

RECORDATI S.p.A.

REMUNERATION REPORT

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

Approved by the Board of Directors
on 28 February 2019

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 Law**”), 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 (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 Law, of two sections.

Section I illustrates the remuneration policy pursued by the Company in 2019 (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 9th February 2017) 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 defined as such by the legislation and regulations in force from time to time. At present these are 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 proposed by the Chief Executive of the Company. For the purposes of this Remuneration Policy, Members of the Board of Statutory Auditors are, however, excluded.

Section I 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 2019 Remuneration Policy was approved by the Board of Directors of the Company on 28 February 2019, on the basis of a proposal from the Remuneration Committee. 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 then subject

to a non-binding vote by the Shareholders' Meeting called to approve the 2018 Annual Report.

Section II of the Report provides information, with reference to the financial year 2018, on each of the items of which the remuneration of the persons indicated in points i) to iii) above are composed, including 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 2018, and also remuneration not yet paid on the date of the approval of the Report but relating to the financial year 2018.

Data on stock options granted to those persons in implementation of stock option plans is also reported 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-*quater* paragraph 4 of the Issuers' Regulations.

Finally, the Remuneration Policy has been prepared, amongst other things, pursuant to and in accordance with the "Procedure for related-party transactions", adopted by the Company.

SECTION I

REMUNERATION POLICY FOR 2019

Remuneration Policy for 2019

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 is 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 Head of the Human Resources Department of the Group 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 reports on executive remuneration and corporate governance prepared by leading consulting firms. 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 account of conditions and practices for similar markets in defining the remuneration of the Chair and of the Chief Executive Officer and that of the other Directors occupying specific positions (*amministratori investiti di particolari cariche*) pursuant to article 2389, paragraph 3 of the Italian Civil Code and non-executive directors.

The Chief Executive Officer refer to the Remuneration Policy in setting the remuneration of key management personnel.

Without prejudice to the responsibilities of the Remuneration Committee, the Board of Directors is responsible for the following: (i) deciding, having heard the opinion of the Board of Statutory Auditors, the remuneration of directors occupying specific positions pursuant to article 2389, paragraph 3 of 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 the 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 Remuneration Committee was appointed by the Board on 5th February 2019 (following the Ordinary Shareholding Meeting that, on the same date, has appointed the new Board of Directors) and is composed by Mrs. Jo Le Couilliard, Chair, Mrs. Silvia Candini and Mrs. Michaela Castelli, all non- executive, independent directors and having 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, where appropriate, 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 and key management personnel (and also, where appropriate, other senior managers in the Recordati Group), making use with regard to the latter of information supplied by the CEO, also through the Director of Group Human Resources;
- 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 chair or, in the event of his/her 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 chair, 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 shall meet, having been convened by notice in writing which indicates the place, day and time and agenda of the meeting to be given by the chair 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 secretary is 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 Chair 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 Committee has the right to ask for adequate funds to be made available to it to carry out its duties.

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 of 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 and protection of key Group personnel with incentives to remain with the Group.

Amendments to Remuneration Policy compared with the previous year

The Remuneration Policy has been amended by the Board of Directors on 28 February 2019, following the proposal of the Remuneration Committee dated 25 February 2019, in order to take into due account the changes in the articulation of the top company figures that occurred after the change of control of Recordati S.p.A., with particular reference to the remuneration of the Chair of the Board of Directors and of the Chief Executive Officer, both no longer employed by the Company. Furthermore, certain provisions regarding the payment of the short-term variable remuneration and the allocation, exceptionally and on a non-recurring basis, of one-off bonuses and disbursements in favour of key management personnel, have been integrated.

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 chair 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 Chair, the Chief Executive Officer and, where present, the other Directors vested with special duties receive, in addition to the aforementioned basic remuneration, a additional remuneration determined by the Board, having heard the opinion of the Board of Statutory Auditors, pursuant to Article 2389, para. 3, of the Italian Civil Code, and commensurate with the commitment required for the respective office, taking into account the market benchmarks.

The remuneration of the Chief Executive Officer - in addition to the fixed and variable remuneration of the executive Directors¹ – is composed of a severance payment (*trattamento di fine mandato*) and an exit payment in case of termination of the office (*indennità di fine carica*), as better illustrated below.

The overall remuneration of the executive directors of the Company – as well as the overall remuneration of the other key management personnel – is composed of a total fixed remuneration and, if the conditions are met, of a 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.

Where appropriate, further “on/off” objectives may be assigned to executive directors of the Company and to the other key management personnel, , in addition to the MBO objectives in relation to projects of strategic importance for the Group.

As part of the process of appointing key management personnel, 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 executive directors of the Company as far as applicable and as specified below.

¹ For the purposes of this Report, “executive directors” means directors who hold executive offices in Recordati S.p.A.

Please note that the executive director Fritz Squindo is also an employee of the Company and, in the context of this employment relationship, receives an overall remuneration consisting of a fixed remuneration and a variable remuneration as described below.

- **Fixed remuneration**

The fixed component of remuneration of the key management personnel, the gross annual income, 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, at a competitive level on the market. For the Chief Executive Officer such fixed remuneration is represented by the basic remuneration granted to each member of the Board of Directors and by the additional remuneration determined pursuant to Article 2389, para. 3, of the Italian Civil Code.

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 better described below. The amount of the medium to long-term variable remuneration resulting from stock option plans is linked to the performance of the Company's share price.

- **Short-term variable remuneration (MBO scheme)**

The variable component of remuneration for the executive directors and for the other key management personnel 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 income (GAI), with the exception made for that which is stated below for the Chief Executive Officer, as well as for the General Manager for the Co-Ordination of Operations and Chief Financial Officer.

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) 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 GAI 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 concerned, 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.

In consideration of the particular strategic importance of the positions held (i) the maximum bonus payable to the Chief Executive Officer is equal to 100% of the overall gross annual fixed remuneration (composed of the basic remuneration granted to each member of the Board of Directors and of the additional remuneration determined pursuant to Article 2389, para. 3, of the Italian Civil Code) for each financial year and (ii) the maximum bonus payable to the General Manager for the Coordination of Operations and CFO is 40% of GAI.

