to the under-represented gender;<sup>2</sup>

- lists submitted must be filed at the Company's registered office, even using distance communication means as indicated in the notice of call, and made available to the public in accordance with the timeframes and procedures established by legislation and regulations in force at the time, accompanied by the certifications of the appointed intermediaries, the CVs of the statutory auditors in charge, the relevant declarations and statements required by the applicable legislation and regulations in force at the time and the Articles of Association.

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

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

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

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

If the number of candidates elected on the basis of the lists submitted is lower than the number of statutory auditors to be elected, the remaining statutory auditors shall be elected by the Shareholders' Meeting, deliberating by majority vote of those represented and, in any case, so as to ensure compliance with applicable legislation and regulations in force at the time on gender balance.

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<sup>2</sup> Note that the Company has not yet arranged for the amendment to the cited statutory provisions to be made following the entry into force of Italian Law no. 160 of 27 December 2019 ("Law no. 160/2019"), even though with the approval of the financial statements as at 31.12.2019, the term in office of the corporate bodies expired and their renewal needed to be organised, insofar as the provision referred to in paragraph 304 of Italian Law 160/2019 applied to the Company which, for the first renewal following the start of trading, does not prejudice the provision referred to in article 2 of Italian Law no. 120 of 12 July 2011, with respect to which the Articles of Association were already compliant.

In the event of a tied vote between a number of candidates, a second ballot shall be held between them through a further shareholders' meeting vote, and the candidate who obtains the highest number of votes shall prevail.

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

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

As regards the replacement of the Board of Statutory Auditors, art. 20 of the Articles of Association also sets forth that:

- if during the year a member of the Board of Statutory Auditors taken from the list that obtained the highest number of votes is no longer able to fulfil office, he shall be succeeded, until the next Shareholders' Meeting, by the first alternate auditor taken from the same list. If during the year a member of the Board of Statutory Auditors taken from a list other than the list that obtained the highest number of votes is no longer able to fulfil office, he shall be succeeded, also with functions of Chairman of the Board of Statutory Auditors, until the next Shareholders' Meeting, by the first alternate auditor taken from the same list;
- if the aforesaid mechanism of succession of alternate auditors does not allow compliance with applicable legislation and regulations in force at the time on gender balance, the Shareholders' Meeting must be called as soon as possible to ensure compliance with said legislation;
- if, pursuant to law the Shareholders' Meeting must appoint the statutory auditors required to restore the Board of Statutory Auditors to full membership following termination, the procedure shall take place as follows:
  - (a) if it is necessary to replace one or more members of the Board of Statutory Auditors taken from the list that obtained the highest number of votes, the replacement shall be made by decision of the ordinary Shareholders' Meeting deliberating by majority vote of those represented, without the choice being restricted to components of the lists submitted at the relevant time;
  - (b) if instead it is necessary to replace the member of the Board of Statutory Auditors taken from a list other than the one that obtained the highest number of votes, the Shareholders' Meeting, by majority vote of those represented, shall select the replacement, if possible, from the candidates stated in the list to which the statutory

auditor to be replaced belonged, who provided written confirmation, at least 10 (ten) days before the date set for the Meeting, of their candidature, together with statements relating to the non-existence of causes of ineligibility or forfeiture, as well as the existence of the requirements established by applicable legislation and regulations in force at the time or by the Articles of Association for the office. If this replacement procedure is not possible, the member of the Board of Statutory Auditors shall be replaced by resolution to be passed by the majority vote of those represented in the Shareholders' Meeting, where possible in compliance with minority representation. All of which in compliance with applicable legislation and regulations in force at the time on gender balance.

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

## **13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER D) AND D-BIS), OF THE CONSOLIDATED LAW ON FINANCE)**

### **13.1. COMPOSITION OF THE BOARD OF STATUTORY AUDITORS**

The composition of the Board of Statutory Auditors in office at the date of this Report is reported in Table 3 attached in the appendix of this report.

