

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

**Via Vittorio Veneto 11 – 21100 Varese**

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**ANNUAL REPORT**  
**ON REMUNERATION AND COMPENSATION**  
**POLICY**  
**MARCH 2023**

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## LETTER FROM THE CHAIRMAN OF THE COMMITTEE

Dear Shareholders,

I am pleased to present the Annual Report of the LU-VE Group on the 2023 remuneration policy and on the remuneration paid in 2022, which will be submitted to the Shareholders' Meeting scheduled for 28 April 2023. The Report - approved by the Board of Directors, on the proposal of the Remuneration and Appointments Committee I chair - was prepared in compliance with the applicable regulatory provisions of art. 123-ter of Italian Legislative Decree 58/1998 and art. 84-*quater* of Consob Issuers' Regulation and of the relative disclosure schedules, as amended and supplemented, in December 2020, in accordance with Directive (EU) 2017/828 (SHRD II), as well as the principles and recommendations dictated by the Corporate Governance Code to which the Company adheres.

The Remuneration Policy of the LU-VE Group proposed by the Board of Directors for the year 2023, though essentially in line with the one submitted to the vote of the Shareholders' Meeting of 29 April 2022, introduces important new elements, also with regard to the changes made to the Group governance, and takes into account the renewal of the corporate bodies that the next Shareholders' Meeting will be called to resolve.

Sadly, Mr. Iginio Liberali, Founder and Chairman of the Company, died in December 2022. The office of Chairman was assigned by the Board of Directors to the CEO Matteo Liberali, until the next Shareholders' Meeting. The introduction of the figure of the Honorary Chairman will also be submitted to the Shareholders' Meeting. In February of this year, the General Manager was also appointed, who will take office in the coming weeks.

The proposed Remuneration Policy was developed with the aim of paying increasing attention to sustainability issues and the pursuit of sustainable success. This leads to a significant variable component for Executive Directors, the General Manager and the Key management personnel, which can exceed 50% for Executive Directors if both the short-term (MBO) and medium-term (LTI) portion are considered, including over-achievements. Within this framework, ESG factors acquire greater weight, in particular emissions and accidents up to a maximum of 25% for MBO.

I believe it is appropriate to draw attention to some aspects of the 2023 Remuneration Policy set out in Section I of the Report. In particular, the 2023 Remuneration Policy:

takes into account the principles and recommendations of the Corporate Governance Code and was developed using benchmarks in order to be in line with the LU-VE comparables identified;

provides for maximum disbursement limits if the targets are exceeded. A higher ceiling of 20% of the target for EBITDA has been introduced, while a ceiling of 10% remains for all other parameters;

dictates the guidelines of a new medium/long-term monetary incentive plan called "2023-2025 LTI Plan" to replace the 2020-2022 LTI Plan, which expired on 31 December 2022, in which two further performance objectives were introduced, compared to the previous plan, and in particular: (i) a parameter aimed at reducing Scope 1 and 2 emissions given the same consolidated EBITDA, attributable to ESG policies and actions identified in the Sustainability Plan approved by the Board of Directors last February; (ii) profitability parameter (EBITDA) of the US subsidiary Zyklus, by virtue of its importance for the Group as reflected in the new 2023-2026 Business Plan;

envisages the attribution to the Chairman, any Vice Chairman and any Honorary Chairman, of a fixed remuneration, specific for the office, in addition to the one envisaged for all the Directors in general and any remuneration attributed to them in their capacity as Executive Directors;

requires the economic and financial parameters considered for the attribution of the short and medium-long term variable component to be conceived with the aim of incentivising the company's growth and while maintaining a moderate and decreasing leverage compared to the starting values;

provides, for the General Manager and for the Key management personnel, the possibility of disbursing bonuses up to a maximum of 25% of the Gross Annual Remuneration for the period to which they refer. They are also established by the Board, on the proposal of the Executive Directors and subject to the favourable opinion of the Remuneration and Appointments Committee.

The LU-VE Group's Remuneration Policy 2023 is on the whole designed to foster the recruitment of talent and the retention of all staff, as well as to pursue the general interest and the balancing of the interests of the various stakeholders, with particular reference to the wellbeing of employees and respect for the environment.

I think that the information provided in the Report may allow investors to find consistency between the company objectives achieved and the incentives assigned, in a context of continuous adaptation to the evolution of the LU-VE Group and the environmental, cultural and macroeconomic conditions in which it works.

I hope you will be able to appreciate the work that has been done, which also benefits from the engagement and ongoing relationship with investors.

Thank you also on behalf of the other members of the Committee appointed by the Board of Directors for your appreciation of the Company's 2023 Remuneration Policy as described in Section I of the Report, as well as for the disclosure of the remuneration paid in application of the 2022 Remuneration Policy set forth in Section II of the Report.

Stefano Paleari

Chairman of the Remuneration and Appointments Committee

## DEFINITIONS

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

<b>Managing Directors</b>	The Executive Directors of LU-VE who hold the position of CEO and COO. At the date of this Report, Matteo Liberali (CEO) and Michele Faggioli (COO) are the Managing Directors of the company.
<b>Executive Directors</b>	The Directors of LU-VE S.p.A. vested with particular roles, to whom specific powers can also be delegated. At the date of this Report, Matteo Liberali (Chairman and CEO), Pier Luigi Faggioli (Vice Chairman with operational proxies in strategic subsidiaries Sest S.p.A. and Sest-LUVE-Polska Sp.zo.o) and Michele Faggioli (CEO - COO) are Executive Directors of the company.
<b>Non-Executive Directors</b>	The Directors of LU-VE S.p.A not vested with particular roles. As at date of this Report, the Company's Non-Executive Directors are: Guido Giovanni Crespi, Raffaella Cagliano, Anna Gervasoni, Fabio Liberali, Laura Oliva, Stefano Paleari, Roberta Pierantoni and Marco Vitale.
<b>Directors</b>	The Executive Directors and Non-Executive Directors of LU-VE S.p.A.
<b>Shareholders' Meeting</b>	The Shareholders' Meeting of LU-VE S.p.A.
<b>Shares</b>	The shares of LU-VE S.p.A., listed on the Euronext STAR Milan market organised and managed by Borsa Italiana S.p.A.
<b>CEO</b>	The Chief Executive Officer of LU-VE S.p.A., Matteo Liberali at the date of this Report, who also holds the position of Chairman of the Board of Directors <sup>1</sup> .
<b>Exceptional circumstances</b>	Situations in which an exemption to the Remuneration Policy is required in order to pursue the long-term interests and the sustainability of the Company and of the Group, to ensure its ability to stay in the market.
<b>Corporate Governance Code</b>	The Corporate Governance Code of listed companies approved in January 2020 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, which the Company subscribed to from 1 January 2021.
<b>Board of Statutory Auditors</b>	The "Board of Statutory Auditors" of LU-VE S.p.A.

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<sup>1</sup> In this regard, it should be noted that the office of Chairman was conferred to Matteo Liberali by the Board of Directors on 23 January 2023 until the next Shareholders' Meeting, following the death of the Chairman Mr. Iginio Liberali on 22 December 2022.

<b>COO</b>	The Chief Operating Officer of LU-VE S.p.A. on the date of this Report, Michele Faggioli.
<b>Control and Risk Committee</b>	The “Control and Risk Committee with responsibility for Related Party transactions” of LU-VE S.p.A.
<b>Remuneration and Appointments Committee</b>	The “Remuneration and Appointments Committee” of LU-VE S.p.A.
<b>Board of Directors or BoD</b>	The “Board of Directors” of LU-VE S.p.A.
<b>Consob</b>	Commissione Nazionale per le Società e la Borsa, the Italian financial markets regulator, with registered office in Rome, via G.B. Martini, no. 3.
<b>Addressees of the Policy</b>	The members of the Board of Directors and of the Board of Statutory Auditors, the General Manager, Key management personnel, the Financial Reporting Manager and the Manager of the Internal Audit Function.
<b>General Manager</b>	The General Manager of LU-VE S.p.A. appointed by the Board of Directors, as at the date of this report Mr. Riccardo Quattrini, with effect from 27 March 2023.
<b>Financial Reporting Manager</b>	“Financial Reporting Manager” pursuant to art. 154-bis of the Consolidated Law on Finance, appointed by the Board of Directors pursuant to art. 21 of the Articles of Association of LU-VE S.p.A.
<b>Key management personnel</b>	The Group executives (other than the General Manager) identified by the Board of Directors who - in compliance with the provisions of legislation in force - have the power and responsibility, directly or indirectly, for planning, managing and controlling activities of the LU-VE Group. At the date of this report, the Group Chief Financial Officer, the Group Purchasing Director, the Group R&D and Technical Director and the Sales & Marketing Director Components were identified as Key management personnel. <sup>2</sup>

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<sup>2</sup> It should be noted that, with respect to the figures of 24 February 2022, during the 2022 financial year the number of Key management personnel changed; in particular, as of 1 October 2022, the qualification of Key management personnel ceased to exist for:

- (i) the Group Operations Director, whose responsibilities were allocated differently: the strategic decisions regarding new investments and the development of the plants were referred to the COO Michele Faggioli; the organisational and operational responsibilities relating to the individual plants to the Operation Components Director for the

<b>Guidelines or 2023-2025 LTI Plan Guidelines</b>	The guidelines approved by the Board of Directors on 14 March 2023, on the proposal of the Remuneration and Appointments Committee, formulated in agreement with the Chief Executive Officers, for the part under their responsibility, and after consulting the Board of Statutory Auditors, concerning a new 2023-2025 LTI Plan, envisaged by the Remuneration Policy to replace the 2020-2022 LTI Plan, which has expired.
<b>LTI</b>	Variable medium/long-term component of remuneration, attributed in relation to the office of Executive Director or the employment relationship in place with the Company or the Group, payable on attainment of predefined company objectives.
<b>LU-VE S.p.A. or LU-VE or Company</b>	LU-VE S.p.A., with registered office in Varese, via Vittorio Veneto no. 11, and administrative office in Uboldo (VA), Via Caduti della Liberazione no. 53, Tax Code and VAT no. 01570130128.
<b>LU-VE Group or Group</b>	The group of companies included in the scope of consolidation of LU-VE S.p.A.
<b>LU-VE Italia Group</b>	The LU-VE Group Italian companies
<b>MBO</b>	Variable annual component of remuneration, attributed in relation to the office of Executive Director or the employment relationship in place with the company or the Group, payable on attainment of predefined company objectives.
<b>Sustainability plan</b>	The Group's sustainability plan, approved by the Board of Directors on 23 February 2023, which identifies the strategic areas of intervention for the Group in terms of sustainability, identifies commitments and objectives and defines an efficient data collection system to measure the progress made by the company and monitor the progress made by sustainability strategies over time.
<b>2020-2022 LTI Plan</b>	The medium/long-term monetary incentive plan called “2020-2022 LTI Plan” for Chief Executive Officers and Key management personnel, approved in its guidelines by the Board of Directors at the meeting of 18 March 2020 and whose vesting period ended on 31 December 2022.

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“components” division, and to the Operation Cooling System Director for the “cooling system” division. It was deemed that neither the Operation Components Director nor the Operation Cooling System Director can be qualified as Key management personnel as they are not vested with planning and strategic management powers;

(ii) the Sales & Marketing Director Cooling System: currently, the role is held *ad interim* by the CEO, to whom the Sales Director Cooling System and the Marketing Manager Cooling System report; the identification of a new Sales & Marketing Director Cooling System is expected during the 2023 financial year.



<b>2023-2025 LTI Plan or Plan</b>	The medium/long-term monetary incentive plan called “2023-2025 LTI Plan” aimed at Chief Executive Officers, the General Manager, other Key management personnel and possibly at selected Group managers, proposed in the Remuneration Policy, the guidelines of which were approved by the Board of Directors on 14 March 2023.
<b>Remuneration Policy or Policy</b>	The remuneration policy for the 2023 financial year, of the members of the Board of Directors and of the Board of Statutory Auditors, as well as the General Manager, Key management personnel (including the Financial Reporting Manager) and the Manager of the Internal Audit Function of LU-VE S.p.A., approved by the Board of Directors of LU-VE, proposed by the Remuneration and Appointments Committee and with the approval of the Board of Statutory Auditors, which will be submitted to the approval of the Shareholders’ Meeting planned for 28 April 2023.
<b>OPC Procedure</b>	The “ <i>Related Party Transactions Procedure</i> ”, prepared in accordance with Consob Regulation no. 17221 of 12 March 2010, approved by the LU-VE Board of Directors in the version last approved on 29 June 2021.
<b>Chairman or Chairman of the Board of Directors</b>	The Chairman of the Board of Directors of LU-VE S.p.A.; until 22 December 2022, this office was held by Iginio Liberali, while at the date of this Report it is held by Matteo Liberali, who also holds the position of CEO.
<b>Honorary Chairman</b>	If provided for by the Articles of Association, individuals of high standing /or who have contributed significantly to the affirmation and/or the development and/or reputation of the Company LU-VE, if necessary, appointed by the Board of Directors, also identifying him/her outside its members.
<b>Regulation of the 2023-2025 LTI Plan</b>	The regulation that describes the terms and conditions of the 2023-2025 LTI Plan in compliance with the provisions of this Policy, and which will be submitted to the approval of the Board of Directors subject to the approval of the Policy itself.
<b>Issuers’ Regulation</b>	The regulation implementing Legislative Decree no. 58 of 24 February 1998, concerning the regulation of issuers, adopted by Consob through resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented.
<b>OPC Regulation</b>	The regulation adopted by Consob by means of resolution no. 17221 of 12 March 2010, concerning the regulation of related party transactions, as subsequently amended and supplemented.
<b>Report</b>	This “ <i>Annual report on remuneration and compensation policy</i> ” of LU-VE S.p.A.
<b>Gross Annual Remuneration</b>	Fixed annual component of remuneration for those with an employment relationship in place with the Company or the Group.

<b>Sustainable Success</b>	The objective that guides the action of the Board of Directors and which is embodied in the creation of long-term value for the benefit of shareholders, taking into account the interests of other stakeholders relevant to the Company.
<b>Consolidated Law on Finance or TUF</b>	Italian Legislative Decree 58 of 24 February 1998 (Consolidated Law on financial intermediation), as subsequently amended and supplemented.