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 can be seen, at present, to defer payment of the bonus with respect to the time when the right to receive it is acquired, because it forms part of a scheme which is already very challenging (see above for information on the self-financing nature of the MBO scheme) and because, with a view to continuity it lends itself to setting the same objectives each year. Furthermore, the main objective for key management personnel, which is budgeted Group operating income, is a target to which all the above persons contribute to achieving, without any single individual being able to influence that achievement exclusively. Finally, deferment of a part of variable remuneration is nevertheless guaranteed by the medium to long-term incentive scheme based on the grant of stock options, reported on below.

If the MBO target is not reached due to extraordinary and / or unpredictable factors, the Board of Directors, having heard the opinion of the Remuneration Committee, or the Chief Executive Officer with reference to the other key management personnel, have the right to evaluate the opportunity to pay, in whole or in part, the variable remuneration (MBO), taking into account, in any case, also the percentage of deviation from the target itself for quantitative objectives.

Exceptionally and on a non-recurring basis the Board of Directors, having heard the Remuneration Committee, or the Chief Executive Officer with reference to the other key management personnel, may grant any form of extraordinary compensation in favour of key management personnel, in the form of one-off disbursements, strictly commensurate to their specific contribution in relation to the achievement, or the manner of achievement, of particular objectives.

At present, no need can even be seen to insert criteria for determining conditions for the return of bonuses in contractual arrangements with executive directors, or those assigned particular duties, and with key management personnel, should it be discovered they were

determined on the basis of data which was found subsequently to be manifestly inaccurate (i.e. “clawback” clauses).

This is because, in the absence of deferred payment of variable remuneration, and that is deferment that is not made for the reasons given above, the introduction of clawback clauses in the employment contracts of the senior managers in question would not only pose serious problems of interpretation and application, but would not provide an instrument for recovering the sums in question that is any more effective than the remedies available in existing law in the event of fraudulent conduct or gross negligence.

The objectives set for the head of the internal audit function and for the director responsible for drafting the Company’s financial reports (currently covered by the Chief Financial 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 to key management personnel, included the Chief Executive Officer. The stock option plans adopted by the Company are available on the Company website at: http://www.recordati.it/en/corporate_governance/remuneration/stock_option_plans/

As is typical of these types of incentive tools, the beneficiaries are granted the right to purchase or subscribe a certain number of shares of the Company at a set price (the strike or 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 eighth year following that on which the options are granted).

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 based on the budgeted net consolidated income.

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 vesting period “staggered” over four years and expiration of the options in the 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.

- **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, exceptionally it is also possible to pay bonuses on a one-off basis, with a maximum ceiling of 100% of Gross Annual Income for the services of key management personnel (including the executive directors, for which reference is made to the overall gross annual fixed remuneration) 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 other than those defined as standard for senior management position (e.g. company car).

End of contract indemnity

The Remuneration Policy does not provide for end of contract indemnities for non-executive directors.

As concerns other key management personnel, included executive directors, if it is considered to be in the best interests of the Company and in relation to the importance of a senior manager’s position in the organisation of the company, agreements may be entered into which involve the payment of special indemnities, usually equal to a certain number of month’s or year’s salary, if an employment relationship is terminated by initiative of the Company for reasons other than “just cause”; reference is also made here to the prevailing market practices at the time. In consideration of those practices no linkage is generally made between these possible payments and the performance of the Company. In particular, agreements providing for severance payment (*trattamento di fine mandato*) and exit payment in case of termination of the office (*indennità di fine carica*) for the Chief Executive Officer, as well as severance payment (*trattamento di fine carica*) for the General Manager for the Co-Ordination of Operations and Chief Financial Officer, has been entered into.

In all other cases, should an employment relationship terminate early for reasons other than just cause, key management personnel 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 in force and in some cases together with an additional amount calculated on a fair pay basis.

In the event of a director retiring from office and/or the termination of the employment relationship of an executive director or a general manager, on conclusion of the internal processes which lead to the grant or payment of indemnities and/or other benefits, the Company shall disclose detailed information on the matter by means of a press release to the market.

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 a D&O policy, as well as an insurance policy for the Chief Executive Officer to cover life risk, health risk, disability risk and injury risk.

SECTION II

INFORMATION ON REMUNERATION IN 2018

PART 1

Introduction

By way of introduction, it should be noted that the Board of Directors in office as at 31st December 2018 – which was appointed by the shareholders’ meeting of 11th April 2017 and was supplemented, on 6th December, through the co-option of three new directors – Mr. Giampiero Mazza, who was appointed as Chairman, Ms Cathrin Petty and Mr. Søren Vestergaard Poulsen – following the resignation of the Chairman Mr. Alberto Recordati, Mr. Marco Vitale and Mr. Paolo Fresia – was dissolved as a result of the resignation of the remaining directors appointed by the said Shareholders’ meeting.

This occurred as a result of the change of the majority shareholder of Recordati S.p.A. (“**Recordati**” or “**Company**”): as is well known, on 29th June 2018 the members of the Recordati family, in their capacity as shareholders of Fimei S.p.A. – the majority shareholder of the Company – communicated that they had reached an agreement for the transfer to a consortium of investment funds controlled by CVC Capital Partners VII Limited of the entire share capital of Fimei S.p.A., which, as at that date, owned 51.79% of the Company’s capital.

In implementation of the said agreement, on 6th December 2018 the shareholders of Fimei S.p.A. completed the transfer of their entire shareholding in Fimei S.p.A. to Rossini Investimenti S.p.A. (namely the company designated for that purpose in accordance with the abovementioned agreement).

As a result of such transfer, CVC Capital Partners VII Limited became the Company’s majority shareholder, pursuant to Art. 2359, paragraph 1, no. 2) of the Italian Civil Code and to Art. 93 of the Consolidated Finance Law, as it appears from the notice received pursuant to Art. 120 of Legislative Decree No. 58/1998.

