

RECORDATI S.p.A.

**CORPORATE GOVERNANCE REPORT
AND OWNERSHIP STRUCTURE**

FINANCIAL YEAR 2014

pursuant to article 123 *bis* of the Consolidated Finance Act and
article 89 *bis* of Consob Issuers' Regulations

Approved 4th March 2015 by the Board of Directors

Website: www.recordati.it

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GLOSSARY

CG Code: the Corporate Governance Code for listed companies approved in July 2014 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., the Italian Banking Association, Ania (national insurance association), Assogestioni (national association of asset management companies), Assonime (association of joint stock companies) and Confindustria (Confederation of Italian Industry).

CC: the Italian Civil Code.

Board: the Board of Directors of the Recordati S.p.A.

Issuer: Recordati S.p.A.

Year: the financial year to which this Report relates (2014).

Consob Issuers' Regulations: regulations governing issuers as established by Consob regulation no. 11971 of 1999 (as subsequently amended).

Consob Markets Regulations: regulations governing markets as established by Consob regulation no. 16191 of 2007 (as subsequently amended).

Consob related-party regulations: the regulations issued by the Consob with Resolution No. 17221 of 12th March 2010 (as subsequently amended) concerning transactions with related parties.

Report: the corporate governance report and the ownership structure that issuers are required to prepare pursuant to article 123 *bis* of the TUF.

TUF: Legislative Decree No. 58 dated 24th February 1998, (*Testo Unico della Finanza*) the TUF.

1. PROFILE OF THE ISSUER AND GENERAL INFORMATION

Recordati (Reuters RECI.MI, Bloomberg REC IM) was founded in 1926 and is listed on the *Mercato Telematico Azionario* (electronic stock exchange) operated by Italian Borsa Spa (ISIN IT 0003828271).

The Company and the Group that it leads has approximately 4,000 employees. They perform research and development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals. They perform their activities in the principal countries of the European Union, in Russia and in other Central and Eastern European countries, in Turkey, in North Africa and in the United States of America.

As at 31st December 2014, the Group was composed of 43 subsidiaries (of which three Italian), in addition to the Parent Company, Recordati S.p.A..

The primary objective of Recordati's corporate governance system is the creation of value for shareholders, without, however, losing sight of the social importance of the activity performed and of all the stakeholders involved.

The corporate governance structure of the Company is based on a conventional organisational model and therefore consists of the following corporate bodies: (i) the Shareholders' Meeting, (ii) the Board of Directors, (iii) the Board of Statutory Auditors. Accounting control is delegated, in compliance with the relative legislation in force, to a firm of auditors registered in the special roll maintained by the Consob.

The Board of Directors has formed two committees from among its members with consultative and proposal-making functions: the Remuneration Committee and the Audit and Risk Committee, both consisting exclusively of independent directors.

Recordati adheres to and complies with the Corporate Governance Code for listed companies as published in July 2014 with the additions and necessary amendments resulting from the characteristics of the Group as mentioned in this Report.

Unless otherwise indicated, the information contained in this report relates to the financial year 2014 and, in relation to specific subjects, to the date of its approval by the Board of Directors (4th March 2015).

2. OWNERSHIP STRUCTURE (pursuant to Art. 123-bis, paragraph 1 of the TUF)

a) Structure of the share capital and rights attaching to shares (pursuant to Art. 123 bis, paragraph 1, letter a) of the Consolidated Finance Act)

The subscribed and paid up share capital amounts to € 26,140,644.5 and is represented by 209,125,156 ordinary shares each with a par value of € 0.125 as reported in the table at the end of this section. The shares are listed on the *Mercato Telematico Azionario* (electronic stock exchange) operated by Borsa Italiana and issued under a dematerialisation regime.

The rights attaching to the shares are set out in the By-Laws. More specifically, each share entitles the holder to a proportional part of the profits allocated for distribution; art. 28 of the By-Laws provides that the net profits on the balance sheet are to be distributed as follows: (a) 5% (five

percent) to the legal reserve fund up to the amount established by the law; (b) the remainder, unless the Shareholders' Meeting, as proposed by the Board, resolves to allocate funds for extraordinary reserves or for other purposes, or to postpone part or all of the distribution to all shares to successive years, to be distributed to all shares. The Board of Directors may resolve to distribute interim dividends, within the limits and according to the procedures established by law. Dividends not collected within five years following the day on which they became payable shall revert to the Company and are recognised in the extraordinary reserve.

As reported in the table below, there are no other categories of shares, nor other financial instruments that assign the right to subscribe to new share issues, with the exception of the conditions indicated below in the context of stock option plans.

The information documents prepared in accordance with Art. 84-*bis* of the Consob Issuers' Regulations relating to each outstanding stock option plan, available on the Company website at the http://www.recordati.it/en/corporate_governance/remuneration/stock_option_plans/, may be consulted for information on existing stock option plans and shares issued at the service of those plans.

STRUCTURE OF THE SHARE CAPITAL			
	No. Shares	% of share capital	Listed/unlisted
Ordinary shares	209,125,156	100	Listed
Shares with multiple voting rights	0	0	
Shares with limited voting rights	0	0	
Shares with no voting rights	0	0	

OTHER FINANCIAL INSTRUMENTS (conferring the right to subscribe new share issues)				
	Listed/unlisted	No. of instruments outstanding	Type of shares at the service of the conversion/exercise	No. of shares at the service of the conversion/exercise
Convertible bonds	-	0	-	-
Warrants	-	0	-	-

b) Restrictions on transfer of securities (pursuant to Art. 123-*bis*, paragraph 1, letter b) of the TUF)

The shares of the Company are freely transferable.

c) Significant holdings in share capital (pursuant to Art. 123-*bis*, paragraph 1, letter c) of the TUF)

On the basis of information received, in accordance with article 120 of Legislative Decree No. 58/1998, as at 3rd March 2015, the following parties held shares, either directly or indirectly, amounting to more than 2% of the share capital (“significant holdings”).

SIGNIFICANT SHAREHOLDINGS			
Declarant	Shareholder	Percentage (%) of ordinary share capital	Percentage (%) of voting share capital***
FIMEI S.p.A.	FIMEI S.p.A.	51.644%	51.644%
TORRE S.S.	TORRE S.S.	3.198%	3.198%
FMR LLC*	Discretionary management of investments of which 3.376% on behalf of Fidelity Low Price	3.496%	2.496%
SCHRODER INVESTMENT MANAGEMENT LTD**	SCHRODER INVESTMENT MANAGEMENT LTD	2.002%	2.002%

* Last update received with a communication pursuant to Art. 120 of Legislative Decree No. 58/98 on 3rd May 2012

** Last update received with a communication pursuant to Art. 120 of Legislative Decree No. 58/98 on 19th June 2011

*** Please note that on treasury stock the voting rights are only temporarily suspended in accordance with law.

As at 3rd March 2015, Recordati S.p.A. also held 2.116% of treasury stock on which voting rights are suspended in accordance with the law.

Significant shareholdings may be consulted on the Consob website (www.consob.it).

d) Securities with special rights (pursuant to Art. 123-*bis*, paragraph 1, letter d) of the TUF)

No securities with special rights of control have been issued.

e) Shareholding by employees: exercise of voting rights (pursuant to Art. 123-*bis*, paragraph 1, letter e) of the TUF)

No shareholding system exists for employees which involves the exercise of voting rights which is different from that provided for shareholders in general.

f) Restrictions on voting rights (pursuant to Art. 123-*bis*, paragraph 1, letter f) of the TUF)

Each ordinary share gives the right to vote without any restrictions.

g) Shareholders' agreements (pursuant to Art. 123-*bis*, paragraph 1, letter g) of the TUF)

The Company has no knowledge of the existence of shareholders' agreements pursuant to TUF Art. 122.

h) Change of control clauses (pursuant to Art. 123 bis, paragraph 1, letter h) of the TUF) and by-law provisions concerning public tender offers to purchase (pursuant to Art. 104, paragraph 1-ter and 104-bis, paragraph 1)

The Company and some of its subsidiaries are, in relation to their business operations, parties to some licensing agreements that include a clause, which is a normal provision in international agreements, authorising the Licensor to dissolve the contracts in the event of change of direct or indirect control of the Licensee.

In addition, bonds have been issued by the American subsidiary Recordati Rare Diseases Inc (in 2013 and guaranteed by the Company) and by the Company itself (2014) – for totals of US\$145 million euro - both privately placed with international investors and major loan agreements have also been signed by the Company – for a total of €175.5 million. As is normal in financial operations of this type, they include a clause, which authorises the creditors to obtain immediate repayment if the control of the Company changes.

The By-Laws of the company do not allow exceptions to the provisions concerning takeovers on the passivity rule pursuant to Art. 104, paragraphs 1 *ter* of the Consolidated Finance Act nor do they allow the application of neutralisation rules pursuant to Art. 104-*bis*, paragraphs 1 of the Consolidated Finance Act.

i) Authorisation for increase of share capital and acquisition of treasury shares (pursuant to Art. 123-bis, paragraph 1, letter m) of the TUF)

The Board of Directors was authorised to increase share capital, pursuant to CC Art. 2443, by a Shareholders' Meeting of 19th April 2012.

The increase in the share capital may be performed in one or more tranches, gratuitously or by payment, for a total maximum nominal amount of € 50,000,000 within a period of no more than five years from the date of the resolution, by issuing ordinary shares and/or warrants for the subscription to such shares, to assign or to offer as an option to shareholders, with the right pursuant to the joint provisions of CC Art. 2441, last paragraph and TUF Art. 134, second paragraph, to offer subscription to the shares to Recordati S.p.A. employees or to subsidiaries of the Company in relation to the stock option plans decided by the Shareholders' Meeting (and therefore with the possibility to exclude the option rights to one fourth of the new issue). The Board of Directors may also decide that the issue should be performed with a share premium, setting the amount and also specifying that if the issue decided is not fully subscribed within the time limits set from time to time, the share capital shall be increased by an amount equal to the subscriptions received by the time limit set.

To-date, the Board has not yet acted on this mandate, not even partially.

That same Shareholders' Meeting authorised Directors, in accordance with Art. 2420-*ter* of the C.C. to decide the issue in one or more tranches, for a total maximum nominal amount of € 80,000,000, of bonds convertible to ordinary shares, or valid warrants to subscribe to such shares, to offer in option to shareholders within a period of no more than five years from the date of resolution, in observance of applicable law and regulations concerning the issuing of bonds, and

at the same time, deciding an increase of share capital for the amount that corresponds to the nominal value of the shares to be attributed in conversion.

To- date, the Board has not yet acted on this mandate not even partially.

The By-Laws do not authorise the Board to issue financial instruments of participation.

*

In ordinary session on 17th April 2014 a Shareholders' Meeting renewed the authorisation to purchase and assign treasury shares, pursuant to CC articles 2357 *et seq.*, until approval of the financial statements at 31st December 2014, scheduled for 15th April 2015. In particular, the maximum number of shares that may be acquired, after accounting for the number of treasury shares already held in the Company's portfolio, is 20,000,000, which corresponds to a total potential payment of not more than € 250,000,000, at a minimum price not less than the nominal value of Recordati shares (€ 0.125) and a maximum price not greater than the average of official Borsa prices during the five sessions prior to the acquisition, plus 5%. Purchases must be made on regulated markets, in observance of Art. 144*bis*, paragraph one, letter b), of the Consob Issuers' Regulations and according to standard practices recommended by the Consob in accordance with TUF article 180.

At year-end, the Company held 4,707,670 treasury shares in portfolio, which represent 2.251% of the share capital.

On the basis of that shareholders' resolution, on 9th October 2014, a programme was commenced to purchase treasury stock to be used at the service of stock option plans already adopted by the Company and for those which may be adopted in the future, designed for employees of the companies in the Recordati Group. As part of the implementation of that programme, from 9th October 2014 until the date of this report, the Company purchased 585,060 ordinary shares for a total payout of € 7,117,457.

In consideration of the expiry of the current authorisation which will occur when the Shareholders' Meeting is held to approve the 2014 Annual Report, the Board resolved to submit a proposal to the Shareholders' Meeting convened to approve the 2014 annual report to renew the authorisation to purchase and assign treasury stock in order to maintain the necessary operational flexibility over an appropriate time horizon. The Directors Report on the relative item on the agenda, which will be made available within the legal time limits on the Company website and elsewhere, may be consulted for further information.

j) Management and co-ordination (pursuant to Art. 2497 *et seq* of the CC)

Although controlled by Fimei S.p.A., the Company is not subject to management and co-ordination by the same, pursuant to CC articles 2497 *et seq.*

Fimei S.p.A. is a mere financial holding company with no operations of any kind; no procedures exist to furnish authorisations or instructions to the Company in its relations with the Parent Company and therefore the Company sets its own strategic and operating policies in full autonomy.

The fully controlled Italian subsidiaries have acknowledged management and co-ordination by the Company and have fulfilled legal disclosure requirements in this respect.

k) Other information

The information required by Art. 123 *bis*, paragraph one, letter i) of the TUF (“*agreements between the Company and directors, members of the board of directors or the supervisory board, which provide for the payment of indemnities in the event of resignation, dismissal without just cause or if the contract of employment is interrupted following a public tender offer*”) is given in the Report on Remuneration published in accordance with Art. 123-*ter* of the TUF.

The information required by Art. 123 *bis*, paragraph one, letter l) of the TUF (“*regulations for the appointment and replacement of directors and for amendments to the By-Laws, if different from those applicable by law in the absence of alternative provision*”) are given in the section of the report on the Board of Directors (section 4.1).

3. COMPLIANCE (pursuant to Art. 123-*bis*, paragraph 2, letter a) of the TUF)

As stated in section 1, in accordance with the procedures contained in this report, the Company adheres to the CG Code, which may be consulted on the website of Borsa Italiana at the address www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf. Reasons are given where it was decided not to follow those principles or operating criteria either in the corresponding section of this report or in the corresponding section of the Report on Remuneration.

The Company is not subject to foreign laws that influence the corporate governance structure of the Company itself.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND SUBSTITUTION OF DIRECTORS (pursuant to Art. 123-*bis*, paragraph 1, letter l) of the TUF)

The appointment and replacement of Directors is regulated by articles 15, 16 and 18 of the By-Laws, the text of which, last amended by the Board of Directors on 8th May 2012 in order to make compulsory amendments to comply with legislation on the balance between genders on corporate bodies, is reproduced for your information in full below:

Art. 15) The Board of Directors shall be appointed from slates of candidates presented by shareholders, in compliance with the existing legislation in force on gender balance, according to the procedures as indicated below, in which the candidates are identified by progressive numbers.

The slates, signed by the shareholders who present them, must be deposited at the registered office of the Company at least twentyfive days prior to the date of the first convention of the Shareholders’ Meeting, available to anyone who requests to see them and they will also be subject to other forms of publicity in accordance with laws and regulations in force at the time.

Every shareholder, shareholders who participate in a significant shareholders' agreement pursuant to TUF Art. 122, the parent company, subsidiaries and companies subject to joint control pursuant to TUF Art. 93, may not present or contribute to the presentation of more than one slate, not even by means of another person or trustee, nor may they vote for different slates, and each candidate may be listed in only one slate or will be disqualified. The subscriptions and votes expressed in violation of this prohibition will not be attributed to any slate.

Only shareholders individually or jointly possessing a total number of shares with voting rights representing at least 2.5% of capital stock with voting rights at ordinary meetings, or representing a lesser percentage as established by binding legislative or regulatory provisions which shall be specified in the notice of meeting, shall have the right to submit slates.

The following items must be filed for each slate within the respective deadlines set out above and as provided by applicable regulations: (i) statements by each candidate to the effect that each accepts candidacy and declares, assuming full responsibility, that there are no reasons preventing the candidate from being elected or rendering him unsuitable for the office, and that the candidate meets any specific requirements for the relevant office; (ii) a curriculum vitae detailing each candidate's personal and professional characteristics and indicating that the candidate may be considered independent.

The specific certification demonstrating title to the necessary number of shares for the presentation of the slate, issued by a legally authorised intermediary must also be deposited within the time limits set by the relative regulations at the time when the slates are deposited at the Company.

Slates containing a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a percentage equal to that required by the legislation in force at the time concerning gender balance for the composition of the Board of Directors belongs to the less represented gender.

Slates that are presented but are not in accordance with the provisions as above will be considered as not presented.

The Board of Directors will be elected as follows:

a) all of the Directors to be appointed, except one, will be selected from the slate that obtained the greatest number of votes, following the progressive order in which they are listed on the slate;
b) the remaining director shall be the candidate placed at the number one position on the minority slate, which shall not be connected in any way, even indirectly, with those who submitted or voted for the slate indicated in letter a) above, which obtains the second highest number of votes. For this purpose, slates that did not obtain a percentage of votes equal to at least half of that required for presentation of the slates as at the fourth paragraph of this article will not be considered.

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

If the candidates elected by the method as above do not include an adequate number of independent Directors with the characteristics as established for statutory auditors at TUF Art. 148, third paragraph, equal to the minimum number established by the law in relation to the total number of Directors, the last non-independent candidate, according to the progressive numbering, of the slate that obtained the greatest number of votes as at letter a) of the paragraph above, will be substituted by the first independent candidate, according to the progressive numbering, of the non-elected candidates on the same slate, or if not possible, by the first independent candidate, according to the progressive numbering, of the non-elected candidates of the other slates, according to the number of votes obtained by each. This procedure of substitution will be followed

until the board of directors is composed of a number of members who have the qualifications as at TUF Art. 148, third paragraph, equal at least to the minimum legal number. If this procedure does not produce the latter result, the substitution will be effected by resolution of the Shareholders' Meeting by relative majority, after presentation of candidates who possess the qualifications as cited above.

