

RECORDATI S.p.A.

REPORT ON REMUNERATION

in accordance with articles 123 *ter* of the Consolidated Finance Act and 84 *quater* of the Consob
Issuers' Regulations

Approved by the Board of Directors on 6th March 2014

Website: www.recordati.it

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Introduction

This report on remuneration (hereinafter the “Report”) has been prepared by Recordati S.p.A. (hereinafter “Recordati” or the “Company”) in compliance with Art. 123 -ter of Legislative Decree No. 58 of 24th February 1998 (hereinafter the “Consolidated Finance Act”), with Art. 84-*quater* of the regulations issued by the Consob with Resolution No. 11971 of 1999, as subsequently amended (hereinafter the “Issuers’ Regulations”) and on a voluntary basis in accordance with Art. 6 (formerly article 7) of the Corporate Governance Code for listed companies (hereinafter the “Corporate Governance Code”) to which Recordati adheres with regard to most of its provisions.

The Report is composed, in accordance with Art. 123-ter of the consolidated Finance Act, of two sections.

Section one illustrates the remuneration policy pursued by the Company in 2014 (hereinafter the “Remuneration Policy”) for the following persons:

- I. Members of the Board of Directors of the Company, distinguishing between executive and non executive directors;
- II. General Managers of the Company;
- III. Other key management personnel of Recordati or of its subsidiaries. The Regulations for Related Party Transactions approved by the Board of Directors of Recordati on 24th November 2010 (and further confirmed on 11th February 2014) in compliance with Consob regulations on related-party transactions approved with Resolution No. 17221 of 12th March 2010 and subsequent amendments (hereinafter the “Related Party Transaction Regulations”) defines key management personnel as those persons who have power over and responsibility, either directly or indirectly, for the planning, management and control of the activities of the Company, including the Directors (executive and non executive) of the company itself, full members of the Board of Statutory Auditors, the General Managers, the manager appointed to prepare corporate accounting documents (the “Financial Reporting Officer”) and all those additional persons identified from time to time as such by the Board of Directors, and recommended by the Chief Executive of the Company. Members of the Board of Statutory Auditors are, for the purpose of the present Remuneration Policy, however, excluded;
- IV. Other executives of the Company or its subsidiaries.

Section one of the Report also illustrates the procedures used to formulate and adopt the Remuneration Policy and the bodies and persons responsible for the proper implementation of that Policy.

The Remuneration Policy for 2014 was approved by the Board of Directors of the Company on 6th March 2014, on the basis of a recommendation made by the Remuneration Committee, which met on the same date. It may be updated by the Board of Directors on the basis of a recommendation by the Remuneration Committee, which is responsible for periodic assessment of its appropriateness, overall consistency and concrete application. Section one is therefore subject to a non binding vote by the Shareholders’ Meeting called to approve the 2013 Annual Report.

Section two of the Report provides information, with reference to financial year 2013, on each of the items of which the remuneration of the persons indicated in points i) to iii) above are composed and also that of the members of the Board of Statutory Auditors.

It also gives details in a special table of the remuneration paid to those persons for any reason and in any form by the Company or its subsidiaries in 2013 and also remuneration

not yet paid on the date of the approval of the Report, but relating to the financial year 2013. Data on stock options granted to those persons in implementation of stock option plans is also given in another table pursuant to Art. 84 *bis* paragraph 5 of the Issuers' Regulations. Finally another table gives details of shares held in the Company or its subsidiaries by the above persons (and by persons related to them) pursuant to Art. 84-*quarter*, paragraph 4 of the Issuers' Regulations.

Finally, it is noted that the Remuneration Policy has been prepared pursuant to and for the purposes of the Regulations for Related Party Transactions adopted by the Company.

SECTION I

2014 REMUNERATION POLICY

SECTION 1

2014 REMUNERATION POLICY

Procedures used for the adoption and implementation of the Remuneration Policy: bodies and persons involved to formulate and approve the Remuneration Policy and the bodies and persons responsible for the proper implementation of that policy.

The Remuneration Policy is approved by the Board of Directors of the Company on the basis of a recommendation made by the Remuneration Committee, the composition, responsibilities and functioning of which are described in detail in the following sub-section.

After approval by the Board of Directors, the Remuneration Policy is subject to a non binding vote by the Shareholders' Meeting held to approve the annual report.

The Remuneration Committee is supported by the Human Resources Department of the Group and by the General Manager for the Co-ordination of Operations in the formulation of a proposal on the Remuneration Policy to be submitted to the Board.

While no specific intervention by independent experts occurred in the formulation of the Remuneration Policy, account was taken in its formulation of the salary policies pursued by other companies in the sector as constantly monitored by benchmarking salary surveys and by annual reports on executive remuneration and corporate governance such as the annual report developed by leading consultant firms.

Furthermore, in 2013 the Remuneration Committee carried out a specific analysis of remuneration practices for the role of Chairman and Chief Executive Officer with the support of outside independent consultants.

The Remuneration Policy may be updated if necessary or appropriate by the Board of Directors, on the basis of a recommendation by the Remuneration Committee, which is responsible for periodic assessment of its appropriateness, overall consistency and concrete application, as described in detail below.

The Board of Directors complies with the Remuneration Policy, which takes into consideration the conditions and practices for similar markets in defining the remuneration of: the Chairman and Chief Executive Officer, inclusive of the remuneration received as General Manager; the other Directors occupying specific positions; the non executive directors.

The Chairman and Chief Executive Officer refers to the Remuneration Policy in setting the remuneration of key management personnel and other senior managers in the Recordati Group.

