

This is an unofficial English Language courtesy translation of the original Italian language report prepared and issued by the Board of Statutory Auditors of Recordati S.p.A ('The Company').

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Courtesy copy follows:

**Report by the Board of Statutory Auditors to the Shareholders' Meeting
of Recordati S.p.A. pursuant to Article 153 of Legislative Decree 58/1998**

Dear Shareholders,

Through this report, drafted pursuant to Article 153 of Italian Legislative Decree no. 58/1998 (hereinafter also referred to in short as 'TUF'), also taking into account the applicable Consob Recommendations and the rules of conduct of the Board of Statutory Auditors of listed companies issued by the National Council of Chartered Accountants and Accounting Experts (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*), the Board of Statutory Auditors of Recordati S.p.A. (hereinafter also referred to in short as the 'Company') hereby reports to you on the supervisory activities performed and the related results.

1. Supervisory activities performed and information received

As at the date of this report, the Board of Statutory Auditors is composed of Mr Antonio Santi (Chair), by Mr Marco Nava (statutory auditor) and Ms Livia Aliberti Amidani (statutory auditor) (alternate auditors are Mr Andrea Balelli and Ms Patrizia Paleologo Oriundi). The appointment of the Board of Statutory Auditors, in its current composition, was made by the Shareholders' Meeting of 11 April 2017 and will expire with the Shareholders' Meeting called to approve the financial statements as at 31 December 2019.

Over the course of the financial year ended 31 December 2019, the Board of Statutory Auditors carried out the supervisory activities provided for by law. To such end, during the financial year the Board of Statutory Auditors:

- held 12 meetings of the Board of Statutory Auditors, all of which were attended by all the members in office;
- attended 12 meetings held by the Board of Directors;
- attended 8 meetings held by the Risk, Control and CSR Committee;
- attended 8 meetings held by the Remuneration Committee;
- attended the meetings of the Independent Directors;
- attended 2 Shareholders' Meetings;
- held meetings with the managers of the Audit Firm, pursuant to Article 150, paragraph 3 of Italian Legislative Decree no. 58/1998, during which appropriate exchanges of information took place and no other noteworthy facts or situations came to light;
- met on a regular basis with the person in charge of the Internal Audit Function;
- met on a regular basis with the ODV (231 Compliance Body) appointed in accordance with Italian Legislative Decree no. 231/2001;
- collected the documents and information deemed relevant by the executive directors and other corporate functions;

- exchanged information with the Boards of Statutory Auditors of the subsidiaries with regard to their management and control systems and the general trend in the companies' business operations.

It should be noted that, as a rule, the undersigned Board of Statutory Auditors is invited to attend, either as a whole or in the person of its Chair, the meetings of the Risk, Control and CSR Committee and the meetings of the Remuneration Committee, during which issues related to related party transactions were also addressed.

During Board of Directors' meetings, the Board of Statutory Auditors was informed by the directors on the activities carried out and the most important transactions from an economic, financial and asset standpoint, concluded by the Company and its subsidiaries.

During meetings and contacts with the Audit Firm, no censurable facts came to light.

With particular reference to the functions undertaken pursuant to Article 19 of Italian Legislative Decree no. 39/2010, amended by Italian Legislative Decree no. 135/2016 implementing Directive 2014/56/EU, the Board of Statutory Auditors, also in the context of the meetings held with the Audit Firm and the attendance at the meetings of the Risk, Control and CSR Committee, had access to the work plan adopted, received information on the accounting standards applied, on the accounting representation of the most important transactions concluded during the financial year in question as well as on the outcome of the audit activities and on the key audit matters emerged during the statutory audit. The Audit Firm did not report any significant gaps in the internal control system in relation to the financial reporting process.

In such regard, the Board of Statutory Auditors also received detailed information on the impairment test performed by the Company in order to confirm the goodwill figures and the values of certain significant financial fixed assets entered in the financial statements. The relevant details are entered by the directors in the financial statements in accordance with the indications provided under international accounting standards and by Consob.

As regards the supervisory activities conducted on the financial reporting process and the aspects related to the Audit Firm's independence, please refer to the following paragraphs of this report.

It should be noted that in the context of the Board of Statutory Auditors' activities:

- no complaint reports (*denunce*) pursuant to Article 2408 of the Italian Civil Code were received;
- no petitions (*esposti*) were received.

Following the extraordinary events, started during the 2018 financial year, involving the Company in relation to the sale by the Recordati family of the entire share capital of Fimei S.p.A., the controlling shareholder in Recordati S.p.A., to the consortium of investment funds controlled by CVC Capital Partners VII Limited, on 28 February 2019 the Company's (newly appointed) Board of Directors, appointed by the Shareholders' Meeting of 5 February 2019, verified that the Company is subject to 'management and coordination activity' by Rossini Luxembourg S.à r.l.; this in accordance with Articles 2497 *et seq.* of the Italian Civil Code. On the same date, the Board of Directors verified that the Company meets the requirements of Article 16, paragraph 1, letters b), c) and d) of the Market Regulation. The Company has therefore taken steps to fulfil the disclosure obligations pursuant to Article 2497-*bis* of the Italian Civil Code, pursuant to Article 16, paragraph 1, letter a) of the aforementioned Regulation, in accordance with the law.

As explained by the directors in the Report on corporate governance and ownership structures and in the management report on the 2019 financial statements, the exercise of management and coordination activity by Rossini Luxembourg S.à r.l. can be achieved, among other things, through multiple tools, such as: the formulation of general guidelines; the setting of directives and the

formulation of instructions for the transmission of management and accounting information; and the formulation by Rossini Luxembourg of non-binding opinions on some significant transactions and decisions. In particular, specific regulations on the management and coordination activities exercised by Rossini Luxembourg S.à.r.l. on Recordati S.p.A. and on the information flows of Recordati S.p.A. towards, in particular, Rossini Luxembourg S.à r.l. have been approved by the Board of Directors of Recordati S.p.A. in 2019, following a process that involved, from the first drafting stages, the independent directors and the Board of Statutory Auditors.

With reference to the events occurring after the end of the financial year, it is represented that there are no company events occurring after the end of the financial year that require changes in the values of the assets, liabilities and income statement.

It should be noted, however, that starting from February 2020, Italy and all the other main countries in which the Group operates have been impacted by the epidemiological emergency deriving from the COVID-19 virus, declared in March as a pandemic by WHO. In order to deal with the emergency, restrictive measures have been adopted in Italy and, subsequently, in other countries, on the movement of people and measures to support the economic activity of businesses. The Board of Statutory Auditors was informed by the Chief Executive Officer of the measures taken, noting that the Company has taken steps to implement all possible measures and initiatives to ensure the supply of medicines to its patients and the safety of its employees. Given the complex and constantly evolving situation, no future impacts are currently foreseeable.