Furthermore, if with the candidates elected according to the above procedures the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is not ensured, the candidate of the gender most represented elected as last in order on the slate which obtained with the largest number of votes shall be replaced by the first candidate of the less represented gender not elected in order on the same slate. That replacement procedure shall be followed until the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is ensured. Finally, if this procedure does not produce the result just indicated, then the replacement shall be made by a resolution of the Shareholders' Meeting by relative majority, after presentation of candidates belonging to the less represented gender.

If only one slate is presented, all of the Directors will be selected from the same slate. If no slate is presented the Shareholders' Meeting will decide by legal majority, without following the procedure as above. All of the foregoing is subject to compliance with the legislation in force at the time concerning gender balance.

Any different or additional compulsory provisions of the law or regulations will form an exception to these provisions.

Article 16) - The fees to be paid to the Board of Directors shall be established by the Shareholders' Meeting for the entire period of their term, or for each financial year, and may take the form of profit-sharing.

Article 18) - Unless already provided for by the Shareholders' Meeting, the Board shall appoint a Chairman and may appoint a Vice-Chairman from among its members. The Board shall also appoint one or more Managing Directors from among its members. The Chairman shall have all the powers vested in him by law; in the case of his absence or inability to attend for any reason, the said powers shall be exercised by the Vice-Chairman, or in his absence, by the most senior Director.

Finally, the Board shall appoint a Secretary, who need not be a member of the Board.

It is also underlined that, on the basis of the By-Laws in force, the right to submit slates is only held by shareholders who, individually or together with other shareholders submitting slates, hold voting shares representing at least 2.5% of the voting capital in an Ordinary Meeting, or representing a lower percentage established by mandatory laws or regulations. In this respect, in accordance with articles 144-*quater* and 144-*septies* of the Issuers' Regulations adopted by Consob Resolution No. 19109 of 29th January 2015 with regard to the capitalisation of the Company in the last quarter of 2015, the percentage of the share capital required to present slates of candidates to the Board of Directors of the Company is currently 1%.

On the basis of Art. 147-*ter*, paragraph one of the TUF, the By-Laws also state that for the purposes of the distribution of votes among directors to be elected, no account is taken of slates that have not obtained a percentage of votes equal to at least half of that required for the presentation of slates.

In order to ensure the election of at least one minority director, the By-Laws state that all the directors to be elected except for one shall be drawn from the slate which obtained the greatest number of votes in the order in which they are slated on that slate. The remaining director is the candidate placed in the number one position on the minority slate, which shall not be connected in any way, even indirectly, with the shareholders who submitted or voted for the majority slate and which obtained the majority of votes from the shareholders. In the case of a tied vote between slates, the minority director shall be drawn from the slate presented by the shareholders in possession of the greater number of shares or, secondarily, with the greatest number of shareholders.

As concerns the mechanism adopted to ensure that a minimum number of independent directors are elected in compliance with Art. 147-ter, paragraph four of the TUF, the By-Laws state that if the number of independent directors is not reached, the non-independent candidate elected in last place on the majority slate shall be replaced by the first independent candidate in progressive order not elected on that slate, or, if there is none, by the first independent candidate in progressive order not elected on the other slates, according to the number of votes obtained by each.

Finally if this procedure does not lead to the aforementioned result, the directors shall be replaced by a resolution passed by relative majority of the Shareholders' Meeting upon presentation of candidates satisfying the above requirements of independence.

If only one slate is presented, the By-Laws also state that all of the Directors to be elected shall be selected from that slate. If no slate is presented the Shareholders' Meeting shall decide by legal majority, without following the procedures just described.

The By-Laws do not lay down any additional requirements for the independence of Directors with respect to those contained in Art. 148, paragraph 3, of Legislative Decree No. 58/1998, because the Company adheres to the CG and the Board of Directors verifies possession of the requirements of independence in accordance with the CG and consequently when a Shareholders' Meeting appoints Directors, the Board of Directors invites candidates to the position of Director contained on slates to declare also these requirements, as adopted by the Company.

The table at the end of this section may be consulted for details of those directors currently in office who meet the requirements for independence in accordance with the TUF and those that are independent in accordance with the CC.

With regard to the regulations on gender balance in corporate bodies (Law No. 120/2011, new articles 147-ter and 148 of the Consolidated Finance Act, new Art. 144-undecies of the Issuers Regulations), which apply to the renewal of corporate bodies subsequent to 18th August 2012, the Company made the necessary amendments to the By-Laws on 8th May 2012 in order to comply with the new regulations.

In particular, the Board of Directors shall be appointed in compliance with the existing legislation in force on gender balance (and in any case on the basis of slates of candidates presented by shareholders). Furthermore, the By-Laws set out the procedures to follow to ensure that the composition of the Board of Directors complies with the existing legislation in force concerning gender balance: the candidate of the gender most represented elected as last in order on the slate which obtained with the largest number of votes shall be replaced by the first candidate of the less represented gender not elected in order on the same slate. That replacement procedure shall be followed until the composition of the Board of Directors in compliance with the legislation in force at the time concerning gender balance is ensured. Finally, if this procedure

does not produce the result just indicated, then the replacement shall be made by a resolution of the Shareholders' Meeting by relative majority, after presentation of candidates belonging to the less represented gender.

The Issuer reports that it is not governed by any further laws and regulations concerning the composition of the Board of Directors.

4.2 COMPOSITION (pursuant to Art. 123-bis, paragraph 2, letter d) of the TUF)

The By-Laws currently in force state that the Company is managed by a Board of Directors consisting of a number of members varying between six and sixteen.

The Board of Directors in office at the date of this report was appointed by a Shareholders' Meeting held on 17th April 2014 for three years, with the term of office expiring at the time of the Shareholders' meeting held to approve the 2016 Annual Report. The Board is composed of ten directors, of which six independent, including two women, in compliance with the criteria laid down by the applicable provisions on the matters of gender balance (at least one fifth of the members must be of the least represented gender) and the minimum number of independent directors (at least two for a Board composed of more than seven members). One director is appointed from the minority through the adoption of slate voting. As already reported, when the current Board of Directors in office was appointed in the Ordinary General Meeting held on 17th April 2014, two slates of candidates were presented for the office of Director: one by the majority shareholder FIMEI S.p.A.¹ which obtained 67.467% of the share capital with voting rights represented in the Shareholders' Meeting and one by the minority shareholder TORRE Società Semplice², which obtained 31.187% of the share capital with voting rights represented in the Shareholders' Meeting. The voting share capital represented 77.4% % of the share capital of the Issuer.

A summary of the composition of the Board of Directors as at 31st December 2014 and details of the type of Director is given as follows:

Giovanni Recordati	Chairman and CEO	Executive	-	*Shareholders' meeting of 13.12.1976
Alberto Recordati	Vice-Chairman	Executive	-	*BoD meeting of 19.03.1986
Andrea Recordati	Director	Executive	-	*Shareholders' meeting of 29.04.1998
Rosalba Casiraghi	Director	Non-executive	Independent	*Shareholders' meeting of 17.04.2014
Micaela Castelli	Director	Non-executive	Independent	*Shareholders' meeting of 17.04.2014
Paolo Fresia	Director	Non-executive	Independent	*Shareholders' meeting of 17.04.2014
Mario Garraffo	Director	Non-executive	Independent	*Shareholders' meeting of 29.04.1999
Carlo Pedersoli	Director	Non-executive	Independent	*BoD meeting of 01.03.2001
Fritz Squindo	Director	Executive	-	*BoD meeting of 14.03.2013
Marco Vitale	Director	Non-executive	Independent	*Shareholders' meeting of 13.04.1997

*Date first appointed to the BoD

¹ The slate presented by FIMEI S.p.A., together with the relative additional documentation filed in accordance with the law and the applicable regulations may be consulted on the website www.recordati.it, (in the section Investors/Shareholders' Meetings/2014). The slate contained the following candidates: *Ing.* Giovanni Recordati, *Dr.* Alberto Recordati, *Dr.* Andrea Recordati, *Dr.* Fritz Squindo, *Dr.ssa* Rosalba Casiraghi, *Avv.* Michaela Castelli, *Prof.* Marco Vitale, *Mario* Garraffo, *Avv.* Carlo Pedersoli, *Dr.* Andrea De' Mozzi.

² The slate presented by TORRE Società Semplice, together with the relative additional documentation filed in accordance with the law and the applicable regulations may be consulted on the website www.recordati.it, (in the section Investors/Shareholders' Meetings/2014). The slate contained the candidate *Dr.* Paolo Fresia.

The personal and professional characteristics of each Director are documented in Attachment 1 to this Report along with the offices held by Directors in other listed companies.

For an assessment of the independence of the Directors in office, the table at the end of this section and the information specifically given in Section 4.6 may be consulted for further details.

TABLES COMPOSITION AND STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

<i>Board of Directors in Office</i>												<i>Audit and Risk Committee</i>		<i>Remuneration Committee</i>	
<i>Office</i>	<i>Members</i>	<i>Year of birth</i>	<i>In office since</i>	<i>In office until</i>	<i>Slate (M/m) *</i>	<i>Exec.</i>	<i>Non-Exec.</i>	<i>Indep. according to CG Code</i>	<i>Indep. according to TUF</i>	<i>% ***</i>	<i>Number of other positions in listed companies ****</i>	<i>**** *</i>	<i>% ***</i>	<i>*** **</i>	<i>% ***</i>
<i>Chairman and CEO</i> ◊	GIOVANNI RECORDATI	1949	17.4.2014	Approval of 2016 AR	M	X				9/9	0				
<i>Vice-Chairman</i>	ALBERTO RECORDATI	1953	17.4.2014	Approval of 2016 AR	M	X				7/9	0				
<i>Director</i>	ROSALBA CASIRAGHI	1950	17.4.2014	Approval of 2016 AR	M		X	X	X	6/6	2			M	4/4
<i>Director</i>	MICHAELA CASTELLI	1970	17.4.2014	Approval of 2016 AR	M		X	X	X	6/6	2			M	4/4
<i>Director</i>	PAOLO FRESIA	1988	17.4.2014	Approval of 2016 AR	m		X	X	X	6/6	0				
<i>Director</i>	MARIO GARRAFFO	1937	17.4.2014	Approval of 2016 AR	M		X	X (**)	X	9/9	0	M	6/6	C	4/4
<i>Director</i>	ANDREA RECORDATI	1971	17.4.2014	Approval of 2016 AR	M	X				9/9	0				
<i>Director</i>	CARLO PEDERSOLI	1953	17.4.2014	Approval of 2016 AR	M		X	X (**)	X	8/9	0	M	6/6		
<i>Director</i> •	FRITZ SQUINDO	1956	17.4.2014	Approval of 2016 AR	M	X				9/9	0				
<i>Director</i> ○	MARCO VITALE	1935	17.4.2014	Approval of 2016 AR	M		X	X (**)	X (**)	7/9	0	C	6/6		
DIRECTORS WHO RETIRED IN 2014:															
	SILVANO CORBELLA	1965	13.4.2011	Approval of 2013 AR	M		X	X	X	3/3	-			C	3/3
	GERMANO GIULIANI	1972	13.4.2011	Approval of 2013 AR	M		X	X	X	1/3	-			M	2/3

	UMBERTO MORTARI	1946	13.4.2011	Approval of 2013 AR	M		X	X	X	3/3	-			M	3/3
	WALTER WENNINGER	1938	13.4.2011	Approval of 2013 AR	M		X	X	X	3/3	-				

• This symbol indicates that the director is responsible for the internal control and risk management system.

◊ This symbol indicates the principal manager of the issuer (chief executive officer or CEO).

○ This symbol indicates the lead independent director (LID).

* M/m are given in this column where "M" indicates a member elected from the majority slate and "m" from a minority slate.

(**) The Board has qualified Prof. Marco Vitale, Dr. Mario Garraffo and Avv. Pedersoli as independent, even though they have been directors of the Company for more than nine years during the past twelve, and in the case of Prof. Vitale even though he has been appointed as a professional consultant to the Company with an annual fee of € 50.000.00 (a non-significant amount), considering that by their specific expertise and professional commitment to constant control and stimulation of the Board, they have demonstrated that they have maintained their characteristics of independence and freedom of judgement in evaluating the operations carried out by management.

(***) This column contains the percentage attendance of directors at the relative board and committee meetings (number of presences/number of meetings held during the actual period office of the person concerned).

(****) This column gives the number of appointments as a director or statutory auditor held by the person concerned in other companies listed on regulated markets, including foreign markets. For a complete list of other appointments including those in financial, banking or insurance companies or in large companies, please see the list contained in Attachment 1 of this document.

(*****) This column indicates the position of the director within the committee: "C" Chair and "M" member.

Information concerning the date of the first appointment of directors to the board is given on page 13.

INDICATE THE QUORUM REQUIRED FOR THE PRESENTATION OF SLATES WHEN DIRECTORS WERE LAST APPOINTED: 1%

Number of meetings held during 2014	Board meetings: 9	Audit and Risk Committee: 6	Remuneration committee: 7
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4.2.1. Succession Planning

In compliance with Principle 5.C.2. of the CG Code, the Board of Directors considered the situation when complying with amendments to that Code made in December 2011 and decided that it was not necessary to adopt an official succession plan for executive directors.

4.2.2 Maximum number of offices held in other companies

The Board of Directors has not set any general criterion for the maximum number of positions as director or statutory auditor in other companies that are considered compatible with performing duties as a director of the Company. It has done this because it feels that it is best to allow individual directors to assess this compatibility themselves.

Furthermore, in compliance with the CG, which recommends that before the appointment of a new board, the Board of Directors should inform shareholders of guidelines concerning the professional profiles the presence of which is considered advisable on the Board, the Board examined the results of the annual self-assessment carried out for 2013 on the basis, amongst other things, of that recommendation. However, it did not feel the need to express any guidelines in this respect, in consideration of the positive assessment on the functioning of the Board itself and of its committees as well as its size and composition.

We also report here that the self-assessment process carried out for 2014 completed by non-executive and independent directors, of which three out of six are new appointments, confirmed the overall positive assessment mentioned above.

4.2.3. Induction Programme

In line with the provisions of the CG on each Director carrying out their duties effectively and knowledgeably, following the appointment of the Board of Directors on 17th April 2014, the Chairman and Chief Executive Officer delivered a special report on the development of the Recordati Group over the last 15 years, immediately in the first board meeting following the appointment of the new Board. He therefore organised a specific induction session held on 27th May 2014 for new directors, during which they were furnished with details of the business and organisational structure of the Recordati Group and on the markets in which it operates. The induction programme also involved the Board of Statutory Auditors and the new statutory auditor of the Company in particular.

The Company also made corporate documents available considered useful for carrying out their duties to each Director and Statutory Auditor.

Finally, in the course of meetings of the Board of Directors, the Chairman and Chief Executive gave information required to present the performance of the company and the Group which includes constant updates on the most important changes in legislation and regulations in the sector and their impact on the company.

4.3 ROLE OF THE BOARD OF DIRECTORS **(pursuant to Art. 123-bis, paragraph 2, letter d) of the TUF)**

During the course of the year, the Board of Directors met nine times, with meetings lasting on average around an hour and a half, on the following dates: 16th January 2014, 11th February 2014, 6th March 2014, 17th April 2014, 6th May 2014, 29th July 2014, 28th October 2014, 3rd December 2014 and 18th December 2014. Average attendance was 91% for retiring Directors (three meetings) and 93% for the new Directors (six meetings). As regards the current year, nine meetings are scheduled and the Board has already met on 12th February 2015. The percentage attendance of each Director at Board meetings and in the relative committees is shown in the table contained at the end of section 4.2.

The promptness and completeness with which information is provided before board meetings is ensured by the Chairman with the distribution of documents relating to the items on the agenda to members a few days immediately preceding the date set for the meetings. On rare occasions it has not been possible to provide information concerning some items on the agenda until the time of the board meeting itself for reasons of confidentiality and urgency. On these occasions, the arguments were in any case investigated by internal committees, the within the scope of their remits, and the Chairman took care to provide adequate and detailed information during the Board meetings themselves. When making amendments to the CG Code in December 2011, the Board of Directors generally considered notice of three days to be appropriate and that time limit has normally been complied with in the meetings that followed (during the year documents relating to the accounts were in fact delivered approximately five days before meetings on average). The results of the Board self-assessment process, discussed in a meeting of 12th February 2015 essentially confirmed the appropriateness of this notice.

During the course of the year and in the meetings already held in 2015 various persons attended board meetings in order to provide additional information on the items on the agenda. These included the Chief of Administration, the Chief of Group Operational Control and Reporting, the Chief of Corporate Development, the Chief of the Legal Service and Corporate Affairs (who also acted as the Secretary to the Board) and the Chief of Group Auditing (who in line with the provisions of the CG reports to the Board of Directors).

In accordance with Art. 22 of the By-Laws, the Board is the corporate body endowed with the broadest powers to handle ordinary and extraordinary management of the Company and it has the right to conclude all acts that it deems appropriate in order to conduct business and to achieve the corporate purposes, excluding only those reserved by the law exclusively for the Shareholders' Meeting. In accordance with CC. Art. 2365, paragraph 2, the Board of Directors is also authorised to decided on the following matters:

- mergers in the cases established by CC articles 2505 and 2505 bis;
- establishment or suppression of secondary offices;
- specification of the Directors who are entitled to represent the Company;
- reduction of share capital in the event of withdrawal of a shareholder;
- alignment of the By-Laws to provisions of the law and regulations;
- transfer of the registered office from one municipality to another in national territory.

The Board is also entitled to appoint and dismiss, following an obligatory opinion from the Board of Statutory Auditors, the Financial Reporting Officer, pursuant to TUF Art. 154-bis.