## INTRODUCTION

This Report was approved by the Board of Directors, on the proposal of the Remuneration and Appointments Committee, on 14 March 2023, in compliance with the applicable legislative and regulatory obligations and, in particular, art. 123-ter of the Consolidated Law on Finance and art. 84-quater of the Issuers' Regulation and of the relative disclosure schedules, as amended and supplemented in accordance with Directive EU 2017/828 (SHRD II), as well as the principles and recommendations dictated by the Corporate Governance Code to which the Company adheres.

The Report outlines:

- in **Section I**, the policy adopted by LU-VE for 2023 for the remuneration of members of the Board of Directors and Board of Statutory Auditors, the General Manager as well as Key management personnel (including the Financial Reporting Manager) and the Internal Audit Manager, and the procedures used for the adoption and implementation of the policy itself;
- in **Section II**, (organised in two parts): in Part One, an illustration of the fees paid with regard to each of the items that comprise remuneration for the 2022 financial year to the members of the Board of Directors and Board of Statutory Auditors, and Key management personnel, also providing comparative information for 2020, 2021 and 2022 with reference to the total annual change in remuneration of the members of the corporate bodies, the results of the Company, as well as the average annual gross remuneration of the employees of the Italian companies of the LU-VE Group; in Part Two (i) a breakdown of the fees paid or accrued in the 2022 financial year to said parties, under any title and in any form, by the Company and by subsidiary or associated companies, using the tables attached to this Report, which are an integral part of the same; as well as (ii) the information on the equity investments held in the Company and in the other Group companies by said parties, as well as by their non-legally separated spouses or by their children, directly or via subsidiaries, or trust companies or third parties.

This Report:

- a) is made available to the public at the administrative offices and on the web site of the Company at [www.luvegroup.com](http://www.luvegroup.com), in the section "*Investor Relations*" - "*Corporate governance and shareholders*" - "*For shareholders*" - "*Shareholders' Meeting*" - "*Shareholders' Meeting of 28 April 2023*", as well as on the authorized storage device eMarket Storage [www.emarketstorage.com](http://www.emarketstorage.com);
- b) is presented to the Shareholders' Meeting, pursuant to and in accordance with the aforementioned articles 123-ter of the Consolidated Law on Finance and art. 84-quater of the Issuers' Regulation, as well as pursuant to and in accordance with art. 13, paragraph 3, letter b) of the OPC Regulation and the relative provision contained in the OPC Procedure.

## SECTION I

### 2023 REMUNERATION POLICY

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

##### 1.1 Purposes

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

The Remuneration Policy contributes to business strategy, to pursuing the long-term interests and the sustainability of the Company and of the Group, and in particular:

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

In fact, through the adoption of this Policy and its concrete implementation with respect to management figures, the Group intends to adopt an instrument that provides incentives, through both short-term and medium-long term variable incentive plans, for the Group resources in order to achieve the development objectives defined by the Board of Directors in relation to both economic growth and the creation of value, also in the long term, for shareholders and other relevant stakeholders, outlining a system that attributes ever greater importance to remuneration linked to the achievement of objectives defined according to balanced but challenging criteria, which highlight the Group's growing attention to sustainability issues and the pursuit of Sustainable Success.

The Group is increasingly committed to pursuing the integration of environmental, social and governance topics into company strategy, risk management and remuneration processes. With this in view, the Group has strengthened its sustainability supervision by creating a corporate Sustainability Steering Committee to share the progress of the Group's sustainability performance and discuss strategic lines of action, which are then shared by the Managing Directors with the Control and Risk Committee for appropriate evaluation and submitted to the Board of Directors for approval. During 2023, the corporate Sustainability Steering Committee carried out analyses to validate the positioning of the LU-VE Group on environmental and social issues and defined a proposal for a set of actions to be taken over the next three years, in line with the business plan, identifying commitments and objectives and defining an efficient data collection system to measure and monitor the progress of sustainability strategies over time, as discussed and formalised in the Sustainability Plan.

With this in mind, when defining the Remuneration Policy, in the MBOs and the proposed new 2023-2025 LTI Plan, the presence of parameters linked to accident indices, already used in previous years, was confirmed, and a parameter linked to the reduction of Scope 1 and Scope 2 emissions on a like-for-like basis in terms of consolidated EBITDA was introduced (both for the MBOs and in the new LTI Plan), which can be traced back to ESG policies and actions identified in the Sustainability Plan.

## 1.2 General principles

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

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

- 1) the non-executive members of the Board of Directors receive a fixed annual fee, proportional to their professionalism and expertise, as well as the commitment required of them; directors members of Board committees are assigned not only a basic fee, but *ad hoc* compensation for the function performed in said committees;
- 2) for the Executive Directors, for the General Manager and for Key management personnel:
  - (i) remuneration represents an incentive and is formed by a balance of fixed and variable components, in line with the strategic objectives and the risk management policy of the Company, also taking the characteristics of the Group and its past history, even recent, into account. Said remuneration is comprised by: (a) a fixed component, commensurate with the powers and responsibilities attributed, and sufficient to remunerate the performance of the director, the general manager or of the key manager in the event in which the variable component was not disbursed as a result of the non-achievement of the performance targets established; (b) a short-term variable component and (for the CEO, COO, General Manager and the Key management personnel) medium-long term, linked to the achievement of specific target, consistent with the development plan and the strategic objectives defined by the Board of Directors, some of which relate to sustainability topics;
  - (ii) the targets connected with the variable remuneration are predetermined, measurable and defined in such a way as to ensure, through diversified parameters, the remuneration of performance in both the short- and medium/long-term and based on the results achieved; these targets are set in accordance with the Company's strategic objectives and seek to promote Sustainable Success, by also including non-financial parameters;
  - (iii) variable remuneration envisages maximum payment limits in the event that the set performance target is achieved;
  - (iv) the part of medium/long-term variable remuneration envisages a time deferral for its payment, in accordance with the Group's characteristics and the nature of the targets set;
  - (v) provision is made for the periodic review of salary packages on the basis of the overall company and personal performance, the potential future development of the individual,

working conditions and the competitiveness and attractiveness of salaries with respect to market values;

- (vi) the fixed and variable short-term components are adjusted in relation to the characteristics of the role covered at the company and the responsibilities attributed, in order to ensure, in any event, the sustainability of company results and the creation of value for shareholders in the medium/long-term;
  - (vii) ex post correction mechanisms (“claw back” and “malus”) are applied to the amounts accrued of the variable component;
  - (viii) benefits are recognised in line with the practices in the reference salary markets, in order to complete and enhance the total salary package, by taking account of the roles and/or responsibilities attributed;
  - (ix) provision is made for incentive mechanisms consistent with the tasks assigned for both the Manager of the Internal Audit function and the Financial Reporting Manager (who is also a Key Manager);
- 3) members of the Board of Statutory Auditors are attributed a fixed fee by the Shareholders’ Meeting at the time of their appointment. In order to contribute to ensuring that the fees of the members of the Board of Statutory Auditors are appropriate to their expertise, professionalism and commitment required by the importance of the position held and the Company’s size and sector, as well as its situation, the Company provides the shareholders with the information reported by the Board of Statutory Auditors to the Board of Directors at the time of its renewal, regarding the activities performed during its expiring mandate.

### 1.3 Scope of application and duration

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

The Company’s Board of Directors, at the meeting on 23 February 2023, confirmed the Group Chief Financial Officer (who also covers the role of Financial Reporting Manager), the Group Purchasing Director, the Group R&D and Technical Director and the Sales & Marketing Director Components as Key management personnel.

The Policy was drawn up in line with the requirements of art. 123-ter of the Consolidated Law on Finance, as well as art. 84-quater of the Issuers’ Regulation and the relative Annex 3A (schedule 7-bis, Section I) and of the recommendations set out in the Corporate Governance Code with regard to remuneration; when drawing up the Policy, also for the 2023 financial year, the recommendations with regard to remuneration made on the topic by the Corporate Governance Committee promoted by Borsa Italiana S.p.A. in the letter of 25 January 2023, which the chairman of said committee sent to the Company Chairman, were also taken into account.

The Remuneration Policy refers to the 2023 financial year, and therefore has a duration of one year.

## 1.4 Changes with respect to the previous financial year

The Remuneration Policy proposed by the Board of Directors for 2023 is substantially in line with that submitted to the vote of the Shareholders' Meeting of 29 April 2022, which approved it with a favourable vote of 95.01% of the Shares represented in the Shareholders' Meeting (corresponding to 79.71% of the total voting rights), thus expressing the approval of the absolute majority of Shareholders.

The new elements introduced are essentially attributable to some changes in the governance of LU-VE, and in particular to the death of its founder and historical Chairman, Mr. Iginio Liberali, to the introduction of the figure of the General Manager as well as to the proposal that will be submitted to the Shareholders' Meeting of 28 April 2023, to introduce the office of Honorary Chairman in the Articles of Association. Furthermore, the desire to strengthen, also through the Remuneration Policy, the pursuit of the Sustainable Success of the Company and the Group has led to the introduction - in relation to the variable remuneration of Executive Directors, the General Manager and the Key management personnel - of an additional non-financial performance objective with respect to that envisaged by the remuneration policies of previous years. This considers the objectives defined in the Sustainability Plan, in order to intensify the relevance of the ESG issues identified as strategic by the Company and the Group (see subsequent paragraphs 3.4 and 3.5 of this Section I).

Taking into account the importance of the development of the American market in the new business plan approved on 23 February 2023, when defining the performance objectives underlying the variable component of the remuneration of Executive Directors, the General Manager and Key management personnel, the Board of Directors also decided to introduce, with reference to the medium-long term variable remuneration, a parameter linked to the profitability of the subsidiary Zyklus (see paragraph 3.5 of this Section I below).

Lastly, in order to increase the incentivising effect of variable remuneration linked to parameters aimed at ensuring the sustainable growth of the Group, the maximum overperformance percentages were differentiated in relation to the different objectives.

It should also be noted that, with reference to the General Manager and the Key management personnel, it was deemed appropriate to envisage the possibility of assigning one-off monetary bonuses to be paid at the time of hiring (so-called "*entry bonus*"), or to reward, in the cases specifically identified by the Board of Directors, individual or collective results that are particularly significant for the Company and for the Group, setting the maximum amount at 25% of the Gross Annual Remuneration for the reference period (see paragraphs 3.2 and 3.3 below of this Section I).

## 2. CORPORATE BODIES AND INDIVIDUALS INVOLVED

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

### 2.1 Shareholders' Meeting

The Shareholders' Meeting:

- (i) decides, when the Board is appointed:
  - the total maximum annual amount of fixed remuneration to be attributed to each director for the performance of the mandate, to the members of internal board committees for the activities performed within said committees, as well as to the Executive Directors on the basis of the specific duties attributed to them;
  - the total maximum annual amount of variable remuneration to be attributed to the Executive Directors on the basis of the specific duties attributed to them;
- (ii) determines the fees due to each member of the Board of Statutory Auditors, at the time of their appointment and for the entire duration of their mandate;
- (iii) resolves, with a binding vote, with regard to the Remuneration Policy, pursuant to art. 123-ter, paragraph 3-bis and 3-ter of the Consolidated Law on Finance, with the frequency required by said Policy, and in any event, at least every three years or whenever said policy is amended;
- (iv) receives adequate information regarding the implementation of the Remuneration Policy;
- (v) resolves, by advisory vote, on the second section of the Remuneration Policy, pursuant to art. 123-ter, paragraph 6 of the Consolidated Law on Finance;
- (vi) resolves, where proposed by the Board of Directors, on the remuneration plans based on financial instruments intended for directors, employees and associates, including therein Key management personnel, pursuant to art. 114-bis of the Consolidated Law on Finance.

### 2.2 Board of Directors

The Board of Directors:

- (i) determines, in observance of the resolutions of the Shareholders' Meeting, on the proposal of the Remuneration and Appointments Committee and after consultation with the Board of Statutory Auditors:
  - the fixed remuneration attributed for the office to each member of the Board of Directors (including that of the Chairman, as well as the Vice Chairman and the Honorary Chairman if appointed);



- the *ad hoc* fees attributed to members of board committees, based on the respective commitment;
  - the fixed and variable fees attributed to the Executive Directors on the basis of the specific positions;
  - fixed and variable remuneration attributed to the General Manager.
- (ii) with the support of the Remuneration and Appointments Committee: (a) draws up, in compliance with the law and regulations in force at the time, as well as with the principles and recommendations of the Corporate Governance Code, the remuneration policy for directors, any general managers, statutory auditors and key management personnel, applying a transparent procedure and ensuring that the same is directed towards pursuing Sustainable Success and takes into account the need to possess, retain and motivate people with the expertise and the professionalism required for the position held in the Company; (b) ensures that the remuneration paid and accrued is consistent with the principles and the criteria defined in the policy, in light of the results achieved and of other circumstances relevant to its implementation;
- (iii) on the proposal of the Remuneration and Appointments Committee, approves the Remuneration Report to be submitted to the Shareholders' Meeting, pursuant to art. 123-ter of the Consolidated Law on Finance;
- (iv) where deemed appropriate and in line with the remuneration policy, prepares, with the help of the Remuneration and Appointments Committee:
- the medium/long-term monetary incentive plans and oversees their implementation through the Remuneration and Appointments Committee; and/or
  - the remuneration plans based on shares or other financial instruments, and presents them to the shareholders' meeting for approval, pursuant to art. 114-bis of the Consolidated Law on Finance and, based on an authorisation of the shareholders' meeting, handles its implementation by availing itself of the Remuneration and Appointments Committee;
- (v) consistently with the Remuneration Policy and on the proposal of the Remuneration and Appointments Committee, defines the objectives and approves the company results and the performance plans to which the determination of the variable remuneration of directors holding special roles is related, where applicable;
- (vi) defines, consistently with the Remuneration Policy and on the proposal of the CEO, based on the prior favourable opinion of the Control and Risk Committee, as well as having consulted the Board of Statutory Auditors, the remuneration of the Manager of the Company's Internal Audit function, in consideration of the salary policies of the same company.
- (vii) the occasion of the termination of office and/or the dissolution of the relationship with an Executive Director or, if present, the General Manager, discloses through a press release, circulated to the market after the result of internal processes leading to the attribution or recognition of any indemnities and/or other benefits, the detailed information recommended by the Corporate Governance Code.