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

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

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

Against a voting capital corresponding to 17,206,909 ordinary shares representing 77.388793% of share capital, the election of the above-mentioned Statutory Auditors was made with 15,040,147 votes in favour, representing 87.407604% of voting share capital, for the list submitted by shareholder Finami S.p.A. (List no. 1); with 2,151,013 votes in favour, representing 12.500868% of voting share capital for the list submitted by shareholder Sofia Holding S.r.l. (List no. 2) and with 15,749 votes against, representing 0.091527% of voting capital.

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

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

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

- PAOLA MIGNANI – *Standing Auditor*

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

- STEFANO BELTRAME – *Standing Auditor*

Stefano Beltrame, after having graduated in Economics and Commerce at the University of Trento, obtained the title of Chartered Accountant and is listed in the Register kept at the National Institute of Chartered Accountants of Belluno (since 2004). In addition, he has been enrolled in the Register of Auditors since 2003.

Over the course of his career, Stefano Beltrame has gained professional expertise in the field of advisory services and assistance in extraordinary business transactions and corporate restructuring operations, such as incorporations and dissolutions of companies, mergers, spin-offs, company transformations, purchase/sales of companies and corporate shareholdings, disposal of share packages in trusts, generational handovers, drafting of estimate appraisals, including certified, for the valuation of companies and business units, contract, corporate and tax advisory services, also with reference to “transfer pricing”, drafting of separate and consolidated financial statements, including of companies in international groups.

He also carries out auditing of financial statements and tax due diligence activities.

Since 2004, he has been a member of the Board of Statutory Auditors as Chairman, sole statutory auditor or standing auditor, as well as Chairman or member of Supervisory Boards appointed pursuant to Italian Legislative Decree 231/2001, of various companies operating in the industrial and commercial sectors.

\* \* \*

No changes were made to the composition of the Board of Statutory Auditors from the date of the close of the year until the date of this Report.

## **13.2. FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS**

The Board of Statutory Auditors met 12 times during the year, with the meetings lasting an average of around two hours and thirty minutes.

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



At least the majority of the Board of Statutory Auditors in office participated in all meetings of the Control and Risk Committee and the Remuneration and Appointments Committee.

Twelve meetings are planned for the current year, 3 of which have already been held at the date of this Report.

In application of application criterion 8.C.1. of the Code of Conduct, the Board of Statutory Auditors verified that all its members met the independence requirements, also on the basis of the criteria set out in art. 3.C.1. of the Code of Conduct, at the meeting that installed the Board on 29 April 2020, communicating them to the Board of Directors, which notified these to the public by means of press release on the same date.

The Board, during the three-year period, verified the continuation of the above mentioned requirements, most recently in the meeting of 25 February 2021 on the outcome of the self evaluation activity carried out internally, in compliance with Rule Q.1.1 contained in “Rules of conduct of the Board of Statutory Auditors of listed companies”, issued by the Board of Professional Accountants and Auditors updated in April 2018 (“CNDCEC Rules of Conduct”), as well as, with regard to 2020, the combined provisions of art. 8.C.1. and art. 3 of the Code of Conduct.

The Board of Statutory Auditors conducted the self-evaluation exercise by each member completing a questionnaire prepared independently, the results of which were then analysed by the board during the above-mentioned meeting on 25 February 2021; in particular, said exercise regarded:

- both subjective profiles (such as, in particular: (i) the qualitative composition of the Board of Statutory Auditors, (ii) the competences of the Auditors and their knowledge of the sector, (iii) their independence, professionalism, reputation and number of offices; (iv) their time availability; (v) their diversity);
- and the operation of the body (in relation to which the following have been considered: (i) the meetings of the Board of Statutory Auditors; (ii) the activity carried out by the Chairman; (iii) the information flows of the Board of Statutory Auditors, (iv) the role of the Board of Statutory Auditors in the Board of Directors and in board meetings and (v) the vigilance, control and inspection activities of the Board of Statutory Auditors).

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

At the end of the analysis, the Board decided to continue to conduct the Self-Evaluation, formally, every six months (rather than annually). As regards a further area for improvement found during the self-evaluation process by the previous Board of Statutory Auditors for 2019, the Board of Statutory Auditors deemed that the request made by the Board of Statutory Auditors in office until 30 April 2020, to more closely oversee the follow-up of certain activities (action plans) identified during periodical audits as well as the timing for the dispatch, by the respective referents, of the documentation required to complete the documentation acquired during the audit, was no longer necessary for the 2020 financial year, given the prompt dispatch of the documents by the referents.