The Board is also responsible, in compliance with the CG Code, for the following:

- examination and approval of strategic, industrial and financial plans of the Company and the Recordati Group and monitoring implementation of these;
- examination and improvement of the corporate governance system of the Company itself and of the structure of the Group itself, setting guidelines for the governance of subsidiaries;
- evaluation of whether the organisational, administrative and financial structures of the Company and its strategic subsidiaries, as defined herein and as configured by the responsible organs, are adequate, with particular reference to the system of internal control and risk management;
- attribution and cancellation of mandates to CEOs and the Executive Committee, defining the extent, means and intervals (at least quarterly), with which the delegates must refer to the Board about the activities carried out in exercising their mandates;
- establishment, after examination of the proposals from the Remuneration Committee, and heard the opinion of the Board of Statutory Auditors, of the remuneration of CEOs and other Directors with special mandates, as well as the division, for the individual members, of the total allotment for compensation of the Board, if the Shareholders' Meeting has not already decided the matter;
- evaluation of business trends, in accordance with the law and the By-Laws, especially in the light of information provided by the delegated bodies and periodic comparison of results with budget provisions;
- examination and approval prior to strategic economic or financial operations of the Company and its subsidiaries, with particular attention to situations in which one or more Directors have an interest, whether personal or on behalf of third parties, and in general, to operations with related parties in accordance with the Regulations for Related-Party Transactions approved by the Board of Directors itself on 24th November 2010 (and last revised in 2014); establish guidelines to identify significant operations;
- conduct, once a year, an evaluation of the size, composition and functioning of the Board of Directors and its committees and possibly indicate the type of professional figures whose presence on the Board would be useful, before the appointment of a new Board;
- communication, in the Corporate Governance Report, of the means of application of the CG Code and in particular, of the number of Board and Executive Committee meetings held during the year and the relative percentage of participation of each Director;
- subject to the opinion of the Audit and Risk Committee, the definition of the guidelines for the internal control and risk management system, so that the principal risks to which the issuer and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored. It also determines the degree to which risks are compatible with management of the Company that is consistent with its strategic objectives;
- the selection of one or more Directors who are given responsibility for the creation and maintenance of an effective internal control and risk management system (Director/s responsible for the internal control system);
- the selection of an Audit and Risk Committee, which by conducting appropriate fact-finding activity, has the task of supporting the Board of Directors in its assessments of the internal control and risk management system and also those relating to the approval of periodic financial reports;
- subject to the opinion of the Audit and Risk Committee, the assessment, at least annually, of the adequacy of the internal control and risk management system with respect to the nature of the company and its risk appetite and also of its effectiveness;

- subject to the opinion of the Audit and Risk Committee, the approval, at least annually, of the working plan drawn up by the Chief of the Internal Audit Function, after, amongst other things, consultation with the Board of Statutory Auditors and the Director with Responsibility for the internal control and risk management system;
- subject to the opinion of the Audit and Risk Committee, a description of the main characteristics of the internal control and risk management system in the Corporate Governance Report and a report on its assessment of its adequacy;
- after consultation with the Board of Statutory Auditors, and assessment of the results furnished by the external statutory auditor in its letter of recommendations (if provided) and in its report on basic issues arising from its external statutory audit;
- on the basis of a proposal submitted by the Director with Responsibility for the internal control and risk management system, subject to the approval of the Audit and Risk Committee and after consultation with the Board of Statutory Auditors, the appointment and removal of the Chief of the Internal Audit Function ensuring that he or she has adequate resources and sets their remuneration consistent with company policies;
- the appointment and removal of members of the Company's Supervisory Committee formed and functioning in accordance with Legislative Decree No. 231/2001;
- the adoption of an Organisation and Control Model drawn up in accordance with Legislative Decree No. 231/2001 and the approval of amendments to it for compliance with changes in legislation and regulations as they come into force from time to time.

On the date of the approval of this Report, the Board took the following actions in relation to the above:

- it studied and approved the 2014 budget of the Group;
- it monitored the implementation of the 2013-2015 Three-Year Business Plan, by comparing, amongst other things, actual with budgeted results taken from the approved budget, carried out as generally established practice when quarterly accounting reports are approved;
- it examined and approved the 2015-2017 Three-Year Business Plan;
- it examined the "Catalogue of Risks" for 2014, as updated compared to that examined for 2013: with assistance from the consulting company Deloitte S.p.A., the Group developed its own model to map, manage and monitor risks in the Company and Group. This is updated constantly to better identify risks connected with the achievement of the strategic objectives of the current Three-Year Business Plan and, in general, to identify and manage the main internal and external risks of the Group as efficiently as possible. This model is based on international principles of enterprise risk management (ERM);
- as part of the update of the Catalogue of Risks relating to 2014, it assessed whether the degree and nature of the risks as identified in the Group Catalogue of Risks presented to the Board are compatible with the Group's strategic objectives contained in the new 2015-2017 Three-Year Business Plan;
- with the opinion in favour of the Audit and Risk Committee, it held that the guidelines for the Recordati Group Internal Control and Risk Management System, approved in the first months of 2013, in order to implement, amongst other things, amendments introduced by the CG Code were still adequate and did not require further amendments;
- after consultation with the Board of Statutory Auditors and the Director with Responsibility for the Internal Control and Risk Management System, it approved the work plan drawn up by the Chief of the Internal Audit Function for 2015;
- it approved the most important company directives;

- it confirmed the following as the subsidiaries with strategic importance, based principally on criteria of size (revenues) or in consideration of the particular market on which the subsidiary operates (such as the orphan drugs market): Laboratoires Bouchara Recordati S.a.s, Recordati Ireland Ltd., Jaba-Recordati S.A., Recordati Pharma GmbH, Innova Pharma S.p.A., Orphan Europe SARL, Recordati Ilac, Recordati Rare Diseases Inc and Rusfic Llc and in a meeting of 12th February 2015, it identified the Spanish company Casen Recordati SL as an additional subsidiary with strategic importance;
- it issued a positive evaluation of the adequacy of organisational, administrative and general accounting structures of the Company and its strategic subsidiaries put in place by the Chairman and CEO, with particular reference to the internal control system and management of conflicts of interest, on the basis of the information provided to the Board in specific reports and other documentation (such as organisation charts) presented by the Chief of Group Audit, the Internal Audit Committee, the Supervisory Committee pursuant to Legislative Decree No. 231/2001 and by the Chairman and CEO himself;
- more specifically in 2014, the Chairman and CEO submitted new guidelines for subsidiaries of the Recordati Group to the Board of Directors, in order to redefine the corporate governance system and rules for subsidiaries, bringing them into line with developments in the internal organisational framework and with the relative best practices. In detail, the new guidelines regulate the management systems of subsidiaries, identifying the size, composition and principles for the functioning of the relative bodies. The process for compliance of subsidiaries with the guidelines approved is in progress;
- it assessed the general performance of operations, firstly by approving accounting reports each quarter. Furthermore, in each meeting, and independently of the time elapsed since the previous meeting, the Chairman and CEO provides a report on activities carried out and the main transactions performed by the Company and its subsidiaries, even if these are transactions which do not require not prior approval by the Board of Directors;
- it studied and approved strategic operations of the Company and its subsidiaries in advance, when such operations were strategically significant in relation to the economic and financial welfare of the Company (with particular reference to the acquisition of specialty drugs);
- it carried out a periodic review of the Related Party Transactions Regulations, three years having passed since it came into force and, having taken note of the opinion given by the Audit and Risk Committee, it considered that those regulations were still adequate, not requiring substantial modifications, but only modifications of a formal character. Section 12 of this report may be consulted for further information on regulations governing transactions with related parties.

Self-assessment of the board and its Committees

As it does every year, the Board of Directors carried out an assessment of the functioning of the Board itself and its committees and of their size and composition, with account also taken of factors such as professionalism, experience, including management experience, and the gender of its members, as well as their length of service in the role. This evaluation was conducted by asking each non-executive and independent Director (of which three out of six were newly appointed with respect to the preceding Board of Directors) to compile a questionnaire prepared by the Group Legal and Corporate Affairs Department of the Company (last amended in the previous year in order to take account of the compliance by the Company with the amendments made to the CG Code in December 2011, according to the procedures

set by the Board on 20th December 2012). The results of that questionnaire were discussed initially in the Board meeting of 12th February 2015. The results of the evaluation were positive with some areas for improvement.

4.4 EXECUTIVE OFFICERS AND BODIES

Chairman and Chief Executive Officer

In accordance with article 23 of the By-Laws, representation of the Company shall be attributed to the Chairman of the Board of Directors or, in the event of his absence or inability to attend for any reason, to the Vice-Chairman, with sole signing authority for implementation of all resolutions of the Board unless otherwise resolved. The Chairman or, in the event of his absence or impediment for any reason, the Vice-Chairman, shall represent the Company before the law, with the power to take legal action and institute judicial and administrative proceedings at all levels of jurisdiction, including with respect to revocation and cassation proceedings, and appointing lawyers and attorneys for lawsuits.

In accordance with article 24 of the By-Laws, the Board of Directors may delegate all or part of its powers and functions not only to the Chairman, but also to the Vice-Chairman and one or more executive directors and it may grant special mandates to individual Directors or managers of the Company, including the power of attorney, determining their functions and powers under the law. In accordance with article 25 of the By-Laws, the Board may also delegate all or part of its powers to an Executive Committee.

On 17th April 2014 the Board of Directors appointed *Ing.* Giovanni Recordati not only to the position of Chairman of the Board of Directors, but also to that of Chief Executive Officer with the purpose, even if not in line with the provisions of the Corporate Governance Code³, of improving the efficiency of the management of the Company. In fact combining his role with that of a manager in the organisation, the Chairman is able to fulfil the role assigned to him by law extremely effectively, being fully up-to-date on operating events.

In his role as Chief Executive Officer, *Ing.* Giovanni Recordati has been authorised, within the limits permitted by law, to exercise the broadest powers for the ordinary and extraordinary management of the Company, expressly including the power to appoint directors and his agents, persons with specific duties, experts and agents of the Company in general for specific actions or types of action, with the sole, exclusive and mandatory exclusion of the following operations reserved to the Board of Directors, except for operations performed with or between other companies of the Recordati Group:

- a) assumption of financial liability of more than € 50 million for any single operation;
- b) transfer of real estate for amounts of more than € 25 million, where the industrial operations of the Company or its subsidiaries are conducted at the time of the transfer;
- c) the purchase or sale of intellectual property of the Company or its subsidiaries for amounts exceeding € 5 million for each transaction;

³ Principle 2.P.4: it is best to avoid appointing a single person to more than one corporate position.

- d) acquisition, transfer or any other provision in relation to holdings in other companies, likewise the acquisition or transfer of companies or company branches, for amounts of more than € 25 million for any single operation;
- e) the purchase and sale of proprietary medicinal products and generic products, for amounts exceeding € 25 million each;
- f) the grant of real or personal guarantees for amounts of more than € 25 million for any single operation;
- g) investments and disinvestment, other than those specified at the letters above, for amounts of more than € 15 million for any single operation.

The Chairman and Chief Executive Officer also: (i) convenes the Board meetings and ensures that the members of the Board and the Board of Statutory Auditors are provided, with advance notice of three days before the Board Meeting, except for exceptional cases of urgency and particular confidentiality, with the documentation and information necessary to enable them to express an informed opinion about the matters submitted to their examination and approval, (ii) co-ordinates the activities of the Board and conducts the proceedings of Board meetings; (iii) continuously provides information about the frequent variations of the law and the regulations that govern the sector and their impact on the Company, in order to develop the awareness of all Directors in relation to the situation and dynamics of the Company.

The Chairman and Chief Executive Officer does not hold interlocking directorships pursuant to Implementation Criterion 2.C.5. of the CG Code.

Executive Committee

No Executive Committee has been formed as an internal committee of the Board of Directors.

Reporting to the Board

The Chairman and Chief Executive Office reported to the Board in individual Board meetings on the activities performed in exercising the powers conferred on him by the Board. In fact as already mentioned, in each meeting, and independently of the time elapsed since the previous meeting, the Chairman and CEO provides a report on activities carried out and the main transactions performed by the Company and its subsidiaries, even if these are transactions which do not require prior approval by the Board of Directors.

4.5 OTHER EXECUTIVE DIRECTORS

In addition to the Chairman and CEO, the other Directors that qualify as executives are *Dr. Alberto Recordati*, *Dr. Andrea Recordati* and *Dr. Fritz Squindo*.

Dr. Alberto Recordati, Vice-Chairman of the Board of Directors, co-ordinates R&D and “Licensing-in” activities.

From July 2013, *Dr. Andrea Recordati* has held responsibility for Group production and sales activities and was appointed Chief Operating Officer.

Dr. Andrea Recordati, (formerly Chief of the “International Pharmaceutical Division” and also co-ordinator of “licensing-out” activities before his appointment as COO) also occupies the post of Chairman and Managing Director in some strategic subsidiaries.

Dr. Squindo, General Manager for co-ordination of operations and Chief Financial Officer (as well as financial reporting officer), holds responsibilities for Administration, Finance and Control, Human Resources, Information Technology, Investor Relations, Corporate Communications and Purchasing functions. *Dr. Squindo* is also a director of other Group companies.

4.6 INDEPENDENT DIRECTORS

Following the appointment by a Shareholders’ Meeting on 17th April 2014 of six Directors, *Dr.ssa Rosalba Casiraghi*, *Avv. Michaela Castelli*, *Dr. Paolo Fresia*, *Dr. Mario Garraffo*, *Avv. Carlo Pedersoli* and *Prof. Marco Vitale*, having taken account of the declarations issued by these directors, the Board of Directors confirmed their possession of the requirements of independence pursuant to Art. 148, paragraph 3 of the TUF and the requirements of independence set forth in the CG Code, except for that which has been already reported in the notes to the table on page 18 and for that which is specified below.

The Board of Directors of the Company therefore has a number of independent directors which constitute the absolute majority of the members, which is a more rigorous approach than that required by the TUF and the Corporate Governance Code itself, which require that at least two directors are independent on a board composed of seven members.

The requirements of independence for directors are ascertained annually and they were last ascertained on 12th February 2015 when the Board repeated that assessment for each of the non-executive directors, as reported below, in accordance, amongst other things, with the CG Code.

On that occasion the Board confirmed its previous assessment concerning the relationship between the Company and *Prof. Vitale*, attributable to a professional engagement worth € 50,000.00 annually, considering the relationship cited as not significant for the purposes of independence in consideration of the small quantitative nature of the engagement. Furthermore, the Board of Directors decided not to include the requirement relating to a Director holding office for more than nine of the last twelve years among those pursuant to the CG on the basis of which the assessment of the independence of Directors is performed. This is because, with precise reference to *Prof. Vitale*, *Dr. Garraffo* and *Avv. Pedersoli*, the Board considered that because of their specific expertise and professionalism and for their constant work in supervising and stimulating the Board they have demonstrated that they

have maintained their characteristics of independence and freedom of judgement in assessing the work of management intact. Furthermore, the Board of Directors noted that the continuation of a Director in office for more than nine years should not in itself be considered a negative requirement for qualification as independent if the other requirements of the CG are satisfied. This is because great experience of the specific affairs of the issuer, the stature and professionalism of the persons considered, the absence of interests and significant relations with the Company constitute a value to be considered positively and such as to consider their capacity to judge freely and without bias to be untarnished.

The Board of Statutory Auditors verified that the criteria and procedures of evaluation adopted by the Board to evaluate the independence of its members were implemented correctly.

The independent directors, at and before the beginning of meetings of the Board of Directors, verified each time the absence of any specific matters that might be significant in relation to their roles as independent Directors.

The independent directors did not meet in 2014 without the other directors⁴. As far as is known to the Company no issues emerged concerning the functioning of the Board of Directors or the management of the Company which required these meetings to be called by the Lead Independent Director or by request on the part of other independent directors. The Lead Independent Director reported that he will convene a meeting of the independent directors during the course of 2015.

4.7 LEAD INDEPENDENT DIRECTOR

Considering the existence of the situation in which the same person holds the offices of Chairman and CEO, in compliance with the CG Code, the Board has designated independent Director Prof. Vitale to be the lead independent director, to guide the independent Directors, with particular reference to the independent Directors, in order to improve the activities and functioning of the Board. The lead independent director collaborates with the Chairman in order to ensure that the Directors receive complete and timely information, and is also authorised to convene special meetings of the independent Directors only, at his own discretion or at the request of other Directors. As already stated, neither the Lead Independent Director nor any other director exercised that right during the course of 2014.

5. CONFIDENTIALITY OF CORPORATE INFORMATION

Following amendments to TUF introduced by Law No. 62/2005 (EC Law 2004) on matters of market abuse, in 2006 the Board of Directors approved the proposal of the Chairman and CEO for “Internal regulations for handling confidential information” (to substitute an internal procedure for the management and external communication of information and confidential documents, adopted in 2001 in accordance with the Corporate Governance Code in force at the time).

These regulations govern the internal management and external communication of

⁴ Even if this is not in line with the provisions of the Corporate Governance Code: Application Criterion 3.C.6: the independent directors meet at least once a year in the absence of the other directors.

information about Recordati S.p.A. and its subsidiaries, with particular reference to confidential and significant information (meaning information that could become confidential, but does not yet have the characteristics of specificity as defined at TUF Art. 181), and the institution of a specific register of the persons who have access to the information as above, a “Register of persons who have access to confidential information”, in accordance with Art. 115 *bis* of the TUF. In particular these regulations establish the obligations of confidentiality of all persons who have access to significant and confidential information; identify the persons responsible for evaluating the significance of the same information; establishes the rules for access to the same information by persons outside of the Company; establishes some principles and rules for the management of documents and correspondence containing significant or confidential information; establishes the methods of communicating confidential information, and other information about the Company.