For the purposes of proper functioning and effective organisation, the Board establishes the Remuneration and Appointments Committee internally, in compliance with the principles indicated in the Corporate Governance Code, defining its rules as well as any procedures that may be appropriate for the functioning of the Committee itself, in particular in order to ensure an effective management of the information to be provided before its meetings.

## 2.3 Remuneration and Appointments Committee

The Remuneration and Appointments Committee:

- (i) assists the Board in drawing up the remuneration policy for members of the Board of Directors, of any general managers, and of top management and the other key management personnel, as well as, based also on the provisions of article 2402 of the Italian civil code, of the members of the Board of Statutory Auditors;
- (ii) submits the report on remuneration and compensation policy, pursuant to article 123-ter of the Consolidated Law on Finance to the approval of the Board, and, in particular the Remuneration Policy, for its submission to the Shareholders' Meeting called to approve the financial statements for the year, in the terms envisaged by law;
- (iii) formulates proposals or expresses opinions on the remuneration of the Company's Executive Directors and other directors who fulfil particular roles as well as on the establishment of performance targets relating to the variable component of said remuneration;
- (iv) formulates proposals or expresses opinions on the remuneration of the members of the Committees established by the Board of Directors within itself;
- (v) monitors the correct application of the Remuneration Policy and checks, in particular, that the performance targets linked to the variable remuneration of the executive directors have actually been achieved;
- (vi) periodically assesses the adequacy and overall consistency of the Remuneration Policy of directors and top management, making use of the information provided by the Chief Executive Officers through the Group Human Resources Department;
- (vii) supports the Board of Directors in the preparation and implementation of (a) remuneration plans based on shares or other financial instruments and (b) medium/long-term incentive plans;
- (viii) carries out the tasks assigned to it pursuant to the OPC Procedure.

For further information on the Remuneration and Appointments Committee, please refer to Section 8.2 of the Company's "Report on corporate governance and ownership structure" relating to the financial year 2022, made available to the public at the registered office and on the Company's website at address [www.luvegroup.com](http://www.luvegroup.com) in the section "Investor Relations" - "Corporate governance & shareholders" - "For shareholders" - "Shareholders' meeting" - "Shareholders' meeting of 28 April 2023", as well as on the authorised storage mechanism *eMarket Storage*, which can be consulted at address [www.emarketstorage.com](http://www.emarketstorage.com).

## 2.4 Managing Directors

The CEO, in collaboration with the COO:

- (i) presents the Remuneration and Appointments Committee with proposed medium/long-term incentive plans for Key management personnel, including any plans based on financial instruments or, if applicable, supports the Committee in the drafting of said plans;
- (ii) prepares and implements, also with the collaboration of the General Manager and the Group's Human Resources Department: (a) salary policy initiatives for the individual manager, based on the manager's position in the company organisation, professional skills, performance, growth potential, on the market, all in accordance of the amounts allocated in the budget; (b) the incentive systems to which to link the accrual of the annual MBOs of the Key management personnel and other managers;
- (iii) provides the Remuneration and Appointments Committee with all information useful in order to allow the assessment of the adequacy and practical application of the Remuneration Policy.

## 2.5 Board of Statutory Auditors

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

- (i) it formulates the opinions required by law and the Corporate Governance Code; in particular, it expresses its opinion with reference to the proposed remuneration of the directors vested with special roles, pursuant to art. 2389, paragraph 3, of the Italian Civil Code, as well as the opinion relating to the remuneration of the Manager of the Internal Audit function; in expressing the opinions, it verifies the consistency of the proposals formulated by the Remuneration and Appointments Committee to the Board of Directors with the Remuneration Policy approved;
- (ii) at the invitation of the Remuneration and Appointments Committee, through its Chairman or another statutory auditor designated by the latter, participates in the meetings of the Committee itself, which all statutory auditors may in any case attend.

## 2.6 Independent experts

No independent experts contributed to the preparation of the Remuneration Policy.

## 2.7 Process for the definition and approval of the Remuneration Policy

The Remuneration Policy is presented to the Board of Directors for approval annually, on the proposal of the Remuneration and Appointments Committee. In drafting the policy, the Remuneration and Appointments Committee avails itself of the collaboration of the Group Human Resources Department, in order to collect the data in terms of best practices, policies and market salary benchmarks - relating to companies retained comparable by business sector, number of employees and turnover - to be used for a better definition of the Policy in question. For the purposes of defining this Policy, taking into account the internal analyses carried out for the definition of the 2022 remuneration policy and the Guidelines of the new 2023-2025 LTI Plan, the

benchmark data were taken from the analysis of remuneration positioning (marketing assessment) carried out by OD&M Consulting, a company specialised in remuneration analysis, on a sample of 51 Italian companies listed on the Italian Stock Exchange, belonging to the industrial sector and homogeneous with regard to size and complexity both in terms of turnover and number of employees.

The Board of Directors, having examined and approved the Policy, submits it to the Shareholders' Meeting for a binding vote, pursuant to and in accordance with art. 123-*ter* of the Consolidated Law on Finance, making it available to the public at least 21 days before the date of the Shareholders' Meeting on its website and with the other means envisaged by current legislation.

For the purposes of preparing this Policy, the Remuneration and Appointments Committee, in the exercise of its duties, met to define its structure and contents in the meetings of 16 January 2023, 9 and 22 February 2023 and 8 March 2023.

The Policy was then submitted to the Board of Directors for approval on 14 March 2023, together with the other parts of this Report.

### 3. POLICY DESCRIPTION

#### 3.1 Remuneration of members of the Board of Directors

With the Shareholders' Meeting called to approve the financial statements as at 31 December 2022, the mandate of the Board of Directors of the Company in office at the date of this Report comes to an end; therefore, the remuneration for the directors will be resolved, pursuant to art. 2389, Italian Civil Code, and art. 15.6 of the Articles of Association of LU-VE in force, by the Shareholders' Meeting at the same time as the renewal of the Board of Directors.

To this end, the Board of Directors prepared the Policy described in this paragraph 3 of the Report to be submitted to the Shareholders' Meeting, defining the principles and criteria to be followed for the determination of the amounts due to each, in compliance with the decisions taken in this regard by the Shareholders' Meeting.

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

The Remuneration Policy adopted by the Company and submitted to the binding vote of the Shareholders' Meeting envisages, in observance of the principles and recommendations of the Corporate Governance Code, a fixed fee for the office of Director and an additional fixed fee, supplemented, if necessary, by an additional fee as an attendance bonus for meetings, for participation in the committees set up within the Board of Directors, proportional to the commitment such entailed.

The fee for participation in each of the Committees that the new Board of Directors will decide to establish internally, will be established by the same Board so that any maximum total amount resolved by the Shareholders' Meeting for the fixed remuneration of the members of all Board committees is complied with, also taking into account the commitment required from the members of the individual committees.

No variable fees were allocated to the Non-Executive Directors.

##### *3.1.2 Remuneration of the Chairman, the Vice Chairman and any Honorary Chairman*

The Remuneration Policy envisages the attribution to the Chairman and any Vice Chairman of a fixed remuneration, specific for the office, in addition to the one envisaged for all the Directors in general and any remuneration attributed to them in their capacity as Executive Directors.

In the event of the appointment of the Honorary Chairman, the Board of Directors may, after consulting the Board of Statutory Auditors, establish a fixed remuneration for this role, which will be added to that paid if this also holds the office of member of the Board of Directors.

##### *3.1.3 Remuneration of Executive Directors*

The Remuneration Policy envisages a fee for the Executive Directors, based on the commitment required of them.

This remuneration, identified by the Board of Directors on the proposal of the Remuneration and Appointments Committee, after consulting the Board of Statutory Auditors, will be set in compliance with the provisions of the Shareholders' Meeting and the principles of this Policy, both for the fixed component and for the variable component: the Remuneration and Appointments

Committee will formulate the related proposal to the Board of Directors, also taking into account the principles and recommendations of the Corporate Governance Code, as well as the findings of the analyses conducted in relation to the benchmarks examined (see paragraph 2.7 of this Section I above), for the purpose of assigning a remuneration package in line with market values for similar roles.

The structure of the remuneration to be attributed to the Executive Directors consists of:

- (i) a fixed component which guarantees an adequate and certain basic remuneration for the activity performed, and which is established in consideration of the role and of the activity performed for the Company as well as of the responsibilities attributed;
- (ii) a short-term variable component (“MBO”) linked to the attainment of specific performance targets (for more details, refer to the content of paragraph 3.4 of this Section I);  
a medium/long-term variable component (“LTI”) is only applicable to Executive Directors, also linked to the attainment of preset performance targets, defined in quantitative terms (for more details, refer to the content of paragraph 3.5 of this Section I).

For Executive Directors, the fixed component of the remuneration remunerates the position held in terms of the scope of the responsibilities and the business impact, reflecting the experience, skills and expertise required for each position, as well as the overall quality of the contribution to the business results.

The variable component of the remuneration is targeted at recognising the results achieved by the Executive Directors, establishing a link between fees and performance. With a view to enhancing the achievement of long-term sustainable value, also through the Remuneration Policy, the Board of Directors - on the proposal of the Remuneration and Appointments Committee and with the favourable opinion of the Board of Statutory Auditors - has identified targets that are able not only to direct the behaviour of the Executive Directors towards results, such as turnover, which are more closely linked to annual performance, but also to build the foundations for a future sustainable and balanced growth: (a) from an economic standpoint, in terms of profitability (EBITDA) and debt to profitability ratio (NFP/EBITDA); (b) with regard to strategic development (with the inclusion of the profitability (EBITDA) of the US subsidiary Zyklus); (c) for the well-being of the people that work in the Group, also due to the inclusion in the MBOs of the Executive Directors, of parameters linked to the rate of accidents, with a view to heightening awareness of the working conditions of Group employees and their safety; and finally (d) with regard to commitment in the area of sustainability, with the introduction among the targets of parameters related to the reduction of direct emissions (Scope 1 and Scope 2) given the same consolidated EBITDA.

Short-term incentives (MBO) are also defined in light of the specific features of the individual roles held by Executive Directors, while medium to long-term incentives (LTI) addressed to the Chief Executive Officer (CEO) and Chief Operating Officer (COO) are structured in a unitary form, so as to align interests with the creation of value for the Group in the medium/long term.

Maximum limits are established for both the variable component to be paid, for both MBOs and LTI. The following paragraphs illustrate, for the Executive Directors, the paymix range, or the percentage weight of the different components with respect to total remuneration. In this regard, it should be clarified that the percentages of the short-term variable component (MBO) and of the medium/long-term variable component (LTI) have been calculated at their minimum value,

assuming failure to reach the entry points, for both MBO and LTI and, at their maximum value, assuming results including the over-performances set for MBO and LTI.

PAYMIX OF EXECUTIVE DIRECTORS				
OFFICE	Scenario	FIXED	SHORT-TERM VARIABLE COMPONENT (MBO)	MEDIUM/LONG-TERM VARIABLE COMPONENT (LTI)
<b>Chief Executive Officer (CEO)</b>	Minimum	100%	0%	0%
	Target	51%	36%	13%
	Max	47%	38%	15%
<b>Chief Operating Officer (COO)</b>	Minimum	100%	0%	0%
	Target	51%	36%	13%
	Max	47%	38%	15%
<b>Other Executive Directors</b>	Minimum	100%	0%	–
	Target	51%	49%	–
	Max	47%	53%	–

In accordance with the provisions of the Corporate Governance Code, the application of a “claw-back” clause is envisaged for the variable component of the Remuneration of Executive Directors (which envisages the return of all or part of the amounts paid), as well as a “malus” clause (which envisages the non-payment of remuneration accrued but not yet paid), when said amounts paid or accrued have been determined on the basis of data which, in the subsequent three years, has proven to be materially incorrect, or the result of manipulation or illegal conduct.

### 3.2 Remuneration of the General Manager

The remuneration of the General Manager consists of the following elements:

- (i) a annual fixed component (“RAL”), defined according to the chosen positioning in relation to the target market, which guarantees an adequate and certain basic remuneration for the activity performed, established in consideration of the role and of the activity performed for the Company as well as of the responsibilities attributed, the professional level and expertise;

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

Considering the importance of the position held, the fixed component includes amounts awarded for non-compete clauses, the amount of which is proportional to the duration and the constraints envisaged in said clause;

- (ii) a short-term annual variable component (“MBO”) which can be achieved when predefined company objectives are met, defined in quantitative terms with reference to the role covered in the company (for more details, please refer to the paragraph 3.4 below), to be disbursed without deferment of the sums accrued;

(iii) a medium/long-term annual variable component (“LTI”) which can be achieved when predefined company objectives are met, defined in quantitative terms (for more details, please refer to the paragraph 3.5 of this Section I).

Also for the General Manager, the fixed component of remuneration rewards the role held in terms of scope of responsibilities and impact on the business, while the variable component of remuneration is aimed at recognising the results achieved, establishing a link between remuneration and performance.

The purpose of the short-term incentives (MBO) is to award the attainment of quantitative and qualitative objectives, also defined in light of the specific nature of the role covered by the General Manager and based on the business plan of the Group. The medium/long-term incentives (LTI) are structured in a way as to align the interests of all individuals involved with the creation of value for the Group in the medium term.

Maximum limits are established for both the variable component to be paid, for both MBOs and LTI.

For the General Manager, the following may be further envisaged: (i) non-monetary benefits (see paragraph 3.6 of this Section I); (ii) on the occasion of recruitment, a one-off entry bonus; (iii) additional one-off monetary bonuses, established by the Board of Directors on the proposal of the CEO and the COO, subject to the favourable opinion of the Remuneration and Appointments Committee, up to a maximum of 25% of the Gross Annual Remuneration relating to the reference period, including the amounts awarded for non-compete clauses, to reward individual or collective results that are particularly significant for the Company and for the Group (such as, but not limited to, the finalisation of M&A transactions or significant and/or extraordinary transactions or projects during the year) that are of significant importance for the development of the Group or one of its divisions).