Without prejudice to the responsibilities of the Remuneration Committee, the Board of Directors is responsible for the following: (i) deciding the remuneration of directors occupying specific positions pursuant to article 2389, paragraph 3 or the Italian Civil Code; (ii) the allocation of the total remuneration for directors set by shareholders, if they have not done so; (iii) the examination of stock option plans to be submitted for shareholder approval and deciding the grant of options in implementation of those plans.

Furthermore, the Board of Directors, supported by the Remuneration Committee, oversees the implementation of the remuneration policy.

The Remuneration Committee

As indicated above, a proposal to the Board of Directors on Remuneration Policy was formulated by the Remuneration Committee.

The Company created a Remuneration Committee in 2001, in compliance with corporate governance code recommendations. Furthermore, when the Related Party Transaction Regulations were approved, the Board assigned responsibility to the Remuneration Committee for the formulation of an opinion (non binding or binding according to the case) on related-party transactions concerning the remuneration of the members of the management and supervisory bodies and key management personnel, without prejudice to the provisions of Art. 2.01 f) of the aforementioned Regulations.

The current committee was appointed by the Board on 13th April 2011 and is composed of *Prof. Silvano Corbella*, the Chairman, *Dr. Germano Giuliani* and *Dr. Umberto Mortari*, all non executive, independent directors. The Chairman *Prof. Corbella* has specific expertise on financial matters.

The functions currently assigned to the Committee are as follows:

- to formulate proposals to the Board on policies for the remuneration of directors, key management personnel and other senior managers of the Recordati Group;
- to periodically assess the appropriateness, overall consistency and concrete implementation of the policy for the remuneration of directors, key management personnel and other senior managers in the Recordati Group, making use with regard to the latter of information supplied by the CEO;
- to submit proposals or express opinions to the Board of Directors on the remuneration of executive directors and other directors who occupy specific positions and on the setting of performance objectives in relation to the variable component of that remuneration; to monitor the implementation of decisions made by the Board itself, verifying the actual achievement of the performance objectives;
- to perform the functions assigned by the Board of Directors in relation to the administration of plans for the grant to employees and/or Directors of the Company and its subsidiaries of shares of the Company or options on them (stock options), without prejudice to the general responsibility of the Board itself for the supervision also of this matter;
- to express an opinion, either binding or not binding, on related-party transactions of major importance and on related-party transactions of minor importance respectively, regarding remuneration, in compliance with the Related-Party Transaction Regulations.

The proceedings of meetings of the Remuneration Committee are governed by the following rules (contained in the Committee's regulations approved by the Board of Directors):

1. Committee meetings are chaired by the chairman or, in the event of his absence or impediment, by the most senior member of the Committee in terms of length of service on the Board of Directors, or in the case of equal length of service, the most senior by age;
2. responsibility for preparing minutes of meetings lies with the chairman, who shall appoint a secretary from time to time, who may also not be a member of the Committee and who is called upon to minute the meeting;
3. the Committee meets having been convened by notice in writing which indicates the place, day and time and agenda of the meeting to be given by the chairman of the Committee (or in the event of his absence or impediment by the most senior member of the Committee in terms of length of service on the Board of Directors, or in the case of equal length of service, the most senior by age) at least

two days prior to the date set for the meeting to be held either at the registered offices of the Company or elsewhere in Italy, as indicated in the notice to convene the meeting;

4. remote participation in meetings of the Committee is also admissible by means of appropriate audio-video, teleconference or telephone links, on condition that all participants can be identified and that they are able to speak and at the same time examine the agenda and the related documents and pass resolutions on them. In these cases the meeting is considered as held in the place where the chairman and secretary are present;

5. the Committee is constituted and passes resolutions with the attendance and vote in favour respectively of the majority of the members in office;

6. the Chairman of the Board of Statutory Auditors or in the event of his absence or impediment another statutory auditor designated by him takes part in the proceedings of the Remuneration Committee in the capacity of a permanent guest. Other statutory auditors may in any case participate;

7. also the CEO and other corporate functions whose participation in meetings is necessary or appropriate in relation to the duties of the committee may be invited to participate from time to time on invitation of the committee and with reference to individual items on the agenda.

The Remuneration Committee has the right to access the corporate information and functions needed to perform its duties and also to make use of external consultants, under the terms and conditions laid down by the Board of Directors. The Company allocates funds to the Committee that are adequate for it to perform its duties, within the limits of the budget approved by the Board of Directors.

Objectives

The objectives pursued with the Remuneration Policy are to set remuneration which meets the following requirements:

- to be sufficient to attract, keep and motivate managers with the professional abilities required to successfully manage the organisational and operational complexity of the Company and the Group;
- to align their interests with the pursuit of the primary objective of creating wealth for shareholders over a medium to long-term time horizon;
- to leave a significant proportion of total remuneration linked to the achievement of specific performance objectives, both qualitative and quantitative, set in advance, consistent with the lines of development of the Company and the Group.

Principles and criteria

The underlying principles and governing criteria of the Remuneration Policy are as follows:

- to balance the fixed and variable components of remuneration appropriately in accordance with the strategic objectives of the Company and the Group;
- to provide a fixed component of overall remuneration that is sufficient and appropriate to remunerate services in the event that the variable component is not paid, because of the failure to achieve performance objectives;
- to set maximum limits to variable components, by linking them to qualitative and quantitative performance objectives, set in advance, that are measurable and

linked to the creation of wealth for shareholders in both the short and long term;

- to encourage the fidelity of key Group personnel with incentives to remain with the Group.

Components of remuneration

With regard to members of the Board of Directors, the total remuneration set for directors by shareholders is allocated among them by the Board of Directors on the basis of the following criteria: all directors are paid a basic fee, plus an extra amount for non executive directors in relation to their appointment to each committee, with a further extra amount for non executive directors who occupy the position of chairman on those committees.