In implementing these regulations, a procedure for “Management of the register persons who have access to confidential information” has been adopted, which establishes the method of keeping and updating the same.

The Company also keeps the register in question on behalf of the other companies of the Group (Group Register), having been authorised to do so by the subsidiaries and the holding company.

In 2006 the Board also decided the adoption of an “internal dealing” procedure to discipline communications about transactions in Recordati S.p.A. shares or other related financial instruments issued by “significant persons”, in order to implement the provisions at TUF Art. 114, paragraph 7 (and the provisions of the regulations for application of the same).

At the date of this report, in consideration of the organisational and decision-making structure of the Company and Group, the composition of “significant persons” and *Dr. Fritz Squindo* becoming a board member, there are no significant persons in addition to directors, statutory auditors and the holding company Fime S.p.A..

The Directors and the Statutory Auditors have acquainted themselves with the legislation on internal dealing and the relative disclosure obligations.

6. INTERNAL COMMITTEES OF THE BOARD

The Board of Directors has formed a Remuneration Committee and an Audit and Risk Committee from among its members, both with consultative and proposal-making functions and consisting exclusively of independent directors.

7. APPOINTMENTS COMMITTEE

Finally, following the appointment of the new Board of Directors on 17th April 2014, the Board did not consider it necessary to form an Appointments Committee⁵, but expressly reserved the duties assigned to the latter by the CG Code to itself sitting in plenary session. This is mainly because until now no difficulty has been encountered in making appointment proposals, partly

⁵ Even if from the December 2011 edition onwards, the Corporate Governance Code recommends the creation of such committee (Principle 5.P.1).

due to the presence of a shareholder who holds legal control of the Company and also because it is therefore considered preferable to reserve the functions that the CG Code attributes to an Appointments Committee, and which the Board already performed, to the Board sitting in plenary session – it will be recalled that the Board is composed of six independent members out of a total of ten.

8. REMUNERATION COMMITTEE

Please consult the relevant part of the Report on Remuneration published in accordance with Art. 123-ter of the TUF for information on this section.

9. DIRECTORS' REMUNERATION

Please consult the relevant part of the Report on Remuneration published in accordance with Art. 123-ter of the TUF for information on this section.

10. AUDIT AND RISK COMMITTEE

In the meeting of 17th April 2014, following its appointment by a Shareholders' Meeting, the Board formed an Audit and Risk Committee comprising the following non-executive and independent (within the meaning described above) Directors: *Prof.* Marco Vitale, Chairman, *Dr.* Mario Garraffo and *Avv.* Carlo Pedersoli.

This Committee was again assigned responsibility for analysing problems and defining important policies for the auditing of company activities, providing consultancy and making proposals to the Board of Directors with regard to assessments and decisions concerning the internal control and risk management system and also with regard to the approval of periodic financial reports.

The Committee met six times during the year (sessions lasted around one and a half hours on average). The Committee met twice during the current year. The percentage attendance of Committee members at meetings is shown in the table contained at the end of section 4.2 of this Report.

Two of the three members of the Committee have experience in accounting and financial matters.

The entire Board of Statutory Auditors has been constantly invited to participate in the Committee's work.

Invited by the Chairman of the Committee and with regard to individual items on the agenda, various non-members have participated in some meetings, in particular the Chairman and Chief Executive Officer, the General Manager for the Co-ordination of Operations (who is also the Director with responsibility for the internal control and risk management system), the Chief of Group Audit, the Chief of Group Human Resources, the Supervisory Committee pursuant to Legislative Decree 231/01, representatives of the Audit Firm, the "Official Employers", the heads of the prevention and protection services for production sites in Italy,

on matters concerning safety at the workplace and consultants who provided support to the Company on specific projects examined by the Committee.

The Legal and Corporate Affairs Office is always involved for the minuting of meetings.

Duties assigned to the Audit and Risk Committee

The functions of the Audit and Risk Committee are to advise and submit proposals to the Board of Directors: by conducting appropriate fact-finding activity, it provides support to the Board of Directors in its assessments of the internal control and risk management system and also those relating to the approval of periodic financial reports. More specifically, it expresses opinions on the following:

- a) on the guidelines for the internal control and risk management system, so that the principal risks to which the Company and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored, and on the determination of criteria to assess whether such risks are compatible with management of the Company that is consistent with its strategic objectives;
- b) on the selection of one or more Directors who are given responsibility for the creation and maintenance of an effective internal control and risk management system;
- c) an assessment, at least annually, of the adequacy of the internal control and risk management system with respect to the nature of the company and its risk appetite and also its effectiveness;
- d) the approval, at least annually, of the work plan drawn up by the Chief of the Group Audit Function;
- e) the description of the main characteristics of the internal control and risk management system and on the assessment of its adequacy in the Corporate Governance Report;
- f) the assessment of the results furnished by the external statutory auditor in its letter of suggestions (if provided) and in its report on basic issues arising from its external statutory audit;
- g) the appointment and removal of the Chief of the Group Audit Function (formerly the Internal Control Officer in accordance with Art. 150 of Legislative Decree No. 58/1998), on the assignment of adequate resources to the latter to fulfil his/her duties and on the remuneration set for him/her consistent with Company policy.

Furthermore, in its work to support the Board of Directors, the Audit and Risk Committee:

- shall assess, together with the Financial Reporting Officer appointed to prepare the corporate accounting documents and after consultation with the external statutory auditors and the Board of Statutory Auditors, the correct use of accounting policies and their consistency in the preparation of the consolidated financial statements, prior to approval of the consolidated financial statements by the Board of Directors;
- shall express opinions on specific aspects concerning the identification of the main corporate risks;
- shall examine periodic reports for the assessment of the internal control and risk management system and those of particular importance prepared by the Group Audit Function;
- shall monitor the independence, adequacy and effectiveness of the Group Audit Function;

- shall require the Group Audit Function to investigate specific operational areas, reporting promptly to the Chairman of the Board of Statutory Auditors;
- shall report to the Board, at least semi-annually, when annual and interim financial reports are approved, on its activities and also on the adequacy of the internal control and risk management system;
- shall make proposals to the Board of Directors regarding changes to be made to the Organisational Model established pursuant to Legislative Decree 231/01 adopted by the Company;
- shall make proposals to the Board of Directors regarding the appointment of members of the Supervisory Committee created pursuant to Legislative Decree No. 231/01 and regarding the allocation of an annual budget to that body;
- shall express an opinion on the appointment of the Financial Reporting Officer appointed to prepare the corporate accounting documents;
- shall express an opinion on the Regulations for Related-Party Transactions which the Company must adopt in compliance with Consob Regulation No. 17221 of 12th March 2010 and also on any subsequent amendments to those regulations;
- shall express an opinion, either binding or non-binding, on Related-Party Transactions of Major Importance and on Related-Party Transactions of minor importance in compliance with the aforementioned regulations governing related-party transactions adopted by the Company, unless they consist of Related-Party Transactions which concern remuneration;
- shall assist the Board of Directors on the implementation of recommendations contained in the Corporate Governance Code for listed companies in relation to the internal control and risk management system.

At the meetings mentioned above, the Committee mainly carried out the following activities :

- after consultation with the firm of auditors and the Board of Statutory Auditors and together with the financial reporting officer, it examined the results of the audit of the accounts regarding the financial statements and the proper use of accounting policies and their consistency in the preparation of the consolidated financial statements;
- it examined the periodic reports of the Supervisory Committee pursuant to Legislative Decree No. 231/01 and of the Chief of Group Auditing;
- it examined the results of the audits conducted in 2014 and the proposed audit plan for 2015;
- on the subject of safety in the workplace, it examined the reports of the “Official Employers” and of the heads of the Group Prevention and Protection Service at the production plants in Milan and at Campoverde as well as reports on the Group’s plants abroad;
- it examined the results of inspections for conformity with the protocols which form part of the Organisational Model pursuant to Legislative Decree No. 231/2001 on the subject of the environment and safety at the workplace;
- it formulated a proposal for submission to the Board concerning the expenditure budget of the Supervisory Committee for the operating expenses of the committee itself concerning the application of the Organisation, management and control model pursuant to Legislative Decree 231/01;

- it examined the adequacy of the guidelines for the internal control and risk management system;
- it examined the organisational structure of the Group Audit function;
- it examined the update of the risk catalogue and developments concerning the principal risks associated with business activities in 2014 and it expressed a favourable opinion on the risk limits set for 2015;
- it examined the project to adopt new guidelines for subsidiaries of the Recordati Group, designed to redefine the corporate governance system and rules for subsidiaries, bringing them into line with developments in the internal organisational framework and with the relative best practices and it expressed a favourable opinion on their adoption, having helped finalise them;
- it expressed its opinion to the Board on the following:
 - ✓ the adequacy of the guidelines for the internal control and risk management system;
 - ✓ the adequacy of the internal control system, at the time of approval of the 2013 Annual Report and the 2014 half yearly interim financial report;
 - ✓ the programme of work prepared by Chief of Group Audit for 2015;
- it reported to the Board twice on its activities, at the time of approval of the 2012 Annual Report and the 2013 half yearly interim financial report.

Meetings of the Committee were properly minuted.

The Committee had the opportunity to access company information and access the units necessary to perform its duties; it did not make use of external advisors.

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

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As already mentioned in point 4.3, the Board of Directors has examined the update of the “Catalogue of Risks” for 2014, drawn up with assistance from the consulting company Deloitte S.p.A., in order to obtain an up-to-date and formal picture of the main internal and external risks of the Recordati Group and of the various tools and processes in place to manage those risks. In this respect a procedure is in place to ensure periodic updating of the Catalogue of Risks already identified.

On the basis, amongst other things, of that examination, the Board has assessed whether the degree and nature of the risks, as identified in the Group Catalogue of Risks presented to the Board in a meeting of 4th March 2015, are compatible with the Group’s strategic objectives contained in the new 2015-2017 Three-Year Business Plan.

Furthermore, with the opinion in favour of the Audit and Risk Committee, the Board considered that the guidelines for the internal control and risk management system of the Company and the Recordati Group, approved the year before, were still adequate, so that the principal risks to which the Company and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored.

The internal control and risk management system consists of a structured and organic set of procedures and organisational units designed to prevent or limit the consequences of unexpected results, to enable corporate objectives to be achieved and to ensure both compliance with the law and regulations and proper and transparent reporting internally and to markets. The internal control and risk management system permeates the whole Company, involving a variety of staff with specific roles and responsibilities.

The Board positively assessed the adequacy, effectiveness and actual functioning of the internal control and risk management system on the basis of information provided in meetings in the form of reports presented by the Internal Audit Committee and by the Supervisory Committee pursuant to Legislative Decree 231/01.

The heads of each department are responsible for designing and managing the internal control system and for monitoring its effective functioning on the basis of the guidelines approved by the Board of Directors.

The structural components of the internal control and risk management system consist of: the Code of Ethics, which defines the principles and underlying values of the Company's ethical code and the rules of conduct that are based on those principles; the system of powers and delegations with general and specific authorisations and the internal delegation of powers, according to the responsibilities assigned; corporate operating procedures; IT systems to support both management and production activities and also accounting and financial processes. With regard to compliance, the Issuer has had an organisational model in place pursuant to Legislative Decree No. 231/2001 since April 2003 which is continuously updated and also a control model pursuant to Law No. 262/2005 for financial reporting (further information is given below on the "Risk management and internal control systems in relation to financial reporting").

The control instruments described above are monitored by management and also independently by the Group Audit Function by means of auditing activities set out in the annual audit plan. The results of auditing activities are reported to the Chairman and Chief Executive Officer and to management and also periodically to the Chairmen of the Audit and Risk Committee and the Board of Statutory Auditors.

11.a) Principal characteristics of the risk and internal control and risk management system in relation to the financial reporting process.

The internal control and risk management system, as just defined, covers financial reporting which forms an integral part of it, the preparation of which is governed by organisational procedures and instructions which ensure compliance with the general principles of control laid down by the Issuer (e.g. a proper separation of functions, a proper system of authorisations and powers, checks and balances, accountability, etc.). It is based on the main established reference models (e.g. CoSO Report) being subject at the same time to verification and periodic update by means of a review of the risks to which the Company is exposed.

The financial reporting process of the Issuer was subjected to a series of procedural and organisational initiatives with action taken to create an internal controls system for

administrative and accounting activities designed to guarantee the reliability, accuracy, completeness and promptness of financial reporting and to regularly produce management, operating and financial reports to the board and to the statutory and external auditors.

A description is given below, in accordance with the regulations in force, of the characteristics of the system adopted, with particular reference to (a) the stages of the risk and internal control management system in relation to the financial reporting process and (b) the roles and functions involved.

(a) The stages of the risk and internal control management system in relation to the financial reporting process and

The Issuer has implemented a model for the administrative and accounting control of the system (hereinafter also the “262 Control Model”) for some time now in order to ensure the effectiveness of that system. It has also assigned responsibility for verifying proper application of that model and for monitoring the functioning and adequacy of the Internal Control System in relation to the model to the Manager appointed to prepare corporate accounting documents.

The 262 Control Model control model consists of a set of corporate rules and procedures designed to enable objectives of reliability, accuracy, completeness and promptness in financial reporting to be achieved by identification and management of the main risks attaching to the preparation and disclosure of financial information.

The 262 Control Model consists of

- ✓ administrative and accounting risk assessment;
- ✓ administrative and accounting manuals and procedures,

which are closely related one to the other and subject to continuous update and periodic assessment.

More specifically administrative and accounting risk assessment is a continuous process of identifying and assessing risks attaching to accounting and financial information and it is performed by the Manager appointed to prepare corporate accounting documents with the support of the Group Internal Audit Function. This process is performed annually by means of:

- the identification, by means of quantitative (size) and qualitative (importance) criteria, of items in the financial statements and in financial information which may be highly sensitive and significant or involve risks of error or omission, with reference to the financial statements of the Parent or to the consolidated financial statements of the Group;
- the identification of the relative processes and accounting information input for each significant item of the financial statements and of financial information and of the relative controls to manage the risks identified.

If control activities are not found to be adequately documented or regulated in relation to risk areas identified following periodic risk assessment, it is the responsibility of the function responsible for the process, to provide adequate support documentation, with the support of

the Financial Reporting Officer and, if necessary, the Internal Audit Function, to enable the existing controls in the area subjected to analysis to be assessed.

When risks were identified as a result of annual risk assessment activities, the Company and the Group put procedures, protocols and documents in place to control administrative and accounting activities.

The body of the administrative and accounting manuals and procedures is comprised of the following principal documents:

- the Group Accounting and Reporting Manual, designed to ensure the application of uniform criteria in the Group with regard to the recognition, classification and measurement in the accounts of operating and financial events;
- a system of internal certification by the management and administrative chiefs (CEO and Financial Controller) of the subsidiaries of the Recordati Group with regard to the accuracy, reliability and completeness of accounting information and its compliance with Group accounting policies and local regulations. This system, set out in the Group Accounting and Reporting Manual, is designed, amongst other things, to support the signing of certifications and attestations required by law of the Financial Reporting Officer and of the Chief Executive Officer;
- administrative and accounting procedures and protocols for closing accounts at the end of accounting periods and preparing annual financial statements and reporting packages which define control responsibilities, activities and rules to follow for the administration and accounts of the Parent Company and its subsidiaries;
- procedures for preparation of the consolidated financial statements which regulate the operations and controls to be performed for the preparation of the consolidated financial statements, describing, amongst other things, the activities to be performed in the consolidation IT system adopted by the Group and used in its subsidiaries and which define the responsibilities of the various functions for the proper functioning of that system;
- calendar of end of period activities: a document which is updated and distributed monthly, which gives deadlines for the process of closing accounts and preparing financial statements, reporting packages and the consolidated financial statements;
- operational procedures which define the activities, responsibilities and management operations in terms of authorisation, implementation, control, official approval and recognition in the accounts for those accounting and reporting areas considered significant, in co-ordination with annual accounting and administrative risk assessment. Those responsible for the functions and for the subsidiaries involved in the process of preparing and managing accounting and financial information are responsible for the proper functioning and update of the administrative and accounting internal control system in relation to all the processes and accounting reporting under their control and they must constantly monitor those administrative and accounting procedures in order to ensure that they are properly applied and appropriate to the existing processes;
- tables of administrative and accounting controls, which describe the control activities implemented in each administrative and accounting process in relation to the risk identified and the related control objectives and which summarise the results of control testing activities performed by the Internal Audit Function. The controls described by those tables represent the application of control principles described in administrative and accounting control procedures. These tables are therefore used as

a tool for the identification of the key controls in place, specific to each significant process, and for the identification of tests to be performed to assess the adequacy of the administrative and accounting internal audit system. These tables are constantly updated by the Internal Audit Function.

The Financial Reporting Officer appointed to prepare corporate accounting documents assesses and testifies to the adequacy of the 262 Control Model, which is the administrative and accounting internal control system just described and to the proper functioning of the procedures in place at least twice annually, when the interim half year and annual financial statements (consolidated financial statements of the Group and separate financial statements of the Parent Company) are approved. He is supported by the testing activity performed by the Group Internal Audit Function designed to assess the adequacy of the design and proper implementation and operational effectiveness of the controls in place.

Independent testing is performed continuously throughout the year on the basis of the annual audit plan drawn up by the Chief of Group Audit. The results of testing activities, assessments of possible areas for improvement and the relative corrective action are officially published in an annual report addressed to the Chief of Group Audit, the Financial Reporting Officer and the CEO.

The Financial Reporting Officer appointed to prepare corporate accounting documents is also responsible for monitoring the administrative and accounting internal control system on the basis of information received from the chiefs of corporate functions and reports on the activities performed by the Internal Audit Function, in order to ensure that the body of procedures is updated and that the controls identified by means of the administrative and accounting procedures are actually implemented.