The following paragraphs illustrate the paymix range for the General Manager, or the percentage weight of the different components with respect to total remuneration. In this regard, it should be clarified that the percentages of the short-term variable component (MBO) and of the medium/long-term variable component (LTI) have been calculated: (i) at their minimum value, assuming failure to reach the entry points, for both MBO and LTI and, (ii) at their maximum value, assuming results including the over-performances set for MBO and LTI.

PAYMIX GENERAL MANAGER			
	Fixed	Short-term variable component (MBO)	Medium/long-term variable component (LTI)
<b>MINIMUM</b>	100%	0%	0%
<b>TARGET</b>	69%	20%	11%
<b>MAX</b>	66%	22%	12%

In the paymix described above, any additional amounts attributed as a one-off bonus were not considered.



In accordance with the provisions of the Corporate Governance Code, the application of a “claw-back” clause is envisaged for the variable component of the Remuneration of the General Manager (which envisages the return of all or part of the amounts paid), as well as a “malus” clause (which envisages the non-payment of remuneration accrued but not yet paid), when said amounts paid or accrued have been determined on the basis of data which, in the subsequent three years, has proven to be materially incorrect, or the result of manipulation or illegal conduct.

### 3.3 Remuneration of Key management personnel

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

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

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

Considering the importance of the position held, the fixed component includes, for certain Key management personnel, amounts awarded for non-compete clauses, the amount of which is proportional to the duration and the constraints envisaged in said clause;

- (ii) a short-term annual variable component ("MBO") which can be achieved when predefined company objectives are met, defined in quantitative terms with reference to the role covered in the company (for more details, please refer to the paragraph 3.4 of this Section I), to be disbursed without deferment of the sums accrued;
- (iii) a medium/long-term annual variable component ("LTI") which can be achieved when predefined company objectives are met, defined in quantitative terms (for more details, please refer to the paragraph 3.5 of this Section I).

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

The variable component of the remuneration is targeted at recognising the results achieved by management, establishing a link between fees and performance.

The purpose of the short-term incentives (MBO) is to award the attainment of quantitative and qualitative objectives, also defined in light of the specific nature of the roles covered by the Key management personnel within the organisation. The medium/long-term incentives (LTI) are structured in a unitary form, so as to align the interests of all individuals involved with the creation of value for the Group in the medium term.

Maximum limits are established for both the variable component to be paid, for both MBOs and LTI.

For Key management personnel, the following may be further envisaged: (i) non-monetary benefits (see paragraph 3.6 of this Section I); (ii) on the occasion of recruitment, a one-off entry bonus; (iii)

additional one-off monetary bonuses, established by the Board of Directors, subject to the favourable opinion of the Remuneration and Appointments Committee, on the proposal of the CEO and the COO, formulated in agreement with the General Manager, up to a maximum of 25% of the Gross Annual Remuneration relating to the reference period, including the amounts awarded for non-compete clauses, to reward individual or collective results that are particularly significant for the Company and for the Group (such as, but not limited to, the finalisation of M&A transactions or significant and/or extraordinary transactions or projects during the year) that are of significant importance for the development of the Group or one of its divisions).

Key management personnel may be assigned, directly by the Group’s subsidiaries, remuneration for any offices held in their management bodies.

The following paragraphs illustrate, for all Key management personnel, the cumulative paymix range or the percentage weight of the different components with respect to total remuneration. In this regard, it should be clarified that the percentage of average values of the short-term variable component (MBO) and of the medium/long-term variable component (LTI) have been calculated, at their minimum value, assuming failure to reach the entry points, for both MBO and LTI, at their maximum value, assuming results including the over-performances set for MBO and LTI.

PAYMIX OF KEY MANAGEMENT PERSONNEL			
	Fixed	Short-term variable component (MBO)	Medium/long-term variable component (LTI)
<b>MINIMUM</b>	100%	0%	0%
<b>TARGET</b>	72%	17%	11%
<b>MAX</b>	67%	21%	12%

The paymix described above does not include any additional amounts attributed as a one-off bonus, nor any remuneration attributed for any offices held in the management bodies of the same.

In accordance with the provisions of the Corporate Governance Code, the application of a “claw-back” clause is envisaged for the variable component of the Remuneration of Key management personnel (which envisages the return of all or part of the amounts paid), as well as a “malus” clause (which envisages the non-payment of remuneration accrued but not yet paid), when said amounts paid or accrued have been determined on the basis of data which, in the subsequent three years, has proven to be materially incorrect, or the result of manipulation or illegal conduct.

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

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

### 3.4 Short-term incentives: the annual variable component (MBO)

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

- (i) focus the action of management towards strategic objectives in keeping with the priorities set by the Board of Directors;
- (ii) motivate the contribution of each individual to not only financial indicators, but also financial and sustainability ones through an incentive;
- (iii) motivate both the achievement of targets - awarding a part of the fee even if the assigned target is not fully achieved, but an "entry point" is passed - and exceeding them - awarding an additional amount in the event of over-performance. The Remuneration Policy both for Executive Directors and for Key management personnel therefore envisages that all objectives are linked to a performance scale, with a minimum objective, below which the Company does not pay any remuneration component, and with a maximum objective, above which the Company will always pay the maximum amount established.

#### 3.4.1 Annual variable component for Executive Directors

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

- consolidated EBITDA (50%)
- consolidated TURNOVER (10%)
- NET FINANCIAL POSITION/EBITDA RATIO (25% and, for the COO only, 15%).

The remaining 15% and, for the COO only, 25% of the short-term variable component is linked to the achievement of sustainability objectives:

- INCIDENT RATE (10%, and for the COO only, 15%) to be recorded during 2023, considered from three different points of view (at overall Group level, in the Italian plants and in European ones), to be evaluated on the basis of the trend in the accident ratios, such as rate, frequency and severity;
- REDUCTION OF SCOPE 1 AND SCOPE 2 EMISSIONS given the same consolidated EBITDA (5% and, for the COO only, 10%).

With regard to the aforementioned performance objectives, it should be noted that:

- for the "Net Financial Position (NFP)/EBITDA ratio", the performance scale should be read in opposite terms (meaning the target is lower indebtedness).
- for the "Reduction of emissions", incentives are given to increase the ratio between consolidated EBITDA and total Scope 1 and Scope 2 emissions, i.e. profitability per unit of issue with respect to a reference base value.

The weight of the MBO (expressed in percentage terms) linked to the short-term results with respect to the total remuneration approved by the Board of Directors, on the proposal of the

Remuneration and Appointments Committee, and having consulted the Board of Statutory Auditors, cannot exceed a maximum of 38% for the CEO and the COO and 53% for any other Executive Directors.

The amount of the MBO to be paid to Executive Directors will be calculated on the basis of the assessment criteria shown in the following tables:

<b>2023 MBO TARGETS CEO and any other Executive Directors</b>	<b>WEIGHT</b>	<b>ENTRY POINT</b>	<b>TARGET LEVEL</b>	<b>MAX. LEVEL</b>	<b>MAX. WEIGHT</b>
Consolidated EBITDA	50.00%	90.00%	100.00%	120.00%	60.00%
Consolidated TURNOVER	10.00%	90.00%	100.00%	110.00%	11.00%
NET FINANCIAL POSITION/EBITDA RATIO (consolidated data)	25.00%	90.00%	100.00%	110.00%	27.50%
Reduction of Scope 1 and Scope 2 emissions in relation to consolidated EBITDA	5.00%	90.00%	100.00%	110.00%	5.50%
GROUP ACCIDENT RATE	5.00%	90.00%	100.00%	110.00%	5.50%
ACCIDENT RATE IN ITALY	2.50%	90.00%	100.00%	110.00%	2.75%
ACCIDENT RATE IN EUROPE	2.50%	90.00%	100.00%	110.00%	2.75%
<b>TOTAL</b>	<b>100.00%</b>	<b>90.00%</b>	<b>100.00%</b>	<b>115.00%</b>	<b>115.00%</b>

\* For interim results, the calculation is linear.

<b>2023 MBO TARGETS COO</b>	<b>WEIGHT</b>	<b>ENTRY POINT</b>	<b>TARGET LEVEL</b>	<b>MAX. LEVEL</b>	<b>MAX. WEIGHT</b>
Consolidated EBITDA	50.00%	90.00%	100.00%	120.00%	60.00%
Consolidated TURNOVER	10.00%	90.00%	100.00%	110.00%	11.00%
NET FINANCIAL POSITION/EBITDA RATIO (consolidated data)	15.00%	90.00%	100.00%	110.00%	16.50%
Reduction of Scope 1 and Scope 2 emissions in relation to consolidated EBITDA	10.00%	90.00%	100.00%	110.00%	11.00%
GROUP ACCIDENT RATE	10.00%	90.00%	100.00%	110.00%	11.00%
ACCIDENT RATE IN ITALY	2.50%	90.00%	100.00%	110.00%	2.75%
ACCIDENT RATE IN EUROPE	2.50%	90.00%	100.00%	110.00%	2.75%
<b>TOTAL</b>	<b>100.00%</b>	<b>90.00%</b>	<b>100.00%</b>	<b>115.00%</b>	<b>115.00%</b>

\* For interim results, the calculation is linear.

To check whether the performance targets have been attained, reference will be made to the data of the Annual Financial Report and the Consolidated Non-Financial Statement of the LU-VE S.p.A. Group relating to the year of reference, net of any non-recurring components and any variable emoluments accrued by Executive Directors, as approved by the competent corporate bodies. As for turnover, the data that will be considered is that relating to product turnover.

### 3.4.2 Annual variable component for the General Manager

Taking into account the tasks and responsibilities assigned to the General Manager, the quantitative MBO objectives are represented by:

- consolidated EBITDA (50%)
- consolidated TURNOVER (10%)
- NET FINANCIAL POSITION/EBITDA RATIO (25%)

The remaining 15% of the short-term variable component is linked to the achievement of sustainability objectives:

- INCIDENT RATE (10%) to be recorded during 2023, considered from three different points of view (at overall Group level, in the Italian plants and in European ones), to be evaluated on the basis of the trend in the accident ratios, such as rate, frequency and severity;
- REDUCTION OF SCOPE 1 AND SCOPE 2 EMISSIONS given the same consolidated EBITDA (5%).

With regard to the aforementioned performance objectives, it should be noted that:

- for the "Net Financial Position (NFP)/EBITDA ratio", the performance scale should be read in opposite terms (meaning the target is lower indebtedness);
- for the "Reduction of emissions", incentives are given to increase the ratio between consolidated EBITDA and total Scope 1 and Scope 2 emissions, i.e. profitability per unit of issue with respect to a reference base value.

For the General Manager, the weight of the MBO (expressed as a percentage) with respect to the Gross Annual Remuneration, including the amounts awarded for non-compete clauses, cannot exceed a maximum of 34%.

The amount of the MBO to be paid to the General Manager will be calculated on the basis of the assessment criteria shown in the following table:

2023 MBO TARGETS (GENERAL MANAGER)	WEIGHT	ENTRY POINT	TARGET LEVEL	MAX. LEVEL	MAX. WEIGHT
Consolidated EBITDA	50.00%	90.00%	100.00%	120.00%	60.00%
Consolidated TURNOVER	10.00%	90.00%	100.00%	110.00%	11.00%
NET FINANCIAL POSITION/EBITDA RATIO (consolidated data)	25.00%	90.00%	100.00%	110.00%	27.50%
Reduction of Scope 1 and Scope 2 emissions in relation to consolidated EBITDA	5.00%	90.00%	100.00%	110.00%	5.50%
GROUP ACCIDENT RATE	5.00%	90.00%	100.00%	110.00%	5.50%
ACCIDENT RATE IN ITALY	2.50%	90.00%	100.00%	110.00%	2.75%
ACCIDENT RATE IN EUROPE	2.50%	90.00%	100.00%	110.00%	2.75%
<b>TOTAL</b>	<b>100.00%</b>	<b>90.00%</b>	<b>100.00%</b>	<b>115.00%</b>	<b>115.00%</b>

\* For interim results, the calculation is linear.

To check whether the performance targets have been attained, reference will be made to the data of the Annual Financial Report and the Consolidated Non-Financial Statement of the LU-VE S.p.A. Group relating to the year of reference, net of any non-recurring components and any variable emoluments accrued by Executive Directors, as approved by the competent corporate bodies. As for turnover, the data that will be considered is that relating to product turnover.

### 3.4.3 Annual variable component for Key management personnel

For Key management personnel, the weight of the MBO (expressed in percentage terms) with respect to the Gross Annual Remuneration, including the amounts awarded for non-compete clauses, cannot exceed a maximum of 32%.

The amount of the MBO to be paid to Key management personnel will be calculated on the basis of the assessment criteria shown in the following table:

Performance Targets			% Achievement of Performance Targets		% MBO to be paid**
• Company target	20% 25%	- EBITDA	< 95%		0%
			100%		100%
			110%		160%
• Individual targets	65% 70%	- • Numerical*	<80%	<90% ***	0%
			100%	100%	100%
			120%	110%	120%
		• Ordinary projects	Target not reached		0%
			Target reached 100 <i>over performance</i>		100%
					110%
• Behavioural targets	10%		Target not reached		0%
			Target reached 100 <i>over performance</i>		100%
					110%
* For intermediate results, the calculation is complex					
** The total amount of MBO payable cannot exceed 130%.					
*** Calculation scale for Head of Sales					

To check whether the performance targets have been attained, reference will be made to the data of the Annual Financial Report and the Consolidated Non-Financial Statement of the LU-VE S.p.A. Group relating to the year of reference, net of any non-recurring components and any variable emoluments accrued by Executive Directors, as approved by the competent corporate bodies. As for turnover, the data that will be considered is that relating to product turnover.

### 3.5 Medium/long-term incentives

At its meeting of 14 March 2023, the Board, having consulted with the Board of Statutory Auditors, positively considered the 2023-2025 LTI Plan Guidelines formulated by the Remuneration and Appointments Committee in agreement with the Managing Directors for the part falling within their competence, for a new 2023-2025 LTI Plan (replacing the 2020-2022 LTI Plan, which expired on 31 December 2022) aimed at the Managing Directors (CEO and COO), the General Manager, Key management personnel and, possibly, selected Group managers.