2. Supervisory activities on the relationships with subsidiaries and parent companies and on related party transactions

The Board of Statutory Auditors oversaw the related party and/or intercompany transactions of an ordinary or recurring nature, with regard to which it reports the following:

- intercompany transactions of both a commercial and financial nature, involving the subsidiaries and the parent company, are governed by terms equivalent to prevailing terms governing transactions between independent parties;
- the most significant items corresponding to related party transactions consist of the following:
 - a) receivables for loans granted to companies of the Group;
 - b) payables for loans received from companies of the Group;
 - c) trade receivables owed by the subsidiaries;
 - d) trade payables owed to the subsidiaries;
 - e) receivables owed by the subsidiaries on account of the centralised treasury management;
 - f) payables owed to the subsidiaries on account of the centralised treasury management;
- it should be noted that the related party transactions do not include atypical or unusual transactions and that over the course of 2019 no transactions or contracts were concluded with related parties which, with reference to the significance of the effects on the financial statements, may be considered significant on account of their value or conditions; the only exception, for which an indication is provided in the consolidated financial statements, consists of the net debt for taxes determined by the Company on the basis of its estimated tax base and assigned to the parent company Fime S.p.A. as a result of its accession to the consolidated tax regime pursuant to Articles 117 to 128 of Italian Presidential Decree no. 917/1986 as amended by Italian Legislative Decree no. 344/2003;
- in accordance with the requirements set forth in Article 4, paragraph 7 of the Related Party Transaction Regulation adopted with CONSOB resolution no. 17221 dated 12 March 2010 as subsequently amended, as well as in Article 2391-*bis*, paragraph 1 of Italian Civil Code,

the Company communicates the adoption of the *'Procedure governing related party transactions'*, available on the Company's website.

3. Individual annual financial statements, consolidated financial statements and Management Report

With specific regard to the activities on the annual financial statements for the financial year ended 31 December 2019, the consolidated financial statements for the financial year ended 31 December 2019 (drafted on the basis of international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB) and ratified by the European Union, and in accordance with the measures issued by Consob in the implementation of paragraph 3 of Article 9 of Italian Legislative Decree no. 38/2005) and the Management Report, the Board of Statutory Auditors reports the following:

- the financial statements file was delivered to the Board of Statutory Auditors with reasonable advance notice in order for it to be filed at the Company's registered office, along with this report;
- the Board of Statutory Auditors verified that the Company's financial statements and the consolidated financial statements have been drafted in accordance with the structure and models imposed under applicable provisions of law and are accompanied by the documents provided for under the Italian Civil Code and the TUF;
- the Board of Statutory Auditors has verified the rationality of the valuation processes applied and their conformity with the rationale underlying international accounting standards.

4. Most important transactions and events from an economic, financial and asset standpoint

In relation to the transactions that are most important from an economic, financial and asset standpoint concluded by the Company and the Group during the 2019 financial year and, more generally, with regard to the most significant events, the Board of Statutory Auditors reports the following:

- various initiatives were undertaken in line with the Group's strategy of achieving continuous development and growth;
- initiatives were undertaken in the area of sustainability. In particular, the Group decided to commence a structured and group-wide sustainability effort through which the stakeholders' expectations in social, environmental and economic objectives may be fostered. Such process led to the preparation of a non-financial information declaration, through which the objectives established by the Group and the results achieved in the environmental, social and economic area were highlighted;
- please note that, starting in 2018, an important transaction involving the Company has been launched, which entailed the change in the majority shareholding of Recordati S.p.A.; the transaction in question entailed a sale of the entire share capital of FIMEI S.p.A., the parent company of Recordati S.p.A., to a consortium of investment funds controlled by CVC Capital Partners (hereinafter also referred to, in short, as the 'Transaction'), giving rise to an obligation to launch a global take-over bid (the 'TOB'). In referring to what is represented in the Report of the Board of Statutory Auditors on the financial statements for the financial year ended 31 December 2018, it is recalled that, upon the outcome of the Transaction, on 5 February 2019, the Shareholders' Meeting appointed a new Board of Directors.

In May 2019, the Board of Directors also approved the new 2019-2021 Three-Year Plan, confirming the assessment of the compatibility of the level and nature of the risks as identified in the updated Risk Map with the Group's strategic objectives as per the new Plan.

In fact, during 2019, the Board of Directors approved, on several occasions, the updating of its Risk Map.

The Board of Directors has approved the proposal to amend the 2018-2022 Stock Options Plan (as approved by the Shareholders' Meeting of 18 April 2018), in order to include, within the category of beneficiaries of the Plan, the Chief Executive Officer, who is no longer linked to the Company by an employment relationship since 11 February 2019.

On 19 December 2019, the Board of Directors approved the Budget for the financial year 2020. The trend and the management of the Three-years Plan for the 2017-2019 financial years, approved at the beginning of 2017, was periodically subject to monitoring by the Board of Directors during 2019, also through a comparison of the results achieved with the results planned, discernible from the approved 2019 Budget.

It should also be noted that the Board of Directors has received information on the process of conferring the mandate for the statutory audit of the accounts for the 2020-2028 nine-year period; in this regard, at the beginning of 2020, Recordati's Internal Control and Audit Committee (Board of Statutory Auditors) issued its own recommendation.

Also, for future years, the Board of Directors expects to continue in its acquisition of products and expansion into new markets, in accordance with prudent parameters of financial sustainability.

More specifically, the transactions and events referred to above are adequately described in the Directors' Report and in the Explanatory Notes to the financial statements' sheets, to which documents reference is made for further details on these matters.

The Board of Statutory Auditors has not noted or received information from the Audit Firm or from the Head of the Group's Auditing Function (who is also the Person in Charge of internal control within the meaning set forth in Article 150 TUF) of atypical and/or unusual transactions concluded with third parties, related parties or on an intercompany basis.

In the Management Report and in the Explanatory Notes to the consolidated financial statements and the individual annual financial statements, the Directors provided a representation of the ordinary transactions concluded with related parties, indicating the nature and amount of the same. Such indications are adequate, also taking into account their size, as well as the size of the Group and of the Company. The transactions in question consist almost exclusively of intercompany transactions of a commercial or financial nature, concluded at market conditions.

On its part, the Board of Statutory Auditors has noted that the provisions of law and of the By-laws have been complied with, and that the transactions concluded by the Directors are not manifestly imprudent or risky, in potential conflict of interests, in contrast with resolutions passed by the Shareholders' Meeting or, in any case, such as to compromise the integrity of the corporate assets, and that the same are, to the Board of Statutory Auditors' knowledge, inspired by criteria of economic rationality, without the foregoing constituting an opinion on the merits of the Directors' business management decisions.