Non executive directors receive no other remuneration except for that described above and they are not therefore recipients of the benefits of the stock option plans in force.

The Chairman and Chief Executive Officer and the Vice Chairman receive an additional fee set by the Board pursuant to Art. 2389, paragraph 3 of the Italian Civil Code, in addition to the basic fee paid to each director.

The executive directors of the company (Ing. Giovanni Recordati, Dr. Alberto Recordati and Dr. Andrea Recordati and Dr. Squindo) are also employees of the Company. Like other key management personnel, they therefore also receive as part of their employee relationship a total fixed salary and, if the conditions are met, short term variable remuneration based on an MBO (Management by Objectives) scheme, along with a medium to long-term variable component of remuneration, based on stock option plans.

As part of the process of appointing key management personnel or senior managers, these persons may be paid a recruitment bonus in order to attract particularly high quality human resources.

Further details are given below of the components of total remuneration for key management personnel (including the four executive directors) and other senior management figures of the Company and its subsidiaries.

• Fixed remuneration

The fixed component of remuneration, the Gross Annual Salary, which is to say the contractually guaranteed annual remuneration is monitored for all top management positions by sector salary surveys and the amount is set, in order to meet the criteria of retention and adequate remuneration, in a competitive market level.

The percentage of the fixed component of remuneration as part of the overall remuneration varies from year to year depending on changes in the other components of remuneration: the amount of the short-term remuneration linked to the MBO scheme varies from year to year depending on the degree to which the company objective and individual objectives are achieved as described below. The amount of the medium to long-term variable remuneration resulting from the stock option plans is determined by the performance of the shares of the Company.

• Short-term variable remuneration (MBO scheme)

The variable component of salaries for key management personnel (including executive directors) and senior managers is linked to the inclusion of these roles in a

management by objectives (MBO) incentive scheme.

On the basis of this scheme, a bonus is paid on the achievement of annual results defined with the Company and measured according to parameters and weightings set in advance. Bonuses are payable for individuals in amounts proportionate to the achievement of the results for the year in question and with a maximum ceiling equal to 30% of gross annual salary (GAS) excluded as established below for the Chairman and CEO.

The MBO scheme involves the assignment of three individual objectives for each person, each of which is associated with a measurement indicator: this indicator represents the reference parameter which, if reached, determines the percentage achievement of the objective to which it is related.

One objective (Group operating income budgeted) is common to all key management personnel and senior managers to which the self-financing principle of the MBO scheme applies. According to that principle, no expenses are budgeted for the variable component of salaries, which is therefore only paid if the Group objective for operating income is exceeded by at least an amount, based on actual results, equal to the variable remuneration to be paid to those persons.

The measurement indicator consists of a progressive scale, the lower end of which corresponds to 100% achievement of the objective and the upper end of which corresponds to 110% achievement of the objective, the ceiling for each objective.

A value is associated to the measurement indicator along a predetermined progressive scale for each percentage level of achievement of the objective between 100% and 110%.

Different progressive scales of the measurement indicator are possible depending on the objective. Finally the measurement indicator is descriptive for qualitative objectives (not associated with quantitative measurement indicators, such as projects of particular importance to the Company).

Each objective is also assigned a percentage of importance (or weighting ratio, which represents the proportion of the objective out of a total of 100%).

The weighted average (according to the percentage weightings assigned) of the percentage achievement of the three objectives assigned gives the percentage achievement of the MBO objective of the person concerned.

The threshold to pass to receive a bonus consists of exceeding the weighted average of 100% (no bonus is paid on a weighted average of less than or equal to 100%), while for the maximum weighted average (110%) the maximum bonus of 30% of GAS is paid.

It is clear, with regard to the above, that by including the important Group operating income objective among the individual objectives of each individual, Recordati's MBO scheme tends not to reward individual performance in itself so much, but rather individual performance in a context of operating results which will allow the bonus to be paid, in line with the principle of aligning management interests with shareholder interests with a view to pursuing the long term interests of the Company.

For the Chairman and Chief Executive Officer only, by virtue of his specific and particular role, the maximum bonus is 40% of GAS. This role is also assigned two "additional" objectives for which a supplementary fixed amount bonus is paid. These are "on/off" type objectives associated with the achievement of key objectives for the development of the Group (e.g. the conclusion of an acquisition or obtaining a

product license).

The right to the receipt of a bonus is acquired when the Board of Directors approves the consolidated financial statements from which achievement of the Group operating income objective set when the objective was decided is seen. The bonus is paid in the year in which the consolidated financial statements mentioned are approved. No reason has arisen, at present, to defer payment of the bonus to any significant degree with respect to the time when the right to receive it is acquired because it forms part of an MBO scheme which, with a view to continuity, lends itself to setting the same objectives each year. Furthermore, the main objective for key management personnel and senior managers, Group operating income, is an objective to which all the above persons contribute to achieving, without any single individual being able to influence that achievement exclusively. This all puts a considerable limit on the risk that short-term results will be pursued at the expense of medium to long-term results.

The objectives set for the head of the internal audit function and for the financial reporting officer are consistent with the duties assigned to them.

- **Medium to long-term variable remuneration**

The medium to long-term incentive scheme adopted by the Company is based on granting stock option rights. The stock option plans adopted by the Company are available in the relative section of the Company website on the following page http://www.recordati.it/rec_it/investors/regulated_information/stock_options.