In line with the founding principles of the Remuneration Policy, the Guidelines provide for the purpose of the 2023-2025 LTI Plan to be:

- to enable a correlation between management remuneration and value creation for shareholders in the medium/long-term, combining growth with sustainability;
- to focus management on achieving the Group's three-year objectives;
- to ensure the motivation and retention of the General Manager and Key management personnel as well as of other Group managers, by linking the economic incentive of the Plan to the continuation of employment with the Group.

The Guidelines require the 2023-2025 LTI Plan:

- to be addressed to the Managing Directors (CEO and COO), General Manager, Key management personnel, and, where applicable, a limited number of Group Managers identified by the Board of Directors on the proposal of the Managing Directors, following consultation with the Remuneration and Appointments Committee;
- to award a cash bonus based on the achievement of the Group's performance objectives in the three-year period of 2023-2025 (three-year vesting period), whose payment shall be conditional: *(i)* for the Managing Directors, on their remaining in office as at 31 December 2025, and *(ii)* for the General Manager and Key management personnel as well as other manager beneficiaries, on remaining in employment for the entire three-year period of 2023-2025.

The performance objectives that must be achieved for the payment of the cash bonus, have been identified by the Board of Directors on the proposal of the Remuneration and Appointments Committee, after consulting the Board of Statutory Auditors as the following parameters and weights:

- consolidated EBITDA (cumulative three-year value)– 50%;
- consolidated TURNOVER (cumulative three-year value)– 20%;
- NET FINANCIAL POSITION/EBITDA RATIO (average value for the three-year period and value for 2025) – 15%;
- EBITDA of the subsidiary Zyklus (three-year cumulative value) – 5%;
- REDUCTION OF SCOPE 1 AND SCOPE 2 EMISSIONS given the same consolidated EBITDA – 10%.

The targets relating to the aforementioned performance objectives are identified by the Board of Directors, on the proposal of the Remuneration and Appointments Committee, after hearing the

opinion of the Board of Statutory Auditors: (i) in relation to the reduction of Scope 1 and Scope 2 emissions, given the same EBITDA; (ii) in relation to the EBITDA of Zyklus, on the basis of the data of the 2023-2028 business plan of Zyklus approved by the Board of Directors on 23 February 2023, as well as (iii) in relation to all other objectives, on the basis of the data of the 2023-2026 business plan of the Group approved by the Board of Directors on 23 February 2023.

According to the Guidelines, the Regulation of the 2023-2025 LTI Plan - which will be approved by the Board of Directors on the proposal of the Remuneration and Appointments Committee, subject to the approval of this Policy by the Shareholders' Meeting - shall include the possibility for the set targets to be adjusted in case of significant changes to the Group (e.g. significant acquisitions and disposals) or other extraordinary events, at the resolution of the Board of Directors taken on the proposal of the Remuneration and Appointments Committee and after hearing the opinion of the Board of Statutory Auditors to the extent of its competence.

At the end of the three-year period, the Board of Directors will verify the achievement of the targets, on the proposal of the Remuneration and Appointments Committee, following consultation with the Board of Statutory Auditors for the Managing Directors, and on the proposal of the Remuneration and Appointments Committee for the other beneficiaries.

The Guidelines require the amount of the cash bonus to be paid to each beneficiary to be calculated on the basis of the assessment criteria shown in the following table:

PERFORMANCE TARGETS	WEIGHT	ENTRY POINT	TARGET LEVEL	MAX. LEVEL	MAX. WEIGHT
2023-2025 cumulative EBITDA compared to Cumulative EBITDA Target	50.00%	90.00%	100.00%	120.00%	60.00%
Cumulative Turnover 2023-2025 compared to Cumulative Target Turnover	20.00%	90.00%	100.00%	110.00%	22.00%
The 2025 NFP/EBITDA ratio compared to the average of the 2023-2025 Target NFP/target EBITDA ratio	15.00%	90.00%	100.00%	110.00%	16.50%
2023-2025 cumulative ZYKLUS EBITDA compared to Cumulative Target ZYKLUS EBITDA	5.00%	90.00%	100.00%	120.00%	6.00%
Reduction of scope 1 and 2 emissions given the same consolidated EBITDA	10.00%	90.00%	100.00%	110.00%	11.00%
<b>total</b>	<b>100.00%</b>	<b>90.00%</b>	<b>100.00%</b>	<b>115.50%</b>	<b>115.50%</b>

\* For interim results, the calculation is linear.

When approving the Guidelines of the 2023-2025 LTI Plan, the Board of Directors also indicated that the Regulation of the 2023-2025 LTI Plan shall, subject to the justified proposal of the Remuneration and Appointments Committee, after hearing the opinion of the Board of Statutory Auditors with regard to the Managing Directors, and based on the motivated proposal of the latter, consulting the Remuneration and Appointments Committee for the other beneficiaries, grant the Board of



Directors the power to allow the payment of the cash bonus, even if the performance targets are partially achieved or not achieved, to an extent that the Board of Director shall define.

For the Managing Directors, the weight of the LTI (expressed in percentage terms) linked to the medium/long-term results and the short-term variable component (MBO) cannot exceed a maximum of 53% of the total remuneration (calculated at the maximum value assuming that the results including the over-performance set are attained).

For the purposes of verifying the achievement of the performance objectives, reference will be made to the data in the Annual Financial Reports and the Consolidated Non-Financial Statements of the LU-VE S.p.A. Group relating to each year of the three-year period 2023-2025 and the related preparatory documentation, purified by any extraordinary components and any variable remuneration accrued by the Executive Directors, as approved by the competent corporate bodies. As for turnover, the data that will be considered is that relating to product turnover.

For the General Manager and Key management personnel, the weight of the LTI (expressed in percentage terms) with respect to the Gross Annual Remuneration, including the amounts awarded for non-compete clauses, cannot exceed a maximum of 18% (calculated at the maximum value assuming that the results including the over-performance set are attained).

The Guidelines define that the Plant shall envisage the award, by the end of May 2026, of 60% of the bonus accrued and the deferral of the remaining portion of 40% at the end of December 2026 (namely 12 months after the end of the financial year in which performance was measured).

### **3.6 Non-monetary benefits**

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

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

Lastly, for the General Manager and for certain Key management personnel and executives who work in Group companies, in specific cases, other benefits may be envisaged, such as, for example, the payment of expenses for home services and/or school expenses for their children.

### 3.7 Indemnity in case of termination of office or termination of the employment relationship.

#### 3.7.1 Indemnity

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

With regard to the General Manager and the Key management personnel, the Company makes a quarterly payment (20 January; 20 April; 20 July; 20 October) to the supplementary pension fund chosen by the executive in accordance with the National Collective Contract applied (for industry executives), equal to the percentage of the severance benefit accrued and the additional contribution envisaged contractually.

Furthermore, based on the applicable collective bargaining agreements, if the employer terminates the employment relationship, the executive has the right to a notice period (which increases with years of service); if the notice period is not respected, the company must pay the indemnity corresponding to the notice period not granted. If the termination of the employment relationship is declared as unjustified, the executive has the right to an additional indemnity, which also increases with years of service, based on regulatory provisions. In the event of a challenge by the Key management personnel of the termination communicated by the employer, the Company may initiate negotiations aimed at an out-of-court settlement of the challenge, in order to avoid the emergence of potentially lengthy and costly legal disputes, always having as its primary objective to guarantee the Company's interest.

For the General Manager, it is stipulated that, in the event the Company terminates the employment relationship for reasons not inherent to just cause, the Company shall pay the General Manager, in addition to the direct and indirect amounts accrued and the contractual notice period, an additional amount equal to ten months of the Gross Annual Remuneration.

#### 3.7.2 Effects on rights assigned as regards monetary incentive plans

- Short-term incentives (MBO)

The right to the annual variable component of remuneration (MBO) and to the relative cash payment is usually forfeited in the event of termination of employment, on the initiative of either the beneficiary or the company, in the year of reference. For the General Manager and the Key management personnel, the accrual and the payment of the variable MBO component is conditional on still being in employment on 31 January of the year following the reference year.

There may be more restrictive clauses envisaged in individual contracts, and equally more favourable conditions may be agreed at the time of the termination of employment.

- Medium/long-term incentives (2023-2025 LTI)

According to the 2023-2025 LTI Plan Guidelines, the Plan Regulation must include the following provisions:

- that the right to receive the bonus, even on a pro-rata basis, is forfeited, if at the end of the vesting period the beneficiary is no longer in employment with the Company or with a company belonging to the Group for whatsoever reason, or is in a notice period, that is worked or otherwise, or in similar circumstances that may be applicable by law or by contract;

- the power of the Board of Directors, on the proposal of the Remuneration and Appointments Committee, after consulting the Board of Statutory Auditors for the Managing Directors, and on the proposal of the Managing Directors, after consulting the Remuneration and Appointments Committee for the other beneficiaries - to assess, at its discretion, whether the bonus should be fully or partly paid, in the event in which the relevant employment relationship is terminated due to: (i) expiry of the mandate as Company director; (ii) consensual termination by mutual consent; (iii) access by the beneficiary to a pension fund, contribution for years of service or for invalidity on condition that this leads to a termination of employment;
- the payment of the bonus to the beneficiary (or to his/her legitimate heirs or to those entitled) in the event of the termination of the relevant employment relationship due to death or a debilitating event, such that the beneficiary can no longer continue working, for the period between the start date of participation in the plan and the date on which employment ended.

### **3.8 Remuneration of members of the Board of Statutory Auditors**

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

The mandate of the Board of Statutory Auditors expires with the Shareholders' Meeting called to approve the financial statements as at 31 December 2022: therefore, the fees for the statutory auditors for the three-year period 2023-2025 will be resolved again by the Shareholders' Meeting at the same time as the renewal of the Board of Statutory Auditors.

In this regard, the Shareholders and persons entitled to vote are invited to read the report drawn up by the outgoing Board pursuant to the "Code of conduct for the Board of Statutory Auditors of listed companies" issued by the Italian Board of Professional Accountants, referring in particular to Standard Q.1.6., "Remuneration". This report will be made available to the public as an annex to the *Explanatory Report of the Board of Directors on the proposals on the agenda of the ordinary and extraordinary Shareholders' Meeting called for 28 April 2023 in single call*, available from 17 March 2023 also on the Company's website at [www.luvegroup.com](http://www.luvegroup.com) in the section "Investor Relations" - "Corporate governance and shareholders" - "For shareholders" - "Shareholders' Meeting" - "Shareholders' Meeting of 28 April 2023".

### **3.9 Remuneration of the Manager of the Internal Audit function**

For the sake of transparency, the remuneration of the Manager of the Internal Audit function is comprised by a fixed component and a short-term variable component (MBO), consistent with the functions assigned by the Board of Directors, allocated on the proposal of the CEO, with the approval of the Control and Risk Committee, after consulting the Board of Statutory Auditors.

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

### 3.10 Permitted exemptions to this policy

In the event of Exceptional Circumstances (meaning, by way of example but not limited to such): (i) the need to replace or enter an Executive Director or a Key Manager, due to unforeseen events and/or based on the development of the Group, and to have to rapidly negotiate a remuneration package, where the restrictions imposed by the approved Policy could limit the Company's opportunity to attract managers with the appropriate expertise to manage the business; (ii) significant changes in the scope of the business activity during the validity of the Remuneration Policy, such as the sale of a business/division on which the performance targets of the Remuneration Policy were based, or the acquisition of a significant business not contemplated in the preparation of said Policy; (iii) the occurrence, at national or international level, of extraordinary and unforeseeable events, regarding the Company and/or the sectors and/or the markets it operates in, which have a significant impact on the Company's results, the Board of Directors may exempt the following elements of this Policy, in order to pursue the long-term interests and sustainability of the Company as a whole or to ensure its ability to stay in the market:

- performance targets and/or respective weights, relating to the annual variable components (MBO) and to the medium/long-term monetary incentives (LTI).

These exemptions may be resolved by the Board of Directors, on the proposal of, or in any event, after consulting the Remuneration and Appointments Committee, applying the "*Related Party Transactions Procedure*" in force at the Company, even if the exemptions provided for therein should apply.

## **SECTION II**

### **FEES PAID IN 2022 AND OTHER INFORMATION**

## 1. PART ONE

Information on the fees paid in the 2022 financial year to Directors, Statutory Auditors and Key management personnel is provided below. An illustration of some items and further information is also available in Section I of this Report.

In this regard, the compliance of the remuneration policy defined for the 2022 financial year (“2022 Policy”) was verified by the Remuneration and Appointments Committee at the time of the periodic assessment conducted by the same Committee at the meeting held on 8 March 2023. Following the assessment, the Remuneration and Appointments Committee confirmed the consistency and compliance of the remuneration paid to Directors, Statutory Auditors and Key management personnel during 2022 with the 2022 Policy.

### 1.1 Description of the remuneration paid to members of the Board of Directors in the 2022 financial year

The Board of Directors in office during the 2022 financial year was appointed by the Shareholders' Meeting of 29 April 2020, which confirmed the number of its members at 12 (twelve), appointing:

- the Executive Directors, Iginio Liberali (Chairman), Pier Luigi Faggioli (Vice Chairman), Matteo Liberali (CEO), Michele Faggioli (COO); as well as
- Non-Executive Directors, Raffaella Cagliano (independent), Guido Giuseppe Crespi (independent), Anna Gervasoni (independent), Fabio Liberali, Laura Oliva, Stefano Paleari (independent), Roberta Pierantoni and Marco Claudio Vitale.

It should be noted that, on 22 December 2022, the Chairman, Mr. Iginio Liberali, sadly passed away and his duties as Chairman were carried out for the remaining 9 days of the 2022 financial year by the Vice Chairman, Mr. Pier Luigi Faggioli, by virtue of the powers as deputy attributed to him by the Articles of Association.

The Board of Directors meeting held on 29 April 2020, following the Shareholders' Meeting that had resolved on the appointment, confirmed the establishment of two internal committees, appointing the following members:

- for the Control and Risk Committee, the directors Stefano Paleari (Chairman), Anna Gervasoni (independent) and Laura Oliva (non-executive);
- for the Remuneration and Appointments Committee, the directors Stefano Paleari (Chairman), Anna Gervasoni (independent) and Roberta Pierantoni (non-executive).