In general, the Board of Statutory Auditors is therefore of the view that the applicable laws, the By-laws and principles of sound and proper management have been complied with.

5. Business trend in the financial year and economic-financial situation

The 2019 financial year ended with consolidated net profits of EUR/000 368,866, compared with EUR/000 312,422 as at 31.12.2018.

The consolidated financial situation (Net financial position) as at 31.12.2019 is equal to EUR/000 (902,681), compared to EUR/000 (588,380) as at 31.12.2018. The reasons for the change are commented on extensively in the Management Report.

The consolidated net equity as at 31.12.2019 amounts to EUR/000 1,198,811 compared to EUR/000 963,586 as at 31.12.2018, showing a growth of EUR/000 235,225 (against a reduction of EUR/000 63,651 in 2018).

It should be recalled that in 2011 the Company approved by resolution a change in its capital remuneration policy. As a result, for 2019 a dividend by way of advance payment on profits for the 2019 financial year was established in the amount of EUR 0.48 per share. The Board of Directors proposes to the shareholders' meeting the distribution of an additional dividend of EUR 0.52 per share, as payment of the balance for the 2019 financial year, which would therefore amount to a dividend of EUR 1.00 per share, compared to EUR 0.92 per share distributed from the result of the 2018 financial year.

On the basis of the above-mentioned elements, considering the more general situation of the Company and the Group and, in particular, the directors' forecasts for the 2020 financial year and the Three-years Plan, both approved by the Board of Directors, the Board of Statutory Auditors does not note, currently, the presence of any events or circumstances which could arouse significant doubts on the assumption of business continuity.

6. Organisational structure, administrative-accounting system and internal control system

The Board of Statutory Auditors oversaw the existence of an organisational structure adequate in consideration of the size, the structure of the company and the objectives pursued, as well as suitable to allow for compliance with the legal framework applicable to the Company, including the sector-specific legal framework.

The Board of Statutory Auditors verified, with the assistance of the function dedicated to monitor the internal control system, the presence of an organisational chart, systems, guidelines on work responsibilities and procedures in line with the achievement of the above-mentioned objectives, as well as the presence of a system of proxies and powers-of-attorney consistent with the responsibilities delegated.

During the financial year, actions continued, already undertaken in the previous financial year, aimed at reviewing some functions and the related responsibilities of the immediate reports to the Chief Executive Officer, as well as the constant improvement and strengthening of dedicated resources with specific organisational skills.

Furthermore, the organisational model adopted by the Company is compliant with the provisions of Italian Legislative Decree no. 231/2001 and is subject to periodic updating. In particular, Recordati has adopted its model since 2003 with the latest changes in 2017 and an update is expected in 2020. Such model, which pertains to the overall business operations of the Company from a procedural, organisational and control perspective, is particularly incisive and its respect is subject to supervision on the part of a specifically appointed and duly functioning body, comprised of an internal member (the Person in Charge of Audit & Compliance of the Group) and two external and independent experts. The model is subject to on-going monitoring and updating, in line with legislative changes and organisational developments.

The Company monitors the internal situation of the strategic subsidiaries with reference to organisational safeguards and provisions consistent with those adopted by the Company in relation to Italian Legislative Decree no. 231/2001. In such regard, taking into account the rising importance of the foreign subsidiaries, monitoring activities are systematically implemented concerning the

legislation in force on corruption in the various countries in which such companies operate, together with activities to strengthen the internal safeguards aimed at preventing such phenomena.

The Company also adopted a Code of Ethics in the context of the Organisational Model adopted in accordance with Italian Legislative Decree no. 231/2001 and continued the dissemination of the same also over the course of 2019 to all of its affiliates, including its foreign affiliates.

Since 2009, the Company has drawn up a Group Anti-Bribery Manual which indicates the principles of conduct to avoid corruption in the business areas potentially exposed to the risk of corruption. During 2019, the Group Anti-Bribery Manual was revised, and updated with new areas of attention, with new explanatory examples and new behavioural guidelines.

The Company is committed to the areas of health, safety and environment, matters on which the Management Report and the Statement setting forth the information of a non-financial nature give significant attention. The Board of Statutory Auditors was able to ascertain the continuous focus laid on the issue, which was brought to the attention of the relevant bodies on a regular basis.

The Internal Audit & Compliance Function is actively committed to identifying the critical issues within the internal control system. The person in charge of such function, who has no connections with the operational functions, reports to the Board of Directors and is coordinated from an operational standpoint by the Chair of the Board of Directors and he frequently relates to the Risk, Control and CSR Committee, to which he presents the annual work calendar and reports periodically on the activities conducted. The Board of Statutory Auditors, also in its capacity of Committee for internal control and accounting audit (the 'CICAA') established pursuant to Article 19 of Italian Legislative Decree no. 39/2010, maintains an on-going dialogue with the person in charge of the function, verifying the efficacy of his work.

The Report on corporate governance and ownership structure provides, in accordance with Article 123-*bis* of TUF, detailed information on the characteristics of the existing risk management and internal control systems in relation to the financial reporting process.

During the financial year, the Company continued to apply its risks control system.

To implement what had been previously approved by the Board of Directors, the Company carried out periodic monitoring involving all of the corporate functions, with the aim of both improving the financial reporting and overseeing in a continuous and structured manner the areas and main risk factors, also for the purposes provided for under Article 19, paragraph 1, letter c) of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016 implementing Directive 2014/56/EU (Recordati's company risk map).

With specific reference to the Risks map, it should be noted that, as a rule, the Board of Directors reviews the updated risk mapping on an annual basis, in the meeting during which it approves the budget for the following financial year; in addition, the Company updates its Risks map in conjunction with the approval of extraordinary transactions such as acquisitions of new assets deemed relevant.

In particular, during 2019, the Company updated its Risks map on several occasions: at the beginning of 2019, in updating what was examined for the 2018 financial year; subsequently, in conjunction with the approval of the 2019-2021 Three-Year Plan, following an acquisition of product rights deemed relevant and, finally, at the Board of Directors' Meeting of 19 December 2020 before the approval of the 2020 Budget.

In addition, at the meeting of 18 March 2020, the Board, with the favourable opinion of the Risk, Control and CSR Committee, considered the guidelines of the internal control and risk management system of the Company and of the Recordati Group, approved in the previous

financial year, to be still adequate, such that the main risks relating to the Company and its subsidiaries are properly identified and adequately measured, managed and monitored.