(b) Roles and functions involved in the system for the management of risks and internal control in relation to the financial reporting process

The roles involved with specific reference to financial reporting processes are: the Board of Directors, CEO, the Chief of Group Audit, the Audit and Risk Committee and the Financial Reporting Officer (as well as the Director with responsibility for the internal control and risk management system).

The Financial Reporting Officer in conjunction with the CEO is responsible for putting adequate administrative and accounting procedures in place for the preparation of the separate Parent Company and consolidated financial statements.

With regard to the latter, Legislative Decree No. 39/2010 (“Consolidated Legal Audit Act”), which implements EC Directive No. 2006/43/EC concerning the legal audit of annual accounts and entered into force on 7th April 2010, assigned functions to the Board of Statutory Auditors in its role of “Internal Audit and Accounting Audit Committee”, specifying that it should supervise the financial reporting process and the effectiveness of internal control, internal audit, if applicable and risk management systems. Further information is given in Section 14 on the Board of Statutory Auditors.

11.1 DIRECTOR WITH RESPONSIBILITY FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Following his appointment by a Shareholders' Meeting, on the 17th April 2014 the Board of Directors, confirmed the appointment as Executive Director with responsibility for the internal control system of Dr. Fritz Squindo, the General Manager for the co-ordination of operations.

The Director with responsibility for the internal control and risk management system:

- has identified, with the help of the Chief of Group Audit, the principal business risks, taking account of the characteristics of the activities undertaken by the Company and by its subsidiaries and has reported on this to the Board. In detail, he has completed the update of the Recordati Catalogue of Risks for 2014 (again with the assistance of the outside company Deloitte S.p.A.) and he has reported on this in detail to the Audit and Risk Committee and the Board;
- has implemented the guidelines defined by the Board and, with the assistance of the Chief of Group Audit and other competent functions within the Company, has designed, constructed and managed the internal control and risk management system, while constantly checking its adequacy and effectiveness;
- has brought the system, again with the help of the Chief of Group Audit and other competent functions within the Company, into line with changes in operating conditions and in the legislative and regulatory framework.

The Executive Director responsible for monitoring the functionality of the internal control system:

- may request the Group Audit Function to investigate specific operational areas and compliance with internal rules and procedures in carrying out company operations, reporting promptly to the Board of Directors, to the Chairman of the Audit and Risk Committee and to the Chairman of the Board of Statutory Auditors;
- shall report promptly to the Audit and Risk Committee (or to the Board of Directors) with regard to problems and difficulties found in carrying out their activities or of which they have nevertheless learnt, so that the Committee (or the Board) make undertake appropriate initiatives;
- shall submit a proposal to the Board of Directors for the appointment and removal of the Chief of the Group Audit Function and also on the remuneration for him, consistent with Company policy.

11.2 CHIEF OF THE GROUP AUDIT FUNCTION

When implementing amendments made to the CG Code in December 2011, on 20th December 2012, with specific reference to the Chief of the Group Audit Function, the Board of Directors acknowledged that it was the responsibility of the Board of Directors to appoint and remove the chief of that function on the basis of a proposal submitted by the Director Responsible for the internal control and risk management system, and also to ensure that he has adequate resources to carry out the relative functions and to set the remuneration consistent with Company policies.

It is underlined that the Group Audit Function, headed by *Dr. Minora*, has no connection with any operational area and reports hierarchically from 20th December 2012 to the Board of

Directors. The Board also delegated responsibility to the Chairman and Chief Executive Officer for the ordinary management of the employment relationship with the Chief of the Group Audit Function and it confirmed the Chief of Group Audit as the Internal Control Officer pursuant to Art. 150 of Legislative Decree No. 58/1998.

When he was appointed, the Board, having consulted with the Audit and Risk Committee, assessed the appropriateness of the remuneration paid to the Chief of Group Audit as an employee of the Company with respect to the Company's policies.

The duties of the Chief of Group Audit are as follows:

- to oversee, both on a continuous basis and in relation to specific needs and in observance of international standards, the functioning and the adequacy of the internal control and risk management system, by carrying out an audit plan approved by the Board of Directors, based on a structured process to analyse and set priorities in relation to the main risks;
- has no responsibility for any operational area and reports to the Board of Directors;
- has direct access to all information useful for performing his/her duties;
- to prepare periodic reports containing adequate information on his activities, on the procedures employed to manage risks and on compliance with the plans drawn up to mitigate them. These periodic reports contain an assessment of the appropriateness of the internal control and risk management system;
- he promptly prepares reports on events of particular importance;
- he submits periodic reports to the Board of Statutory Auditors, the Audit and Risk Committee, the Board of Directors and the Director with responsibility for the internal control and risk management system;
- as part of the audit plan, he oversees the reliability of IT systems, including those responsible for bookkeeping.

Furthermore, the Chief of Group Audit:

- explains the proposed annual work programme to the Audit and Risk Committee in order to implement any recommendations that Committee intended to make;
- assists the Executive Director responsible for overseeing the functionality of the internal control and risk management system with the design, management and monitoring of the internal control and risk management system and with the identification of the various risk factors;
- schedules and carries out, consistent with the annual work plan, direct and specific audit activities at Recordati S.p.A. and in all the subsidiaries, with particular regard to companies of strategic importance, in order to detect any failings there may be in the internal control and risk management system, in the various risk areas.
- checks that the rules and procedures for auditing and risk management processes are observed and that all individuals involved act in accordance with the predetermined objectives;
- carries out checks on his own initiative or on the request of the Board of Directors, the Audit and Risk Committee, the Executive Director responsible for monitoring the functionality of the internal control and risk management system or the Board of Statutory Auditors.

In detail, during the course of the year and in meetings of the Board of Directors already held in 2015, the Chief of Group Audit:

- explained the annual work programme and the organisational structure of his function to the Audit and Risk Committee and to the Board of Directors;
- had direct access to all the necessary information to carry out his role;
- carried out direct and specific auditing tasks, in a manner consistent with the annual work plan;
- reported to the Executive Director responsible for monitoring the functionality of the internal control system on the results of the auditing activities undertaken during the Year;
- reported on his actions and on the results of the activities undertaken to the Audit and Risk Committee and to the Board of Statutory Auditors of the Company.

The Chief of Group Audit had an operating budget which was used to carry out the audits and checks performed during the Year.

11.3 ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001.

The Company has adopted and effectively implemented a model which represents an organisational and operational tool aimed at preventing the Company's employees and colleagues from committing the crimes specified in Legislative Decree 231/01.

The duties of monitoring the adequacy, updating and effectiveness of the Model have been transferred by the Company to a Supervisory Board having collective form, comprising two external members and one Company employee.

When the new CG Code was examined in the meeting held on 20th December 2012, the Board of Directors, assisted by the Audit and Risk Committee, also assessed whether to assign the functions of the Supervisory Committee (pursuant to Legislative Decree No. 231/2001 in accordance with Law No. 183/2011 – the 2012 “Stability” Law), and decided in favour of Recordati continuing to maintain a Supervisory Committee as a highly specialised unit, dedicated entirely to the supervision of ethical, preventative, organisational and management procedures adopted to prevent incurring liability within the meaning of Legislative Decree No. 231/2001 and therefore with specific expertise on compliance with a particular area of law which applies to the Company. These functions were not therefore assigned to the Board of Statutory Auditors.

The organisation, management and control model is constantly updated and monitored with particular attention paid to preventing crimes and to risk assessment, following the new regulatory changes.

The Model consists of a general part and a specific part, arranged into different sections. The general part includes, *inter alia*, the Code of Ethics, the Disciplinary System and the By-Laws of the Supervisory Board. The specific part includes, *inter alia*, a "map" of the areas where the risk of crime is more marked and a significant number of "protocols" through which measures are put in place to prevent the commission of offences in the areas identified in the map. A similar model has been adopted for the subsidiaries Innova Pharma S.p.A. and Orphan Europe Italia S.r.l.

A presentation of the Model adopted by the Company is available on the Company's website at http://www.recordati.it/en/corporate_governance/compliance_programmes.

The Supervisory Committee, which is of a collegial nature, is composed of the Audit Chief and two external professionals, one of whom acts as the Chair. It has its own internal regulations and operates on the basis of a specific programme. It reports to the Board of Directors, directly or through the Audit and Risk Committee or the Board of Statutory Auditors.

For subsidiaries of strategic importance located abroad, policies with a function similar to those of the Organisational Model pursuant to Legislative Decree 231/01 adopted by the Company have been implemented and are being implemented, where considered necessary.

11.4 AUDIT FIRM

KPMG S.p.A. is the firm of external auditors appointed to audit the Company. The appointment was formally made by a Shareholders' Meeting on 13th April 2011 for the years 2011-2019, as proposed by the Board of Statutory Auditors.

11.5 THE FINANCIAL REPORTING OFFICER

On 3rd May 2007, the Board of Directors, having noted the favourable opinion of the Board of Statutory Auditors and of the Internal Audit Committee, appointed Fritz Squindo, General Manager for the co-ordination of operations, as the Financial Reporting Officer.

During that meeting, it was confirmed that he satisfied the requirements of respectability and professionalism laid down in the applicable legislation and in the Company's By-Laws, which stipulate, in art. 25, that the Financial Reporting Officer must not only satisfy the requirements of respectability laid down by law for those performing administrative and managerial duties but also the requirements of professionalism characterised by specific competence in administrative and accounting matters. This competence, to be verified by the Board of Directors, must be acquired through working experience in a position of adequate responsibility over a suitable period of time.

The Financial Reporting Officer is given duties and powers to perform that assignment, which include the provisions of the operational guidelines for that manager approved by the Board of Directors on 3 May 2007.

11.6 CO-ORDINATION BETWEEN THOSE INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

On the one hand, the Company has specified the roles and responsibilities of those involved in the internal control and risk management system in detail, in the guidelines for the internal control and risk management system of Recordati S.p.A. and of the Recordati Group and on the other hand it encourages meetings between the different roles involved in order to exchange information and to co-ordinate.

In this respect, as already reported, the entire Board of Statutory Auditors in particular is constantly invited to participate in the proceedings of the Audit and Risk Committee and also the Chairman and Chief Executive Officer, the Director Responsible for the internal control and risk management system, the Chief of Group Audit, the Supervisory Committee pursuant to

Legislative Decree No. 231/01, and representatives of the external audit firm have participated in various meetings on invitation of the Chairman of the Committee and on individual items on the agenda.

The Board of Statutory Auditors of the Company and the Supervisory Committee pursuant to Legislative Decree No. 231/01 have organised and held joint meetings during the year for the same purposes of co-ordination on matters of common interest.

11.7 REGULATIONS FOR CONTROLLED FOREIGN COMPANIES LOCATED IN NON-EU COUNTRIES

In relation to the provisions of articles 36 and 39 of the Markets Regulations concerning the conditions for the listing of the parent companies of companies formed and regulated under the laws of countries that do not belong to the EU and which are of significant importance for the purposes of consolidated financial statements, since 31st December 2014 the regulatory provisions of Art. 36 of the Markets Regulations have applied to the Turkish subsidiary Recordati İlaç Sanayi Ve Ticaret Anonim Şirketi, to the American subsidiary Recordati Rare Diseases Inc and to the Russian subsidiary Rusfic Llc.

With reference to those companies, the Company:

- a) publicly discloses its financial statements used for preparing consolidated financial statements;
- b) ensures that they regularly deliver information to the external auditor of the Parent Company needed to audit the annual and interim accounts of the Parent Company itself.

Finally the Company possesses continuous knowledge of the composition of the corporate bodies of the controlled companies with information on the company officers and on the By-Laws of the companies.

12. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

Subject to the opinion in favour of the Audit and Risk Committee identified as the Committee Responsible pursuant to Art. 4 paragraph 3 of Consob Regulation No. 17221 of 12th March 2010, in a meeting held on 24th November 2010, the Board adopted "Regulations for related-party transactions" in accordance with Art. 2391-*bis* of the Italian Civil Code and with the Regulations just mentioned to replace that part relating to related-party transactions contained in the "Procedure for significant transactions with related parties or when a Director has an interest in the transaction" adopted in 2008, which remains in force for the regulation of significant transactions or those where a Director bears an interest in the transaction.

The Regulations for Related-Party Transactions (the full text is available on the Company website at http://www.recordati.it/en/corporate_governance/related_parties/regulations_for_related-party_transactions/), in force since 1st January 2011, defines the guidelines and the criteria for the identification of related-party transactions and it gives details of the roles, responsibilities and operating procedures designed to ensure adequate reporting transparency and the relative proper conduct in form and substance for those transactions. The Company has also issued internal rules in order to ensure that the Regulations are fully implemented.

At the beginning of 2014, the Board therefore carried out a periodic review of the Related Party Transactions Regulations, three years having passed since it came into force and, having taken note of the opinion given by the Audit and Risk Committee, it considered that those regulations were still adequate, not requiring substantial modifications, but only modifications of a formal character.

The following was performed on the basis of those Regulations:

- the Audit and Risk Committee was identified as the Committee Responsible for issuing a reasoned opinion on both transactions of Major Importance and transactions of Minor Importance, except for related-party transactions concerning remuneration, for which the Committee Responsible would be the Remuneration Committee. As already reported both committees are composed exclusively of independent Directors;
- a related-party transaction is defined as any transfer of resources, services or obligations (i.e. any contractual commitment) between Recordati – either directly or through its subsidiaries – and one or more Recordati Related Parties, independently of whether any consideration has been agreed upon;
- a Recordati related-party is defined as:
 - (a) the parent of Recordati and its shareholders;
 - (b) any other party which, either directly or indirectly, including through subsidiaries, trust companies or intermediaries and/or jointly with other parties (also defined as related parties):
 - (i) exercises Control over Recordati, is controlled by it or is subject to Common Control;
 - (ii) holds an interest in the share capital of Recordati such that it is able to exert Significant Influence over it;
 - (c) an associate company of Recordati;
 - (d) a joint venture in which Recordati SpA is a venturer;
 - (e) an executive with strategic responsibilities of Recordati or its parent;
 - (f) a close member of the family of one of the parties referred to in letters (a), (b) or (e);
 - (g) an entity in which one of the parties referred to in letters (e) or (f) exercises Control, Joint Control or Significant Influence or holds, either directly or indirectly, a significant proportion, and in any case not less than 20%, of the voting rights;
 - (h) a collective or individual, Italian or foreign, supplementary pension fund, formed for the benefit of Recordati employees, or any other entity related to it, to the extent by which that fund has been formed or promoted by Recordati, or in the circumstance that Recordati may influence its decision-making processes.
- Executives with Strategic Responsibilities are defined 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 such by the Board of Directors, and proposed by the Chief Executive of the Company;
- Transactions of Major Importance are defined as those related-party transactions for which at least one of the relevance indicators contained in the aforementioned Attachment No. 3 of the Consob Regulations and which are applicable according to the characteristics of each related-party transaction (i.e. value of the transaction in relation to shareholders’ equity or, if greater, to capitalisation; total assets of the entity involved in the transaction compared to the total assets of the Company; total

liabilities of the entity acquired compared to the total assets of the Company) exceeds 5%;

- Transactions of Minor Importance are defined as those related-party transactions which are not transactions of Major Importance and not transactions of negligible amount i.e. transactions for an individual amount of less than 150,000 euro.

The Regulations do not apply to:

- Transactions of Negligible Amount unless they are more than one Transaction of Negligible Amount performed as part of a single plan, the total value of which exceeds the sum of 150,000 euro;
- intercompany transactions provided that no Significant Interests of other related parties of the Company exist in the subsidiaries of Recordati or in associate companies of Recordati which are counterparties to the transaction. It is considered that the existence of “Significant Interests” of other related parties could be determined by:
 - the existence of a significant amount receivable by the Chief Executive Officer of the Parent from a subsidiary;
 - one or more directors or other executives with strategic responsibilities shared between companies who benefit from share based incentive schemes (or in any case variable remuneration) dependent on the results of subsidiaries or associate companies with which the transaction is performed;
 - an interest held in a subsidiary or associate company (even indirectly) by the party that controls the parent.
- shareholders’ resolutions pursuant to Art. 2389, paragraph one of the Italian Civil Code, concerning the remuneration due to members of the Board of Directors and resolutions concerning the remuneration of Directors appointed to special positions which forms part of the total amount determined in advance by shareholders in accordance with Art. 2389, paragraph three of the Italian Civil Code;
- shareholders’ resolutions pursuant to Art. 2402 of the Italian Civil Code, concerning the remuneration due to members of the Board of Statutory Auditors;
- remuneration schemes based on financial instruments approved by shareholders in accordance with Art. 114-*bis* of the TUF and the relative transactions to implement them;
- decisions (other than those referred to under the preceding letter c) concerning the remuneration of Directors, Directors appointed to special positions and other executives with strategic responsibilities, when (i) the Company has adopted a remuneration policy (the formulation of which involved a committee formed exclusively of non-executive directors, the majority of which are independent) (ii) the Company has submitted a report which illustrates the remuneration policy to a Shareholders’ Meeting for approval or a consultative vote, and (iii) the remuneration actually assigned is consistent with that policy;
- decisions, to be taken when a professional arrangement is established with Recordati, concerning the remuneration of executives with strategic responsibilities, other than Directors and members of the Board of Statutory Auditors;
- transactions which fall within the ordinary performance of operating activities and the related financial activities concluded under conditions equivalent to market conditions or standards (i.e. conditions similar to those normally practiced with non-related parties for transactions of an analogous nature, magnitude and risk or based on regulated tariffs or on compulsory prices or those practiced for parties with which the Company is obliged by law to negotiate a determined consideration). The “ordinary

performance” is identified by considering the contents, recurrence, function or purpose and timing of the transaction and also the nature of the counterparty, even if it is a related-party. Operating Activities are defined as the main revenue generating activities and all other normal activities of the Company that are not classifiable as investment or financial activities pursuant to International Financial Reporting standard seven adopted by EC Regulation No. 1126 of 2008, as subsequently amended from time to time. Should the exemption contained in this point apply, the Company is nevertheless required, without prejudice to Art. 114, paragraph 1 of the TUF, to comply with the provisions of Art. 13, paragraph 3, letter c), points i) and ii) of the Consob Regulation No. 17221 of 12th March 2010;

- demerger transactions in the strict sense of the proportional type, share issues with option rights reserved to shareholders and to any holders of financial instruments (therefore issuances which are performed without excluding their option rights) and transactions for the purchase/sale of treasury stock if performed, other conditions remaining the same, to the benefit of both related parties and all others holding rights;
- transactions to be performed on the basis of instructions for the purposes of stability issued by the supervisory authority, without prejudice to disclosure obligations under Consob Regulations.