As is typical of these types of incentive tools, the beneficiaries are granted the right to purchase a certain number of shares of the company at a set price (the exercise price), once a certain period of time has passed (the vesting period) and the condition for the achievement of the performance objective mentioned below has been satisfied. The right must be exercised before a specified expiration date (the end of the fifth or eighth year following that on which the options are granted for the 2006-2009 and 2010-2013 stock option plans respectively).

The number of options granted to each beneficiary correlates with the importance of their position occupied in the organisation chart among the various senior management figures.

On the basis of the current stock option plans, options are generally granted on a two yearly basis and according to the plans, the exercise price is established on the basis of a fair market value calculation (the arithmetic average of the share prices quoted on the stock market in the period running from the grant date of the options and the same date of the previous calendar month). The total options granted to each beneficiary are divided into four equal tranches with four different successive vesting periods: the first tranche can be exercised (if the other conditions set by plans are satisfied) in the second year following that on which the options were granted; the second, third and fourth tranches may be exercised in the third, fourth and fifth years respectively following that in which the options were granted.

It is felt that the “staggered” vesting period described above puts a strong limitation on the likelihood that the beneficiaries of stock option plans will behave in a manner designed to increase the market value of shares in the short-term, at the expense of the creation of value over a medium to long-term time horizon.

An indispensable condition for the exercise of each tranche of options granted is the achievement of a performance objective which is that of a net consolidated income parameter.

The existence of a performance clause in the stock option plan regulations also complies with the principle whereby the Remuneration Policy is consistent with the

pursuit of the interests of the Company and its shareholders, which must coincide with the interests of the management. The current stock option plans do not require the beneficiaries to continue to hold a portion of the shares purchased following the exercise of stock options. This is because it is considered that the structure of the stock option plans as described above, with a “staggered” vesting period and expiration of the options in the fifth or eighth year following that on which they are granted, is sufficient to ensure that priority is given to the creation of wealth for shareholders over a medium to long-term time horizon.

The Shareholders’ Meeting convened to approve the 2013 annual report is called upon to approve the 2014-2018 stock option plan, drawn up by the Board of Directors, on the basis of the proposal submitted by the Remuneration Committee, substantially on the basis of the principles described above.

• **Extra performance clause**

In compliance with the underlying principles of the Remuneration Policy and in line with the objectives to attract, motivate and retain key personnel, it is also possible to pay bonuses on a one-off basis, with a maximum ceiling of 100% of Gross Annual Salary for the services of key management personnel (including the executive directors) defined as “extra performance”, which is to say performance significantly higher than the base parameters set for the assignment of both short and medium to long-term variable remuneration.

Non monetary benefits

The Remuneration Policy does not contemplate particular non monetary benefits besides those defined as standard for senior management (e.g. company car).

End of contract indemnity

The Remuneration Policy of the Company does not normally involve agreements which provide for the payment of an indemnity if a director leaves office or employment is terminated. Should an employment relationship terminate early for reasons other than just cause, key management personnel and other senior managers are paid an indemnity in accordance with the provisions of the law and of the national labour contract for the senior management of industrial companies and in some cases together with an additional amount calculated on a fair pay basis in line with practices in the sector.

Additional insurance, social security and pension cover

No additional cover with respect to that which is compulsory by law or provided under labour contracts is provided by the company except for supplementary F.A.S.I. insurance to cover medical expenses and, for the Chairman and Chief Executive Officer, to provide a life insurance policy.

SECTION II

INFORMATION ON 2013 REMUNERATION

PART 1

1. DESCRIPTION OF REMUNERATION

Details are given of each of the items of which the remuneration is composed relating to 2013 for the following:

- (i) the Chairman, Chief Executive Officer and General Manager, *Ing.* Giovanni Recordati;
- (ii) other members of the Board of Directors;
- (iii) members of the Board of Statutory Auditors;
- (iv) other key management personnel (this information is given on an aggregate basis).

At the date of the approval of this Report, two key management personnel who are employees of the Company had been identified as other key management personnel, to which section one of this report relates. One member of key management personnel who is an employee of the Company left his position during 2013, following the termination of his employment contract. The information provided in this section also relates to options and remuneration paid on a pro-rata annual basis to this other member of key management personnel who left the Group in 2013.

(i) Chairman of the Board of Directors, Chief Executive Officer and General Manager

Giovanni Recordati (Chairman of the Board of Directors, Chief Executive Officer and General Manager): (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration for occupying the special position as Chairman and Chief Executive Officer of the Company in accordance with article 2389, paragraph 3 of the Italian Civil Code; (iii) fixed remuneration as a senior manager of the Company; (iv) variable MBO remuneration relating to 2013; (v) benefits of a non monetary nature.

In 2013 *Ing.* Giovanni Recordati exercised 240,000 option rights granted in implementation of the 2006-2009 stock option plan and of the 2010-2013 stock option plan.

(ii) Other members of the Board of Directors

Alberto Recordati (Vice Chairman of the Board of Directors): (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration for occupying the special position as Vice Chairman of the Company in accordance with article 2389, paragraph 3 of the Italian Civil Code; (iii) fixed remuneration as a senior manager of the Company; (iv) variable MBO remuneration relating to 2013.

In 2013 *Dr.* Alberto Recordati exercised 75,000 option rights granted in implementation of the 2006-2009 stock option plan and the 2010-2013 stock option plan.

Andrea Recordati (Director): (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) fixed remuneration as a senior manager of the Company; (iii) variable MBO remuneration relating to 2013.

In 2013 Dr. Andrea Recordati exercised 50,000 option rights granted in implementation of the 2006-2009 stock option plan and the 2010-2013 stock option plan.

Silvano Corbella (Director): (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration as a member of the Remuneration Committee of the Company and as chairman of that committee.