In the Management Report, the main risk factors to which the Group is exposed are classified and described as follows:

- risks related to the external context: these are risks related to developments in the legal and regulatory framework of the pharmaceutical sector (characterised by a high level of local, national and international regulation, which influences the business at all levels), to the expansion in emerging Countries and to competitive pressure;
- strategic and operational risks: these are the risks related to the Group's internationalisation, the risks related to patents approaching their expiry, to investments in research and development, risks related to the launch of new products, risks related to pharmacovigilance, risks related to the production process, to the interruption of production, to health, safety, environment and the management of information technology resources and data security;
- financial risks: these are credit risk, interest rate risk, exchange rate risk and liquidity risk;
- legal and compliance risks: these are the risks related to product liability, compliance and those related to legal proceedings.

All of the risks and measures adopted by the Company for their limitation are described at great length in the Management Report. The Budget and the Three-Year Plan, as well as the planning of the control bodies' activities, in particular those of the Internal Audit & Compliance Function, take into due consideration the main risk factors and the actions aimed at mitigating their effects.

With reference to the administrative area, the Company appears to have adapted to the provisions introduced by Italian Law no. 262/2005.

From 3 May 2007 to 18 March 2020, the role of Executive in charge of preparing the corporate accounting documents ('Financial Reporting Officer', *Dirigente Preposto*) was conferred upon Mr Fritz Squindo, General Manager for Management Coordination, and Chief Financial Officer until 1st November 2019 and, subsequently, Group General Manager.

On 18 March 2020, after having received the opinion of the Risk, Control and CSR Committee and of the Board of Statutory Auditors, the Board of Directors appointed Mr Luigi La Corte as Executive in charge of preparing the corporate accounting documents ('Financial Reporting Officer'); Mr La Corte also holds the role of new Chief Financial Officer of the Group since 1st November 2019.

The Board of Directors, also on 18 March 2020, approved the update of the 'Operational guidelines for the Manager responsible for preparing the corporate accounting documents', the latest version of which dated back to 3 May 2007. The new operational guidelines for the Financial Reporting Officer provide, *inter alia*: i) that the power to dismiss rests solely with the Board of Directors, after hearing the non-binding opinion of the Board of Statutory Auditors, and that it may be exercised for a just cause, which must be stated in the related resolution; ii) the positioning of the Financial Reporting Officer in a top management role directly reporting to the Chief Executive Officer; iii) a direct and specific periodic information flow (on at least a half-yearly basis) from the Financial Reporting Officer to the Board of Directors pertaining to, *inter alia*, possible critical issues that may have come to light during the period and possible unsuitability of the means at his disposal; iv) that the Financial Reporting Officer, in the event of necessity and urgency, reports at any time to the Board of Directors any fact deemed relevant for the fulfilment of his activities; v) periodic meetings between the Financial Reporting Officer and the Risk, Control and CSR Committee; vi) collaboration of the Audit Function of the Group; vii) direct information flows channelled by the Financial Reporting Officer to the Supervisory body provided for under Italian Legislative Decree no. 231/2001; viii) the timely receipt of adequate information regarding the approval of Related Party Transactions so that the Financial Reporting Officer can take them into account in the

completion of his or her duties; and ix) the coordination, by the Financial Reporting Officer, with all the corporate structures in order to receive information on the performance of the activities that had an impact on the Group's economic, asset or financial situation.

The corporate governance Report dedicates significant space to the internal control system and, in particular, to the activities aimed at overseeing the financial reporting process, that are also relevant in accordance with the provisions of Article 19, paragraph 1, letter c) of Italian Legislative Decree no. 39/2010 as amended by Italian Legislative Decree no. 135/2016 implementing Directive 2014/56/EU.

We note a reporting system that is complete, integrated and consistent at Group level, with regard to both reporting and to procedures and directives. Moreover, it is also provided and implemented that the Executive in charge sends to the subsidiaries included within the consolidation perimeter guidelines on keeping the accounts, preparing the annual financial statements and any interim accounting data, as well as the power of the Financial Reporting Officer to request information, copies of documents and to proceed with audits in order to verify the subsidiaries' proper fulfilment of the indications set forth in the guidelines and the operational indications received.

A group accounting manual is also adopted, as well as administrative-accounting protocols and procedures concerning the periodic closings of the accounts, the drafting of the financial statements and the drafting by the subsidiaries of reporting packages.

With reference to the on-going reporting obligations provided for under Article 114, paragraph 2, TUF, the Company has provided the subsidiaries with adequate instructions for fulfilling the reporting obligations provided for under Article 114, paragraph 1, TUF in the context of the internal Regulation on Inside Information.

The Company maintains a strict informative control over the subsidiaries for purposes of being able to fulfil the reporting obligations periodically envisaged. In particular, it is provided that the subsidiaries send the accounting or financial data of the period accompanied with a specific certification by the relevant Chief Executive Officer and Financial Controller.

The Financial Reporting Officer carries out an assessment of the internal administrative-accounting control system, availing himself of the testing activities conducted by the Audit Function of the Group.

In addition, on 7 April 2020, the Audit Firm presented to the Board of Statutory Auditors the additional Report provided for in Article 11 of Regulation (EU) no. 537/2014, that represents the results of the performed statutory audit of the accounts and includes the declaration of independence provided for under Article 6, paragraph 2, letter a) of the Regulation, as well as the information required under Article 11 of the same Regulation, without identifying significant gaps. In particular, the additional Report does not show any significant gaps in the internal control system in relation to the financial reporting process worthy of being brought to the attention of the persons in charge of the 'governance' activities.

The Board of Statutory Auditors has informed the Company's Board of Directors of the results of the statutory audit, also sending to the latter and without any observations the additional report, pursuant to Article 19 of Italian Legislative Decree no. 39/2010.

The Company, in accordance with Italian Law no. 262/2005, performed, with a favourable outcome, verification tests on the accounting closing procedures and on administrative procedures in general, which were also fully extended to the foreign affiliates, aimed at confirming the accuracy of the accounting data entered in the financial statements and in the disclosure documents and prospectuses.

All of the Group's companies are subject to an accounting audit for purposes of the consolidated financial statements (which are differentiated in scope, depending upon the specific characteristics of the company involved) by audit firms belonging to the KPMG network, a company appointed for a nine-year period (2011-2019) by the Shareholders' Meeting of the Recordati S.p.A. which approved the financial statements for financial year 2010.