The Board of Statutory Auditors reported about the outcomes of the above mentioned self-evaluation activity to the Board of Directors in the Board meeting of 17 March 2021.

## Diversity policies and criteria

Implementing the provisions of art. 123-*bis*, paragraph 2, letter d-*bis*) of the Consolidated Law on Finance, the Board of Directors has adopted a policy with regard to diversity in relation to the composition of the Board of Statutory Auditors of LU-VE S.p.A., with regard to aspects such as the age, gender and educational and professional background (the “**Policy**”).

This Policy is defined in the document “*Diversity policy for members of the corporate bodies of LU-VE S.p.A.*” approved by the Board of Directors in the meeting of 28 February 2020, on proposal of the Remuneration and Appointments Committee, which – with regard to the diversity of the composition of the Board of Statutory Auditors - has prepared its contents taking into account the indications provided by the Board of Statutory Auditors in office at the date of this Report.

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

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

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

The Board of Statutory Auditors verified compliance with the Policy as regards its composition at the meeting of the Remuneration and Appointments Committee on 17 February 2021, confirming to said Committee that the above-indicated criteria are to be considered as fulfilled in terms of the current composition of the Board of Statutory Auditors.

The text of the *“Diversity policy for members of the corporate bodies of LU-VE S.p.A.”* is available on the Company’s website at [www.luvegroup.com](http://www.luvegroup.com) (in the section *“Investor Relations” – “Corporate Governance” – “Corporate documents”*).

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

## **Induction Programme**

In relation to application criterion 2.C.2 of the Code of Conduct, it should be noted that participation in the Board meetings, owing to their contents and frequency, allow statutory auditors to obtain adequate knowledge of the business sector in which the LU-VE Group operates, the company trends and their developments, the principles of correct risk management as well as the associated reference regulatory framework. In particular, during the meetings of the Board of Directors that are held at the Company’s administrative headquarters during the year, the Statutory Auditors received information and constant insights on each specific sector in which the LU-VE Group carries out its activities, in order to best understand the company trends underlying the business and the relevant developments that have taken place during the year.

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

In addition to what stated above, the Board of Statutory Auditors has participated to the same meeting of the induction programme held for members of the Board of Directors, already illustrated at paragraph 4.2 above of this Report.

The remuneration of the Statutory Auditors is commensurate to the commitment required, the relevance of the role covered as well as the size and sector-related characteristics of the company.

The Statutory Auditor who has, on his own behalf or on behalf of third parties, an interest in a given transaction of the issuer, promptly and fully informs the other statutory auditors and the Chairman of the Board of Directors regarding the nature, terms, origin and scope of his interest.

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

## 14. RELATIONS WITH SHAREHOLDERS

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

The Company appointed company director Michele Garulli as the Investor Relation Officer, responsible for managing relations with shareholders. Michele Garulli was a non-executive director of the Company until 29 April 2020, the date of renewal of the Board of Directors. The reference details that allow contact to be made with the *Investor Relations* structure (also accessible on-line on the website [www.luvegroup.com](http://www.luvegroup.com), section “*Contacts*”) are as follows: telephone 02 967 161- fax 02 967 805 60 - e-mail: [investor.relations@luvegroup.com](mailto:investor.relations@luvegroup.com). The Investor Relation Officer, in carrying out his activities, avails himself of the support of the Group CFO and the Manager of Group Legal and Corporate Affairs.

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

## **15. SHAREHOLDERS' MEETINGS (PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER D), OF THE CONSOLIDATED LAW ON FINANCE)**

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

In compliance with the provisions of application criterion 9.C.2 of the Code of Conduct, all directors normally take part in the Shareholders' Meetings. For the validity of constitution and the resolutions of the Shareholders' Meeting, both ordinary and extraordinary, the applicable legal provisions apply pursuant to art. 11 of the Articles of Association.