Mario Garraffo (Director): (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration as a member of the Audit and Risk Committee of the Company.

Germano Giuliani (Director): (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration as a member of the Remuneration Committee of the Company.

Umberto Mortari (Director): (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration as a member of the Remuneration Committee of the Company.

Carlo Pedersoli (Director): (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration as a member of the Audit and Risk Committee of the Company.

Fritz Squindo (Director): (i) “basic” remuneration as a Director of Recordati S.p.A.; (ii) fixed remuneration as a senior manager of the Company; (iii) variable MBO remuneration relating to 2013; (iv) benefits of a non monetary nature.

In 2013 Dr. Fritz Squindo exercised 112.500 option rights granted in implementation of the 2006-2009 stock option plan and the 2010-2013 stock option plan.

Marco Vitale (Director): (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration as a member of the Audit and Risk Committee of the Company and as Chairman of that Committee; (iii) remuneration for advisory services provided to the Company (“other remuneration”).

Walter Wenninger (Director): “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration as a member of an advisory committee of the Company (different from committees pursuant to the Italian Civil Code composed totally of members of the Board).

(iii) Members of the Board of Statutory Auditors

Marco Nava (Chairman of the Board of Statutory Auditors): (i) remuneration for the position of Chairman of the Board of Statutory Auditors of Recordati S.p.A. set by a Shareholders’ Meeting when appointed; (ii) remuneration for the position of member of the Board of Statutory Auditors of subsidiaries of Recordati S.p.A..

Marco Rigotti and Achille Severgnini (Statutory Auditors): remuneration for the positions of Statutory Auditor of Recordati S.p.A. set by a Shareholders’ Meeting when appointed.

(iv) Other key management personnel

With the exception of the information provided in sub-section 1, three members of the key management personnel of the Company who are employees of the Company: (i) fixed remuneration as executives; (ii) variable MBO remuneration relating to 2013 (excluding the member of key management personnel who left in 2013) and a one-off bonus paid to one member of key management personnel; (iii) other benefits of a non monetary nature; and (iv) leaving indemnity benefits (for the member of key management personnel who left in 2013).

In 2013 the aforementioned members of key management personnel exercised a total of 190,000 option rights granted in implementation of the 2006-2009 stock option plan and the 2010-2013 stock option plan.

In accordance with the provisions of the regulations, the effects of the termination of the employment contract of the member of key management personnel mentioned above on the existing stock option plans are reported under point two of this section and in the notes to Table 2.

* * *

The implementation of the 2013 remuneration policy, in accordance with the verification performed by the Remuneration Committee when it made its periodic assessment required under the Corporate Governance Code, continued in line with the general principles approved by the Board of Directors – followed for some time by the Company and agreed upon by the Remuneration Committee – and implemented in the 2013 remuneration policy in line with prior years.

Furthermore, detailed information on the stock option plans of the Company is given in the information documents prepared in accordance with Art. 84-*bis* of the Consob Issuers' Regulations relating to each outstanding stock option plan and each plan pursuant to Art. 114-*bis* of the Consolidated Finance Act, which may be consulted on the Company website at the address: http://www.recordati.it/rec_it/investors/regulated_information/stock_options.

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2. INFORMATION ON THE CONSEQUENCES OF ENDING EMPLOYMENT OR DIRECTORSHIP RELATIONSHIPS AND THE EXISTENCE OF SPECIFIC AGREEMENTS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

In compliance with company policy on this matter (see section one above), in 2013 no agreements were made between the Company and directors or key management personnel which involve prior settlements of aspects connected with possible early termination of employment relationships or leaving office before the natural end of a mandate, nor do agreements exist in this respect entered into previously.

No agreements exist which involve the prior assignment or maintenance of non-monetary benefits or the stipulation of special consultancy contracts in the event of the termination of an employment relationship. No agreements exist which involve prior non-competition commitments on termination of an employment relations or leaving office.

Following the consensual termination of the employment contract of the member of key management personnel already mentioned, in implementation of the provisions of the termination

agreement, an additional sum was paid, supplementary to the amounts due according to the law and the relative national labour contract, calculated on an equitable basis and therefore consistent with the relevant company policies (see Section I above).

As concerns the effects of the end of an employee relationship on existing incentive plans approved by Recordati S.p.A., in accordance with Art. 114 *bis* of the Consolidated Finance Act, the latter stipulate as follows:

“Unless established otherwise by the Board or the Committee Chairman, the termination of a Participant’s employment contract with the Company or, according to the case, with another company of the Group, depending on the context (the “Termination of the Employment Contract”), for any reason, will result in the automatic exclusion of the Participant from the Plan and the permanent and irrevocable loss of validity for the tranches not yet vested of the Options already granted at the date of Termination of the Employment Contract.

Without prejudice to the above, if at the date of Termination of the Employment Contract, a Participant in the Plan possesses Options which have already vested in relation to one or more tranches, but which have not yet been exercised, the Participant may exercise those Options, in relation to the tranches already vested, within 30 days of the date of the Termination of the Employment Contract, while those Options shall lose all validity if they are not exercised within that period.

Without prejudice to the above, in the event of the Termination of the Employment Contract due to death or permanent invalidity of a Participant in the Plan, the Options already granted on the date of the Termination of the Employment Contract shall become immediately exercisable by the heirs of the Participant in the case of the death of the latter, or by the Participant in person of his/her legal representative if incapacitated in the case of permanent invalidity, for a period of one year following the date of the Termination of the Employment Contract. After that period of one year has passed, the Options shall permanently and irrevocably lose their validity.