The regulations for significant transactions or where a Director holds an interest (in addition to transactions of significant strategic, operating, capital, or financial importance including those carried out by the Company through its subsidiaries) regulate transactions in which a director holds an interest either on his own behalf or on behalf of third parties, even potential or indirect, and it expressly reserves them to the approval of the Board of Directors. In these cases that Director must promptly inform the Board and the Board of Statutory Auditors respectively of his interest in a timely and thorough manner - specifying the nature, terms, origin and extent of that interest - and must stay away from the meeting during the respective negotiations unless the Board considers his participation in the discussion and resolution to be necessary, depending on the specific circumstances, including, inter alia, the need to maintain the required quorums. A similar disclosure obligation exists for any Auditor who holds an interest, including a potential or indirect interest, in relation to the aforesaid matters or transactions.

13. APPOINTMENT OF STATUTORY AUDITORS

The appointment of Statutory Auditors is regulated by article 26 of the By-Laws, the text of which, last amended by the Board of Directors on 8th May 2012 in order to make compulsory amendments to comply with legislation on the balance between genders on corporate bodies, is reproduced below:

"Art. 26) The Shareholders' Meeting shall appoint the Board of Statutory Auditors, comprising three statutory auditors and two alternate auditors, who may be re-elected, and shall determine their remuneration. Their powers, duties and term of office shall be as established by law.

Auditors shall satisfy the requirements laid down in current laws and regulations. As regards requirements of professionalism, the matters and sectors of activity strictly connected with that

of the company are the research, production and sale of chemical and pharmaceutical products.

The minority shareholders shall elect one Statutory Auditor and one Alternate Auditor.

Unless otherwise provided for in laws or regulations, the Board of Statutory Auditors shall be appointed according to the procedures set out in the following paragraphs on the basis of slates submitted by Shareholders in which candidate are listed by means of a progressive number and in compliance with the existing legislation in force concerning gender balance.

The slate must specify whether each candidate is nominated for the position of Statutory Auditor or for the position of Alternate Auditor.

Only Shareholders individually or jointly possessing a total number of shares with voting rights representing at least 2.5% of capital stock with voting rights or representing a lesser percentage as established or provided by binding legal or regulatory provisions which shall be specified in the notice of meeting shall have the right to present slates.

Each shareholder, including shareholders who have signed a shareholders' agreement pursuant to Art. 122 of Legislative Decree No. 58/1998, the holding entity, subsidiaries, and jointly controlled entities are not permitted to submit or help to submit more than one slate or vote for different slates, including through an intermediary or trust company. Each candidate may only be present on one slate failing which he will be ineligible. Votes cast in violation of the above prohibition shall not be attributed to any slate.

Submitted slates shall be deposited at the Company's registered office at least twentyfive days before the date scheduled for the Shareholders' Meeting at first call without prejudice to any further forms of disclosure required by any rules or regulations from time to time in force.

Without prejudice to all other rules prescribed by the rules and regulations in force the following documents shall be submitted together with each slate by the deadline specified above:

- a) information on the identity of the shareholders who have submitted the slates, indicating the total percentage of capital stock held;*
- b) a declaration by shareholders other than those who hold, including jointly, a controlling interest or relative majority, attesting to the absence of any forms of association with such shareholders, as provided by applicable regulations;*
- c) a thorough report of the personal characteristics of candidates and a declaration from the said candidates attesting that they possess the requirements established by law, together with their acceptance of the candidature.*

Slates containing a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a percentage of candidates to the position of Statutory Auditor and candidates to the position of Alternate Auditor equal to that required by the legislation in force at the time concerning gender balance for the composition of the Board of Statutory Auditors belongs to the less represented gender in a given slate.

Slates not satisfying the requirements specified above shall be considered as not having been submitted.

Auditors shall be elected as follows:

- 1. from the slate which obtained the highest number of votes at the Shareholders' Meeting, two statutory auditors and one alternate auditor shall be elected, based on the progressive order with which they are listed in the sections of the slate;*
- 2. from the second slate which obtained the highest number of votes at the Shareholders' Meeting and which, in accordance with regulations in force, has no connection, not even indirectly, with those who submitted and voted for the slate which obtained the highest number of votes, one statutory auditor, who shall chair the Board of Statutory Auditors, and one alternate auditor shall be elected, based on the progressive order with which they are*

listed in the slate.

In the event of a tie between slates for the appointment of the Auditors indicated in point 2 of the foregoing paragraph, the slate submitted by shareholders owning the largest shareholding or, alternatively, the slate submitted by the largest number of shareholders shall prevail.

If by following the above procedures, the composition of the full members of the Board of Statutory Auditors in compliance with the legislation in force at the time concerning gender balance is not ensured, the necessary replacements shall be made from the candidates to the position of full Statutory Auditor on the slate that obtained the majority of votes on the basis of the order of the names on the slate.

Should a single slate or no slate be submitted, all candidates for that position named on the aforesaid slate or those voted by a Shareholders' Meeting (as long as they receive a relative majority of the votes cast in the Shareholders' Meeting) shall be elected as Statutory and Alternate Auditors and provided the existing legislation in force on gender balance are complied with.

Should they no longer satisfy the requirements laid down by law and in the by-laws, the auditor shall leave office.

Should it become necessary to replace a statutory auditor, the alternate auditor belonging to the same slate as the outgoing auditor shall take the latter's place or, failing this, should the minority auditor leave office, he shall be replaced by the next candidate on the slate from which the outgoing auditor was elector, or, alternatively, by the first candidate on the minority slate that obtained the second highest number of votes.

It is understood that the Board of Statutory Auditors shall continue to be chaired by the minority auditor and the composition of the Board of Statutory Auditors must comply with the existing legislation in force on gender balance.

The procedure outlined below shall be followed when the Shareholders' Meeting is required to appoint statutory and/or alternate auditors to complete the board: if it is necessary to replace auditors elected on the basis of the majority slate, the replacements shall be appointed by relative majority vote without slate voting; if, however, it is necessary to replace auditors elected on the basis of the minority slate, the Shareholders' Meeting shall replace them by a relative majority vote by choosing them from the candidates on the slate from which the outgoing auditor was elected or on the slate that obtained the second highest number of votes. Should the application of the above procedures not result in the replacement of the auditors designated by minority shareholders for whatever reason, the Shareholders' Meeting shall hold a relative majority vote, following the presentation of candidatures by shareholders that, individually or together with others, possess shareholdings with voting rights that represent at least the percentage indicated above in relation to the procedure for the presentation of slates. However, votes registered by shareholders who hold the relative majority of voting rights that may be exercised in the meeting as identified in disclosures made in accordance with applicable regulations, whether directly, indirectly, or jointly with other shareholders who have signed a shareholders' agreement as indicated in article 122 of Italian Legislative Decree No. 58/1998, shall not be considered in establishing the outcome of said vote.

The replacement procedures set forth in the above paragraphs must in any event ensure compliance with the legislation in force at the time concerning gender balance.

Members of the Board of Statutory Auditors may participate in meetings remotely by means of audio-visual connection, video conferencing or telephone link-up systems.

In the above case:

- the following must always be established:

- a) the identity of all members attending at each connection point shall be verified;*
- b) each member attending shall be permitted to express a personal opinion verbally, to view,*

receive or send any documentation and to participate simultaneously in the discussion of the points at issue and pass resolutions;

- meetings of the Board of Statutory Auditors shall be considered to be held at the place where both the Chairman and Secretary are located.

The legal audit of the Company's accounts shall be performed by the Audit Firm on the basis of applicable regulations".

It is underlined that the right to submit slates is only held by shareholders who, individually or together with other shareholders submitting slates, hold voting shares representing at least 2.5% of the voting capital in the Ordinary Meeting, or representing any lower percentage established by mandatory laws or regulations. In accordance with articles 144-*quater* and 144-*septies* of the Issuers' Regulations adopted by Consob Resolution No 11971 of 14.4.1999 and Consob Resolution No. 19109 of 29th January 2015 with regard to the capitalisation of the Company in the last quarter of 2014, the percentage of the share capital required to present slates of candidates to the Board of Statutory Auditors of the Company is currently 1%.

The minority slates shall elect one Statutory Auditor and one Alternate Auditor. As regards the appointment mechanism adopted for choosing the candidates on the various slates submitted, note that, again according to the above transcribed Art. 26 of the By-Laws, two statutory auditors and one alternate auditor are elected from the slate which obtained the highest number of votes in the Shareholders' Meeting, based on the progressive order with which they are listed in the sections of the slate; from the second slate which obtained the highest number of votes after the first slate and which has no connection, not even indirectly, with the shareholders who submitted or voted for the slate which obtained the highest number of votes, one statutory auditor, who will chair the Board of Statutory Auditors, and one alternate auditor are elected, based on the progressive order with which they are listed in the slate.

With regard to the new legislation on gender balance in corporate bodies (articles 147-*ter* and 148 of the Consolidated Finance Act, Art. 144-*undecies* of the Issuers Regulations, as amended by Law No. 120/2011), which apply to the renewal of corporate bodies subsequent to 18th August 2012, the Company made the necessary amendments to the By-Laws on 8th May 2012 in order to comply with the new regulations.

In particular, the Board of Statutory Auditors shall be appointed in compliance with the existing legislation in force on gender balance (and in any case on the basis of slates of candidates presented by shareholders). Furthermore the By-Laws set out the procedures to follow to ensure that the composition of the Board of Statutory Auditors complies with the existing legislation in force concerning gender balance: the text of the above article 26 reproduced in full may be consulted in this respect.

14. STATUTORY AUDITORS

The composition of the Board of Statutory Auditors in office on the closing date of the Year is shown below. The Board was appointed by the Ordinary Shareholders' Meeting of 17th April 2014 and its term of office will expire at the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2016.

One single slate of candidates was presented for the office of Statutory Auditor in the ordinary Shareholders' Meeting of 17th April 2014 by the shareholder FIMEI S.p.A. The slate presented

by FIMEI S.p.A. contained the following candidates to the Board of Statutory Auditors for the years 2014-2015-2016:

- | | |
|--|-------------------|
| 1. <i>Dr. Marco Nava</i> | Statutory Auditor |
| 2. <i>Dr. Marco Rigotti</i> | Statutory Auditor |
| 3. <i>Dr.ssa Livia Amidani Aliberti</i> | Statutory Auditor |
| 4. <i>Dr. ssa Patrizia Paleologo Oriundi</i> | Alternate Auditor |
| 5. <i>Dr. Marco Antonio Viganò</i> | Alternate Auditor |

All the candidates listed above were elected with 149,910,627 shares in favour out of 150,192,650 shares voting (99.812%). The voting share capital represented 71.684% of the share capital of the Issuer.

Curricula vitae providing information on the personal and professional characteristics of each candidate were attached to the slate presented by FIMEI, accompanied by a slate of the management and supervisory positions occupied in other companies and which are significant in accordance with the law and also by declarations made by each candidate that they accept their candidature and that there are no grounds for ineligibility or incompatibility and that they satisfy the requirements prescribed by law and in the By-Laws for the office of Statutory Auditor. The above documentation may be consulted on the website www.recordati.it (in the section Investor Relations, Shareholders' Meetings, financial year 2014).

The personal and professional characteristics of each auditor are in any case contained in Attachment 1 of this Report.

TABLE COMPOSITION AND STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Office	Members	Year first appointed	Year of birth	In office since	In Office until	Slate (M/m)*	Indep. according to CG Code	Indep. according to TUF	(%)**	Number of other offices***
Chairman	MARCO NAVA	2008	1960	17.4.2014	Approval of 2016 AR	M	X	X	6/6	0
Statutory Auditor	LIVIA AMIDANI ALIBERTI	2014	1961	17.4.2014	Approval of 2016 AR	M	X	X	4/4	1
Statutory Auditor	MARCO RIGOTTI	2008	1967	17.4.2014	Approval of 2016 AR	M	X	X	5/6	2
Alternate auditor	PATRIZIA PALEOLOGO ORIUNDI	2014	1957	17.4.2014	Approval of 2016 AR	M	X	X	-	1
Alternate auditor	MARCO ANTONIO VIGANO'	2008	1960	17.4.2014	Approval of 2016 AR	M	X	X	-	0
STATUTORY AUDITORS WHO RETIRED IN 2014										
	SEVERGNINI ACHILLE	2008	1972	13.4.2011	Approval of 2013 AR	M	X	X	2/2	-
	MELE ANTONIO	2011	1968	13.4.2011	Approval of 2013 AR	M	X	X	-	-

* M/m are given in this column where "M" indicates a member elected from the majority slate and "m" from a minority slate.

** This column contains the percentage attendance of Auditors at the relative board meetings of Statutory Auditors (number of presences/number of meetings held during the actual period office of the person concerned).

*** This column gives the number of positions as a director or statutory auditor held by the person in accordance with article 148 - bis of the TUF and the relative provisions for implementation contained in the Consob Issuers' Regulations. The full list of appointments is published by the Consob on its website in accordance with Art. 144 *quinquiesdecies* of Consob's Issuers' Regulations. Furthermore, all positions held by Statutory Auditors are given in full in the section of this Corporate Governance Report containing the curricula vitae of the Statutory Auditors. Information on retired Statutory Auditors is not given.

INDICATE THE QUORUM REQUIRED FOR THE PRESENTATION OF SLATES WHEN DIRECTORS WERE LAST APPOINTED: 1%

Number of meetings held during 2014: 6

During the year the Board of Statutory Auditors met six times, with meetings lasting approximately two and a half hours on average.

As regards the current year, six meetings are scheduled and the Board of Statutory Auditors has already met twice in 2015. The percentage attendance of Auditors in these meetings in 2014 is shown in the table above.

The Board of Statutory Auditors conducted an internal verification of its independence after its appointment. It was found from the outcome of that verification that all the Statutory Auditors in office possessed the requirements for independence according to Art. 148 of the TUF and also with regard to the criteria contained in the CG Code. That assessment was repeated with a positive outcome on 23rd February 2015.

In the procedure prepared by the Company governing significant transactions, or in which a Director holds an interest, it was specified that, as is the case for the Directors, any auditor who holds a personal or third party interest in a specific transaction of the Company must inform the other Auditors and the Board in a timely and thorough manner about the nature, terms, origin and extent of his interest.

The Board of Statutory Auditors has checked the independence of the audit firm KPMG S.p.A., checking both compliance with legislative provisions and the nature and extent of services other than financial auditing provided to a number of subsidiaries by the same audit firm and by the entities belonging to the latter's network. For information concerning services other than those of auditing the accounts provided by the audit firm to the Company and its subsidiaries, reference may be made to the relative attachment "Disclosure of auditors' fees for accounting audits and other services" to the consolidated financial statements at 31st December 2014 and the draft separate financial statements of Recordati S.p.A. at 31st December 2014.

The Board of Statutory Auditors, in the performance of its activities, liaised with the Chief of Group Audit and with the Risk Committee through the constant presence in Committee meetings, in which the Chief of Group Audit also usually participates. It also worked with the Supervisory Committee appointed in accordance with Legislative Decree No. 231/2001. The Board reported to the Director with Responsibility for the internal control and risk management system. Finally, it participated in the work of the Remuneration Committee.

As part of its oversight of procedures for the concrete implementation of corporate governance rules, the Board of Statutory Auditors verified that the criteria and procedures of evaluation adopted by the Board to evaluate the independence of its members were implemented correctly.

As already reported in Section 11, Legislative Decree No. 39/2010 ("Consolidated Legal Audit Act"), which implements EC Directive No. 2006/43/EC concerning the legal audit of annual accounts and entered into force on 7th April 2010, assigned the functions contained in that decree to the Board of Statutory Auditors in relation to the "Internal Audit and Accounting Audit Committee". In detail Art. 19 of that decree establishes that the Board of Statutory Auditors supervises the following:

- a) the financial reporting process;
- b) the effectiveness of internal control, internal audit, if applicable, and risk management systems;
- c) the legal audit of annual and consolidated accounts;

d) the independence of the legal auditor or legal audit firm, with regard in particular to the provision of non-auditing services to the entity subject to a legal accounting audit.

Also for audit purposes pursuant to article 19, letter b) of the aforementioned Decree, the Board of Statutory Auditors examined the model to map, manage and monitor risks in the Company and the Group (named the "Catalogue of risks") for 2014 developed by the Group with assistance from the consulting company Deloitte S.p.A.

The Board of Statutory Auditors attended an induction meeting held on 27th May 2014, designed to increase the new Directors' and the new Statutory Auditors' knowledge of the reality and the dynamics of the Company.

15. RELATIONS WITH SHAREHOLDERS

The Company has created a specific section on its website called "Investors", which is easily identifiable and accessible and which contains important information about the Company for its shareholders so that they can exercise their rights in an informed manner. The Company has also created a special section of its website dedicated to corporate governance containing full documentation, including this report and an archive of past reports.