On **5th February 2019**, the Shareholder’s Meeting appointed the following Board of Directors that is **still in office as at the date of this report**:

Flemming Ørnskov	Chairman
Alfredo Altavilla	Vice Chairman
Andrea Recordati	CEO
Silvia Candini	Director
Michaela Castelli	Director
Joanna Le Couilliard	Director
Francisco Javier de Jaime Guijarro	Director
Giampiero Mazza	Director
Cathrin Petty	Director
Søren Vestergaard-Poulsen	Director
Fritz Squindo	Director

Below is a summary of the **composition of the Board of Directors between 1st January 2018 and 6th December 2018**:

Alberto Recordati	Chairman
Andrea Recordati	Vice Chairman and CEO
Rosalba Casiraghi	Director

Micaela Castelli	Director
Elisa Corghi	Director
Paolo Fresia	Director
Mario Garraffo	Director
Fritz Squindo	Director
Marco Vitale	Director

Below is a summary of the **composition of the Board of Directors between 6th December 2018 and 5th February 2019:**

Giampiero Mazza	Chairman
Andrea Recordati	Vice Chairman and CEO
Rosalba Casiraghi	Director
Micaela Castelli	Director
Elisa Corghi	Director
Mario Garraffo	Director
Cathrin Petty	Director
Søren Vestergaard-Poulsen	Director
Fritz Squindo	Director

There were no changes in the composition of the **Board of Statutory Auditors:**

Antonio Santi	Chairman
Marco Nava	Statutory Auditor
Livia Amidani Aliberti	Statutory Auditor

1. DESCRIPTION OF REMUNERATION

Details are given, as at 31st December 2018, of each of the items of which the remuneration earned is composed relating to the 2018 financial year for the following persons:

- (i) the Chairman, Mr. Alberto Recordati until 6th December 2018 and Mr. Giampiero Mazza between 6th December and 31st December 2018;
- (ii) the Vice Chairman, Chief Executive Officer and General Manager, Mr. Andrea Recordati;
- (iii) the other members of the Board of Directors;
- (iv) the members of the Board of Statutory Auditors;
- (v) the other members of key management personnel at the company and at its subsidiaries (information provided on an aggregate basis).

As at 31st December 2018, four employees of the Company and two employees of its subsidiaries were identified as other members of **key management personnel**.

It should be noted that, as at the date of this report, one further member of key management personnel who is an employee of the Company was appointed at the beginning of 2019.

(i) **Chairman of the Board of Directors**

Between 1st January 2018 and 6th December 2018:



Alberto Recordati: (i) “basic” pro-rata remuneration as a director of Recordati S.p.A.; (ii) pro-rata remuneration as Chairman of the Company in accordance with Art. 2389, paragraph 3 of the Italian Civil Code; (iii) fixed remuneration as a senior manager of the Company until 6th December 2018; thereafter and until 1st February 2019, date on which the Company and Mr. Alberto Recordati entered into an agreement for the consensual termination of the employment relationship, the latter was on unpaid leave of absence; (iv) benefits of a non-monetary nature. In 2018, Mr. Alberto Recordati exercised 72,000 option rights granted in implementation of the 2014-2018 Stock Option Plan.

Between 6th December 2018 and 31st December 2018:

Giampiero Mazza: Mr. Mazza declared that he waived his rights to any remuneration for his position as Director and for his position as Chairman of the Board of Directors.

(ii) Vice Chairman, Chief Executive Officer and General Manager

Andrea Recordati: (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration as Chief Executive Officer of the Company in accordance with Art. 2389, paragraph 3 of the Italian Civil Code; (iii) fixed remuneration as a senior manager of the Company, specifically as General Manager.

In 2018, Mr. Andrea Recordati did not exercise option rights.

For mere information completeness purposes, please note that on 11 February 2019 the consensual termination of the employment relationship between the Company and Mr. Andrea Recordati has occurred as part of a settlement agreement (approved by the Board of Directors, having heard the favourable opinion of the Remuneration Committee) in the context of which a gross amount equal to € 350,000 (in addition to legal duties) has been paid to Mr. Andrea Recordati as consideration for the settlement, taking into account that the variable remuneration based on the M.B.O. system for financial year 2018 will not be paid since the termination of the employment relationship has been completed prior to the accrual of right to receive the bonus ².

(iii) Other members of the Board of Directors

Rosalba Casiraghi (Director): (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration as a member of the Remuneration Committee of the Company; (iii) from 8th May 2018, remuneration as a member of the Audit, Risk and Sustainability Committee.

*

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

² Please note that, as reported in Section I of this Report, the right to receive the variable remuneration based on the M.B.O. system accrues following the approval by the Board of Directors of the consolidated financial statements showing the achievement of the objective of the Group operating income (*Margine Operativo Gestionale di Gruppo*) set when determining the target objective. The bonus is paid during the year in which the aforementioned consolidated financial statements are approved.



as a member of the Audit, Risk and Sustainability Committee; (iv) from 8th May 2018, remuneration as Chair of the Audit, Risk and Sustainability Committee.

*

Elisa Corghi (Director): (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration as a member of the Audit, Risk and Sustainability Committee.

*

Mario Garraffo (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.

*

Paolo Fresia (Director until 6th December 2018): (i) “basic” remuneration as a director of Recordati S.p.A. until 6th December 2018.

*

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 M.B.O. remuneration relating to 2018 (as supplemented with the favourable opinion of the Remuneration Committee) and an extra-performance bonus; (iv) benefits of a non-monetary nature. See also the information given in sub-section 2.

In 2018, Mr. Fritz Squindo exercised 80,000 option rights granted in implementation of the 2010-2013 Stock Option Plan.

*

Marco Vitale (Director until 6th December 2018): (i) “basic” remuneration as a director of Recordati S.p.A. until 6th December 2018; (ii) remuneration as a member of the Audit, Risk and Sustainability Committee of the Company and as the Chairman of that committee until 8 May 2018; (iii) remuneration for consultancy provided to the Company (“other remuneration”).

*

Cathrin Petty (Director since 6th December 2018): Ms Petty declared that she waived her right to any remuneration for her position as Director.

*

Søren Vestergaard-Poulsen (Director since 6th December 2018): Mr. Vestergaard-Poulsen declared that he waived his right to any remuneration for his position as Director.

(iv) Members of the Board of Statutory Auditors



Antonio Santi (Chairman of the Board of Statutory Auditors): remuneration for the position of Chairman of the Board of Statutory Auditors of Recordati S.p.A. from the date of appointment, as set by the shareholders on 11th April 2017.