In all cases, the termination of the employment contract of a Participant with the Company as a result of the transfer of the latter to another company in the Group, does not constitute a case of Termination of the Employment Contract for the purposes of the provisions that precede this paragraph. However, it does constitute Termination of Employment in cases where a change of control occurs, in the sense of a transfer to third parties (i) of the subsidiary to which the Participant belongs by the Company or (ii) of the company or the part of the company in which the Participant works by the Company or one of its subsidiaries.”

With regard to the consensual termination of the employment contract of the aforementioned member of key management personnel who left in 2013, the right was granted to maintain all options previously granted and not yet vested.

* * *

3. SUMMARY OF THE ACTIVITIES OF THE REMUNERATION COMMITTEE IN 2013

The Remuneration Committee met five times in 2013 on the following dates: 8th February 2013, 7th March 2013, 16th April 2013, 9th May 2013 and 30th October 2013. The average length of meetings was approximately one hour. The percentage of attendance of the Committee members at the meetings is given in the table contained in paragraph 4.2 of the Report on Corporate Governance and Ownership Structure.

The Committee met on 11th February 2014 and 6th March 2014 in the current year.

The activities of the committee in the meetings just mentioned were designed to: assess the status

quo in respect of remuneration policies; formulate proposals concerning remuneration policies; determine the final results concerning the 2013 performance objectives for the Chairman, CEO and General Manager; assess criteria adopted for the remuneration of key management personnel and those for the 2013 variable remuneration incentive scheme in particular (the 2013 Group MBO scheme: management by objectives); formulate proposals with regard to the grant of options under the stock option plans adopted by the Company; assess the appropriateness, overall consistency and concrete implementation of the policy for the remuneration of directors, key management personnel and other senior managers in the Recordati Group; finalise the assessment of the adequacy of the remuneration of the Chairman and Chief Executive Officer; formulate proposals for the new 2014-2018 stock option plan.

The meetings of the Remuneration Committee have been properly minuted.

The Committee had access to the information and Company functions that were necessary for the performance of its duties; it did not consider it necessary to make use of outside consultants.

The committee did not incur any expenses in the performance of its duties during the Year.

PART 2 - TABLES

TABLE 1: REMUNERATION PAID TO DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL (€000)

Board of Directors(*)	Description of Office			Remuneration								
(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
First Name and Last Name	Position	Period in which the position was held	Expiry of term of office	Fixed remuneration €	Remuneration for attendance on committees €	Non-equity variable remuneration €		Non-monetary benefits €	Other remuneration €	TOTAL (**) €	Fair value of equity remuneration €	End of term of office or of employment relationship indemnity €
						Bonuses and other incentives	Share in profits					
Giovanni Recordati	Chairman, CEO, General Manager	2013	Approval of 2013 Annual Report	(i) 40 (ii) 100 (iii) 781	0	449	0	27	0	1,397	128	0
Alberto Recordati	Vice-Chairman	2013	Approval of 2013 Annual Report	(i) 40 (ii) 50 (iii) 389	0	70	0	0	0	549	64	0
Silvano Corbella	Director	2013	Approval of 2013 Annual Report	(i) 40	20 (a)	0	0	0	0	60	0	0
Mario Garraffo	Director	2013	Approval of 2013 Annual Report	(i) 40	10 (b)	0	0	0	0	50	0	0
Germano Giuliani	Director	2013	Approval of 2013 Annual Report	(i) 40	10 (c)	0	0	0	0	50	0	0
Umberto Mortari	Director	2013	Approval of 2013 Annual	(i) 40	10 (d)	0	0	0	0	50	0	0

			Report									
Carlo Pedersoli	Director	2013	Approval of 2013 Annual Report	(i) 40	10 (e)	0	0	0	0	50	0	0
Andrea Recordati	Director	2013	Approval of 2013 Annual Report	(i) 40 (iii) 326	0	59	0	0	0	425	46	0
Fritz Squindo	Director	2013	Approval of 2013 Annual Report	(i) 40 (iii) 554	0	165	0	0	3	762	64	0
Marco Vitale	Director	2013	Approval of 2013 Annual Report	(i) 40	20 (f)	0	0	0	50 (1)	110	0	0
Walter Wenninger	Director	2013	Approval of 2013 Annual Report	(i) 40	0	0	0	0	32 (2)	72	0	0

* Directors receive remuneration solely from the Company Recordati S.p.A. (and not therefore from its subsidiaries or associates).

** The "Total" in column (6) contains the sum of items (1) to (5).

LEGEND

FIXED REMUNERATION

- (i) Emoluments approved by shareholders even if not paid
- (ii) Remuneration for special positions pursuant to Art. 2389, paragraph 3 of the Italian Civil Code
- (iii) Fixed employee remuneration gross of social security payments and tax borne by the employee, net of compulsory collective social security payments borne by the Company.
- (iii) Neither attendance payments nor lump-sum expense reimbursements are paid.

REMUNERATION FOR ATTENDANCE ON COMMITTEES

- (a) for the position of Chairman of the Remuneration Committee
- (b) for the position of member of the Audit and Risk Committee
- (c) for the position of member of the Remuneration Committee
- (d) for the position of member of the Remuneration Committee
- (e) for the position of member of the Audit and Risk Committee
- (f) for the position of Chairman of the Audit and Risk Committee

OTHER REMUNERATION

- (1) for consulting activity
- (2) For consulting activity: as a member of an advisory committee of the Company (different from committees pursuant to the Italian Civil Code composed totally of members of the Board).

FAIR VALUE OF EQUITY REMUNERATION

The portion of equity remuneration paid recognised in the financial statements.