Following the loss by LU-VE of the "Small company" qualification pursuant to the OPC Regulation, and the regulatory changes introduced by CONSOB to the same OPC Regulation with Resolution no. 21624 of 10 December 2020 in implementation of European directive 2017/828 on the rights of shareholders (Shareholders Rights Directive, "SHRD II"), in the meeting of 29 June 2021 the Board of Directors approved the update to the OPC Procedure providing, among other things, a differentiated procedure for "minor" and "major" transactions that has required the establishment of a new internal board committee made up solely of independent directors, entrusted with

competence in relation to transactions of greater importance; to this end, in the same session of 29 June 2021, the Board of Directors therefore approved the establishment;

- of the Independent Committee, appointing as members the independent directors, Stefano Paleari (with the function of Chairman), Raffaella Cagliano and Guido Giuseppe Crespi.

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

The Shareholders' Meeting held on 29 April 2020 established:

- pursuant to art. 2389, paragraph 3, of the Italian Civil Code, (i) the total maximum annual amount of fixed remuneration, for the entire term in office, of all Directors, including those who are attributed special offices, at Euro 1,850,000.00; and (ii) the total maximum annual amount of variable remuneration, for the entire term in office, at Euro 1,850,000.00, linked to performance indicators, to be attributed to the Directors vested with special roles, bestowing a mandate to the Board of Directors to divide it between the Directors based on the activities performed for the Company.

In accordance with the 2022 Remuneration Policy approved by the Shareholders' Meeting of 29 March 2022, in relation to the year 2022 the Board of Directors - on the proposal of the Remuneration and Appointments Committee and with the favourable opinion of the Board of Statutory Auditors, taking into account the maximum total annual amount resolved by the Shareholders' Meeting of 29 April 2020 for the fixed remuneration of all Directors - attributed the following fees:

- each member of the Board, a remuneration for the 2022 financial year of Euro 20,000.00 *pro rata temporis*;
- an annual fixed fee of Euro 8,000.00 *pro rata temporis* for each office, for the Chairman of the Remuneration and Appointments Committee and of the Control and Risk Committee for the duration of the 2020-2022 three-year mandate;
- an annual fixed fee of Euro 6,000.00 *pro rata temporis* for each of the other two members of said committees for the duration of the 2020-2022 three-year mandate;
- to the Chairman of the Independent Committee an annual fixed remuneration for the year 2022 of Euro 3,000.00;
- to each of the other two members of the same Independent Committee an annual fixed remuneration for the year 2022 of Euro 2,000.00.

### 1.1.2 *Remuneration of the Chairman of the Board of Directors*

In accordance with the 2022 Policy, with regard to 2022, on the proposal of the Remuneration and Appointments Committee and with the favourable opinion of the Board of Statutory Auditors, and taking into account the maximum total annual amount resolved by the Shareholders' Meeting of 29 April 2020 for the fixed remuneration of all Directors, the Board of Directors resolved to attribute to the then Chairman, Mr. Iginio Liberali:

- (i) an annual fixed fee of Euro 280,000.00, in addition to the fixed basic fee of Euro 20,000.00 *pro rata temporis* for the office of director, for the proxies assigned pursuant to art. 2389, par. 3 of the Italian Civil Code, as well as

(ii) an MBO (for a potential maximum value of Euro 275,000.00), linked to the achievement of the following quantitative targets:

- Consolidated EBITDA (weight of 50%)
- Consolidated TURNOVER (weight of 10%)
- NET FINANCIAL POSITION/EBITDA RATIO (with a 30% weight)

The remaining 10% of the Chairman's short-term variable component was tied to the attainment of objectives relating to sustainability topics insofar as related to the total accident rate of the Group and to the accident rate in Italian and European plants during 2022.

The Remuneration and Appointments Committee of LU-VE, in the meeting of 9 February 2023, decided to make a proposal to the Board of Directors for the full recognition of the 2022 MBO to Mr. Iginio Liberali, in view of the fact that, although the management relationship with him ceased in 2022, its proposal was consistent with the 2022 Policy in consideration of the fact that Mr. Iginio Liberali continued to carry out his activities in favour of the Group until the end and that the termination of the relationship occurred due to his death in the last few days of the reference year; therefore, in accordance with the 2022 Policy, for the year 2022, Mr. Iginio Liberali accrued overall:

- (i) as the annual fixed component, the following amounts:
  - Euro 20,000.00, for the office of member of the Board of Directors;
  - Euro 280.000,00, as additional remuneration;
- (ii) as the annual variable component (MBO), the following amount:
  - Euro 268,125.00.

The final value of the MBO was assigned by the Board of Directors on 14 March 2023, on the proposal of the Remuneration and Appointments Committee and with the favourable opinion of the Board of Statutory Auditors, with an average percentage value of 107.25% of the target value, following the achievement of the over-performance set for the EBITDA, Turnover and NFP/EBITDA ratio objectives; as regards the objective of accidents, the entry point relative to the European plants was not reached, while the over-performance was achieved for the accident rates of the Group and of the Italian plants.

Based on the above elements, the fixed remuneration paid to the Chairman for the 2022 financial year corresponded to 1.12 times the variable remuneration (comprised by the MBO).

### 1.1.3 Remuneration of the Vice Chairman of the Board of Directors

In accordance with the 2022 Policy, with regard to 2022, on the proposal of the Remuneration and Appointments Committee and with the favourable opinion of the Board of Statutory Auditors, and taking into account the maximum total annual amount resolved by the Shareholders' Meeting of 29 April 2020 for the fixed remuneration of all Directors, the Board of Directors resolved to attribute to the Vice Chairman:

- (i) an annual fixed fee of Euro 235,000.00, in addition to the fixed basic fee of Euro 20,000.00 pro rata temporis for the office of director, for the proxies assigned to him in the subsidiaries of strategic relevance SEST S.p.A and SEST-LUVE-Polska s.p.zo.o., as well as



(ii) an MBO (for a potential maximum value of Euro 275,000.00), linked to the achievement of the following quantitative targets:

- Consolidated EBITDA (weight of 50%)
- Consolidated TURNOVER (weight of 10%)
- NET FINANCIAL POSITION/EBITDA RATIO (with a 30% weight)

The remaining 10% of the Chairman's short-term variable component was tied to the attainment of objectives relating to sustainability topics insofar as related to the total accident rate of the Group and to the accident rate in Italian and European plants during 2022.

In accordance with the 2022 Policy, for the year 2022, Mr. Pier Luigi Faggioli accrued overall:

(i) as the annual *fixed component*, the following amounts:

- Euro 20,000.00, for the office of member of the Board of Directors;
- Euro 235,000.00, as additional remuneration;

(ii) as the annual *variable component* (MBO), the following amount:

- Euro 268,125.00.

The final value of the MBO was assigned by the Board of Directors on 14 March 2023, on the proposal of the Remuneration and Appointments Committee and with the favourable opinion of the Board of Statutory Auditors, with an average percentage value of 107.25% of the target value, following the achievement of the over-performance set for the EBITDA, Turnover and NFP/EBITDA ratio objectives; as regards the objective of accidents, the entry point relative to the European plants was not reached, while the over-performance was achieved for the accident rates of the Group and of the Italian plants.

To Mr. Pier Luigi Faggioli was also awarded non-monetary benefits corresponding to a value of Euro 6,309.72.

Based on the above elements, the fixed remuneration paid to the Vice Chairman for the 2022 financial year corresponded to 0.95 times the variable remuneration (comprised by the MBO).

#### 1.1.4 *Remuneration of the Chief Executive Officer (CEO)*

In accordance with the 2022 Policy, with regard to 2022, on the proposal of the Remuneration and Appointments Committee and with the favourable opinion of the Board of Statutory Auditors, and taking into account the maximum total annual amount resolved by the Shareholders' Meeting of 29 April 2020 for the fixed remuneration of all Directors, the Board of Directors resolved to attribute to the CEO:

- (i) an annual fixed fee of Euro 500,000.00, in addition to the fixed basic fee of Euro 20,000.00 for the office of director, for the proxies assigned pursuant to art. 2389, par. 3 of the Italian Civil Code, as well as
- (ii) an MBO (for a potential maximum value of Euro 363,000.00), linked to the achievement of the following quantitative targets:
  - Consolidated EBITDA (weight of 50%)
  - Consolidated TURNOVER (weight of 10%)

- NET FINANCIAL POSITION/EBITDA RATIO (with a 30% weight)

The remaining 10% of the Chairman's short-term variable component was tied to the attainment of objectives relating to sustainability topics insofar as related to the total accident rate of the Group and to the accident rate in Italian and European plants during 2022;

(iii) an LTI (for a potential maximum value of Euro 99,000.00), linked to the achievement of the following targets:

- Consolidated EBITDA (weight of 55%)
- Consolidated TURNOVER (weight of 20%)
- NET FINANCIAL POSITION - NFP/EBITDA RATIO (with a 25% weight)

In accordance with the 2022 Policy, for the year 2022, Mr. Matteo Liberali accrued overall:

(i) as the annual fixed component, the following amounts:

- Euro 20,000.00, for the office of member of the Board of Directors;
- Euro 500,000.00, as additional remuneration;

(ii) as the annual variable component (MBO), the following amount:

- Euro 353,925.00;

(iii) as the medium/long-term variable component (2020-2022 LTI), the following amount:

- Euro 74,250.00.

On 14 March 2023 the Board of Directors, on the proposal of the Remuneration and Appointments Committee and with the favourable opinion of the Board of Statutory Auditors, assigned the MBO for the value stated above, paying an average percentage value of 107.25%, following the achievement of the over-performance set for the EBITDA and Turnover objectives, and the exceeding of the entry point for the NFP/EBITDA ratio objective; as regards the objective of accidents, the entry point relative to the Italian plants alone was not reached, while over-performance was achieved for the other European plants.

With regard to the 2020-2022 LTI plan, it should be noted that the so-called vesting period ended on 31 December 2022, with the achievement of the over-performance set for the EBITDA and turnover targets and the failure to achieve the entry point with reference to the target of the NFP/EBITDA ratio. The weighted average percentage of achievement of the target values in the three-year period was therefore defined as 82.50% and the total amount accrued was determined at Euro 215,325.00 gross, which will be disbursed in 2023 at the due dates set forth in the regulation of the 2020-2022 LTI Plan. It should be noted that the amounts set aside in the first two years of the vesting period, calculated on the basis of the results of each of the two years, were recalculated on the basis of the weighted average percentage of achievement of the targets, with consequent partial release of the provisions made.

To Mr. Matteo Liberali was also awarded non-monetary benefits corresponding to a value of Euro 6,212.29.

Based on the above elements, the fixed remuneration paid to the CEO for the 2022 financial year corresponded to 1.21 times the variable remuneration (comprised by the MBO and LTI) accrued in the same year.

### 1.1.5 Remuneration of the Chief Operating Officer (COO).

In accordance with the 2022 Policy, with regard to 2022, on the proposal of the Remuneration and Appointments Committee and with the favourable opinion of the Board of Statutory Auditors, and taking into account the maximum total annual amount resolved by the Shareholders' Meeting of 29 April 2020 for the fixed remuneration of all Directors, the Board of Directors resolved to attribute to the COO:

- (i) an annual fixed fee of Euro 475,000.00, in addition to the fixed basic fee of Euro 20,000.00 for the office of director, for the proxies assigned pursuant to art. 2389, par. 3 of the Italian Civil Code, as well as
- (ii) an MBO (for a potential maximum value of Euro 363,000.00), linked to the achievement of the following targets:
  - Consolidated EBITDA (weight of 50%)
  - Consolidated TURNOVER (weight of 10%)
  - GROSS MANUFACTURING MARGIN (GMM) (with a 25% weight).

The remaining 15% of the COO's short-term variable component was tied to the attainment of objectives relating to sustainability topics insofar as related to the accident rate of the Group in Italian and European plants during 2022.

- (iii) an LTI (for a potential maximum value of Euro 99,000.00), linked to the achievement of the following targets:
  - Consolidated EBITDA (weight of 55%)
  - Consolidated TURNOVER (weight of 20%)
  - NET FINANCIAL POSITION/EBITDA RATIO (with a 25% weight).

In accordance with the 2022 Policy, for the year 2022 Michele Faggioli has accrued:

- (i) as the annual fixed component, the following amounts:
  - Euro 20,000.00, for the office of member of the Board of Directors;
  - Euro 475,000.00, as additional remuneration;
- (ii) as the annual variable component (MBO), the following amount:
  - Euro 347,263.74;
- (iii) as the medium/long-term variable component (2020-2022 LTI), the following amount:
  - Euro 74,250.00.

The final value of the MBO was assigned by the Board of Directors on 14 March 2023, on the proposal of the Remuneration and Appointments Committee and with the favourable opinion of the Board of Statutory Auditors, with an average percentage value of 105.22% of the target value, following the achievement of the over-performance set for the EBITDA and Turnover objectives, and the excess of the target for the MIL objective; as regards the objective of accidents, the entry point relative to the European plants was not reached, while the over-performance was achieved for the accident rates of the Group and of the Italian plants.

With regard to the 2020-2022 LTI plan, it should be remember that the so-called vesting period ended on 31 December 2022, with the achievement of the over-performance set for the EBITDA and turnover targets and the failure to achieve the entry point with reference to the target of the NFP/EBITDA ratio. The weighted average percentage of achievement of the target values in the three-year period was therefore defined as 82.50% and the total amount accrued was determined at Euro 215,325.00, which will be disbursed in 2023 at the due dates set forth in the regulation of the 2020-2022 LTI Plan. It should be noted that the amounts set aside in the first two years of the vesting period, calculated on the basis of the results of each of the two years, were recalculated on the basis of the weighted average percentage of achievement of the targets, with consequent partial release of the provisions made.

Michele Faggioli was also awarded non-monetary benefits corresponding to a value of Euro 10,981.48.

Based on the above elements, the fixed remuneration paid to the COO for the 2022 financial year corresponded to 1.17 times the variable remuneration (comprised by the MBO and LTI) accrued in the same year.