With regard to the publishing and storage of regulatory information pursuant to article 113 of the TUF we report that the company:

- ✓ from 28th May 2012 uses the SDIR – NIS network managed by Bit Market Services, a company belonging to the London Stock Exchange Group, located at 6 Piazza degli Affari, Milano, for the transmission of regulatory information;
- ✓ from 19 May 2014 uses the centralised storage system for regulatory information named "1Info" to store regulatory information. This can be consulted at the website www.1info.it and it is operated by Computershare S.p.A. with registered offices in Milan and is authorised by the Consob with Resolution No. 18852 of 9th April 2014.

As part of the Company's organisational structure, Marianne Tatschke has been identified as Investor Relations Manager. In addition, the tasks of the Group Legal and Corporate Affairs Office also include the task of looking after relations with shareholders in general.

The Investor Relations function of the Company is also responsible for relations with financial analysts who cover the Company and with institutional investors. That function organises periodic "conference call" meetings designed to provide periodic operational and financial information and the documentation presented in those meetings is disclosed to the public at the same time on the Company website and it is filed with Borsa Italiana.

16. SHAREHOLDERS' MEETINGS

In accordance with Art. 9 of the By-Laws in force, Shareholders' Meetings are convened in the manner and within the legal time limits on the Company website and, where necessary due to mandatory provisions or decided by the directors, in the Official Gazette and in at least one of the following national newspapers: "*Il Corriere della Sera*", "*La Repubblica*", "*La Stampa*", "*Il Giornale*", "*Milano Finanza*", as well as according to other procedures provided for by the legislation and regulations currently in force.

Article 3 of Legislative Decree No. 91 of 18.6.2012 (the "Corrective Decree") has established that Shareholders' Meetings are convened by a notice published on the Company website by the thirtieth day prior to the date of the Shareholders' Meeting and also using other procedures and within the time limit set by the Consob with regulations issued in accordance with article 113-ter, paragraph 3 of Consolidated Finance Act, inclusive of the publication of extracts in daily newspapers. These provisions apply to Shareholders' Meetings for which the notice to convene is published after 1st January 2013.

Following amendments made by the Shareholders' Meeting of 13th April 2011 to the By-Laws, Art. 9 states that "notice to convene may also contain the date of meetings convened subsequent to the first. The Board of Directors may decide, if it considers it appropriate, to convene Ordinary and Extraordinary Shareholders' Meetings to be held following one single Notice of Meeting. In the case of a single call the legal majorities for that purpose apply."

Furthermore, that same Art. 9 of the By-Laws also states that: "Ordinary Shareholders' Meetings are called to approve the financial statements within one hundred and twenty days of the end of the company's financial year. Where permitted by the law, a Shareholders' Meeting may be convened within one hundred and eighty days from the end of the financial year. Directors shall indicate the reasons for the delay in the report required by Article 2428 of the Italian Civil Code.

Other than on the initiative of the Board of Directors, a Shareholders' Meeting may be called pursuant to the law by the Board of Statutory Auditors or by only two of its members, or upon the request of shareholders representing at least 5% of the capital stock."

In accordance with Art. 12 of the By-Laws in force, resolutions of ordinary and extraordinary meetings, on the first and successive calls, as well as for single calls, are valid if made in the presence of the required number of persons and the majorities required by law. Therefore an ordinary Shareholders' Meeting is validly constituted in first call with the attendance of shareholders accounting for at least half of the share capital with voting rights at the meeting itself and resolutions are passed by an absolute majority of those participating, including abstentions.

An ordinary Shareholders' Meeting is validly constituted in second call no matter what proportion of the share capital is represented and resolutions are passed by an absolute majority of those participating, including abstentions.

An Extraordinary Shareholders' Meeting is validly constituted in first call with the attendance of shareholders accounting for at least half of the share capital and resolutions are passed with the vote in favour of shareholders representing at least two thirds of the share capital.

An extraordinary Shareholders' Meeting is validly constituted in second call with the attendance of shareholders accounting for at least a third of the share capital and resolutions

are passed with the vote in favour of shareholders accounting for at least two thirds of the share capital present at the meeting.

In the case of a single call: an Ordinary Shareholders' Meeting passes resolutions with an absolute majority, whatever the percentage of the capital stock represented and an Extraordinary Shareholders' Meeting is validly constituted when at least one fifth of the capital stock is represented and it passes resolutions with the vote in favour of at least two thirds of the share capital represented in the Shareholders' Meeting.

Following amendments made to regulations concerning the right to participate in Shareholders' Meetings and voting rights, on the basis of Art. 83-*sexies* of the TUF, legitimate authorisation to participate in Shareholders' Meetings and to exercise voting rights is certified by a communication to the issuer, performed by the intermediary, in compliance with its accounting entries, certifying the party entitled to vote on the basis of information relating to the end of the accounting day of the seventh trading day prior to the date set for the Shareholders' Meeting in first call or second call. Nevertheless the legitimate right to participate and vote remains, should the communications be received by the Company later than the aforementioned time limit, provided they are received before the commencement of the proceedings of each single session of the Shareholders' Meetings.

In accordance with Art. 10 of the By-Laws, those holding the right to vote may be represented by a written proxy, where no incompatibilities and limitations exist pursuant to the legislation and regulations in force. The Company may be notified of the proxy for participation in the Shareholders' Meeting by sending the document to the email address indicated in the Notice of Meeting.

Furthermore, Art. 135-*undecies* of the TUF, inserted by Legislative Decree No. 27/2010 introduced a "*Designated representative of a listed company*" "*unless the By-Laws stipulate otherwise, listed companies designate a representative for each Shareholders' Meeting to which shareholders may grant an authorisation, by the end of the second day of market trading prior to the date set for the Shareholders' Meeting in first or second call, with voting instructions on all or some of the motions on the agenda. The proxy is valid solely for proposals in relation to which voting instructions have been given.*" At present Recordati's By-Laws contain no provisions in this respect, and this new provision is therefore considered applicable to future Shareholders' Meetings of the Company, until different provisions are introduced to the Company By-Laws.

The Board believes that there are no conditions that require the adoption of particular initiatives regarding attendance of Meetings and the exercise of voting rights by shareholders such as, for example, postal voting.

In accordance with Art. 127-*ter* of the TUF, shareholders may submit questions on the items on the agenda even before the Shareholders' Meeting. Answers are given to questions received prior to the Shareholders' Meeting, subject to verification of the relevance and the legitimacy of the asker, at the latest during the meeting itself and the Company has the right to give a single answer to questions having the same content.

Legislative Decree No. 91 of 18th June 2012 (the "Corrective Decree") significantly amended article 127-*ter* of the Consolidated Finance Act, expressly allowing the Company to set a time limit within which questions formulated prior to a Shareholders' Meeting must be received if

they are to be considered. The time limit is at the discretion of the Company, but may not be greater than three days prior to the date of the Shareholders' Meeting (in first or single call) or five days prior to the Shareholders' Meeting with, however, the obligation of the Company to furnish a reply at least two days prior to the Shareholders' Meeting, which may be by publication on the Company website. The "Corrective Decree" then specifies the cases where a reply is not obligatory: when the information required is already available in the format "answer and reply" in the relevant section of the website and also when the reply has already been published on the website.

When implementing amendments made to the CG Code made in December 2011, the Board felt it would be advisable to draw up regulations for proceedings in Shareholders' Meetings, even though no particular difficulties had been encountered in past meetings. The objective is to further ensure that the proceedings in Shareholders' Meetings are well-organised and practical and to ensure that each shareholder is able to speak on the items on the agenda.

The Shareholders' Meeting held on 17th April 2013 approved the text of the Shareholders' Regulations proposed by the Board of Directors, which is available on the Company website at www.recordati.it, in the corporate governance section.

In 2014 the shareholders met once on 17th April 2014, in a single session, with the attendance of approximately 77.4% of the share capital to vote on the approval of the 2013 Annual Report, on the appointment of the Board of Directors and the Statutory Board of Auditors, on the consultation concerning Remuneration Policy, on the approval of the 2014-2018 Stock Option Plan and on the purchase and use of treasury stock. During that Shareholders' Meeting, the Board of Directors reported through the Chairman and Chief Executive Officer on activities performed and programmed partly in reply to questions posed by some of the shareholders. In addition to the Chairman the following directors were also present: *Dr. Silvano Corbella* (also in his capacity as chairman of the Remuneration Committee), *Mario Garraffo*, *Avv. Carlo Pedersoli*, *Dr. Andrea Recordati*, *Dr. Fritz Squindo* and *Prof. Marco Vitale*. The Statutory Auditors, *Dr. Marco Nava* (Chairman) and *Dr. Marco Rigotti* (full auditor) also attended. The volume containing a copy of the draft separate financial statements and consolidated financial statements, with the accompanying reports and the Directors' Reports on the proposals concerning items placed on the agenda was handed out at the entrance and also sent to shareholders who had taken part in recent meetings in order to ensure adequate disclosure of the necessary information so that they could take the decisions for which they are responsible with full knowledge of the facts. The above documentation, together with the results of the votes, has been made available and it may be consulted on the Company website www.recordati.it in the section: Investors, Shareholders' Meetings, 2014.

During the year, there were no significant changes in the market capitalisation of the Company's shares or in the composition of its corporate structure sufficient to require consideration of a proposal to the Shareholders' Meeting for changes to the Corporate By-Laws concerning the percentages established for the exercise of the actions and prerogatives provided for the protection of minorities.

On 26th October 2010 the Board of Directors amended the By-Laws in order to make compulsory amendments to comply with Legislative Decree No. 27/2010 for the "Implementation of directive 2007/36/ EC, concerning the exercise of some rights by company shareholders" and as a consequence of Consob Resolution No. 17592 of 14th December 2010.

The Shareholders' Meeting of 13th April 2011 therefore approved amendments of an optional nature, considered advisable by the Board of Directors, to the By-Laws in accordance with Legislative Decree No. 27/2010. In this respect the Directors' Report on the item disclosed to the public for that Shareholders' Meeting may be consulted on the Company website www.recordati.it (in the section Investor Relations, Shareholders' Meetings, financial year 2011).

**17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES
(pursuant to Art. 123-bis, paragraph 2, letter a) of the TUF)**

The Issuer does not apply any additional corporate governance practices, other than those described in the preceding sections of this Report.

18. CHANGES OCCURRING SINCE THE END OF THE YEAR

No changes in the structure of the corporate governance of the company have occurred since the end of the Year.

Milan, 4th March 2015

On behalf of the Board of Directors
The Chairman and CEO
Ing. Giovanni Recordati

ATTACHMENT 1**PROFESSIONAL OVERVIEW OF THE DIRECTORS****GIOVANNI RECORDATI**

Giovanni Recordati holds a degree in chemical engineering from the Politecnico di Milano and a master's degree in Management Sciences from Imperial College London.

He joined Recordati in 1974 as a researcher. In 1980, he was appointed as Central Production Manager and, in 1984, as Deputy General Manager for Operations and Research. In 1990, he was appointed Chief Executive Officer with responsibility for managing the operational activities of the Group's Italian and foreign companies. He has been a member of the Board of Directors since 1977. Presently he is Chairman, Chief Executive Officer and General Manager of Recordati S.p.A.. He is also Chairman of the Board of Directors of FIMEI S.p.A..

ALBERTO RECORDATI

Alberto Recordati graduated from University of London King's College in 1977 with a degree in biochemistry and in 1984 successfully completed a research PhD within the Biochemistry Department of Charing Cross Hospital Medical School part of that same university.

He joined Recordati in 1984 as a researcher in the biochemistry laboratories. In 1987 he was appointed Head of the Planning and Product Development Office. From 1990 to 1992, he worked for the US subsidiary Pharmetrix Corp as research project coordinator. In 1992 he was appointed Industrial Manager for Biochemicals with responsibility for biochemical/microbiological research and for the Cascina dè Pecchi biochemical/fermentation production site. In 1995, he became Head of the Chemical Research and Technologies Division. In 1999, he was appointed director in charge of the fine chemicals sector and in 2004 Deputy Chairman of Recordati S.p.A. He has held responsibility for co-ordinating the "Drug Discovery" and "Drug Development" activities of the Company since 2008 and also for licensing-in activities since 2011.

He is also member of the Board of Directors of Puretech Ventures, LLC, a US company specialized in investment in start up companies dedicated to new therapies, medical devices and new research technologies.

He is also Vice Chairman of the Board of Directors of FIMEI S.p.A..

ROSALBA CASIRAGHI

Degree: Business Administration, Faculty of Economics a L. Bocconi University

Official Registered Auditor

She started her career as cost accountant in a subsidiary of a U.S. corporation and then she has been Chief Financial Officer.

After these work experiences, she has undertaken business and professional activities.

Director and auditor in companies operating in industrial and financial sectors, listed and unlisted.

Board member in companies and other institutions:

Member of Supervisory Board and of Audit Committee of Banca Intesa Sanpaolo

Member of Board of Fondo Strategico Italiano, holding of Cassa Depositi e Prestiti

Member of Board of Luisa Spagnoli, clothing industry in Perugia

Member of Board of Recordati, pharmaceutical group

Member of Board of Università degli Studi di Milano
President of Statutory Auditors Board of Telecom Media
President of Statutory Auditors Board of NTV, passenger services on high-speed lines (Italo)
President of Statutory Auditors Board Npl, Non Performing Loans
Member of statutory Auditors Indesit, domestic appliances
Auditor of Telecom Italia Foundation

Previous positions:

2009 – 2014 Member of Board of NH Hotel S.A., hotels group, listed in Madrid Stock Exchange
2008 – 2013 President of NedCommunity, the Italian Association of independent directors
2008 – 2013 President of Statutory Auditors Board of Banca CR Firenze
2009 – 2012 Member of Board of Alto Partners Sgr, management firm of private equity funds
2009 – 2012 Member of Board of Biancamano, waste management company
2005 - 2006 Member of Statutory Auditors Board of Banca Intesa
2003 - 2006 Member of Statutory Auditors Board of Telecom Italia
2001 - 2003 Member of Board of Banca Primavera (ora Banca Generali)
1999 - 2003 Member of Statutory Auditors Board of Pirelli
1986 - 2000 Member of Board of Gpf & Associati, institute of market research
1994 - 2001 Member of Italian Commission on Privatization (Comitato Draghi) at the Italian Ministry of Economy and Finance.

MICHAELA CASTELLI

Born on 7 September 1970.

1. Positions and Qualifications

- Of Counsel to NCTM Studio Legale Associato.
- Member of the Board of Directors and Chairman of the Internal Supervisory Board, of A2A S.p.A., a company listed in the Blue Chip segment of Borsa Italiana in the FTSE MIB index.
- Member and Secretary of the Board of Directors, and member of the Nomination and Compensation Committee and the Supervisory Board, of Seat Pagine Gialle S.p.A., a company listed on the MTA of Borsa Italiana S.p.A..
- Chairman of the Supervisory Board of Teva s.r.l. (Teva Pharmaceutical Industries Ltd Group, listed in the NYSE).
- Chairman of the Supervisory Board of Bellco s.r.l..
- Member of the Supervisory Board of Becton Dickinson S.p.A..
- Member of the Supervisory Board and the Nomination Committee, and independent member of the Internal Supervisory Board, of A2A S.p.A. from June 2012 to JUNE 2014.
- Member of the Board of Auditors of River Holding S.p.A. (Delta Banking Group) from 2009 to September 2013.
- Chairman of the Supervisory Board of Interbrand S.r.l. from 2009 to 2012.
- Chairman of the Supervisory Board of Lima S.p.A. from 2009 to February 2013.
- Member of the scientific editorial board of the Corporate Governance Committee of Borsa Italiana, which reviewed the new edition of the Corporate Governance Code for listed companies of March 2006 (published by Borsa Italiana).

2. Degree and postgraduate courses

University of Milan, Degree in Law, 1994.

Commercial University “L. Bocconi” of Milan, Specialisation course in financial law, 2001.

Course in leadership organised by INSEAD, 2004.

3. Experience in the areas of expertise⁶

- Head of Legal Affairs – Listing Department, Head of the Secretariat of the Institutional Committee (decision-making body) and Secretary of the Supervisory Board at Borsa Italiana S.p.A. (2001 - 2010):
 - Advisor to the companies of the group (Monte Titoli, Cassa di Compensazione e Garanzia, Bit Systems) on corporate law, delegations and governance;
 - Preliminary legal investigation of the procedures for continued suspension and removal of financial instruments from trading (Cirio, Parmalat; Lazio AS, Giacomelli, Argentine Bonds);
 - Legal assistance with corporate information handling and issuers’ extraordinary transactions;
 - Preliminary legal investigation of sanction procedures against issuers, sponsors and specialists;
 - Preliminary legal investigation of the procedures for admission to trading of shares, including as a result of mergers/demergers, and of any other instruments issued by listed companies (Lottomatica, Snam, dual listing of NovusPharma, Vicuron);
 - Preliminary legal investigation of the procedures for admission to trading of bonds, warrants and fund units (Vittoria assicurazione, Fiat, Roncadin);
 - Preliminary legal investigation of the procedures for admission to trading of financial instruments (covered warrants, certificates, ABSs, ETFs, etc.);
 - Examination of the evolution, at both domestic and international level, of corporate law and corporate governance, update of the principles applicable to listed companies and participation in the drafting of documents relating to consultation procedures (parliamentary hearings, consultation documents at both national and EU level, etc.);
 - Assistance with the procedures for amending the rules on listed issuers;
 - Gap Analysis, drafting of the organisational model under Legislative Decree No 231/2001.
- Advisor at international law firms (Chiomenti and Ughi Nunziante).
- Advisor at the London branch of Banca Commerciale Italiana S.p.A. on syndicated loans and conduit lending (plain vanilla and structured financing), loan securitisation transactions, umbrella facilities, the structuring of loans to support acquisitions, mergers, demergers and the sale of businesses or business units.