Marco Nava (Statutory Auditor): (i) remuneration for the position of Statutory Auditor of Recordati S.p.A., as set by the shareholders when appointed, from 11th April 2017; (ii) remuneration for the position of Statutory Auditor of subsidiaries of Recordati S.p.A.

Livia Amidani Aliberti (Statutory Auditor): remuneration for the position of Statutory Auditor of Recordati S.p.A. set by the Shareholders when appointed.

(v) Other key management personnel

Four members of key management personnel of the Company: (i) fixed remuneration as senior managers; (ii) variable M.B.O. relating to 2018 (for one key manager, as supplemented with the favourable opinion of the Remuneration Committee); (iii) other benefits of a non-monetary nature.

In 2018, these key managers exercised a combined 131,500 option rights assigned to them in implementation of the 2010-2013 Stock Option Plan and the 2014-2018 Stock Option Plan.

Two members of key management personnel of the Company's subsidiaries: (i) fixed remuneration as senior managers; (ii) variable M.B.O. relating to 2018; (iii) benefits of a non-monetary nature.

In 2018, these key managers exercised a combined 52,500 option rights assigned to them in implementation of the 2010-2013 Stock Option Plan and the 2014-2018 Stock Option Plan.

* * *

The implementation of the remuneration policy in 2018, in accordance with the verification performed by the Remuneration Committee when it made its periodic assessment required under the Corporate Governance Code, complied with the general principles approved by the Board of Directors and agreed upon by the Remuneration Committee, save for what indicated above in respect to the supplementation of the variable M.B.O., with the favourable opinion of the Remuneration Committee, for Mr. Squindo and another key manager.

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 Law, which may be consulted on the Company website at the address:

http://www.recordati.com/en/corporate_governance/remuneration/stock_option_plans/.

In addition, it should be noted that, in consideration of the fact that on 11th February 2019 the Company and Mr. Andrea Recordati consensually terminated the employment relationship, with the latter maintaining only his managing role as Chief Executive Officer, the Board of Directors resolved to propose that, in a Shareholders' Meeting to be held on 11th April 2019, the Shareholders approve amendments to the stock option plan for 2018-2022 in order to also include the Chief Executive Officer as a beneficiary of future assignments on the basis of the said plan.

For further information, please refer to the section of the Directors' Report on this point on the agenda (with an information document attached, prepared in accordance with Art. 84-*bis* of the Consob Issuers' Regulations), which will be made available and may be consulted on the Company website within the timeframe envisaged by law.

* * *

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

In 2014, a supplementary agreement to the executive employment contract between the Company and Mr. Fritz Squindo (the "**Supplementary Agreement**") was signed with an opinion in favour from the Remuneration Committee. This agreement provides for the payment to this senior manager of an indemnity equal to his gross remuneration (inclusive of variable remuneration and bonuses) received in the 60 months prior to the date of the termination of his contract, in the event of his contract being terminated by the Company, except for the circumstance of dismissal for "just cause" and termination of the contract by the senior manager in application of the provisions of the National Labour Contract for senior managers ("**Senior Managers' NLC**") of companies that produce goods and services in the following cases: transfer of the ownership of the company, inclusive of cases of concentrations, mergers, demergers; transfer of the senior manager to another place of work; committal to trial of the senior manager for facts relating to the duties assigned to him, and change of job role. The indemnity shall replace and totally cover any indemnities determined in application of the aforementioned Senior Managers' NLC in the cases mentioned above. With regard to incentive schemes based on financial instruments, the Company agrees to act in such a way that the senior manager maintains the right to exercise the option rights granted, once they have vested, under the terms and conditions laid down for the aforementioned plans for the beneficiaries in general.

On 11th February 2019, upon resolution of the Board of Directors on the same date, having heard the favourable opinion of the Remuneration Committee, in the context of the occurred change of control of the Company, the latter and Mr. Fritz Squindo signed a further agreement, replacing the Supplementary Agreement, pursuant to which the indemnity provided for by the Supplementary Agreement will continue to be due to Mr. Fritz Squindo in the cases of termination of the employment relationship described above, as well as in the following cases: (i) withdrawal by Mr. Fritz Squindo from the employment agreement, other than in the circumstances considered by the Senior Managers' NLC, provided that in the 12 months following the termination, Mr. Fritz Squindo does not cooperate (as director, employee or consultant) with competitors of the Recordati group, unless the Company exempts Mr. Fritz Squindo from such obligation; (ii) termination of the employment agreement due to death, disability, illness, incapacity or retirement of Mr. Fritz Squindo; (iii) termination of the employment agreement due to mutual agreement of the Company and Mr. Fritz Squindo.

On 11th February 2019 - in the context of the occurred change of control of the Company, after having approved the signing of a consensual resolution agreement, with effect from the same date, of the employment relationship existing between the Company itself and Mr. Andrea Recordati, remaining therefore between the Company and Mr. Andrea Recordati only the administration relationship - the Board of Directors, having heard the favourable opinion of the Remuneration Committee, as part of the determination of the remuneration of Mr. Andrea Recordati as Chief Executive Officer, has resolved to grant to Mr. Andrea Recordati: (i) an

