

**DIRECTORS' REPORT ON THE PROPOSALS ON THE AGENDA OF THE ORDINARY GENERAL MEETING OF THE SHAREHOLDERS
(17TH APRIL 2014 SINGLE CALL)**

Report on item 2 on the agenda and the relative resolution submitted

Appointment of the Board of Directors:

- a) **Determination of the number of the members of the Board of Directors.**
- b) **Determination of the length of the term of office of the Board of Directors.**
- c) **Appointment of the members of the Board of Directors; relative and consequent decisions.**
- d) **Determination of the remuneration of the members of the Board of Directors.**

To Our Shareholders,

The mandate of the Board of Directors currently in office expires on the date of the Shareholders' Meeting for the approval of the Annual Report for the year ended 31st December 2013.

The Shareholders' Meeting is therefore called upon to appoint a Board of Directors in accordance with the terms and conditions of articles 14 and 15 of the Corporate By-Laws (available on the website of the Company www.recordati.it, in the Corporate Governance section) and with the applicable laws and regulations in force. The election shall take place according to list voting procedures. Members may be appointed for not longer than three years and they may be re-elected.

In accordance with the Corporate By-Laws, the Board of Directors shall be composed of a minimum of six members and a maximum of 16 members and the shareholders shall determine the number. The directors must be in possession of the requirements set by the laws and regulations in force on the matter. Furthermore, the composition of the Board of Directors must comply with the criteria set out in the provisions regarding the minimum number of independent directors and gender balance. In detail, because the Company has declared that it adheres to the Corporate Governance Code recommended by Borsa Italiana (in accordance with the procedures illustrated in the Report on Corporate Governance and Ownership Structure), the independent directors must testify that they are in possession of the requirements of independence provided for by law (Art. 148, paragraph 3 of Legislative Decree No. 58/1998) and also those recommended by the Code.

The Shareholders' Meeting shall also pass resolutions on the remuneration of the Board of Directors which, in accordance with Art. 16 of the Corporate By-Laws, may be set even in the form of a share in profits. As already reported, with regard to the Board of Directors currently in office, a Shareholders' Meeting of 13th April 2011 set the total annual remuneration at €480,000 and authorised the Board to distribute it internally, with account also taken of the participation of some Directors in a possible Executive Committee and other special committees which shall be formed from among the members of the Board, in compliance with the Corporate By-Laws.

Procedures, time limits and requirements for the presentation of lists

The appointment of the Board of Directors shall be performed on the basis of lists presented by shareholders on which the candidates are placed in numerical order.

Only shareholders who, either singly or together with other shareholders presenting a list, own a total number of shares representing at least 1% of the share capital with voting rights shall be entitled to present lists in accordance with Consob Resolution No. 18775 of 29th January 2014.

Each shareholder, including shareholders who have signed a shareholders' agreement identified in article 122 of Italian Legislative Decree No. 58/1998, controlling entities, subsidiaries, and jointly controlled entities, is prohibited from individually or jointly submitting more than one list or voting for different lists, even through a third party or trust company. Each candidate may only run on one list on penalty of disqualification. Endorsements of lists and votes cast in violation of this prohibition shall not be attributed to any list.

Lists must be deposited at the registered offices of the Company or sent by email from a certified address to the address recordati@pec.recordati.it, at least 25 days prior to the date set for the shareholders' meeting (if this deadline ends on a non-business day, then it is extended to the following business day: not later than 6:00 p.m. on Monday 24th March 2014).

The following items must be filed with each list within the respective time limits set out above and in compliance with the regulations currently in force, taking account also of the Corporate Governance Code adopted by the Company:

- a) statements with which each candidate accepts their candidacy and declares, under their own responsibility, that there are no reasons for ineligibility or incompatibility and that the candidate satisfies any specific requirements there may be for the respective position;
- b) a curriculum vitae detailing each candidate's personal and professional characteristics and indicating whether the candidate may be considered independent (and therefore with an indication of the possible possession of the requirements for independence in compliance with Art. 148, paragraph 3 of the Legislative Decree No. 58/1998 and the requirements for independence pursuant to the Corporate Governance Code for listed companies, as adopted by the Company; the Report on Corporate Governance and Ownership Structure may be consulted for information on the latter);
- c) information on the identity of the shareholders who have submitted the lists and on the total percentage of capital stock held.

Lists containing a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a percentage equal to that required by the legislation in force at the time concerning gender balance for the composition of the Board of Directors belongs to the least represented gender. Since this is the first application of these regulations a proportion equal to at least one fifth of the directors is reserved to the least represented gender (with the figure rounded up to the next whole number, if the number is a fraction).

The specific certification demonstrating title to the necessary number of shares for the presentation of the list, issued by a legally authorised intermediary, must also be deposited within the time limits set by the relative regulations – i.e. not later than 6:00 p.m. on 27th March 2014 – at the time when the list is deposited at the Company.

Lists which do not comply with these requirements are considered as not having been presented.

With respect to the above, shareholders are also invited to consider the following:

- the recommendations contained in Consob communication No. DEM/9017893 of 26th February 2009 (more specifically, the recommendation to shareholders who present a minority list to deposit a declaration together with the list certifying the absence of connections, in accordance with art. 144-*quinquies* of the Issuers' Regulations, between the minority shareholders and the

shareholders who have presented or voted for the list which has received the largest number of votes);

- the provisions of Art. 147-ter, paragraph 4 of Legislative Decree No. 58/1998, where it states that at least one Director, or two if the Board is composed of more than seven members, must possess the requirements of independence laid down for statutory auditors under paragraph 3 of Art. 148 of that same Legislative Decree No. 58/1998;
- with regard to the request for information on the personal and professional characteristics of each candidate, the invitation to shareholders to in any case also present a list of the management and supervision positions held by candidates in other companies;
- the provisions of the last available Report on Corporate Governance and Ownership Structure of the Company with regard to the appointment and composition of the Board of Directors.

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In consideration of the foregoing, the shareholders are invited to:

- determine the number of members of the Board of Directors;
- determine the length of the term of office of the Board of Directors;
- appoint a new Board of Directors, with account taken of the proposal submitted by shareholders with a legitimate right;
- set the overall remuneration due to Directors, inclusive of those appointed to specific positions.

It will be recalled that the Shareholders Meeting may resolve, in so much as these are resolutions concerning the appointment of the Board, to exempt new Directors from non-competition obligations pursuant to Art. 2390 of the Italian Civil Code and also to appoint a Chairman (otherwise, in accordance with the Corporate By-Laws, this responsibility falls to the Board itself).

The Company shall disclose the lists of candidates deposited by shareholders together with the relative documentation to the public on the Recordati website and the Borsa Italiana website (by means of SDIR-NIS - a regulated information transmission system) at least twenty-one days prior to the date set for the shareholders' meeting (within 27th March 2014).

Milano, 6th March 2014

On behalf of the Board of Directors
The Chairman and Chief Executive Officer
Giovanni Recordati