(A)	Description of Office			Remuneration								
	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
First Name and Last Name	Position	Period in which the position was held	Date on which appointment ends	Fixed remuneration €	Remuneration for attendance on committees €	Non-equity variable remuneration €		Non-monetary benefits €	Other remuneration €	TOTAL (*) €	Fair value of equity remuneration €	End of term of office or of employment relationship indemnity
						Bonus and other incentives	Share in profits					
(I) Remuneration at Recordati S.p.A.												
Marco Nava	Chairman Board of Statutory Auditors	2013	Approval of 2013 Annual Report	50	0	0	0	0	0	50	0	0
Achille Severgnini	Statutory Auditor	2013	Approval of 2013 Annual Report	35	0	0	0	0	0	35	0	0
Marco Rigotti	Statutory Auditor	2013	Approval of 2013 Annual Report	35	0	0	0	0	0	35	0	0
(II) Remuneration at subsidiaries and associates												
Marco Nava				4	0	0	0	0	0	4	0	0
(III) Total												
Marco Nava				54	0	0	0	0	0	54		
Achille Severgnini				35	0	0	0	0	0	35	0	0
Marco Rigotti				35	0	0	0	0	0	35	0	0

* The "Total" in column (6) contains the sum of items (1) to (5).

Other key management personnel (A)	Remuneration								
	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
	Fixed remuneration €	Remuneration for attendance on committees €	Non-equity variable remuneration €		Non- monetary benefits €	Other remunera- tion €	TOTAL (**) €	Fair value of equity remunera- tion €	End of term of office or of employem- ent relationshi- p indemnity (***) €
			Bonuses and other incentives	Share in profits					
THREE KEY MANAGEMENT PERSONNEL (*)	715	0	292	0	6	0	1.013	116	488

(*) Two key management personnel who were employees of the Company and no other member of key management personnel at subsidiaries existed as at 31st December 2013. The employment contract was terminated in 2013 of one member of key management personnel. The information provided also relates to that member of senior management on a pro-rata annual basis.

(**) The "Total" in column (6) contains the sum of items (1) to (5).

(***) The figure includes leaving indemnity benefits and other amounts due according to the law and the relative national labour contract, and also a sum as a leaving incentive.

TABLE 2: STOCK OPTIONS GRANTED TO DIRECTORS, GENERAL MANAGERS AND KEY MANAGEMENT PERSONNEL

No options were granted in 2013 to the persons reported in this table.

First Name and Last Name	Post occupied	Plan - date of resolution	Options held on 1.1.2013			Options exercised in 2013			Options expired in 2013	Options held on 31.12.13	Options relating to 2013	
			Number of stock options	Exercise price €	Exercise period (from until)	Number of stock options	Exercise price €	Market price at the time of exercise (d)	Number of stock options	Number of stock options	Fair value (without decimals)	
Giovanni Recordati	Chairman and CEO and General Manager (a)	2006-2009 Plan (b) 6.4.06	75,000	4.073	9.5.13-31.12.13	25,000	4.073	8.089	0	705,000	128	
			75,000	4.87	9.5.13-31.12.14	25,000	4.073	8.604				
			75,000	4.87	9.5.14-31.12.14	25,000	4.073	8.678				
						75,000	4.87	9.272				
						30,000	6.7505	10.238				
						30,000	6.7505	10.384				
					30,000	6.7505	10.193					
					90,000	6.7505	2013*-31.12.19					
					90,000	6.7505	2014*-31.12.19					
					90,000	6.7505	2015*-31.12.19					
					90,000	6.7505	2016*-31.12.19					
					90,000	5.307	2014*-31.12.20					
					90,000	5.307	2015*-31.12.20					
			90,000	5.307	2016*-31.12.20							
			90,000	5.307	2017*-31.12.20							
Alberto Recordati	Vice-Chairman (a)	2006-2009 Plan (b) 6.4.06	37,500	4.073	9.5.12-31.12.13	75,000	4.073	10.231	0	472,500	64	
			37,500	4.073	9.5.13-31.12.13							
			37,500	4.87	9.5.12-31.12.14							
			37,500	4.87	9.5.13-31.12.14							
		37,500	4.87	9.5.14-31.12.14								
		45,000	6.7505	2013*-31.12.19								
		45,000	6.7505	2014*-31.12.19								
2010-45,000	6.7505	2015*-31.12.19										

		2013 Plan (b) 13.4.10	45,000 45,000 45,000 45,000 45,000	6.7505 5.307 5.307 5.307 5.307	2016*-31.12.19 2014*-31.12.20 2015*-31.12.20 2016*-31.12.20 2017*-31.12.20						
Andrea Recordati	Director (a)	2006-2009 Plan (b) 6.4.06	25,000 25,000 25,000	4.073 4.87 4.87	9.5.13-31.12.13 9.5.13-31.12.14 9.5.14-31.12.14	25,000 25,000	4.87 4.073	8.771 8.771	0	285,000	46
		2010-2013 Plan (b) 13.4.10	32,500 32,500 32,500 32,500	6.7505 6.7505 6.7505 6.7505	2013*-31.12.19 2014*-31.12.19 2015*-31.12.19 2016*-31.12.19						
			32,500 32,500 32,500 32,500	5.307 5.307 5.307 5.307	2014*-31.12.20 2015*-31.12.20 2016*-31.12.20 2017*-31.12.20						
Fritz Squindo	Director (a)	2006-2009 Plan (b) 6.4.06	37,500 37,500 37,500	4.073 4.073 4.073	9.5.11-31.12.13 9.5.12-31.12.13 9.5.13-31.12.13	30,000 25,000 10,000 15,000	4.073 4.073 4.073 4.073	8.570 8.666 8.681 8.729	0	510,000	64
			37,500 37,500 37,500 37,500	4.87 4.87 4.87 4.87	9.5.11-31.12.14 9.5.12-31.12.14 9.5.13-31.12.14 9.5.14-31.12.14	25,000 7,500	4.073 4.073	9.533 9.676			
		2010-2013 Plan (b)	45,000 45,000 45,000 45,000	6.7505 6.7505 6.7505 6.7505	2013*-31.12.19 2014*-31.12.19 2015*-31.12.19 2016*-31.12.19						