amount equal to 7.4% of the overall remuneration – composed of the overall gross fixed annual remuneration³ and of the short-term variable remuneration based on the M.B.O. system⁴, the “**Overall Remuneration**” – received for each year as Chief Executive Officer, gross of any tax or social contribution, as severance payment (*trattamento di fine mandato*); and (ii) an exit payment in case of termination of the office (*indennità di fine carica*) in case of revocation, without just cause, before the expiry of the term of the office, resignation from the office and termination of office for expiration of the term pursuant to the terms described below. Should the Chief Executive Officer be revoked, without just cause, before the expiry of the term of his office (namely, before the date of the Shareholders’ Meeting convened for the approval of the financial statements relating to the financial year 2021), Mr. Andrea Recordati or his heirs will be entitled to an amount pursuant to Art. 2383, paragraph 3, of the Italian Civil Code, inclusive of any greater damage and any other claims thereto related, equal to the Overall Remuneration received in the twelve months preceding the termination of his office (or an amount equal to Euro 2,400,000.00 should the revocation occur in the first twelve months of his office as director) multiplied by 3 (the “**Revocation Case**”). Should Mr. Andrea Recordati resign from his office for a reason that does not allow the continuation, even temporarily, of his relationship with the Company, as well as in the event that the resignation is necessary following a revocation or modification of the powers granted to him, Mr. Andrea Recordati or his heirs will be entitled to an overall amount, inclusive of any other claims thereto related, equal to the Overall Remuneration received in the twelve months preceding the termination of his office (or an amount equal to EUR 2,400,000.00 if the revocation occurs in the first twelve months of his office as director) multiplied by 3 (the “**Resignation Case**”). Finally, upon termination of office for expiration of the term, with the exemptions set out below, Mr. Andrea Recordati or his heirs will receive, as additional remuneration for the expiration of his mandate, inclusive of any other claims thereto related, an amount equal to the Overall Remuneration received by Mr. Andrea Recordati in the twelve months prior to termination of his office, multiplied by 3 (the “**Additional Remuneration**”). Such Additional Remuneration will not be granted to Mr. Andrea Recordati in the following cases: (i) if the mandate of Mr. Andrea Recordati is renewed or extended for further 3 financial years (A) on economic conditions that are not lower than the actual one, (B) with the same powers delegated during the first term and (C) with the provision that, if a Revocation Case or a Resignation Case occurs during the second mandate, Mr. Andrea Recordati or his heirs will receive an amount equal the Overall Remuneration received during the twelve months preceding the termination of the mandate, multiplied by 3; (ii) if the non-renewal of the mandate is in any case due to the choice of Mr. Andrea Recordati; and (iii) in the event of early termination of the mandate in a Revocation Case or in a Resignation Case.

Furthermore, prior to signing an employment contract a supplementary agreement to the contract subsequently entered into was signed by another member of key management personnel, which provides for the payment to the senior manager of a “golden handshake” remuneration of 36 month’s salary in the event of termination of employment contract by the Company, except for termination for “just cause”. The senior manager shall have the right to that remuneration until within three years of obtaining the right to a pension at which time the

³ Please note that the overall gross fixed annual remuneration of the Chief Executive Officer is equal to Euro 1,200,000, of which Euro 1,140,000 granted as gross fixed annual remuneration pursuant to article 2389, paragraph 3, of the Italian Civil Code and Euro 60,000 granted as gross annual “basic” remuneration as member of the Board of Directors of Recordati.

⁴ With reference to the M.B.O. system please note that in case of achievement of the goals, the maximum overall remuneration of the Chief Executive Officer will be equal to the 100% of the amount of the overall gross fixed annual remuneration for each financial year.

remuneration will diminish by one month for each month of employment. The effects of the end of contract on rights granted under incentive schemes based on financial instruments in place, approved by S.p.A. in accordance with Art. 114 *bis* of the Consolidated Finance Law are not expressly regulated and therefore the provisions of the stock option plans illustrated below apply.

No agreements exist which involve the 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 non-competition commitments on termination of an employment relationship or leaving office.

As concerns the effects of the end of an employment relationship on existing incentive plans based on financial instruments approved by Recordati S.p.A., in accordance with Art. 114 *bis* of the Consolidated Finance Law, it should be noted that the 2014-2018 Stock Option Plan approved by the Shareholders' Meeting held on 17th April 2014 and the 2018-2022 Stock Option Plan approved by the Shareholders' Meeting held on 18th April 2018 provide for the following, it being understood that, with reference to the 2018-2022 Stock Options Plan, what is set out below in relation to the Termination of the Employment Contract (as defined below) shall be referred also to cases of termination of other relationships that are equivalent to the Participant's employment relationship with the Company or, as the case may be, with another company of the Group:

"Unless established otherwise by the Board or the Committee Chair, the termination of a Participant's employment contract with the Company or, according to the case, with another company of the Group, (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 previous paragraph, if on the date of the Termination of Employment, a Participant in the Plan holds Options in relation to one or more tranches that have already vested, but which have not yet been exercised, that Participant may exercise the Options in relation to those tranches that have already vested within 30 days of the date of the Termination of Employment, while those Options lose all validity if they are not exercised within that period. Nevertheless, if the Termination of the Employment Contract is due to the retirement of the Participant, the latter may, unless decided otherwise by the Remuneration Committee or by the Board, exercise those Options already vested, but not yet exercised on the date of the Termination of the Employment Contract, until the Expiry Date.

Without prejudice to the previous paragraph, 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 or 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. If an Employment Contract is terminated for other reasons, the Board or the Remuneration Committee may decide, at its sole discretion, that the Options granted to the Participant in question may be exercised immediately, if it considers that particular circumstances exist which make it appropriate, in the case in question, to make this decision.

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.”

Notwithstanding to the provisions of the aforementioned stock option plans, on 1st February 2019 the Board of Directors of the Company, following the favourable opinion of the Remuneration Committee and having taken into account the termination of the employment relationship previously existing between the Company and Mr. Alberto Recordati, resolved to grant Mr. Alberto Recordati the right to exercise the options granted to the latter pursuant to the 2014-2018 Stock Option Plan, limited to the tranches of options that will vest on 12 May 2019 if the relevant conditions of the Plan will be met.

Notwithstanding to the provisions of the aforementioned stock option plans, on 11th February 2019 the Board of Directors of the Company, following the favourable opinion of the Remuneration Committee and having taken into account the termination of the employment relationship previously existing between the Company and Mr. Andrea Recordati, resolved to: (i) confirm, as far as necessary, the participation of Mr. Andrea Recordati to the 2018-2022 Stock Option Plan and to maintain in favour of Mr. Andrea Recordati the right to vest and exercise the options already granted to him and not yet vested according to the terms and conditions of the plan itself; and (ii) grant Mr. Andrea Recordati the right to vest and exercise, in accordance with the terms provided for under the 2014-2018 Stock Option Plan, Mr. Andrea Recordati’s options not yet vested, as well as the right to exercise, in accordance with the terms and conditions of the abovementioned plan, the options vested but not exercised as at the date of the 11th February 2019 resolution.

The 2010 - 2013 Plan Stock Option Plan that is still ongoing provides for the following in relation to options granted under that plan:

“Unless established otherwise by the Board or the Committee Chair, 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.”

* * *

3. SUMMARY OF THE ACTIVITIES OF THE REMUNERATION COMMITTEE IN 2018

In 2018, the Remuneration Committee convened five times. The average duration of the meetings was about one hour. The percentage of attendance of the Committee members at the meetings is given in the table contained at the end of paragraph 4.2 of the Report on Corporate Governance and Ownership Structure.

