

REPORTS OF THE DIRECTORS ON THE PROPOSALS ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING

(SHAREHOLDERS' MEETING TO BE HELD ON SINGLE CALL ON 29TH APRIL 2020)

Report on item 2 on the agenda and related resolution proposal

Integration of the Board of Directors after first changing the number of its members and related and consequent resolutions:

- a) Determination of the number of Board of Directors' members;
- b) Appointment of the Board of Directors' members to integrate the existing Board;
- c) Determination of the remuneration to supplement what has already been approved by the Shareholders' Meeting of 5th February 2019;
- d) Exemption of directors from non-compete obligations pursuant to Article 2390 of the Italian Civil Code.

Dear Shareholders,

Following what was already communicated to the market on 18th March 2020, it is recalled that, on the same date, Mr Flemming Ørnskov (Chair and Non-executive director), Mr Søren Vestergaard-Poulsen (Executive director) and Mr Francisco Javier de Jaime Guijarro (Executive director) resigned from their respective positions, with effect from the next shareholders' meeting, due to increased professional commitments.

It is also recalled that Mr Søren Vestergaard-Poulsen and Mr Francisco Javier de Jaime Guijarro have been qualified as executive directors pursuant to the Corporate Governance Code, since they hold managerial positions in companies of the majority shareholder group that also concern the Company, but they do not have individual operating powers.

The Chair, Mr Flemming Ørnskov, and the Directors, Mr Søren Vestergaard-Poulsen and Mr Francisco Javier de Jaime Guijarro, had been appointed from the majority slate at the shareholders' meeting of 5th February 2019. The only unelected candidate belonging to the same slate, Ms Elisa Corghi, communicated that she did not accept the position due to the many professional commitments previously undertaken. Therefore, there are no unelected candidates on the aforementioned slate.

You have thus been called to the ordinary Shareholders' Meeting to examine and approve a proposed resolution relating to the integration of the Board of Directors, after re-determining the number of its members. The proposed resolution relates to the increase in the number of Board of Directors' members from the current eleven to twelve and, if the above increase is approved, to the simultaneous appointment of three directors, replacing Mr Flemming Ørnskov, Mr Søren Vestergaard-Poulsen and Mr Francisco Javier de Jaime Guijarro who have resigned and of a new director and to the determination of the relative remuneration.

The elected Directors will remain in office until the expiry date provided for all the other Board of Directors' members, *i.e.* until the approval of the financial statements for the financial year ending on 31st December 2021.

Pursuant to Article 14 of the By-laws, the management of the Company is entrusted to a Board of Directors composed of a number of members ranging from six to sixteen at the discretion of the Shareholders' Meeting. It should be remembered that newly appointed directors, as well as those already in office, must meet the eligibility, professionalism and integrity requirements provided for by law and other applicable regulations.

In addition, the composition of the Board of Directors must comply with the criteria indicated by the regulations concerning the minimum number of independent directors and the balance of genders. In particular, since the Company has declared that it adheres to the Corporate Governance Code issued by Borsa Italiana, independent directors will have to acknowledge whether they satisfy the independence requirements provided for by law (Article 148, paragraph 3, of Italian Legislative Decree no. 58/1998, "TUF": *Testo Unico della Finanza*) and those indicated in the Code.

In relation to the rules on the balance of genders in the corporate bodies of companies listed on regulated markets, Italian Law no. 160 of 27th December 2019 (2020 Budget Law) amended articles 147-ter, paragraph 1-ter, and 148, paragraph 1-bis, of the TUF, providing for a different portion reserved for the less represented gender equal to 'at least two fifths' of the members ('at least one third' compared to the previous one) and established that this allotment criterion applies for 'six consecutive terms'. However, in accordance with the 2020 Budget Law, the allotment criterion of 'at least two fifths' applies 'from the first renewal of the management and supervisory bodies of companies listed on regulated markets after the date of entry into force of this law', which took place on 1st January 2020. The proposed integration of the Board of Directors, after re-determination of the number of directors by the Shareholders' Meeting called for 29th April 2020, does not constitute a 'renewal of the management bodies' and therefore the provisions of article 147-ter, paragraph 1-ter of the TUF are not applicable. Of the eleven current Board of Directors' members, four are female, in accordance with the criteria indicated by the applicable legislative and self-regulatory provisions on the balance of genders.

At least one director, in the case of a Board with up to seven members, or two directors, in the case of a board consisting of more than seven members, must also meet the independence requirements pursuant to Article 148, paragraph 3, of the TUF, as referred to in Article 147-ter, paragraph 4, of the TUF. It should be remembered that the Corporate Governance Code in force also provides that in issuers belonging to the FTSE-Mib index - to which the Company belongs - at least one third of the board of directors must be composed of independent directors, to the nearest lowest unit of rounding.

Of the eleven current Board of Directors' members, three are independent, in accordance with the criteria indicated by the applicable legislative and self-regulatory provisions on the minimum number of independent directors.