The Shareholders' Meeting resolves on the matters within its competence pursuant to the applicable legislation, given no provision is made in the Articles of Association for further specific competences. It should be noted that the Articles of Association, pursuant to art. 2365, paragraph 2 of the Italian Civil Code, attributes the Board of Directors with the competence to resolve mergers in the cases set forth in articles 2505 and 2505-*bis* of the Italian Civil Code, the opening and closing of secondary offices, the reduction in share capital in the event of the withdrawal of Shareholders, the adjustment of the Articles of Association in line with the regulatory provisions and the transfer of the company's headquarters within Italy.

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

The Articles of Association make no provision for the Shareholders' Meeting to also be held via audio/video-conference, nor with methods of voting electronically or by correspondence. Nevertheless, in accordance with the provisions of art. 106 of Italian Decree Law no. 18 of 17 March 2020 ( "*Cura Italia*" - Save Italy Decree) converted, with amendments into Italian Law no. 27 of 24 April 2020, for the Shareholders' Meeting held on 29 April 2020 to approve the financial statements as at 31 December 2019, the meeting was conducted solely in the presence of the representative, and the Directors and Statutory Auditors, as well as other legally eligible parties, other than those with voting rights, participated in the Shareholders' Meeting by means of telecommunication, that also guaranteed their identification.

Similarly, depending on the evolution of the COVID-19 pandemic, and the consequent measures taken by the Public Authorities, for the Shareholders' Meeting held to approve the financial statements as at 31 December 2020, the Company will evaluate the opportunity of using the same on-line tools for participation permitted by the above-cited law.

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

In particular, each share will have the right to a double vote when both the following conditions are met: (i) the voting right remains with the same subject as a result of a real legitimate right (full ownership with voting rights, bare ownership with voting rights or usufruct with voting rights) for a continuous period of at least 24 months; (ii) the presence of this condition results from the continuous registration for the same period of time in the special list instituted by the Company.

The Board of Directors therefore established the special list for beneficiaries of legitimate double voting rights (the “List”), and appointed an individual to manage said special list, establishing the criteria for holding the same in a specific regulation published on the Company’s website [www.luvegroup.com](http://www.luvegroup.com), “Investor Relations” section- “Increased voting rights”.

At the date of this Report, 15,512,989 shares of the 22,234,368 ordinary shares have matured the right to increased voting rights.

In application of the provisions of art. 143-*quater*, paragraph 5 of the Issuers’ Regulation, the Company has published the names of shareholders with an interest of over 5% that have obtained increased voting rights in the above-mentioned section of its website. At the date of this Report, instead no shareholders with an interest of over 5% are registered on the List.

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

In compliance with art. 8 of the Shareholders’ Meeting Regulation, all those who attend the Shareholders’ Meeting are entitled to take the floor on each of the items put up for discussion, by presenting a written request to the Chairman of the Meeting containing an indication of the matter to which the request refers, which may be presented as long as the Chairman of the Meeting has not declared the discussion closed on the matter to which the request to speak refers. Taking into account the subject matter and importance of individual items on the agenda, when opening the meeting the Chairman of the meeting can specify the period of time - in any event not less than five minutes - allotted to each speaker to complete their speech. Those who have already participated in the discussion can ask to take the floor again in relation to the same topic, after the replies stage has ended.

During the financial year only one Shareholders’ Meeting took place, on 29 April 2020, in which the Board of Directors reported to the shareholders on the activities carried out and planned, illustrating the economic and financial performance of the Group in the 2019 financial year and guaranteeing attendees the opportunity to ask questions and make opportune requests at this regard. On this occasion, the Board of Directors submitted the 2020 Remuneration Policy of the LU-VE Group to the Shareholders’ Meeting, defined on the proposal of the Remuneration and Appointments Committee. At the same meeting, the Shareholders’ Meeting also appointed the Board of Directors, establishing the number, the term, the members and the fees, as well as appointing the Board of Statutory Auditors, establishing the members and the fees.