		13.4.10	45,000 45,000 45,000 45,000	5.307 5.307 5.307 5.307	2014*-31.12.20 2015*-31.12.20 2016*-31.12.20 2017*-31.12.20						
TOTAL FOR THREE KEY MANAGEMENT PERSONNEL (g)		2006- 2009 Plan (b) 6.4.06 2010- 2013 Plan (b) 13.4.10	855,000	5.653 (d)	2,335 (e)	190,000	5.395 (f)	8.902 (g)	0	665,000	116

* Thirty days after the Shareholders' Meeting held to approve the annual report of the previous year.

- (a) This person is a beneficiary of stock option schemes as an employee who is a member of the key management personnel of the Company.
- (b) No plans exist in force at subsidiaries and associates of Recordati S.p.A..
- (c) Two key management personnel who were employees of the Company and no other member of key management personnel at subsidiaries existed as at 31st December 2013. The employment contract was terminated in 2013 of one member of key management personnel. The information provided relates also to that senior manager in accordance with the effects of the termination of the employment contracts on existing stock option plans described under point 2 of section 2.
- (d) Average exercise price.
- (e) Average length of the period in days.
- (f) Average exercise price.
- (g) Average market price.

TABLE 3B: MONETARY INCENTIVE SCHEMES FOR DIRECTORS, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL (€000)

Board of Directors									
(A)	(B)	(1)	(2)			(3)			4
First Name and Last Name	Position	Plan	2013 bonus			Prior year bonuses			Other Bonuses €
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Deferment period	No longer payable	Payable/Paid (**)	Still deferred	
Giovanni Recordati (*)	Chairman, CEO, General Manager		499	-	-	-	294	-	-
Alberto Recordati (*)	Vice-Chairman		70	-	-	-	42	-	-
Andrea Recordati (*)	Director		58	-	-	-	36	-	-
Fritz Squindo (*)	Director		165	-	-	-	56	-	-

(*) This person is a beneficiary of monetary incentive schemes for 2013 (2013 MBO scheme) as an employee of the Company. The other members of the Board of Directors and the Board of Statutory Auditors are not beneficiaries of any monetary incentive scheme.

(**) Bonuses relating to 2012 paid in 2013.

Other key management personnel (*)		2013 bonus			Prior year bonuses			Other Bonuses € (***)
First Name and Last Name	Plan	(A)	(B)	(C)	(A)	(B)	(C)	
		Payable/Paid	Deferred	Deferment period	No longer payable	Payable/Paid (**)	Still deferred	
		Three key management personnel		142	-	-	-	

(*) Two key management personnel who were employees of the Company and no other member of key management personnel at subsidiaries existed as at 31st December 2013. The employment contract was terminated in 2013 of one member of key management personnel who is an employee of the Recordati S.p.A. The information provided also relates to those senior managers.

(**) Bonuses relating to 2012 paid in 2013.

(***) A one-off bonus paid to a member of key management personnel for achieving particularly important results during the year.

TABLE 4: SHARES HELD BY DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

Board of Directors	Position	Recordati S.p.A. type of shares	Number of shares held on 31.12.2012	Number of shares purchased in 2013	Number of shares sold in 2013	Number of shares held on 31.12.2013
Giovanni Recordati	Chairman, CEO and General Manager	ordinary	12,579	290,000*	258,421*	44,158
Alberto Recordati	Vice-Chairman	ordinary	341,282	75,000*	341,282*	75,000
Silvano Corbella	Director	ordinary	0	0	0	0
Mario Garraffo	Director	ordinary	0	0	0	0
Mario Germano Giuliani	Director	ordinary	0	0	0	0
Umberto Mortari	Director	ordinary	0	0	0	0
Carlo Pedersoli	Director	ordinary	0	0	0	0
Andrea Recordati	Director	ordinary	135,008	50,000*	50,000*	135,008
Fritz Squindo	Director	ordinary	322,216	124,500*	112,500*	334,216
Marco Vitale	Director and Lead independent director	ordinary	0		0	0
Walter Wenninger	Director	ordinary	0	0	0	0

* these include shares resulting from the exercise of stock options.

Board of Statutory Auditors	Position	Recordati S.p.A. type of shares	Number of shares held on 31.12.2012	Number of shares purchased in 2013	Number of shares sold in 2013	Number of shares held on 31.12.2013
Marco Nava	Chairman	ordinary	0	0	0	0
Marco Rigotti	Statutory Auditor	ordinary	0	0	0	0
Achille Severgnini	Statutory Auditor	ordinary	0	0	0	0

	Recordati S.p.A. type of shares	Number of shares held on 31.12.2012	Number of shares purchased in 2013 (**)	Number of shares sold in 2013 (**)	Number of shares held on 31.12.2013
Three key management personnel (*)	ordinary	434,685 (1)	97,500	68,803	463,382

(*) Two other key management personnel who were employees of the Company and no other member of key management personnel at subsidiaries existed as at 31st December 2013. The employment contract was terminated in 2013 of one member of key management personnel. The information provided also relates to that member of senior management.

(**) Resulting partially from the exercise of stock options.

(1) Of which 43,000 shares held by a spouse

Milan, 6th March 2014

The Chairman and CEO
Ing. Giovanni Recordati