4. Professional Skills

Expert in corporate and financial markets law.

Lecturer at several courses on continuous education in corporate and financial markets law, both in Italy and abroad; speaker at numerous conventions.

Author of specialist publications.

Paolo Fresia

Originally from Turin, Italy, Paolo holds a First Class Joint Honours B.A. degree in Philosophy and Economics from UCL, University College London. Starting from 2008, he worked with Goldman Sachs as an intern and then full time as fixed income sales trader.

⁶ The information about the professional assistance provided to the clients mentioned above only includes data publicly available.

He left the City in 2010 to pursue an M.Phil. in Development Studies at Trinity Hall, University of Cambridge. From late 2011 to early 2013, Paolo worked with the humanitarian NGO Médecins Sans Frontières – Doctors Without Borders. He was posted to Haiti for a year as the mission’s Financial Coordinator.

In spring 2013, he moved to Asia to study Mandarin Chinese and – since September 2013 – has been a sustainability and corporate social responsibility consultant at BSR, Business for Social Responsibility, in their Hong Kong office.

MARIO GARRAFFO

Mario Garraffo graduated in Economics from the “Bocconi” University in Milano in 1960.

From 1960 to 1970, he was Controller and Development Director at La Centrale Finanziaria Generale, a holding company mainly invested in public utilities (communication and energy). From 1970 to 1980, he was Investment Director at the IFI group; from 1980 to 1985 he was Chief Executive Officer of IFIL- Finanziaria di Partecipazioni and from 1985 to 1993 President of IFINT (now EXOR).

In 1993, he was appointed Chief Executive Officer of Lazard Italia until the acquisition of Vitale, Borghesi & Co. in 1998. Thereafter, he was appointed Chief Executive Officer of UNIM – Unione Immobiliare, a post which he held until the year 2000, when he was appointed as Chairman of General Electric Italia until 2004. He was then a Senior Advisor for General Electric Europe from 2004 until 2007.

He is an independent director and a member of the Compensation Committee at GE Capital Interbanca SpA, and an Independent Director, a Member of the Audit and Risk Committee and Chairman of the Compensation Committee at Recordati S.p.A.

He has been a Trustee of the Johns Hopkins University of Baltimore and a Trustee of the Johns Hopkins School for Advanced International Studies (SAIS) in Bologna.

From 1995 to 2006 he was President of the Università Bocconi Alumni Association and member of the Board of Directors of the Donna Javotte Bocconi Foundation (founding entity of the Università Bocconi).

Dr. Garraffo holds the following additional positions:

- Independent Director of Pitagora SpA
- Independent Director of Quadrivio Capital Sgr

CARLO PEDERSOLI

Carlo Pedersoli was admitted to the Milan bar in 1980.

A partner in the Pedersoli e Associati law firm, he is a civil lawyer who deals predominantly in company and commercial law for national and international clients operating both in the financial/banking sector and in the industrial sector. He has spoken at conferences on company and commercial law, analysing the topic of financial statements, validity of shareholders' resolutions and responsibility of auditors.

He is part of the Board of Directors and of the Audit and Risk Committee of Recordati S.p.A. and of the Board of Directors of Fondazione TogetherToGo Onlus.

He has also been a Director of the companies Riello S.p.A., Sigla Engineering S.p.A., Nextam Partners SGR S.p.A., Welfare Italia Servizi S.r.l. and Chairman of the company Sistemi Tecnologici Holding S.p.A..

ANDREA RECORDATI

Andrea Recordati gained a Bachelor of Arts in medieval and modern history from the University of London Royal Holloway and Bedford New College. Between September 1995 and March 1998, he participated in the SmithKline Beecham Management Access Program, in the United Kingdom, starting off as Assistant Product Manager in Consumer Healthcare and then, for one year, occupying the role of medical representative in Essex before becoming Project Manager responsible for the development and implementation of an innovative SmithKline Beecham marketing initiative.

He joined Recordati in 1998 as Project Leader for a project aimed at improving Sales Force productivity and better use of marketing investments. In April 1998, he joined the Board of Directors of the Company.

In 1999, he was given responsibility for Pharmaceutical Business Development.

In March 2002, the Lercanidipine Business Unit was set up and he was appointed head of that unit. Since November 2002, he has been responsible for setting up the subsidiary Recordati Ireland and its industrial plant and, subsequently, for setting up the UK subsidiary. In September 2006, he was appointed Sole Director of the German subsidiary Recordati Pharma GmbH. In August 2007, the Northern and Central Europe Subsidiaries Division was set up and he was appointed head of that division. That division was enlarged in 2010 to include all western European companies. In February 2011 he was appointed General Manager of the International Pharmaceuticals Division. On 29 July 2013 he was appointed Chief Operating Officer, being responsible for all the commercial and production activities of the Group. He sits on several boards of directors within the Group. He is also Director of FIMEI S.p.A.

FRITZ SQUINDO

Fritz Squindo graduated “cum laude” in Economics at the Bocconi University in Milan, Italy. He started his career in 1981 in Telettra S.p.A., a telecommunications company within the Fiat Group, where he was employed in the finance department. In 1986 he joined Sanofi S.p.A., the Italian subsidiary of the French pharmaceutical group Sanofi, where he was first Head of Finance and, as from 1990, Head of Management Accounting. In 1992 he joined Recordati S.p.A. as Head of the Management Accounting department. In 1995 he was appointed Chief Financial Officer and in 2008 also became Managing Director. Since 2013 Mr. Squindo is a member of the Board of Directors of Recordati S.p.A. and is also part of the managing bodies of several Recordati Group companies.

MARCO VITALE

Marco Vitale business economist. He has taught for several years business economy at Pavia University (where he also studied at the famous Ghislieri College); Bocconi University, Milan; Libero Istituto Universitario Carlo Cattaneo (for which he was vice-president, President of the Scientific Committee, and responsible for management area and which he contributed to create). He has been chairman of Istud (Foundation for the business culture and management), which he also contributed to relaunch, and has been co-ordinator for management area of ISTAO, post-degree management school founded by the economist Prof. Giorgio Fuà.

Former partner of Arthur Andersen & Co., he is founding partner and president of Vitale–Novello & Co. S.r.l., top management consulting firm. In this context he is consultant and member of the board of directors for many important companies.

He has been president from 1984 till 2003 of A.I.F.I. (Italian Venture Capital and Private Equity Association) and promoter and first president of Arca Group, the mutual fund company of popular banks.

He has been Vice-president, member of the board and of the Executive Committee of Banca Popolare di Milano from 2001 till 2009 and was Chairman of Bipiemme Gestioni S.G.R., the Asset Management Company of the BPM Group.

President of the Rino Snaidero Scientific Foundation; member of the Board of Olivetti Foundation; member of the Board of FAI Foundation. He is a member of UCID Brescia.

He has been President from March 2010 till June 2013 of Fondo Italiano di Investimenti SGR SpA, constituted by the Treasury Ministry, Confindustria, ABI, Banca Intesa, Unicredit, Monte Paschi, Crediop and some popular banks, with a capital of 1.2 billion Euro, with the aim of sustaining development projects and internationalization of little medium companies.

He has been appointed to several important public tasks.

He contributes to important leading newspapers and business magazines.

He published several books including:

Società, bilanci e borse valori in un mercato mobiliare evoluto (Etas-Kompass); La riforma delle società per azioni (Giuffrè); La lunga marcia verso il capitalismo democratico (Ed. Il Sole-24 Ore); Liberare l'economia: le privatizzazioni come terapia alla crisi italiana (Ed. Marsilio); Le Encicliche sociali, il rapporto fra la Chiesa e l'economia (Ed. Il Sole-24 ore); Sviluppo e Spirito d'Impresa (Ed. Il Veltro); America. Punto e a capo (Scheiwiller); Il Mito Alfa (Egea editore, Bocconi); Lezioni di Impresa, da tempi e luoghi diversi – I proverbi di Calatafimi (Piccola Biblioteca Inaz, 2008); Gli angeli nella città (ESD Edizioni); Passaggio al Futuro, Oltre la Crisi attraverso la Crisi (Ed. Egea, Bocconi); Corruzione (ESD Bologna 2010); Responsabilità nell'impresa (Piccola Biblioteca d'Impresa Inaz, 2010); Spiritualità nell'impresa (Piccola Biblioteca d'Impresa Inaz, 2011); Viaggio nello sport italiano (ESD Edizioni, 2011).

He was editor in Italy and USA of the bilingual version of the essay of Carlo Cattaneo: "Intelligence as a principle of public economy".

Good mountain - climber, he has covered great part of Italy by bicycle, a good way to observe the Italian economy as it really is and not as people say to be.

Prof. Vitale holds the following additional positions:

- Director ERMENEGILDO ZEGNA HOLDITALIA SpA.
- Director Snaidero SpA.
- Director LUVE SpA
- Director SMEG SpA
- Director Banca Passadore SpA

MEMBERS OF THE BOARD OF STATUTORY AUDITORS

STATUTORY AUDITORS

MARCO NAVA

Marco Nava graduated in Economics and Commerce and in Jurisprudence at the *Università Cattolica del Sacro Cuore* of Milan. He started his career as an accountant in 1988. He has been registered as an auditor since the first publication of the register (1995).

He performs his principal activity as an accountant with his own offices in a partnership of accountants and lawyers.

He is a statutory auditor and external auditor for companies operating in various sectors.

Marco Nava holds positions in the following companies:

- Chief Executive Officer Nava Viganò Revisori Associati Srl.
- Sole director Tazat Srl.
- Chairman of the Board of Statutory Auditors Cavenaghi SpA.
- Chairman of the Board of Statutory Auditors Dott. G. Cavenaghi SpA.
- Chairman of the Board of Statutory Auditors Fratelli Re SpA.
- Chairman of the Board of Statutory Auditors Générale de Santé Italia SpA.
- Chairman of the Board of Statutory Auditors LCS SpA.
- Chairman of the Board of Statutory Auditors Max Moda SpA.
- Chairman of the Board of Statutory Auditors Prodotti naturali SpA.
- Chairman of the Board of Statutory Auditors Promunidi srl.
- Chairman of the Board of Statutory Auditors Recordati SpA.
- Chairman of the Board of Statutory Auditors RBR Valvole SpA.
- Chairman of the Board of Statutory Auditors Synlab Holding Italy srl.
- Chairman of the Board of Statutory Auditors Synlab Italia srl.
- External Auditor Associazione Italiana Medicina Nucleare (AIMN).
- External Auditor Società Italiana di Biochimica Clinica (SIBIOC).
- Statutory Auditor Beaumanoir Italy srl.
- Statutory Auditor Campo SpA.
- Statutory Auditor Elcrom srl.
- Statutory Auditor Fimei SpA.
- Statutory Auditor Giuseppe & Fratelli Bonaiti SpA.
- Statutory Auditor Innova Pharma SpA.
- Statutory Auditor J Colors SpA.
- Statutory Auditor Junionfin SpA.
- Statutory Auditor National Instruments Italy srl.
- Statutory Auditor Recofarma srl.
- Statutory Auditor S.I.S.A. Società Italiana Spalmature ed Affini SpA.
- Statutory Auditor Twister Communications SpA.
- Statutory Auditor Yazaki Europe Limited Italia srl.
- Statutory Auditor Avio San Michele srl.
- Member of Compliance Committee Giuliani SpA

LIVIA AMIDANI ALIBERTI

Livia Amidani Aliberti graduated in Economics and Commerce at LUISS (Rome, Italy) and holds

a Master level Diploma from FT-Pearson (UK). She is registered with the *Albo dei Dottori Commercialisti* (Association of Chartered Accountants) of Rome and a member of the Scientific Committee of NedCommunity. With more than ten years of consulting and research in corporate governance, her specialties include AIM Listings, Corporate Governance Assessment and Redesign, Strategic Evaluation of Boards; she is also engaged in gender diversity research and consulting. She is the author of several publications on gender diversity and directors.

Livia Amidani Aliberti occupies the following positions as corporate director:

- LVenture Group S.p.A. (Italy, MTA) : independent director, incharge of the internal control systems and chair of the related party transactions committee.
- Amnesty International Charitable Trust UK (Company Limited by Guarantee): non-executive director.

MARCO RIGOTTI

Marco Rigotti was born in Milan on 16th June 1967. He graduated in Corporate Economics at the Bocconi University of Milan in 1992, and registered with the *Albo dei Dottori Commercialisti* (association of chartered accountants) of Milan in 1993 and in the register of auditors in 1999.

Between 1995 and 1998 he worked at Consob for the insider trading and share price manipulation unit.

Presently he practices as a consultant in Milan and holds monitoring positions in important listed groups. He is Chairman of the Boards of some companies of Alisarda Group, where he represents the controlling shareholder Aga Khan Fund for Economic Development (AKFED).

He also performs research at the A. Sraffa Department of Legal Studies at the Bocconi University where he is a lecturer in commercial law. He is the author of numerous academic publications on company law and financial markets.

Dr. Marco Rigotti occupies the following management and supervisory positions in other companies:

- Chairman of the Board of Directors of Air Italy Holding Srl
- Chairman of the Board of Directors of Air Italy SpA
- Chairman of the Board of Directors of Gestione Aeroporti Sardi SpA
- Chairman of the Board of Directors of Meridiana Fly SpA
- Chairman of the Board of Directors of Meridiana Maintenance SpA
- Chairman of the Board of Directors of Alisarda SpA
- Chairman of the Board of Statutory Auditors of Autogrill SpA
- Chairman of the Board of Statutory Auditors of World Duty Free SpA
- Statutory Auditor of Recordati Industria Chimica e Farmaceutica SpA.

ALTERNATE AUDITORS

PATRIZIA PALEOLOGO ORIUNDI

Born in Milan on January 24th 1957 she is a 1980 Business Administration graduate of Università Commerciale L. Bocconi.

She is a member of the Milan Association of Certified Public Accountants since 1983 and a financial auditor since 1995.

She has been built up her career working for renowned law firm specialized in tax regulation, becoming an expert in consulting for multinational and for non commercial companies, tax litigations, in addition to legal and administrative control of companies, foundations and associations. She also deals with real estate, insurance and energy companies.

She has 30-years of experience as legal controller and member of the Supervising Body established by Legislative Decree no. 231/01.

Foreign Languages: English and French.

She occupies the following management and supervisory positions in other companies:

- Statutory Auditor of Adespan srl.
- External Auditor of Assoicim.
- Chairman of the Board of the External Auditors of the “Associazione Valore D – Donne al vertice per l’Azienda di Domani”.
- Statutory Auditor of Avery Dennison Italia srl.
- Chairman of the Board of Statutory Auditors of Chiara Vita Compagnia di Assicurazioni sulla Vita spa.
- Statutory Auditor of Chiara Assicurazioni spa.
- Chairman of the External Board of Auditors of “Consorzio Universitario per l’Ingegneria nelle Assicurazioni”.
- External Auditor of Fondazione Antonio e Giannina Grillo Onlus.
- Chairman of the Supervisory Board of Formamec scarl.
- Chairman of the Board of Statutory Auditors of Helvetia Vita spa.
- Statutory Auditor of ICIM spa.
- Chairman of the Board of Statutory Auditors of Helvetia Italia spa.
- Shareholder Director of Quisi snc di Patrizia Paleologo & C.
- Sole Auditor of Simoro srl.
- Chairman of the Board of Statutory Auditors of Siolo Nuova spa.
- Statutory Auditor of Virgin Active spa.
- Statutory Auditor of Wolford Italia srl.
- Statutory Auditor of World Duty Free spa.
- Member of the Supervisory Board of World Duty Free spa.

Marco Antonio Viganò

Marco Antonio Viganò graduated in Corporate Economics, specialising in freelance professionals, at the Bocconi University of Milan in 1984. He passed state examinations and qualified to practice as an accountant in 1986 when he registered with the *Albo dei Dottori Commercialisti* (association of chartered accountants) of Milan.

He has been registered as an auditor since the first publication of the register (1995). An expert in commercial and tax law, he practices as an accountant and advises companies, groups and organisations operating in a variety of economic sectors.

He has been a lecturer at the *Scuola di Formazione del Praticantato* for accounting students and accountant and auditor for the *Università Cattolica del Sacro Cuore* of Milano.

Marco Antonio Viganò holds positions in the following companies:

- Sole Director Chem Investment Consulting Srl.
- Sole Director QE Qualità Europa Srl.
- Director R.B.R. Valvole SpA.
- Chairman of the Board of Statutory Auditors Beaumanoir Italy Srl.

- Chairman of the Board of Statutory Auditors Elcrom srl.
- Chairman of the Board of Statutory Auditors J Colors SpA.
- Chairman of the Board of Statutory Auditors Junionfin SpA.
- Statutory Auditor Marionnaud Parfumeries Italia SpA.
- Chairman of the Board of Statutory Auditors Twister Communication Group SpA.
- Chairman of the Board of Statutory Auditors Vibro-mac Srl.
- Chairman of the Board of Statutory Auditors Xilografia Nuova Srl.
- Chairman of the Board of Directors Masseria Giancamisa Soc. Agr. Sr I.
- Chairman of the Board of Directors Nava Viganò Revisori Associati Srl.
- Auditor Assovernici.
- Auditor Ilas.
- Auditor Progetto DDD Onlus.
- Statutory Auditor Fratelli Re SpA.
- Statutory Auditor Generale de Santé Italia SpA.
- Statutory Auditor Immobiliare Parabiago SpA.
- Statutory Auditor Immobiliare Risanamento SpA.
- Statutory Auditor Torciture Fibre Sintetiche SpA.
- Statutory Auditor Tecmec srl.