\*\*\*\*

With regard to the variable components of remuneration accrued by the Executive Directors in the 2022 financial year, note that, in order to protect the confidentiality of commercially sensitive information and of unpublished forecasts, the Company does not provide information on the performance targets value achieved with respect to those envisaged. This decision was necessary in consideration of the fact that LU-VE S.p.A. is the only European company in its sector with shares traded on a regulated market of the European Union; as it is also the only company in its sector subject to the disclosure obligations envisaged by the SHRD II Directive, as transposed into our legal system, and as instead the disclosure of this information to the public is not required of its competitors, this would enable the latter to gain a competitive advantage that could damage the Company's business.

With reference to the MBO, the results achieved in terms of financial performance indicators (EBITDA and Turnover for all Executive Directors, as well as NFP/EBITDA ratio as regards the Chairman, Vice Chairman and CEO, and the Gross Manufacturing Margin for the COO) envisaged by the 2022 MBO, were better than the set targets. As for the non-financial accidents indicator, the objective was not achieved limitedly to the European plants, while over-performance was achieved for the accident rate of the Group and of the Italian plants.

With reference to the LTI, the results achieved with regard to the financial performance indicators of EBITDA and Turnover were better than the targets set. With regard to the financial indicator given by the NFP/EBITDA ratio, the target set was not achieved.

Based on the overall proposal of the Remuneration and Appointments Committee, on 14 March 2023, the Board of Directors resolved the vesting of the bonuses relating to the 2022 MBO and the 2020-2022 LTI based on calculations relating to the over-performance achieved.

With regard to the fees paid in the 2022 financial year to the Executive Directors and to the Non-Executive Directors illustrated in this Section II, note that:

- (i) the overall fees of all directors increased in 2022 compared to 2021 by 5.78% (fixed + MBO) and by 7.69% if the provision for the third year of the 2020-2022 LTI plan is included;
- (ii) the fixed remuneration of all directors amounts to Euro 1,777,000.00 (in addition to Euro 23,503.49 attributed to the Executive Directors by way of non-monetary benefits), against a ceiling approved by the Shareholders' Meeting of Euro 1,850,000.00;
- (iii) the variable fees accrued by the Executive Directors (MBO, as well as, just for the CEO and COO, 2022 LTI) amount to a total of Euro 1,387,960.74 (of which Euro 1,237,438.74 for MBO and Euro 150,522.00 for 2022 LTI portion), against a maximum amount resolved by the Shareholders' Meeting of Euro 1,850,000.00.

## 1.2 Remuneration of members of the Board of Statutory Auditors in the 2022 financial year

The Shareholders' Meeting in office during the 2022 financial year was appointed by the Shareholders' Meeting held on 29 April 2020, which appointed the following as members of the Board of Statutory Auditors: Simone Cavalli (Chairman of the Board), Paola Mignani and Stefano Beltrame, awarding the same, *pro rata temporis*, an annual remuneration of Euro 45,000.00 for the Chairman and Euro 30,000.00 for each of the two standing auditors, also considering the recommendations provided by the departing Board of Statutory Auditors in its report drawn up pursuant to the "Rules of conduct of the Board of Statutory Auditors of listed companies", issued by the Board of Professional Accountants and Auditors, referring in particular to Rule Q.1.6., "Remuneration"; in said report, the departing Board of Statutory Auditors had detailed the activities performed, the time employed to prepare its work, as well as for its meetings and for the participation in the meetings of the Board of Directors, of the Board Committees, to provide recommendation for the definition of the fees of the incoming Board of Statutory Auditors.

Dr. Stefano Beltrame also accrued other compensation from the subsidiaries for the positions of auditor and member of the Supervisory Board pursuant to Legislative Decree 231/2001 held there, shown in Table 1 of Part Two of this Section II of the Report to which reference is made.

## 1.3 Remuneration of Key management personnel in the 2022 financial year

In accordance with the 2022 Policy, in the 2022 financial year, the four executives who were identified as Key management personnel throughout the year and the two executives who held this position only until 30 September 2022<sup>3</sup>, accrued cumulatively:

- (i) as the annual *fixed component*, total remuneration of Euro 1,035,556.25 (in addition to Euro 29,628.22 attributed as non-monetary benefits), with relation to their contracts of employment as executives of the Company or of other Group companies;

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<sup>3</sup> In this regard, please refer to note 1 of Section I of this Report.

In relation to the amounts shown below, it should be noted that: (i) the aggregate amount of the fixed component was calculated considering, for the two Key Managers who held this position only until 30 September 2022, the remuneration paid *pro rata temporis*; (ii) the amount of the variable components does not include sums allocated to said two Key Managers as the conditions for their accrual and payment no longer exist.

(ii) as the annual variable component, total remuneration of Euro 162,232.00, with relation to their contracts of employment as executives of the Company (or of other Group companies (against a potential target for 2022 for the four Key Managers who held this position for the entire financial year of Euro 145,000.00, up to a maximum of Euro 174,000.00, including over-performance);

(iii) as the medium/long-term variable component (2020-2022 LTI), total fees of Euro 51,150.01.

The final value of the MBO was awarded following the achievement of the performance targets set, with an average over-performance percentage of 111.88% of the target value.

With regard to the 2020-2022 LTI plan, it should be remember that the so-called vesting period ended on 31 December 2022, with the achievement of the over-performance set for the EBITDA and turnover targets and the failure to achieve the entry point with reference to the target of the NFP/EBITDA ratio. Therefore, the weighted average percentage of achievement of the target values in the three-year period was defined as 82.50% and the total cumulative amount accrued was determined at Euro 150,875.04, which will be disbursed in 2023 at the scheduled deadlines in the regulation of the 2020-2022 LTI Plan. It should be noted that the amounts set aside in the first two years of the vesting period, calculated on the basis of the results of each of the two years, were recalculated on the basis of the weighted average percentage of achievement of the targets, with consequent partial release of the provisions made. The provisions made in previous years for the two Key Managers (the Group Operations Director and the Sales & Marketing Director Cooling System), who no longer held this position as at 31 December 2022, were also released.

Based on the above items, the fixed remuneration paid overall to Key management personnel for the 2022 financial year corresponded to 4.85 times the variable remuneration (comprised by the MBO and LTI) accrued in the year. The calculation of the fixed remuneration also included the fees accrued by Key management personnel as members of the management bodies of subsidiary or associated companies; net of said remuneration, the fixed remuneration paid overall to Key management personnel for the 2022 financial year corresponded to 4.26 times the variable remuneration (comprised by the MBO and LTI) accrued in the year.

For more information on the remuneration paid to the Company's Key management personnel in the 2022 financial year, with respect to that envisaged in the 2022 Policy, please refer to the content of the tables in Part Two of this Section II, which shows the breakdown of the individual items it is comprised of.

#### **1.4 Information on the application of *ex post* correction mechanisms for the variable remuneration component**

In the financial year 2022, the "claw-back" and "malus" clauses envisaged by the 2022 Remuneration Policy, which respectively provide for the possible return or non-payment in whole or in part of the sum paid as a variable component of remuneration, were not applied by the Company.

## 1.5 Indemnity for termination of office or termination of the employment relationship.

In the 2022 financial year, no indemnities were approved and/or paid for the termination of office or for the termination of the employment relationship in favour of the Company's Directors and Key management personnel.

## 1.6 Waivers to the 2022 Remuneration Policy

It should be noted that for the year 2022, no exceptions were made to the 2022 Remuneration Policy, approved by the Shareholders' Meeting on 29 April 2022.

## 1.7 Comparative information

This paragraph provides information for financial years 2019, 2020, 2021 and 2022, comparing the annual change: (i) in the total remuneration of Directors and Statutory Auditors, (ii) in the results of the Company and (iii) in the annual average gross remuneration of the employees of the Italian companies of LU-VE Group. Note in this regard that the disclosure is limited to 2019, 2020, 2021 and 2022 pursuant to art. 2, paragraph 2 of CONSOB Resolution no. 21623 of 10 December 2020, which allows the Company to use data relating to financial years started from 1 January 2019.

### 1.7.1 Annual changes in the remuneration of Directors and Statutory Auditors

Directors' and Statutory Auditors' fees (including any benefits for Executive Directors)	2019 (Euro)	2020 (Euro)	% change 2020 vs 2019	2021 (Euro)	% change 2021 vs 2020	2022 (Euro)	% change 2022 vs
Iginio Liberali (Chairman)	449.041	450.870	0%	538.719	19,48%	568.125	5%
Pierluigi Faggioli (Vice Chairman)	453.153	418.268	-8%	499.357	19,39%	529.435	6%
Matteo Liberali (CEO)	765.432	757.405	-1%	903.768	19,32%	954.387	6%
Michele Faggioli (COO)	753.416	745.976	-1%	873.835	17,14%	927.495	6%
Remuneration of non-executive directors*	18.000	19.344	7%	20.000	3,39%	20.000	0,00%
Remuneration of the Chairman of the Remuneration and Appointments Committee/Control and Risk Committee*	7.000	7.672	10%	8.000	4,28%	8.000	0,00%
Remuneration of members of the Remuneration and Appointments Committee/Control and Risk Committee*	5.000	5.672	13,44%	6.000	5,78%	6.000	0,00%
Remuneration of the Chairman of the INDEPENDENT COMMITTEE**	-	-	-	-	NA	3.000	NA
Remuneration of the member of the INDEPENDENT COMMITTEE**	-	-	-	-	NA	1.500	NA
Chairman of the Board of Statutory Auditors***	45.000	45.000	0,00%	45.000	0,00%	45.000	0,00%
Standing Auditor	30.000	30.000	0,00%	30.000	0,00%	30.000	0,00%

\* During the 2020 financial year, the corporate bodies were renewed: the remuneration amounts shown for 2020 refer to the assumption of continuity of office for the entire year.

\*\* It should be noted that the remuneration of the Chairman and of the members of the Independent Committee has not been considered for 2021 as this committee was established by the Board of Directors on 29 June 2021. This remuneration was considered starting from the 2022 financial year.

\*\*\* Following the renewal of the corporate bodies, the annual remuneration of the Chairman of the Board of Statutory Auditors did not change, even though the person that holds this position did change.

### 1.7.2 Annual changes in Group results

Results of the LU-VE Group	2019	2020	% Change 2019-2020	2021	% Change 2020-2021	2022	% Change 2021-2022
Consolidated turnover (in Euro/million)	391,6	401,5	2,53%	492	22,54%	618,6	25,73%
Turnover from products (in Euro/million)	389,3	392,5	0,82%	483,1	23,08%	605,0	25,23%
Reported EBITDA (in Euro/million)	46,8	45,2	-3,42%	60,8	34,51%	75,1	23,52%
Adjusted EBITDA (in Euro/million)	51,7	45,5	-11,99%	60,8	33,63%	78,8	29,61%
NFP (in Euro/million)	-107,2	-106,8	-0,37%	-121,9	14,14%	-142,3	16,74%
Reported NFP/EBITDA ratio	2,29	2,36	-	2	-	1,89	-
Adjusted NFP/EBITDA ratio	2,07	2,35	-	2	-	1,81	-

Source: Annual Financial Report.

### 1.7.3 Annual change in the annual average gross remuneration of the employees of LU-VE Group Italy

LU-VE Italia Group (including any benefits)	2019 (Euro)	2020 (Euro)	% Change 2019- 2020	2021 (Euro)	% Change 2020- 2021	2022 (Euro)	% Change 2021- 2022
Average total remuneration of employees	36.995,38	38.179,19	3%	38.350,80	0%	38.558,52	1%
Number of Employees	989	974	-2%	1022	5%	1180	15,46%

In this regard, it should be noted that the LU-VE Italia Group, despite being affected by the sale, on 21 March 2022, of the shares of the subsidiary Tecnaïr LV S.p.A., with 41 employees, recorded an increase in employment in 2022 in the area of Italian plants by 15.46%. The aforementioned increase is attributable to: (i) the acquisition, on 31 March 2022, of two companies with production plants, Refrion S.r.l. and RMS S.r.l., which as at 31 December 2022 had a total of 106 employees; as well as (ii) the acquisition of the Italia Wanbao-ACC S.r.l. business unit by Sest S.p.A., which involved, in 2022, the permanent hiring of the subsidiary Sest S.p.A. of 72 employees of Italia Wanbao-ACC S.r.l.

### 1.7.4 Trend of relationships between the remuneration of the Executive Directors and the Gross Annual Remuneration of Employees

The following table shows the trend, in the two-year period considered, of the relationships between (i) the remuneration of the Executive Directors (indicated separately for the Chairman, the Vice Chairman, the Chief Executive Officer and the Chief Operating Officer), of the Non-Executive Directors (considered cumulatively) and of the members of the Board of Statutory Auditors



(indicated separately for the Chairman of the Board of Statutory Auditors and each Standing Auditor) and (iii) the average gross annual remuneration of employees of LU-VE Group Italy.

Relationship between salaries	2019	2020	2021	2022
Chairman/average Gross Annual Remuneration	12.14	11.81	14.05	14.73
Vice Chairman/average Gross Annual Remuneration	12.25	10.96	13.02	13.73
CEO/average Gross Annual Remuneration	20.69	19.84	23.57	24.75
COO/average Gross Annual Remuneration	20.37	19.54	22.79	24.05
Non-Executive Directors/average Gross Annual Remuneration	0.49	0.51	0.52	0.52
Chairman of the Board of Statutory Auditors/average Gross Annual Remuneration	1.22	1.18	1.17	1.17
Standing Auditor/average Gross Annual Remuneration	0.81	0.79	0.78	0.78

In this regard, it should be noted that the increase in the ratio in relation to the 2021 financial year compared to the 2019 and 2020 financial years is mainly attributable to the significant growth in size of the Group during 2021 which led to a significant increase in the number of employees quantifiable at 201 for the Group and 48 with reference to the LU-VE Italia Group.

### 1.8 Disclosure regarding the vote made by the shareholders' meeting on Section II of last year's report

As shown in the table below, the Shareholders' Meeting of 29 April 2022 - in which a total of 48 shareholders representing 16,866,918 ordinary shares equal to 75.86% of the ordinary share capital and 30,613,189 votes, equal to 83.90% of the total amount of voting rights attributed to the share capital - with 94.30% of the voting rights represented at the Shareholders' Meeting (equal to 79.12% of the total voting rights), expressed a positive opinion with regard to Section II of the 2022 Report.