With the approval of the financial statements for the 2019 financial year, the mandate given to KPMG S.p.A. ('KPMG') will expire. Therefore, the Board of Statutory Auditors, in the role of Internal Control and Audit Committee, started a specific procedure in 2019, with the help of the Company, for the selection of the new statutory auditing firm to which to assign the relative mandate for the 2020-2028 financial years, in compliance with current legislation and, in particular, with Article 16 of Regulation (EU) no. 537/2014. At the end of the selection procedure, the ICAC presented its motivated recommendations to the Board of Directors and then to the Shareholders' Meeting.

From a standpoint of compliance with applicable laws and regulations, the Board of Statutory Auditors verified that the provisions set forth in Articles 15 *et seq.* of the Regulation on markets adopted by Consob can be applied to the subsidiaries established in Turkey, United States of America, Russia and in Switzerland which are materially relevant on account of their size, since they are established and governed by the laws of a State not belonging to the European Union, and verified compliance with the economic and asset limits. To such end, the Board of Statutory Auditors acquired from the Company and from the audit firm information that allow to confirm that such subsidiaries are endowed with an administrative and accounting system suitable to ensure that the economic, asset and financial data necessary for the drafting of the consolidated financial statements regularly reach the Company's management and the audit firm of the parent company.

It should be recalled that the legal framework governing periodic financial reporting was modified by Italian Legislative Decree no. 25/2016, implementing Directive 2013/50/EU, which eliminated the obligation to publish the interim management statement previously provided for under paragraph 5 of Article 154-*ter* of Italian Legislative Decree no. 58/1998. On 26 October 2016, through resolution no. 19770, Consob, by introducing the new Article 82-*ter*, made a number of regulatory amendments which apply since 2 January 2017.

In such regard, the Board of Directors resolved in 2017 to continue to publish, on a voluntary basis and until a different resolution is issued, a periodic quarterly disclosure similar in forms and contents to the one published in the previous financial years. In particular, the quarterly disclosure will be subject to the approval of the Board of Directors in the course of meetings to be held within 45 days from the closing of the first and third quarter of each year and published through dissemination of a press release to be issued upon the conclusion of the meeting of the Board of Directors that approves the above-mentioned data and through the publication of the quarterly financial report, which must also be published in a timely manner following the meeting of the Board of Directors that approved the above-mentioned data.

As already mentioned, on 28 February 2019 the Company's Board of Directors newly-appointed by the Shareholders' Meeting on 5 February 2019 verified the management and coordination activities exercised by Rossini Luxembourg S.à r.l. on Recordati S.p.A. in accordance with Articles 2497 *et seq.* of the Italian Civil Code.

On the same date, the Board of Directors verified that the Company meets the requirements provided for under Article 16, paragraph 1, letters b), c) and d) of the Markets Regulation.

As for the disclosure obligations provided for under Article 2497-*bis* of the Italian Civil Code, referred to in Article 16, paragraph 1, letter a) of the above-mentioned Regulation, the Company represented that it had complied with the law by the required terms.

In the Corporate Governance Report it is stated that the wholly-owned Italian subsidiaries acknowledged the management and coordination activities on the part of the Company, by performing the disclosure requirements provided by law.

In addition, the subsidiaries established and governed by the laws of States not belonging to the European Union, with the exception of those established in Turkey, USA, Russia and in Switzerland, are not materially relevant within the meaning set forth in the applicable secondary regulatory framework. Moreover, in consideration of the high number of shareholdings held, the Company is committed to monitoring any potential changes and the Board of Statutory Auditors exercises its surveillance in such regard.

Audit firm

Based on the information received, it appears that during the financial year the Company and the other companies of the Group granted to the audit firm KPMG S.p.A. and to other entities linked to its network, a number of mandates different from the statutory audit of the Company, as specified below.

Type of service	Entity that provided the service	Recipient	Fees in €
Audit of accounts	Audit firm of the Group Parent Company	Group Parent Company	130,700
Audit of accounts	Audit firm of the Group Parent Company	Subsidiaries	78,100
Audit of accounts	Network of the audit firm of the Group Parent Company	Subsidiaries	633,679
Due diligence services	Audit firm of the Group Parent Company	Group Parent Company	115,349
Tax compliance services	Network of the audit firm of the Group Parent Company	Subsidiaries	18,651
Signing of declarations and certifications	Audit firm of the Group Parent Company	Group Parent Company	44,000
Signing of declarations and certifications	Network of the audit firm of the Group Parent Company	Subsidiaries	25,450
Other services	Audit firm of the Group Parent Company	Group Parent Company	70,000

We provide communication of such mandates for purposes of law and we specify that the same were stated by the Company in an attachment to the consolidated financial statements (Schedule 1) in accordance with Article 149-*duodecies* of the Issuers Regulation.

The Board of Statutory Auditors highlights that no critical element came to light with regard to the independence of the audit firm.

As a result of the enactment of Regulation 2014/537/EU, starting from 2017 the Board of Statutory Auditors was called upon to express its opinion on the occasion of the grant to the audit firm and to other entities belonging to their network, of mandates different from audit services (Non-Audit Services).

As previously represented, with the approval of the financial statements for the 2019 financial year, the mandate given to KPMG, for the 2011-2019 nine-year period, will expire. Therefore, the Board of Statutory Auditors, in the role of Internal Control and Audit Committee, started a specific procedure in 2019, with the help of the Company, for the selection of the new statutory auditing firm to which to assign the relative mandate for the 2020-2028 financial years, in compliance with current legislation and, in particular, with Article 16 of Regulation (EU) no. 537/2014.

At the end of the aforementioned selection procedure, the Internal Control and Audit Committee presented, on 11 February 2020, its motivated recommendation with, to which reference is made for

further details, to the Board of Directors and then to the Shareholders' Meeting, for the purposes prescribed by current legislation.

7. Current corporate governance and changes following the Transaction

Detailed information on the methods through which the corporate governance principles approved by Borsa Italiana (set forth in the relevant Corporate Governance Code, hereinafter referred to in short also as only the 'Code') were implemented are provided by the directors in the annual Report on corporate governance and ownership structure attached to the financial reporting.

We observe that the Company adheres to and complies with the Corporate Governance Code for Listed Companies (July 2018 version) with the rules specified in the Report on corporate governance and ownership structure related to 2019 financial year, approved by the Board of Directors on 18 March 2020.

However, it should be noted that on 31 January 2020 the Corporate Governance Committee published a new version of the Corporate Governance Code to be applied by listed companies starting in 2021; the Company is currently examining the new Code to evaluate its most appropriate application.

The report drafted in conjunction with the financial statements for 2019 financial year appears in line with the provisions of Article 123-bis TUF, and on the related information recalled by paragraph 4 of such provision and the audit firm expressed the consistency opinion provided for under Article 14, paragraph 1, letter e) of Italian Legislative Decree no. 39/2010.