The Shareholders’ Meeting of 29 April 2020 was held in the presence of 9 of the 12 directors in office at the time (Chairman Iginio Liberali, Vice Chairman Pier Luigi Faggioli, the directors Matteo Liberali, Michele Faggioli, Anna Gervasoni, Stefano Paleari, Laura Oliva, Fabio Liberali and Roberta Pierantoni were present; directors Michele Garulli, Marco Claudio Vitale and Giovanni Cavallini were justifiably absent): the Board of Directors endeavoured, also through the publication of the documentation

required by applicable regulatory and statutory provisions, to ensure the shareholders adequate information so that they could take, with full knowledge of the facts, the decisions within the competence of the Shareholders' Meeting.

With reference to application criterion 9.C.4. of the Code of Conduct, it should lastly be pointed out that, during the year, the changes to the market capitalisation of the shares of the Issuer are in line with the market trend, and no substantial changes to the composition of the Issuer's shareholding structure were verified.



**16. ADDITIONAL CORPORATE GOVERNANCE PROCEDURES  
(PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER A), OF THE CONSOLIDATED LAW ON  
FINANCE)**

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

## **17. CHANGES AFTER THE CLOSE OF THE YEAR**

At the meeting on 21 December 2020, the Board of Directors revoked, effective from 1 January 2021, the Framework Resolution passed on 13 March 2017 relating to the application of the Code of Conduct and all implementing resolutions passed thereafter - and resolved to apply the new Corporate Governance Code. The above-cited resolution was then followed by several further resolutions of the Board of Directors, addressed to the actual implementation of the principles and the recommendations dictated by the new Corporate Governance Code, a detailed disclosure of which will be provided in the report on corporate governance and ownership structures for the current year.

Also at the meeting held on 21 December 2020, the Board of Directors confirmed the establishment of the Remuneration and Appointments Committee and of the Control and Risk Committee, also confirming their respective compositions, approved on 29 April 2020.

At the meeting held on 28 January 2021, the Board of Directors approved the requirements, the characteristics and the duties of the Secretary, appointing the same and adopted the Company's Engagement Policy relating to its investors.

At the meeting held on 24 February 2021, it also resolved to adopt a regulation that establishes the rules of functioning of the same body, as well as the characteristics and the rules of functioning of its committees.

During the month of January 2021, pursuant to art. 6-*bis* of the Articles of Association, increased voting rights matured on 15,224,510 shares (a ratio of two voting rights for each share) out of a total of 22,234,368 shares, which resulted in a change in total voting rights from 22,234,368 to 37,458,878: for further information on the resulting changes to ownership structures, see also paragraph 2 D) of this Report.

## **18. CONSIDERATIONS ON THE LETTER OF 22 DECEMBER 2020 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

The recommendations formulated by the Chairman of the Corporate Governance Committee promoted by Borsa Italiana S.p.A. were examined by the Board of Directors at the meeting on 24 February 2021, during which observations were formulated in this regard, taking into account the outcomes of the examination of the aforementioned letter, conducted by the Remuneration and Appointments Committee (at the meeting on 17 February 2021) and by the Control and Risk Committee (at the meeting on 16 February 2021), each regarding the matters within their competence.

With regard to Recommendation no. 1, it was found that the remuneration policy drawn up last year, which included a medium/long-term incentive plan and established non-financial performance criteria for certain top managers and for all executive directors, which was confirmed and reinforced in the proposed remuneration policy for 2021 to be submitted to the Shareholders' Meeting, is taking the direction hoped by the Corporate Governance Committee; equally, the need for sustainability to be integrated into the Group's strategies was emphasised, and that the Board and the Control and Risk Committee, given their expertise as regards the internal control and risk management system, should monitor the integration of sustainability topics into said system.

With reference to Recommendation no. 2, it was found that the regulation that governs the functioning of the Board and the functioning and characteristics of the Committees recently adopted by the Board of Directors, is moving in the direction indicated by the Corporate Governance Committee, in particular as regards timely and adequate information provided prior to the board meeting sufficiently in advance to directors, without envisaging exemptions for mere confidentiality requirements.

With reference to Recommendation no. 3, it was found that on the occasion of the latest check of the independence of its members, no cases of non-application of independence criteria were identified; as regards the second part of the recommendation, the definition of the quantitative and qualitative criteria to be applied from 1 January 2021 was made by the Remuneration and Appointments Committee in December last and submitted to the approval of the Board of Directors on 21 December 2020, in accordance with the requests of the Committee.