The Committee has met three times during the current year.

In 2018 and until the date of the approval of this report the activities of the Committee mainly concerned the following:

- An examination of the appropriateness of a study on possible long-term incentive systems as an alternative to stock option plans;
- The formulation of the 2018 performance objectives for the Chairman and for the CEO and General Manager;
- The formulation of a proposal to the Board to adjust the General Manager’s remuneration;
- The formulation of a proposal to the Board on setting the 2018 objective for the Stock Option Plans adopted by the Company;
- The formulation of a proposal to the Board in relation to the new 2018-2022 Stock Option Plan;
- The determination of the final results concerning the 2017 performance objectives for the Chairman and for the CEO and General Manager;
- The formulation of a proposal for submission to the Board on the 2018 Remuneration Policy;
- The formulation of a proposal for submission to the Board on a new assignment of stock options in the context of the 2018-2022 Stock Option Plan;
- Examination and formulation of an opinion to the Board, even in its capacity as committee for related-party transactions concerning remuneration, regarding the agreement for the consensual termination of the employment relationships between the Company and Mr. Alberto Recordati;
- Examination and formulation of an opinion to the Board, even in its capacity as committee for related-party transactions concerning remuneration, regarding the agreement for the consensual termination of the employment relationships between the Company and Mr. Andrea Recordati;

- Examination and formulation of an opinion to the Board regarding the remuneration of the Chairman;
- Examination and formulation of an opinion to the Board, even in its capacity as committee for related-party transactions concerning remuneration, regarding the remuneration of the CEO;
- Examination and formulation of an opinion to the Board, even in its capacity as committee for related-party transactions concerning remuneration, regarding the supplementary agreement to the employment relationship between the Company and Mr. Fritz Squindo;
- The formulation of a proposal for submission to the Board in relation to the determination of the 2019 objective for the Stock Option Plans adopted by the Company;
- The formulation of a proposal for submission to the Board in relation to amendments to the 2018-2022 Stock Option Plan so as to include the CEO, in his capacity as such, among the beneficiaries;
- The formulation of a proposal for submission to the Board in relation to the Remuneration Policy for 2019;
- A preliminary examination in respect of the proposal of the 2019 performance objectives of the CEO.

The members of the Board of Statutory Auditors and the Chief of Group Human Resources were constantly invited to participate in the work of the Committee. On invitation by the Committee Chair, the General Manager for co-ordination of operations, also took part in some meetings on specific subjects.

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 performing its duties during the year.

PART 2 - TABLES

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

(€000)

(A)	Description of Office			Remuneration								
	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and Surname	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 €
						Bonuses and other incentives	Share in profits					
Giampiero Mazza	Chairman	From 6.12.2018 to 31.12.2018	Approval of Financial Statements as at 31.12.2021	Mr. Mazza waived his right to receive any remuneration for the office of Director and Chairman.								
Alberto Recordati	Chairman	From 1.01.2018 to 6.12.2018	6.12.2018	(i) 37 (ii) 93 (iii) 410	0	0	0	4	0	544	75	0 (A)
Andrea Recordati	Vice Chairman CEO and GM	2018	Approval of Financial Statements as at 31.12.2021	(i) 40 (ii) 100 (iii) 691	0	0	0	0	0	831	170	0
Rosalba Casiraghi	Director	2018	05.02.2019	(i) 40	10 (a) 6.5 (b)	0	0	0	0	56.5	0	0
Michaela Castelli	Director	2018	Approval of Financial Statements as at 31.12.2021	(i) 40	10 (a) 10 (b) 6.5 (d)	0	0	0	0	66.6	0	0
Elisa Corghi	Director	2018	05.02.2019	(i) 40	10 (b)	0	0	0	0	50	0	0

Paolo Fresia	Director	From 1.01.2018 to 6.12.2018	06.12.2018	(i) 37	0	0	0	0	0	37	0	0
Mario Garraffo	Director	2018	05.02.2019	(i) 40	20 (a+c)	0	0	0	0	60	0	0
Fritz Squindo	Director	2018	Approval of financial statements as at 31.12.2021	(i) 40 (iii) 601	0	270	0	3.5	0	914.5	137	0
Marco Vitale	Director	From 1.01.2018 to 6.12.2018	06.12.2018	(i) 37	7 (b+d)	0	0	0	50 (1)	94	0	0
Cathrin Petty	Director	From 6.12.2018 to 31.12.2018	Ms. Petty waived her right to receive any remuneration for her position as Director.									
Søren Vestergaard-Poulsen	Director	From 6.12.2018 to 31.12.2018	Mr. Vestergaard-Poulsen waived his right to receive any remuneration for his position as Director.									

* 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.

Neither attendance payments nor lump-sum expense reimbursements are paid.

REMUNERATION FOR ATTENDANCE ON COMMITTEES

(a) For the position of member of the Remuneration Committee.

(b) For the position of member of the Audit, Risk and Sustainability Committee.

(c) For the position of Chairman of the Remuneration Committee.

(d) For the position of Chairman of the Audit, Risk and Sustainability Committee.

OTHER REMUNERATION

(1) For consulting activity.

FAIR VALUE OF EQUITY REMUNERATION

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

END OF TERM OF OFFICE OR OF EMPLOYMENT RELATIONSHIP INDEMNITY

(A) It should be noted that in line with the agreement for the consensual termination of the employment relationship between the Company and Mr. Alberto Recordati, the latter, in view of the termination of the long employment relationship with effects as of 1st February 2019, shall only maintain the right to exercise the stock options already assigned to him under the 2014-2018 Stock Option Plan, by way of derogation to the Plan itself, limited to the part of option rights that will be vested, if the conditions set out under the Plan will have occurred on 12th May 2019, and namely: 27,000 stock options, whose exercise price is €21.93 and 45,000 stock options, whose exercise price is €12.29.