Paragraph '1. Issuer Profile and General Information' and paragraph '2. Report on ownership structures (pursuant to article 123-bis, paragraph 1, TUF)' of the Corporate Governance Report also include a description of the important transaction that involved the Company in 2018 (the 'Transaction') and that led to an important change in the majority share ownership of Recordati S.p.A.

In such regard, it is worth recalling that on 6 December 2018 the sale by the shareholders of Fimei S.p.A. to Rossini Investimenti S.p.A. (as the company specifically designated pursuant to the agreement with the consortium of investment funds controlled by CVC Capital Partners VII) of the entire shareholding held by them in Fimei S.p.A. was finalised.

With specific reference to the Transaction, as moreover described in the 2019 Corporate Governance Report, the Board of Statutory Auditors recalls what has already been specified in its report on the financial statements for the financial year ended 31 December 2018, noting that, on 29 June 2018, the members of the Recordati family, as shareholders of Fimei S.p.A. - majority shareholder of the Company - had communicated that they had reached an agreement for the transfer to a consortium of investment funds controlled by CVC Capital Partners VII of the entire share capital of Fimei S.p.A. which, at that date, held 51.79% of the share capital of the Company.

On 21 December 2018, the Public Tender Offer was authorised by Consob; the subscription period began on 2 January 2019 and the subscription period for the Public Tender Offer ended on 1st February 2019. The ordinary shares of Recordati S.p.A. subscribed were n. 59,816, equal to approximately 0.061% of the shares covered by the Offer and, therefore, equal to approximately 0.029% of the Company's share capital. On 8 February 2019, the date of payment of the purchase price due to the holders of the shares tendered and the simultaneous transfer thereof to the bidder, the shareholding held by Fimei (as the actual purchaser designated in the context of the Offer) in Recordati S.p.A. was equal to 51.820% of the share capital.

In consideration of the final results of the Public Tender Offer, the conditions for the exercise of the Right and Commitment to Squeeze-Out have not been met pursuant to Articles 108, paragraphs 1 and 2, and 111 of the TUF.

In referring to the information reported in the Corporate Governance Report on the main obligations related to the Transaction, following which, on 5 February 2019, the Shareholders' Meeting appointed a new Board of Directors, the Board of Statutory Auditors observes the following.

The Shareholders' Meeting held on 11 April 2017 had appointed for three financial years, expiring upon the shareholders' meeting convened to approve financial statements for the financial year ending 31 December 2019, a Board comprised of nine directors, six of whom are independent, among whom three are female, in accordance with the criteria indicated by the applicable provisions on gender balance (at least 1/3 of the members must be of the less represented gender) and of minimum number of independent directors (at least one third of the Board of issuers belonging to the FTSE-Mib index).

Subsequently, in the context of the finalisation of the corporate changes related to the ownership structure of Recordati S.p.A. occurred on 6 December 2018 following the Transaction, the Chair of the Board of Directors, executive director, Mr Alberto Recordati, the non-independent and non-executive director Professor Marco Vitale and the independent director Mr Paolo Fresia submitted their resignations from all roles respectively held at Recordati S.p.A.

The Board of Directors, at its meeting held on 6 December 2018 following finalisation of the above-mentioned corporate changes:

- acknowledged the resignations of the above-mentioned directors and consequently approved by resolution, in accordance with Article 2386 of the Italian Civil Code and Article 17 of the Company's By-laws, the appointment by co-optation of Mr Giampiero Mazza, Ms Cathrin Petty and Mr Søren Vestergaard-Poulsen, who remained in office until the following shareholders' meeting;
- appointed Mr Giampiero Mazza as Chair of the Board of Directors;
- likewise acknowledged the resignations submitted – in order to allow for the full renewal by way of slate voting of Recordati's Board of Directors in accordance with Article 15 of the By-laws – on 6 December 2018 by the other Directors in office as of such date, appointed by the Shareholders' Meeting held on 11 April 2017 upon the proposal of the majority shareholder Fimei S.p.A. (namely: Mr Andrea Recordati (Vice Chair and Chief Executive Officer), Mr Fritz Squindo (non-independent and executive), Mr Rosalba Casiraghi (independent and non-executive), Ms Michaela Castelli, lawyer (independent and non-executive), Ms Elisa Corghi (independent and non-executive) and Mr Mario Garraffo (independent and non-executive)), with effect as of the following Shareholders' Meeting, following finalisation of the corporate changes related to the indirect ownership structure of Recordati S.p.A. occurred on 6 December 2018;
- thus resolved to convene the Ordinary Shareholders' Meeting for the renewal of the Board of Directors on 5 February 2019.

In light of the foregoing, from 1st January 2019 until 5 February 2019 the Board of Directors was comprised as follows:

Name	Role	Executive/Non-executive	Independent
Giampiero Mazza	Chair	Executive	-
Andrea Recordati	Vice Chair and CEO	Executive	-
Rosalba Casiraghi	Director	Non-executive	Independent
Michaela Castelli	Director	Non-executive	Independent
Elisa Corghi	Director	Non-executive	Independent
Mario Garraffo	Director	Non-executive	Independent
Cathrin Petty	Director	Executive	-
Søren Vestergaard-Poulsen	Director	Executive	-
Fritz Squindo	Director	Executive	-

The Board of Directors currently in office was appointed by the Shareholders' Meeting held on 5 February 2019, which appointed for three financial years, with expiry on the date of the shareholders' meeting convened to approve the financial statements for financial year ending 31 December 2021, a Board comprised of eleven directors, four of whom are females and three of whom are independent, in accordance with the criteria indicated by the applicable provisions of law and self-regulation on the matter of gender balance (at least 1/3 of the members must be of the less represented gender) and of minimum number of independent directors (at least 1/3 of the Board of issuers belonging to the FTSE-Mib index, rounding to the lower whole number).

We summarise below the composition of the Board of Directors as of the date of this Report and the role of each Director as of such date:

Name	Role	Executive/Non-executive	Independent	Date of initial Appointment
Flemming Ørnskov	Chair	Non-executive	-	BoD 05.02.2019
Alfredo Altavilla	Vice Chair	Non-executive	-	BoD 05.02.2019
Andrea Recordati	CEO	Executive	-	Shareholders' Meeting 29.04.1998
Silvia Candini	Director	Non-executive	Independent	Shareholders' Meeting 05.02.2019
Michaela Castelli	Director	Non-executive	Independent	Shareholders' Meeting 17.04.2014
Joanna Le Couilliard	Director	Non-executive	Independent	Shareholders' Meeting 05.02.2019
Francisco Javier de Jaime Guijarro	Director	Executive	-	Shareholders' Meeting 05.02.2019
Giampiero Mazza	Director	Executive	-	BoD 06.12.2018
Cathrin Petty	Director	Executive	-	BoD 06.12.2018
Søren Vestergaard-Poulsen	Director	Executive	-	BoD 06.12.2018
Fritz Squindo	Director	Executive	-	BoD 14.03.2013

The Corporate Governance Report states that, since it was in the Company's interest to strengthen the Board's experience, also at the international level, in the business sectors in which the Company and the Group operate, the Shareholders' Meeting held on 5 February 2019 approved the proposal of the majority shareholder Fimec S.p.A. to authorise the exemption of the members of the Board of Directors from the non-competition obligation provided for under Article 2390 of the Italian Civil Code, with reference to mandates held by them in other companies and disclosed as of such date.