With regard to Recommendation no. 4, it was found that the disclosure provided to the Board by the CEOs as regards the strategic company plans, always represented a topic for extensive discussion at board meetings, with the opportunity for all directors to express their opinions, therefore making their contribution to their definition. With regard to the board review process, it was noted that the board evaluation process conducted in previous years had always entailed the involvement of the Lead Independent Director and, more recently, as regards the board evaluation conducted in February 2020 with relation to 2019, also of the Remuneration and Appointments Committee, both at the time of the definition of the questionnaire and the examination of the results while, in a resolution passed by the Board in its meeting on 21 December 2021, it had decided not to proceed with the board evaluation with relation to the 2020 financial year, as the results of this activity, given the limited period for which the current Board of Directors had been in office (appointed by the

Shareholders' Meeting on 29 April 2020), would have only been partial and based on only a few months of activity, also because conducted remotely due to the ongoing COVID-19 pandemic.

With reference to Recommendation no. 5, considering that pursuant to the new Corporate Governance Code, LU-VE does not qualify as a large company, and with concentrated ownership, it was observed that: (i) the activities performed by the Remuneration and Appointments Committee, including therein those relating to the functions assigned to the same in terms of appointments, have always been clearly illustrated in the paragraph of the annual Report on Corporate Governance covering the functions and the activities of said Committee; (ii) as regards the invitation to the Board to ensure the timeliness and completeness of proposed resolutions regarding the process to appoint corporate bodies and to express an opinion on its optimal composition (required by the Corporate Governance Code of companies other than those with concentrated ownership and which, therefore, the Issuer is not bound to provide pursuant to the new board evaluation recommendations), it was found that, on the occasion of the recent renewal of the corporate bodies last April, both of the recommendations were respected, even in observance of that envisaged by the "Diversity policy for members of the corporate bodies of LU-VE S.p.A.", approved by the Board at the meeting on 28 February 2020; (iii) as regards the adoption of a succession plan for executive directors (recommended by the new Corporate Governance Code for large companies and which, therefore the Issuer is not bound to have) it reserved the matter for further consideration.

With reference to Recommendation no. 6, it was found that: (i) the first recommendation had already been applied in the preparation of the Remuneration Policy submitted to the Shareholders' Meeting during 2020 and would equally be respected in 2021; (ii) the second regarding increasing the weight of variable remuneration to long-term performance targets, had initially been applied in the 2020-2022 LTI plan approved last year; (iii) last year's Remuneration Policy did not envisage the payment of a so-called ad hoc bonus; (iv) the award of indemnity at the end of the term in office has never been included in the remuneration policies adopted to date by the Company and that, if said awards were decided to be included, the opportunity of defining criteria and procedures to be adopted in this regard would be evaluated; (v) the verification of the consistency of the fees paid to non-executive directors and to statutory auditors, also for the purpose of the disclosure to be made to shareholders when corporate offices are up for renewal, had been performed in 2020 when the corporate bodies were renewed.

Within its scope, the Board of Statutory Auditors examined the recommendations made in the cited letter jointly with the Control and Risk Committee at the meeting held on 16 February 2021 and with the Remuneration and Appointments Committee at the meeting held on 17 February 2021.

Uboldo, 17 March 2021

The Chairman of the Board of Directors

Mr. Iginio Liberali

## TABLES

### TABLE 1: INFORMATION ON OWNERSHIP STRUCTURES

STRUTTURA DEL CAPITALE SOCIALE						
	n° azioni	% rispetto al c.s.	n° diritti di voto	% rispetto al totale dei diritti di voto	quotato (indicare i mercati) / non quotato	diritti e obblighi
Azioni ordinarie	22.234.368	100%	37.747.357	100%	quotate nel Mercato Telematico Azionario standard gestito da Borsa Italiana S.p.A.	come per legge e Statuto
- di cui a voto maggiorato	15.224.510	68,47%	30.449.020	80,67%	quotate nel Mercato Telematico Azionario standard gestito da Borsa Italiana S.p.A.	come per legge e Statuto
Azioni a voto plurimo	-	-	-	-	-	-
Azioni con diritto di voto limitato	-	-	-	-	-	-
Azioni prive del diritto di voto	-	-	-	-	-	-
Altro	-	-	-	-	-	-