Board of Statutory Auditors	Description of Office			Remuneration								
(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and Surname	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
						Bonuses and other incentives	Share in profits					
(I) Remuneration at Recordati S.p.A.												
Antonio Santi	Chairman, Board of Statutory Auditors	2018	Approval of financial statements as at 31.12.2019	50	0	0	0	0	0	50	0	0
Marco Nava	Statutory Auditor	2018	Approval of financial statements as at 31.12.2019	35	0	0	0	0	0	35	0	0
Livia Amidani Aliberti	Statutory Auditor	2018	Approval of financial statements as at 31.12.2019	35	0	0	0	0	0	35	0	0
(II) Remuneration from subsidiaries and associates (Mr. Antonio Santi and Ms. Amidani Aliberti received no remuneration from subsidiaries or associates of Recordati S.p.A.)												
Marco Nava				19	0	0	0	0	0	19	0	0
(III) TOTAL												
Antonio Santi				50	0	0	0	0	0	50	0	0
Marco Nava				54	0	0	0	0	0	54	0	0
Livia Amidani Aliberti				35	0	0	0	0	0	35	0	0

Other key management personnel	Remuneration								
(A)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
	Fixed remuneration €	Remuneration for attendance on committees €	Non-equity variable remuneration €		Non- monetary benefits €	Other remunerati on €	TOTAL (**) €	Fair value of equity remunerati on €	End of term of office or of employment relationship indemnity €
			Bonuses and other incentives	Share in profits					
FOUR (4) KEY MANAGEMENT PERSONNEL MEMBERS OF THE COMPANY (*)	1,311	0	341	0	13	0	1,665	351	0
TWO (2) KEY MANAGEMENT PERSONNEL MEMBERS OF SUBSIDIARIES (*)	564	0	110	0	36	0	710	116	0
TOTAL	1,875	0	451	0	49	0	2,375	467	0

* As at 31st December 2018, four key management personnel members were in office at the Company and two key management personnel members were in office at subsidiaries.

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

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

Name and Surname And position held as at 31.12.18	Plan and resolution date	Options held on 1.1.2018			Options assigned in 2018						Options exercised in 2018			Options expired in 2018	Options held as at 31.12.18	Options related to 2018
		Number of options	Exercise price €	Exercise period (from - until)	Number of options	Exercise price €	Exercise period (from - until)	Fair value as at date of assignment	Date of assignment	Market price of Recordati share as at date of assignment of options € (c)	Number of options	Exercise price €	Market price of Recordati share as at exercise date € (c)	Number of options	Number of options	Fair value (€ thousand)
Andrea Recordati Vice Chairman, CEO and General Manager ⁵ (a)	2014-2018 Plan (b) - 17.04.14	45,000	12.29	2018*-31.12.22									0	398,000	170,207	
		45,000	12.29	2019*-31.12.22												
		27,000	21.93	2018*-31.12.24												
		27,000	21.93	2019*-31.12.24												
		27,000	21.93	2020*-31.12.24												
	2018-2022 Plan (b) - 18.04.18				50,000	30.73	2020*-31.12.26	666,366	3.8.18	31.920						
					50,000	30.73	2021*-31.12.26									
					50,000	30.73	2022*-31.12.26									
					50,000	30.73	2023*-31.12.26									
Fritz Squindo Director (a)	2010-2013 Plan (b) - 13.4.10	35,000 ⁶	6.7505	2015*-31.12.19									0	598,000	136,822	
		45,000	6.7505	2016*-31.12.19												
		45,000	5.307	2014*-31.12.20												
		45,000	5.307	2015*-31.12.20												
		45,000	5.307	2016*-31.12.20												
		45,000	5.307	2017*-31.12.20												

⁵ It should be noted that as at the date of this Report, Mr. Andrea Recordati only holds the office of CEO of the Company. Please note that, notwithstanding to the provisions of the Company's stock option plans, on 11th February 2019 the Board of Directors of the Company, following the favourable opinion of the Remuneration Committee and having taken into account the termination of the employment relationship previously existing between the Company and Mr. Andrea Recordati, resolved to grant Mr. Andrea Recordati the right to vest and exercise, in accordance with the terms provided for under the stock option plans, the options already granted to Mr. Andrea Recordati and not yet vested.

⁶ It should be noted that 10,000 options (as part of the original bloc of 45,000 options) were exercised in 2017.

	2014-2018 Plan (b) - 17.04.14	45,000 45,000 45,000 45,000	12.29 12.29 12.29 12.29	2016*-31.12.22 2017*-31.12.22 2018*-31.12.22 2019*-31.12.22													
	2018-2022 Plan (b) - 18.04.18				32,500 32,500 32,500 32,500	30.73 30.73 30.73 30.73	2020*-31.12.26 2021*-31.12.26 2022*-31.12.26 2023*-31.12.26	433,138	3.8.18	31.920							
Total for the 4 key managers of the company (d)	2010-2013 Plan (b) 13.4.10 and 2014-2018 Plan (b) 17.04.14	555,500	16.4992 (e)	2414 (f)							131,500	11.1577 (e)	33.8411 (g)	0	779,000	351,244	
	2018-2022 Plan (b) - 18.04.18				355,000	30.73 30.73 30.73 30.73	2020*-31.12.26 2021*-31.12.26 2022*-31.12.26 2023*-31.12.26	1,182,800	3.8.18	31.920							
Total for the 2 key managers of subsidiaries (d)	2010-2013 Plan 13.4.10 (b) and 2014-2018 Plan (b) 17.04.14	140,500	16.3343 (e)	2113 (f)							52,500	10.6273 (e)	30.7551 (g)	0	238,000	116,135	
	2018-2022 Plan (b) - 18.04.18				150,000	30.73 30.73 30.73 30.73	2020*-31.12.26 2021*-31.12.26 2022*-31.12.26 2023*-31.12.26	499,775	3.8.18	31.920							
DIRECTORS WHOSE OFFICE TERMINATED IN 2018																	
		Options held as at 1.1.2018			Options assigned in 2018						Options exercised in 2018			Options expired in 2018	Options held as at 31.12.18	Options related to 2018	
Name and Surname Position held	Plan and resolution date	Number of options	Exercise price €	Exercise period (from - until)	Number of options	Exercise price €	Exercise period (from - until)	Fair value as at date of assignment	Date of assignment	Market price of Recordati share as at date of assignment	Number of options	Exercise price €	Market price of Recordati share as at exercise date € (c)	Number of options	Number of options	Fair value (€ thousand)	

										of options € (c)						
Alberto Recordati Chairman ⁷ (a)	2014-2018 Plan	45,000	12.29	2018*-31.12.22							45,000	12.29	30.610	0	126,000 ⁸	74,820
	(b)	45,000	12.29	2019*-31.12.22												
	-															
	17.04.14	27,000	21.93	2018*-31.12.24												
		27,000	21.93	2019*-31.12.24							27,000	21.93	30.610			
		27,000	21.93	2020*-31.12.24												
		27,000	21.93	2021*-31.12.24												

* Thirty days after the Shareholders' Meeting held to approve the financial statements of the previous year.