Following the renewal of the Board of Directors by the Shareholders' Meeting held on 5 February 2019, the Board granted the mandates of Chair to Mr Flemming Ørnskov and of Vice Chair to Mr Alfredo Altavilla, and confirmed the mandate of Chief Executive Officer to Mr Andrea Recordati, also renewing the grant of the previous operational mandates.

Also in accordance with the opinion of the Board of Statutory Auditors and the Remuneration Committee, the Board determined the remuneration of the Chair and of the Chief Executive Officer.

It should be noted that at the Board of Directors' meeting held on 18 March 2020 when the Corporate Governance Report was approved, three directors resigned, effective from the next Shareholders' Meeting, which will be held in a single call on 29 April 2020: Mr Flemming Ørnskov, Mr Søren Vestergaard-Poulsen and Mr Francisco Javier de Jaime Guijarro due to onerous professional commitments.

In light of the resignation of Mr Flemming Ørnskov, the Board of Directors has expressed its intention to proceed, once his resignation has become effective, to the appointment, as new Chair of the Board of Directors, of the director Mr Alfredo Altavilla.

The Shareholders' Meeting will then be called upon to take the relevant decisions regarding the integration of the Board of Directors, after re-determining the number of its members.

In light of the above, it should be noted that the majority shareholder FIMEI S.p.A. has also already communicated to the Company - as indicated in the press release issued by the Company on 18 March 2020 - that it has already selected, in anticipation of the possible resignation of board members, a restricted shortlist of high-profile candidates, who will be proposed for appointment at the next Shareholders' Meeting, with the aim of further strengthening the Board of Directors also in terms of specific experience in the pharmaceutical market.

As mentioned in the Corporate Governance Report, it should be noted that the Board of Directors, between the end of 2019 and the beginning of 2020 and therefore essentially one year after the appointment, carried out a board review process, with the support of an external consultant. The process involved the functioning of the Board itself and its Committees as well as their size and composition and also involved a benchmarking analysis with Recordati's peers and, in general, with the best practices on the matter carried out by the consultant.

The Risk, Control and CSR Committee played a role in supervising the process; however the recommendation was made to the Board of Directors to carry out the board evaluation with the support of an external consultant.

The results of the board review process were analysed, on a preliminary basis, by the Risk, Control and CSR Committee at the meeting of 31 January 2020 and, then, by the Board of Directors on 14 February 2020, together with some recommendations made by the same Committee. Following this activity the Board expressed an overall positive opinion with reference to the 2019 financial year and acknowledged the recommendations made by the Risk, Control and CSR Committee, agreeing to proceed to implement them as may be progressively deemed more appropriate.

As regards the role of the Board of Directors, the Board continued to reserve to its exclusive competence, in addition to the matters reserved to it by law or under the By-laws, the transactions having significant strategic, economic, asset or financial importance, identified using specific criteria revised on the occasion of the grant of the mandates.

In relation to the foregoing, the Board of Statutory Auditors confirms the substantial compliance, during the financial year, with the principles and criteria imposed by the Code.

Following the appointment of the new Board of Directors, which took place at the Shareholders' Meeting held on 5 February 2019, we note the presence of one-third of independent directors (three out of nine directors in office), with an approach in line with the provisions of the TUF and the Corporate Governance Code itself, particularly for issuers belonging to the FTSE-Mib index.

The procedure followed by the Board for purposes of the verification of the independence requirement provides that the existence of the requirement must be declared by the director on the occasion of the presentation of the candidacies, as well as at the time of acceptance of the appointment. The Board verifies such existence of requirements at the first meeting following the appointment and discloses the results to the market. Subsequently and without prejudice to the independent director's commitment to notify the Board in a timely manner of the occurrence of situations that cause the loss of the requirement, the Board reiterates, on an annual basis, the request to the relevant directors to confirm the existence of such requirements, as provided for by law and the Code. The Board of Directors and the Board of Statutory Auditors then respectively proceed to verify the contents and the correct application of the requirements and the procedures for their verification.

With reference to the Board currently in office, following appointment by the Shareholders' Meeting held on 5 February 2019, in relation to three directors, namely Ms Silvia Candini, Ms

Michaela Castelli, lawyer, and Ms Joanna Le Couilliard, the Board of Directors, taking into account the declarations issued by the persons in question, ascertained the existence of the independence requirements provided for under Article 148, paragraph 3, TUF and of the independence requirements provided for under the Code; these requirements were confirmed by the Board of Directors also on 14 February 2020 following the annual renewal of the assessment.

The Board of Statutory Auditors has successfully verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members.

Following renewal of the Board of Directors by the Shareholders' Meeting held on 5 February 2019, the Board:

- a) renewed – on the same date - the establishment of the Risk, Control and CSR Committee;
- b) renewed – on the same date – the establishment of the Remuneration Committee;
- c) decided not to designate a new Lead Independent Director.

With reference to the Risk, Control and CSR Committee (letter a)), let us point out that from 1st January 2019 to 5 February, the Committee was comprised of Ms Michaela Castelli, lawyer (Chair), Ms Rosalba Casiraghi and Ms Elisa Corghi. Such composition remained unchanged until the Shareholders' Meeting held on 5 February 2019, which appointed the new Board of Directors in its current composition.

The new Board, at its meeting held on 5 February 2019 following the appointment by the Shareholders' Meeting, established within itself a Risk, Control and CSR Committee, comprised of the following non-executive and independent directors: Ms Michaela Castelli, lawyer (Chair), Ms Silvia Candini and Ms Joanna Le Couilliard.

With reference to the Remuneration Committee (letter b)), it should be noted that at its meeting held on 5 February 2019 the Board also established within itself a Remuneration Committee, comprised of the following non-executive and independent directors: Ms Joanna Le Couilliard (Chair), Ms Michaela Castelli, lawyer and Ms Silvia Candini.