PARTECIPAZIONI RILEVANTI NEL CAPITALE			
Dichiarante	Azionista diretto	Quota % su capitale sociale	Quota % su capitale votante
Matteo Liberali	Finami S.p.A.	50,26%	59,66%
G4 S.r.l.	G4 S.r.l.	17,56%	20,85%

**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES**

Consiglio di amministrazione												Comitato controllo e rischi			Comitato Remunerazione e nomine	
Carica	Componenti	Anno di nascita	Data di prima nomina*	In carica da	In carica fino a	Lista**	Esec.	Non-esec.	Indip. Codice	Indip. TUF	N. altri incarichi ***	(*)	(*)	(**)	(*)	(**)
Presidente	Iginio Liberali	1931	1985	29.04.2020	Approvazione bilancio al 31.12.2022	M	x				0	10/10				
Vice Presidente	Pier Luigi Faggioli	1936	2014	29.04.2020	Approvazione bilancio al 31.12.2022	M	x				0	9/10				
Amministratore Delegato • ◊	Matteo Liberali	1968	2003	29.04.2020	Approvazione bilancio al 31.12.2022	M	x				0	10/10				
Amministratore Delegato	Michele Faggioli	1967	2014	29.04.2020	Approvazione bilancio al 31.12.2022	M	x				0	9/10				
Amministratore	Anna Gervasoni	1961	2017	29.04.2020	Approvazione bilancio al 31.12.2022	M		x	x	x	3	9/10	11/11	M	8/8	M
Amministratore	Fabio Liberali	1963	2008	29.04.2020	Approvazione bilancio al 31.12.2022	M		x			0	10/10				
Amministratore	Laura Oliva	1968	2017	29.04.2020	Approvazione bilancio al 31.12.2022	M		x			0	10/10	6/6	M		
Amministratore o	Stefano Paleari	1965	2015	29.04.2020	Approvazione bilancio al 31.12.2022	M		x	x	x	0	10/10	11/11	P	8/8	P
Amministratore	Roberta Pierantoni	1971	2017	29.04.2020	Approvazione bilancio al 31.12.2022	M		x			2	10/10			8/8	M
Amministratore	Marco Claudio Vitale	1935	1985	29.04.2020	Approvazione bilancio al 31.12.2022	M		x			2	3/10				
Amministratore	Raffaella Cagliano	1970	2020	29.04.2020	Approvazione bilancio al 31.12.2022	M		x	x	x	0	6/6				
Amministratore	Guido Giuseppe Crespi	1967	2020	29.04.2020	Approvazione bilancio al 31.12.2022	m		x	x	x	1	6/6				
<b>AMMINISTRATORI CESSATI DURANTE L'ESERCIZIO DI RIFERIMENTO</b>																
Amministratore	Giovanni Cavallini	1950	2015	10.03.2017	Approvazione bilancio al 31.12.2019	NA		x	x	x	2	4/4				
Amministratore	Michele Garulli	1959	2008	10.03.2017	Approvazione bilancio al 31.12.2019	NA		x			1	4/4	5/5	M		
<b>N. riunioni svolte durante l'anno di riferimento: 10</b>						<b>Comitato controllo e rischi: 11</b>				<b>Comitato remunerazioni e nomine: 8</b>						
<b>Quorum richiesto per la presentazione delle liste in occasione dell'ultima nomina: 2,5% del capitale sociale (1)</b>																
<b>NOTE</b>																
I simboli di seguito indicati devono essere inseriti nella colonna "Carica":																
• Questo simbolo indica l'amministratore incaricato del sistema di controllo interno e di gestione dei rischi.																
◊ Questo simbolo indica il principale responsabile della gestione dell'emittente (Chief Executive Officer o CEO).																
o Questo simbolo indica il Lead Independent Director (LID).																
* Per data di prima nomina di ciascun amministratore si intende la data in cui l'amministratore è stato nominato per la prima volta (in assoluto) nel CdA dell'emittente.																
** In questa colonna è indicata la lista da cui è stato tratto ciascun amministratore ("M": lista di maggioranza; "m": lista di minoranza; "CdA": lista presentata dal CdA).																
*** In questa colonna è indicato il numero di incarichi di amministratore o sindaco ricoperti dal soggetto interessato in altre società quotate in mercati regolamentati, anche esteri, in società finanziarie, bancarie, assicurative o di rilevanti dimensioni. Nella Relazione sulla corporate governance gli incarichi sono indicati per esteso.																
(*) In questa colonna è indicata la partecipazione degli amministratori alle riunioni rispettivamente del CdA e dei comitati (indicare il numero di riunioni cui ha partecipato rispetto al numero complessivo delle riunioni cui avrebbe potuto partecipare; p.e. 6/8; 8/8 ecc.).																
(**) In questa colonna è indicata la qualifica del consigliere all'interno del Comitato: "P": presidente; "M": membro.																
(1) Si veda quota fissata dalla CONSOB con Determinazione Dirigenziale n. 28 del 30 gennaio 2020.																

**TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

Collegio Sindacale									
Carica	Componenti	Anno di nascita	Data di prima nomina*	In carica da	In carica fino a	Lista**	Indip. Codice	Partecipazioni riunioni del Collegio ***	N. altri incarichi ****
Presidente	Simone Cavalli	1965	2020	29.04.2020	Approvazione bilancio al 31.12.2022	m	x	6/6	10
Sindaco Effettivo	Paola Mignani	1966	2017	29.04.2020	Approvazione bilancio al 31.12.2022	M	x	12/12	20
Sindaco Effettivo	Stefano Beltrame	1973	2014	29.04.2020	Approvazione bilancio al 31.12.2022	M	x	12/12	10
Sindaco Supplente	Laura Acquadro	1965	2008	29.04.2020	Approvazione bilancio al 31.12.2022	M	x	NA	0
Sindaco Supplente	Patrizia Paleologo Oriundi	1984	2015	29.04.2020	Approvazione bilancio al 31.12.2022	m	x	NA	9
<b>SINDACI CESSATI DURANTE L'ESERCIZIO DI RIFERIMENTO</b>									
Sindaco Effettivo	Ivano Pelassa	1950	2015	10.03.2017	Approvazione bilancio al 31.12.2019	NA	x	6/6	4
Sindaco Supplente	Mauro Cerana	1965	2008	10.03.2017	Approvazione bilancio al 31.12.2019	NA	x	NA	17
Sindaco Supplente	Giulia Chiarella	1984	2015	10.03.2017	Approvazione bilancio al 31.12.2019	NA	x	NA	1
<b>Quorum richiesto per la presentazione delle liste in occasione dell'ultima nomina: 2,5% del capitale sociale (1)</b>									
<b>Numero riunioni svolte durante l'Esercizio di riferimento: 12</b>									
<b>NOTE</b>									
* Per data di prima nomina di ciascun sindaco si intende la data in cui il sindaco è stato nominato per la prima volta (in assoluto) nel collegio sindacale dell'emittente.									
** In questa colonna è indicata lista da cui è stato tratto ciascun sindaco ("M": lista di maggioranza; "m": lista di minoranza).									
*** In questa colonna è indicata la partecipazione dei sindaci alle riunioni del collegio sindacale (indicare il numero di riunioni cui ha partecipato rispetto al numero complessivo delle riunioni cui avrebbe potuto partecipare; p.e. 6/8; 8/8 ecc.).									
****In questa colonna è indicato il numero di incarichi di amministratore o sindaco ricoperti dal soggetto interessato ai sensi dell'art. 148-bis TUF e delle relative disposizioni di attuazione contenute nel Regolamento Emittenti Consob. L'elenco completo degli incarichi è pubblicato dalla Consob sul proprio sito internet ai sensi dell'art. 144-quinquiesdecies del Regolamento Emittenti Consob.									
(1) Si veda quota fissata dalla CONSOB con Determinazione Dirigenziale n. 28 del 30 gennaio 2020.									