Today's proposal to integrate the Board of Directors, after re-determining the number of its members, is formulated by the Board of Directors having deemed it appropriate - following the considerations expressed during the examination of the results of the self-assessment of the functioning of the board itself and its committees as well as on their size and composition - to broaden the skills and enrich the discussion within the management body, recommending herein to the Shareholders that some of the new directors have some experience and qualified skills in the field of the pharmaceutical industry and that one of the new directors be in possession of the independence requirements provided for by law (Article 148, paragraph 3, of Italian Legislative Decree no. 58/1998) as well as of those indicated by the Corporate Governance Code.

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 18th March 2020 - that it has already selected, in anticipation of the possible resignation of board members, a limited number 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.

The majority shareholder FIMEI S.p.A. - already heard informally - will therefore propose the appointment of four new candidates upon filing - prior to the Shareholders' Meeting - of the documentation functional to their appointment (*i.e.*, curriculum vitae and declaration of acceptance of the position); the aforementioned documentation will be made available to Shareholders before the Shareholders' Meeting.

Without prejudice to the foregoing, each shareholder has the right to make proposals on the matter and on the candidates pursuant to art. 126bis, paragraph 1, of the TUF.

For information on how shareholders can exercise this right, reference is made to Section "*Right to make additions to the agenda and to submit proposals*" included in the call notice for the Shareholders' Meeting convened for 29th April 2020.

However, having considered the provision referred to in Article 126-bis, paragraph 1, of the TUF according to which "*Any person who has the right to vote can individually submit resolution proposals at the shareholders' meeting*", with respect to which Law Decree no. 18/2020 ("*Cura Italia*") has not provided for specific derogating provisions, the Company specifies below how shareholders can exercise this right.

To this end, the relevant proposal and relative candidates shall be sent by email to the following email address: recordati@pec.recordati.it.

The entitlement to submit proposals has to be certified by means of the communication pursuant to Article 83-sexies of the TUF made by the intermediary for the purpose of attending and voting at the Shareholders' Meeting.

To enable the Company to make the appropriate verifications and make these proposals public so that it will be possible to integrate the proxy forms with the related voting instructions, proposals must be received by Recordati at least five trading days before the date of the Shareholders' Meeting (*i.e.*, not later than 22nd April 2020).

Shareholders who therefore intend to make proposals for the appointment of additional members of the Board of Directors are invited to submit their candidacies along with:

- (i) the curriculum vitae of the candidate as well as
- (ii) the declaration by which the candidate accepts the candidacy and certifies, under his or her own responsibility, the non-existence of ineligibility and/or incompatibility causes, as well as the possession of the requirements prescribed pursuant to the law and under by-laws for the assumption of the position.

As soon as available the candidacies will be made available to the public on the corporate website https://www.recordati.com/en/investors/shareholders-_meetings/ and on the authorised storage service 1INFO (www.1info.it).

With regard to the technical methods, please be informed that the appointment of the Directors is therefore carried out in the manner indicated in Article 17 of the company's By-laws, to which reference is made. In particular, it bears recalling that the By-laws provide for the application of the slate voting system only for the case of full renewal of the board of directors and, therefore, in the case of partial appointment of the management body, a resolution will be passed with the legal majorities and without applying the terms for submitting candidacies pursuant to the by-laws.

In addition to the aforementioned appointment proposal, the Shareholders are invited to formulate at the same time proposals for the awarding of remuneration to the newly appointed Director, in addition to what has already been resolved upon by the Shareholders' Meeting of 5th February 2019; please note that the Shareholders' Meeting of 5th February 2019 resolved to award *'(i) to each director, with the exception of the directors Giampiero Mazza, Cathrin Petty, Francisco Javier de Jaime Guijarro and Søren Vestergaard-Poulsen who have declared that they do not wish to receive any remuneration, a remuneration equal to EUR 60,000 gross per year, without prejudice to the additional remuneration established by the Board of Directors, after hearing the opinion of the Board of Statutory Auditors, for directors vested with particular offices (including participation in committees that will be set up within the Board of Directors) pursuant to Article 2389, paragraph 3, of the Italian Civil Code; and (ii) to each director, without exception, the right to reimbursement of the expenses incurred for the exercise of his/her functions'*.

Lastly, taking into account the opportunity to integrate the Board with new directors, some of whom have experience and qualified skills in the pharmaceutical industry, the Board proposes to the Shareholders' Meeting, to resolve, to the extent needed, on the exemption of the new Directors from the non-compete obligations pursuant to Article 2390 of the Italian Civil Code, in relation to offices held in other companies and disclosed at the date of the Shareholders' Meeting, consistently with the exemption already resolved in respect of the directors currently in office.

In this regard, the Board confirms that it will in any case evaluate on its merits any possible potentially problematic situation which might arise, with respect to said offices.

Now, therefore, the Shareholders' Meeting is invited to:

- determine the number of members of the Board of Directors;
- appoint the new members of the Board of Directors to integrate the current Board of Directors;
- determine the remuneration to supplement what has already been approved by the Shareholders' Meeting of 5th February 2019;
- approve the exemption of the new Directors from the non-compete obligations pursuant to Article 2390 of the Italian Civil Code, in relation to offices held in other companies and disclosed at the date of the Shareholders' Meeting, consistently with the exemption already resolved in respect of the directors currently in office.

*** **

Milan, 24th March 2020

For the Board of Directors

The Chief Executive Officer

Andrea Recordati