With reference to the Lead Independent Director (letter c)), it should be noted that until 5 February 2019, in acceptance of the request of the Independent Directors, the Board had appointed Mr Mario Garraffo, who was given the power to convene, at his own initiative or at the request of other independent and/or non-executive directors, specific meetings of only independent or non-executive directors, for the discussion of issues of interest with respect to their obligations with reference to the Transaction and, more generally, with respect to the functioning of the Board or the corporate management.

Currently, following the changes in the composition of the Board of Directors with the Shareholders' Meeting of 5 February 2019, no new Lead Independent Director has been appointed, however, the Risk, Control and CSR Committee, following the outcome of the board review process carried out between 2019 and 2020, recommended that one be appointed and the Board agreed to proceed accordingly.

In relation to the composition of the Board of Statutory Auditors, we inform that the same verified, with a favourable outcome, that its members comply with the independence criteria provided for by law and the Code.

Following the appointment of the new Board of Directors on 5 February 2019, the Board confirmed the previous assessment of the departing Board not to proceed to establish a Nomination Committee, expressly reserving to the Board of Directors in its full composition the duties assigned to the latter by the Code. This is mainly on the basis of the finding that no difficulties have been

noted so far, also by virtue of the presence of a shareholder that holds control *ex lege*, also following the Recordati family's sale to the consortium of funds controlled by CVC (and therefore in consideration of the concentrated ownership structure), in particular in the preparation of the appointment proposals, and that it is therefore deemed preferable to reserve to the Board of Directors in its full composition the functions that the Code assigns to the Appointments Committee and which were performed by the Board.

The Company, since 2012, had decided not to put in place any succession plan for the executive directors. However, considering the changes in the ownership structure that took place at the end of 2018 and the appointment of the new Board of Directors on 5 February 2019, the Company submitted this assessment to the Board again in 2019 and the Board decided to adopt, after consulting the Risk, Control and CSR Committee, a plan for the Chief Executive Officer and the Director in charge of the internal control and risk management system containing, in the event of early termination or inability, even temporary, to perform their functions, the guidelines for the succession process with a view to short- to medium-term business continuity. Therefore, this is a so-called 'contingency plan' which will allow the Company to immediately deal with any emergency situation. At the date of this report, the finalisation process of this plan is on-going and the Company estimates that it will be adopted by the Board by the first half of 2020.

8. Consolidated non-financial declaration

Italian Legislative Decree no. 254/2016, implementing Directive 2014/95/EU, introduced in our legal system the obligation for certain entities to draft, for each financial year, a non-financial declaration aimed at '*ensuring an understanding of the business operations, of its trend in the business performance and the results and impact generated by them*', concerning environmental, social matters, matters related to personnel, to the respect of human rights and to the fight against active and passive corruption.

Therefore, essentially, starting from the financial statements related to financial years started in 2017, large listed companies, banks and insurance companies (having at least 500 employees and meeting certain size requirements) must also draft, as part of their traditional financial statement, a statement on non-financial issues, such as those concerning environmental, social matters, matters related to personnel, to the respect of human rights and to the fight against active and passive corruption.

In compliance with the provisions of Italian Legislative Decree no. 254/2016, the Company prepared the consolidated non-financial statement for 2019 (hereinafter also referred to as only the 'NFS'). Indeed, Recordati decided to undertake a structured and uniform path towards sustainability, taking into consideration aspects of economic, social and environmental sustainability in a manner consistent with its organisational characteristics. To the extent necessary to ensure an understanding of the business operations, of its trend in the business performance, of its results and of the impact generated by the same with regard to main sustainability matters, Recordati's commitment in terms of sustainability reflected in the preparation of the NFS related to 2019 financial year, in order to fulfil the obligations provided for under Articles 3 and 4 of Italian Legislative Decree no. 254/16. The NFD sets forth a description of the main policies followed by the company, the management models and the main activities carried out by the Group during 2019 with regard to the matters expressly cited by Italian Legislative Decree no. 254/16 (environmental, social, personnel-related, respect for human rights, fight against corruption), as well as the main risks identified in connection with such issues.

The NFDS was drafted in accordance with the new reporting standards entitled '*GRI Sustainability Reporting Guidelines*', published in 2016 by the Global Reporting Initiative (GRI), in accordance with the '*in accordance - core*' option.

The NFD was presented to the Risk, Control and CSR Committee held on 16 March 2020 for such Committee's review and assessment, and later approved by Recordati S.p.A.'s Board of Directors on 18 March 2020.

The Company's Board of Statutory Auditors and the ODV (231 Compliance Body) have obtained periodic updates on the carrying out of activities in preparation of the drafting of the NFD and the Board of Statutory Auditors oversaw, in the context of the functions assigned to it by the legal system, compliance with the provisions set forth in Italian Legislative Decree no. 254/2016.

The NFD was also submitted to KPMG's conformity opinion, which expressed, through a specific report, a certification of the conformity of the information provided in accordance with Article 3, paragraph 10 of Italian Legislative Decree no. 254/16. The verification was performed in accordance with the procedures indicated in the 'Independent Audit Firm's Report'.

We specify that the NFD was published by the Company along with the documents related to the annual financial statements for 2019 financial year.

9. Conclusive assessments on the supervisory activities conducted and the financial statements

The audit firm, in its report issued pursuant to Article 14 of Italian Legislative Decree no. 39 of 27 January 2010, expressed an opinion without modifications on the 2019 annual financial statements and on the 2019 consolidated financial statements. The certifications of the Financial Reporting Officer and of the Chief Executive Officer provided under Article 154-*bis* of TUF are attached as schedules to the annual financial statements and to the consolidated financial statements.

The Shareholders' Meeting was called for the approval of the financial statements. The directors' proposal on the distribution of the dividends (EUR 0.52 per share as balance payment for 2019 financial year), also taking into account the advance payment on the 2019 profits (EUR 0.48 per share), envisages the distribution of a total dividend of EUR 1.00 per share. For the distribution of the dividend, the Company shall use the profits of the financial year.

The Board of Statutory Auditors, on the basis of the activities conducted over the course of the financial year, does not note any reasons preventing the approval of the financial statements as at 31 December 2019 and the related resolution proposals formulated by the Board of Directors.

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It is also recalled that as previously represented, with the approval of the financial statements as at 31 December 2019, the mandate of the Board of Statutory Auditors expires; you are therefore called upon to appoint a new board of statutory auditors for the next three financial years, pursuant to the applicable laws and regulations as well as the By-Laws.

On this occasion, we thank you for the trust you have placed in us during these years of service.

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Milan/Rome, 7 April 2020

The Board of Statutory Auditors of Recordati S.p.A.

Antonio Santi

Livia Aliberti Amidani

Marco Nava