- a) The individual is a beneficiary of stock option plans as an employee of strategic importance at Recordati S.p.A..
- b) No plans exist in force at subsidiaries and associates of Recordati S.p.A..
- c) Official price of the day.
- d) As at 31st December 2018, four key management personnel members were in office at the Company and two key management personnel members were in office at subsidiaries.
- e) Average exercise price.
- f) Average expiration period represented in days.
- g) Average market price.

⁷ Chair of the Board of Directors until 6th December 2018.

⁸ It should be noted that, in line with the agreement for the consensual termination of the employment relationship between the Company and Mr. Alberto Recordati, the latter, in view of the termination of the long employment relationship with effects as of 1st February 2019, shall only maintain the right to exercise the stock options already assigned to him under the 2014-2018 Stock Option Plan, by way of derogation to the Plan itself, limited to the part of option rights that will be vested, if the conditions set out under the Plan will have occurred on 12th May 2019, and namely: 27,000 stock options, whose exercise price is €21.93, and 45,000 stock options, whose exercise price is €12.29.

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

Board of Directors									
(A)	(B)	(1)	(2)			(3)			(4)
Name and Surname	Position	Plan	Bonus for 2018 (2018 MBO)			Prior Year Bonuses			Other Bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable	Deferred	Deferment period	No longer payable	Paid (*)	Still deferred	
Alberto Recordati	Chairman until 6 th December 2018	-	-	-	-	-	132	-	-
Andrea Recordati	Vice Chairman, CEO and GM	-	-	-	-	-	331	-	-
			Please see the specification under Section 1 paragraph (ii)						
Fritz Squindo (*)	Director	Variable incentive scheme (2018 M.B.O.)	170 (a)	-	-	-	240	-	100 (b)

(*) This person is a beneficiary of the monetary incentive scheme for the 2018 financial year (2018 M.B.O.) in his capacity as employee of the Company.
The other members of the Board of Directors and members of the Board of Statutory Auditors are not beneficiaries of any monetary incentive scheme.

(a) M.B.O. as supplemented with the favourable opinion of the Remuneration Committee.

(**) M.B.O. bonus relating to 2017 paid in 2018.

(b) Extra-performance bonus relating to 2018 and paid in 2018.

Other key management personnel								
Name and Surname	Plan	Bonus for 2018			Prior Year Bonuses			Other Bonuses
		(A)	(B)	(C)	(A)	(B)	(C)	
		Payable	Deferred	Deferment period	No longer payable	Paid (**)	Still deferred	
Four (4) key management personnel members at the Company (*)	Variable incentive scheme (2018 M.B.O.)	341 (***)	-	-	-	385	-	-
Two (2) key management personnel members at subsidiaries (*)	Variable incentive scheme (2018 M.B.O.)	110	-	-	-	97	-	-
TOTAL	Variable incentive scheme (2018 M.B.O.)	451	-	-	-	482	-	-

(*) As at 31st December 2018, there were four key management personnel members in office at the Company and two key management personnel in office at subsidiaries.

(**) Bonus relating to 2017 (2017 M.B.O.) paid in 2018.

(***) For one member of key management personnel, M.B.O. related to 2018 as supplemented with the favourable opinion of the Remuneration Committee.

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 31.12.2017	Number of shares purchased in 2018	Number of shares sold in 2018	Number of shares held on 31.12.2018
DIRECTORS IN OFFICE AS AT 31.12.2018						
Giampiero Mazza (1)	Chairman	ordinary	0	0	0	0
Andrea Recordati	Vice Chairman, CEO and General Manager	ordinary	0	0	0	0
Rosalba Casiraghi	Director	ordinary	0	0	0	0
Michaela Castelli	Director	ordinary	0	0	0	0
Elisa Corghi	Director	ordinary	0	0	0	0
Mario Garraffo (2)	Director and LID	ordinary	0	0	0	0
Fritz Squindo	Director	ordinary	122,000	80,000*	80,000*	122,000
Cathrin Petty (1)	Director	ordinary	0	0	0	0
Søren Vestergaard-Poulsen (1)	Director	ordinary	0	0	0	0
DIRECTORS NO LONGER IN OFFICE AS AT 6TH DECEMBER 2018						
Alberto Recordati	Chairman	ordinary	0	72,000*	0	72,000
Paolo Fresia	Director	ordinary	50,000	16,000	0	66,000
Marco Vitale	Director and LID (3)	ordinary	0	0	0	0

*includes shares resulting from the exercise of stock options

(1) Appointed by co-option on 6th December 2018.

(2) Appointed as LID on 9th July 2018.

(3) LID until 8th May 2018.

Board of Statutory Auditors	Position	Recordati S.p.A. type of shares	Number of shares held on 31.12.2017	Number of shares purchased in 2018	Number of shares sold in 2018	Number of shares held on 31.12.2018
Antonio Santi	Chairman	ordinary	0	0	0	0
Marco Nava	Statutory Auditor	ordinary	0	0	0	0
Livia Amidani Aliberti	Statutory Auditor	ordinary	0	0	0	0

	Recordati S.p.A. type of shares	Number of shares held on 31.12.2017	Number of shares purchased in 2018	Number of shares sold in 2018	Number of shares held on 31.12.2018
Four (4) key management personnel members at the Company (*)	ordinary	0	131,500	131,500	0
Two (2) key management personnel members at subsidiaries (*)	ordinary	0	52,500	23,500	29,000

(*) As at 31.12.2018, four key management personnel members were in office at the Company and two key management personnel members were in office at subsidiaries.



Milan, 28th February 2019

for the Board of Directors
The Chief Executive Officer
Mr. Andrea Recordati