2.2 - voto consultivo sui "Compensi corrisposti nell'esercizio 2021" riportati nella Sezione II, ai sensi dell'art. 123-ter, comma 6 del D. Lgs. n. 58/98

	N. AZIONISTI (IN PROPRIO O PER DELEGA)	N. VOTI	% SU VOTI PRESENTI O RAPPRESENTATI	% SU TOTALE DIRITTI DI VOTO
Favorevoli	18	28.868.140	94,299682	79,117588
Contrari	30	1.745.049	5,700318	4,782576
Astenuti	0	0	0,000000	0,000000
Non Votanti	0	0	0,000000	0,000000
<b>Totale</b>	<b>48</b>	<b>30.613.189</b>	<b>100,000000</b>	<b>83,900164</b>

With a view to further improving the disclosure of information on the remuneration of its management, also considering the new legislative obligations introduced by CONSOB to transpose the SHRD II, this Section II of the Report has been prepared, focusing in particular on providing a detailed, clear and comprehensible illustration of each of the items that comprises the remuneration paid during 2022 to the Directors, Statutory Auditors and other Key management personnel.

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

## 2. PART TWO

### 1. Fees paid in the 2022 financial year

The following Table indicates the fees paid in the year ended as at 31 December 2022 to Directors, Statutory Auditors and other Key management personnel.

(A) Name and surname	(B) Office	(C) Period for which office was held	(D) Expiry of office*	(1) Fixed remuneration	(2) Remuneration for participation in committees	(3) Variable non-equity remuneration		(4) Non-monetary benefits	(5) Other remuneration	(6) Total	(7) Fair value of equity remuneration	(8) Severance pay or termination of employment indemnity
						Bonuses and other incentives	Profit sharing					
Iginio Liberali	Chairman of the Board of Directors	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares the Financial Statements				300.000,00 <sup>(1)</sup>		268.125,00				568.125,00		
(II) Remuneration from subsidiaries and associates												
(II) Total				300.000,00		268.125,00				568.125,00		
Pier Luigi Faggioli	Vice Chairman	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares the Financial Statements				255.000,00 <sup>(2)</sup>		268.125,00		6.309,72		529.434,72		
(II) Remuneration from subsidiaries and associates												
(II) Total				255.000,00		268.125,00		6.309,72		529.434,72		
Matteo Liberali	CEO	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares the Financial Statements				520.000,00 <sup>(3)</sup>		428.175,00 <sup>(4)</sup>		6.212,33		954.387,33		
(II) Remuneration from subsidiaries and associates												
(II) Total				520.000,00		428.175,00		6.212,33		954.387,33		
Michele Faggioli	COO	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares the Financial Statements				495.000,00 <sup>(5)</sup>		421.513,74 <sup>(4)</sup>		10.981,48		927.495,22		
(II) Remuneration from subsidiaries and associates												
(II) Total				495.000,00		421.513,74		10.981,48		927.495,22		
Raffaella Cagliano	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares the Financial Statements				20.000,00	2.000,00 <sup>(6)</sup>					22.000,00		
(II) Remuneration from subsidiaries and associates												
(II) Total				20.000,00	2.000,00					22.000,00		
Guido Giuseppe Crespi	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares the Financial Statements				20.000,00	2.000,00 <sup>(6)</sup>					22.000,00		
(II) Remuneration from subsidiaries and associates												
(II) Total				20.000,00	2.000,00					22.000,00		

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

Anna Genasoni	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements												
(I) Remunerations in the company that prepares the Financial Statements				20.000,00	12.000,00 <sup>(17)</sup>								32.000,00		
(II) Remuneration from subsidiaries and associates															
(III) Total				20.000,00	12.000,00								32.000,00		
Fabio Liberali	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements												
(I) Remunerations in the company that prepares the Financial Statements				20.000,00					7.214,39	102.502,61 <sup>(18)</sup>			129.717,00		
(II) Remuneration from subsidiaries and associates															
(III) Total				20.000,00					7.214,39	102.502,61			129.717,00		
Laura Oliva	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements												
(I) Remunerations in the company that prepares the Financial Statements				20.000,00	6.000,00 <sup>(19)</sup>								26.000,00		
(II) Remuneration from subsidiaries and associates															
(III) Total				20.000,00	6.000,00								26.000,00		
Stefano Paleari	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements												
(I) Remunerations in the company that prepares the Financial Statements				20.000,00	19.000,00 <sup>(10)</sup>								39.000,00		
(II) Remuneration from subsidiaries and associates															
(III) Total				20.000,00	19.000,00								39.000,00		
Roberta Pierantoni	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements												
(I) Remunerations in the company that prepares the Financial Statements				20.000,00	6.000,00 <sup>(11)</sup>								26.000,00		
(II) Remuneration from subsidiaries and associates															
(III) Total				20.000,00	6.000,00								26.000,00		
Marco Vitale	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements												
(I) Remunerations in the company that prepares the Financial Statements				20.000,00									20.000,00		
(II) Remuneration from subsidiaries and associates															
(III) Total				20.000,00									20.000,00		

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

Simone Cavalli	Chairman - Board of Statutory Auditors	01/01/2022-31/12/2022	Approval of 2023 Financial Statements								
(I) Remunerations in the company that prepares the Financial Statements				45.000,00						45.000,00	
(II) Remuneration from subsidiaries and associates											
(III) Total				45.000,00						45.000,00	
Paola Mgnani	Standing Auditor	01/01/2022-31/12/2022	Approval of 2023 Financial Statements								
(I) Remunerations in the company that prepares the Financial Statements				30.000,00						30.000,00	
(II) Remuneration from subsidiaries and associates											
(III) Total				30.000,00						30.000,00	
Stefano Beltrame	Standing Auditor	01/01/2022-31/12/2022	Approval of 2023 Financial Statements								
(I) Remunerations in the company that prepares the Financial Statements				30.000,00						30.000,00	
(II) Remuneration from subsidiaries and associates				66.000,00 <sup>(*)</sup>						66.000,00	
(III) Total				96.000,00						96.000,00	
Key Management Personnel	4	01/01/2022-31/12/2022	Approval of 2023 Financial Statements								
(I) Remunerations in the company that prepares the Financial Statements				908.066,25		213.382,00 <sup>(13)</sup>		29.628,22		1.151.076,47	
(II) Remuneration from subsidiaries and associates									127.500,00 <sup>(14)</sup>	127.500,00	
(III) Total				908.066,25		213.382,00		29.628,22	127.500,00	1.278.576,47	

(\*) The expiry date refers to the Shareholders' Meeting that will approve the Financial Statements for the year

(1) of which €0,000.00 for the position of Director, and €80,000.00 for the position of Chairman of the Board of Directors;

(2) of which €0,000.00 for the position of Director, and €35,000.00 for the position of Vice Chairman of the Board of Directors;

(3) of which €0,000.00 for the position of Director, and €500,000.00 for the position of CEO;

(4) of which €4,250.00 accrued as variable medium/long term Component (2020-2022 LTI) for 2022;

(5) of which €0,000.00 for the position of Director, and €75,000.00 for the position of COO;

(6) As a member of the Independent Committee;

(7) of which €6,000.00 as a member of the Remuneration and Appointments Committee, and €6,000.00 as a member of the Control and Risk Committee;

(8) as annual gross remuneration accrued in relation to the employment with LU-VE SPA;

(9) remuneration accrued as a member of the Control and Risk Committee;

(10) of which €6,000.00 as Chairman of the Remuneration and Appointments Committee, €6,000.00 as Chairman of the Control and Risk Committee and €6,000.00 as Chairman of the Independent Committee;

(11) remuneration accrued as a member of the Remuneration and Appointments Committee;

(12) for fees in relation to the office of auditor and member of the supervisory body pursuant to Legislative Decree 3/01 of subsidiary companies;

(13) of which 51,500.01 accrued as variable medium/long term Component (2020-2022 LTI) for 2022;

(14) for fees in relation to the office of director in Administrative Bodies of subsidiaries and associates.

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

## 2. Cash incentive plans in favour of members of the management body, general manager and other key management personnel

The Table below shows the cash incentive plans recognised in the year ended as at 31 December 2022 to members of the management body and other Key management personnel.

A Name and surname	B Office	(1) Plan	(2) Bonus for the year			(3) Bonus of previous years			(4) Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Deferment period	No longer payable	Payable/Paid	Still deferred	
Igino Liberali	Chairman of the Board of Directors								
(I) Remunerations in the company that prepares the Financial Statements		MBO 2022	268.125,00						
(I) Remunerations in the company that prepares the Financial Statements									
(I) Remunerations in the company that prepares the Financial Statements									
(II) Remuneration from subsidiaries and associates									
(III) Total			268.125,00						
Pier Luigi Faggoli	Vice Chairman of the Board of Directors								
(I) Remunerations in the company that prepares the Financial Statements		MBO 2022	268.125,00						
(I) Remunerations in the company that prepares the Financial Statements									
(I) Remunerations in the company that prepares the Financial Statements									
(II) Remuneration from subsidiaries and associates									
(III) Total			268.125,00						
Matteo Liberali	CEO								
(I) Remunerations in the company that prepares the Financial Statements		MBO 2022	353.925,00						
(I) Remunerations in the company that prepares the Financial Statements		2020-2022 LTI	74.250,00			36.708,88	141.075,00 <sup>(1)</sup>		
(I) Remunerations in the company that prepares the Financial Statements									
(II) Remuneration from subsidiaries and associates									
(III) Total			428.175,00				141.075,00		
Michele Faggoli	COO								
(I) Remunerations in the company that prepares the Financial Statements		MBO 2022	347.263,74						
(I) Remunerations in the company that prepares the Financial Statements		2020-2022 LTI	74.250,00			36.708,88	141.075,00 <sup>(1)</sup>		
(I) Remunerations in the company that prepares the Financial Statements									
(II) Remuneration from subsidiaries and associates									
(III) Total			421.513,74				141.075,00		

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

Key Management Personnel	no. 4							
(I) Remunerations in the company that prepares the Financial Statements		MBO 2022	162.232,00					
(I) Remunerations in the company that prepares the Financial Statements		2020-2022 LTI	51.150,01			82.979,71	89.925,02	(2)/(3)
(I) Remunerations in the company that prepares the Financial Statements								
(II) Remuneration from subsidiaries and associates								
(II) Remuneration from subsidiaries and associates								
(II) Remuneration from subsidiaries and associates								
(III) Total			213.382,01			82.979,71	89.925,02	

(1) by way of medium/long-term variable component (2020-2022 LTI) accrued for the years 2020 for Euro 66,825.00 and 2021 for Euro 74,250.00. The amounts set aside in the first two years of the vesting period, calculated on the basis of the results of each of the two years and specifically for the year 2020 for Euro 83,639.61 and for the year 2021 for Euro 94,144.27, were recalculated on the basis of the weighted average percentage of achievement of the targets in the value of 82.50%, with consequent partial release of the provisions made.

(2) by way of medium/long-term variable component (2020-2022 LTI) accrued for the years 2020 for Euro 43,725.01 and 2021 for Euro 46,200.01. The amounts set aside in the first two years of the vesting period, calculated on the basis of the results of each of the two years and specifically for the year 2020 for Euro 80,918.33 and for the year 2021 for Euro 91,986.40, were recalculated on the basis of the weighted average percentage of achievement of the targets in the value of 82.50%, with consequent partial release of the provisions made.

(3) It should be noted that one of the DRS, who was an employee of one of the Issuer's subsidiaries, was hired directly by the Issuer in financial year 2022, and as a result, the provision accrued in previous years was also transferred.

**TABLE 3B – ANNEX 3A, TABLE 7-TER ISSUERS' REGULATION**  
**SHAREHOLDINGS OF MEMBERS OF THE ADMINISTRATION AND CONTROL BODIES, OF GENERAL MANAGERS AND KEY MANAGEMENT PERSONNEL**

### 3. Equity shareholdings held as at 31 December 2022

The Table below indicates the equity investments held in the period 31 December 2021 - 31 December 2022 in LU-VE S.p.A. and in its subsidiaries as at 31 December 2022, by Directors, Statutory Auditors and other Key management personnel of the Company, as well as by their non-legally separated spouses, and dependent children, directly or via subsidiaries, trust companies or third parties, reported in the shareholders' register, the communications received and other information acquired.

Name and Surname	Office	Investee Company	Number of shares held at the end of the previous financial year (31/12/2021)		Number of shares purchased in the 2022 financial year	Number of shares sold in the 2022 financial year	Number of shares held at the end of the current financial year (31/12/2022)
Iginio Liberali (*)	Chairman of the Board of Directors	LU-VE S.p.A.	46.387	(pd)	2.800	-	49.187 (*)
Pier Luigi Faggioli	Vice Chairman of the Board of Directors	LU-VE S.p.A.	10.000	(pd)	-	-	10.000
Matteo Liberali	CEO	LU-VE S.p.A.	10.188.999	(pi) (**)	-	-	10.188.999
Michele Faggioli	COO	LU-VE S.p.A.	3.558.272	(pi)	-	-	3.558.272
Laura Oliva	Director	LU-VE S.p.A.	1.950	(pd)	-	250	1.700
Guido Giuseppe Crespi	Director	LU-VE S.p.A.	7.890	(pd) + (pi) (***)	-	-	7.890
Key management personnel (n. 6) (****)		LU-VE S.p.A.	1500 (*****)	(pd)	-	-	0

Note:

(pd) direct shareholdings

(pi) indirect shareholdings

(\*) Dr. Iginio Liberali passed away on 22 December 2022. The shares held by him therefore fell into probate; the Company has received notice that this probate has not yet been finalized and that those called to the estate are his three sons Fabio, Simone and Matteo Liberali.

(\*\*) Of which 1,000 are held by his dependent daughter Eliana Liberali.

(\*\*\*) Indirect participation corresponds to No. 4,000, held by spouse Maria Sole Bianca Luisa Brioschi.

(\*\*\*\*) Please note that of the 6 DRSSs, 2 terminated their relationship with the Company effective 1 October 2022.

(\*\*\*\*\*) It should be noted that all 1,500 shares held at the end of financial year 2021 are referable to one of the two DRSSs terminated as of 1 October 2022.