

## **DIRECTORS' REPORT ON THE PROPOSALS ON THE AGENDA OF THE ORDINARY GENERAL MEETING OF THE SHAREHOLDERS**

**(13<sup>TH</sup> APRIL 2011 1<sup>ST</sup> CALL – 14<sup>TH</sup> APRIL 2011 2<sup>ND</sup> CALL)**

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

#### **2. Appointment of the Board of Directors after first deciding the number of members and the relative remuneration.**

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 31<sup>st</sup> December 2010.

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](http://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 and members may be appointed for a maximum of three years and 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 and a minimum number of them, corresponding to the minimum number established by the regulations, must possess the requirements for independence, pursuant to paragraph three of Legislative Decree No. 58/1998.

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 11<sup>th</sup> April 2008 set the annual total remuneration at €350,000 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 2% of the share capital with voting rights shall be entitled to present lists in accordance with Consob Resolution No. 17633 of 26<sup>th</sup> January 2011.

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.

The lists submitted must be deposited at the headquarters of the Company or sent by email from a certified address to the address [recordati@pec.recordati.it](mailto:recordati@pec.recordati.it) at least twenty-five days prior to the date set for the shareholders' meeting convened in first call (i.e. by 19<sup>th</sup> March 2011) and they shall be made available to the public by the Company at its registered offices, at Borsa Italiana S.P.A. and on its website [www.recordati.it](http://www.recordati.it) not later than 21 days before the date of the shareholders' meeting in first call (i.e. by 23<sup>rd</sup> March 2011).

The following items must be filed with each list within the respective deadlines set out above and in compliance with the applicable regulations 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 Consolidated Finance Act and the requirements for independence pursuant to the Corporate Governance Code of 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.

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 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 26<sup>th</sup> February 2009 (especially with regard to the absence of connections between minority shareholders and 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 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.

The Board of Directors will be elected as follows:

- a) all directors to be elected, except for one, shall be drawn from the list that obtains the greatest number of votes according to the progressive order in which the candidates are placed on said list;
- b) the remaining director shall be the candidate placed at the number one position on the minority list, which shall not be connected in any way, even indirectly, with those who submitted or voted for the list indicated in letter a) above, which obtains the second-highest number of votes. For this purpose, lists that did not obtain a percentage of votes equal to at least half of that

required for presentation of the lists as at the fourth paragraph of this article will not be considered.

For the purposes of the appointment of directors as indicated at point b) above, in the event of a tie between lists, the list presented by shareholders possessing the larger shareholding, or subordinately the larger number of shareholders, shall prevail.

If the candidates elected through the above methods do not result in the appointment of a number of directors who meet the independence requirements established for statutory auditors by article 148, paragraph three, of Italian Legislative Decree No. 58 of 28<sup>th</sup> February 1998 equal to the minimum number established by the law in relation to the total number of directors, the non-independent candidate elected with the lowest progressive number on the list that obtains the largest number of votes as indicated in letter a) of the foregoing paragraph shall be replaced by the first independent candidate in terms of progressive numbering that was not elected on the basis of the list, or, failing the above by the first independent candidate in terms of progressive numbering not elected by the other lists, according to the number of votes obtained by each. This procedure of substitution will be followed until the Board of Directors is composed of a number of members who have the qualifications pursuant the Art. 148, paragraph three of Legislative Decree No. 58/1998, equal at least to the minimum legal number. If this procedure does not produce the latter result, the substitution will be effected by resolution of the Shareholders' Meeting by relative majority, after presentation of candidates who possess the qualifications as cited above.

If only one list is presented, all of the Directors will be selected from the same list. If no list is presented the Shareholders' Meeting will decide by legal majority, without following the procedure as above.

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

- vote on the appointment of the Board of Directors, in accordance with the procedures reported above, after first setting the number of members (possibly voting on the exemption of new directors from non competition obligations pursuant to Art. 2390 of the Italian Civil Code);
- set the remuneration of the Board of Directors.

Milano, 3<sup>th</sup> March 2011

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