

**RECORDATI S.p.A.**

**CORPORATE GOVERNANCE REPORT  
AND OWNERSHIP STRUCTURE**

**FINANCIAL YEAR 2018**

pursuant to article 123 *bis* of the Consolidated Finance Act no 58 of  
24 February 1998

Approved on 28 February 2019 by the Board of Directors

[www.recordati.it](http://www.recordati.it)

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## GLOSSARY

**CG Code:** the Corporate Governance Code for listed companies approved in July 2018 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 (2018).

**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 12<sup>th</sup> 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.

**Company:** Recordati S.p.A.

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

## INTRODUCTION

In 2018, an important change occurred in the majority shareholding of Recordati S.p.A. ("**Recordati**" or "**Company**").

On 29 June 2018, the members of the Recordati family, as shareholders of Fimeï S.p.A. - majority shareholder of the Company - announced that they had reached an agreement for the transfer to a consortium of investment funds controlled by CVC Capital Partners VII of the entire capital of Fimeï S.p.A. which, on that date, held 51.79% of the Company's capital.

On 6 December 2018, in the performance of the aforementioned agreement, the shareholders of Fimeï S.p.A. completed the transfer of their entire shareholding in Fimeï S.p.A. to Rossini Investimenti S.p.A. (a company designated for this purpose under the aforementioned agreement).

As a result of this transfer, CVC Capital Partners VII Limited became the controlling shareholder of the Company pursuant to article 2359, paragraph 1, number 2, of the Civil Code and article 93 of the TUF, as evidenced by the notification received pursuant to article 120 of Legislative Decree no. 58/1998.

Also on 6 December 2018, following the transfer of the aforementioned shares, the legal requirements were met for the promotion by Rossini Investimenti S.p.A. of a mandatory takeover bid, pursuant to and for the purposes of articles 102 and 106, paragraph 1-*bis*, of the TUF concerning a maximum of 97,735,180 ordinary shares of the Company, representing 46.735% of the share capital of Recordati S.p.A. and excluding the 5,172,571 of the Issuer's treasury shares, equal to 2.473%, and including a maximum of 2,091,500 ordinary shares of Recordati S.p.A. in the event that all stock options deriving from the existing Stock Option Plans are exercised (the "**Mandatory Takeover Bid**").

On 21 December 2018, the Mandatory Takeover Bid was authorised by Consob and on 2 January 2019 the subscription period began.

On 1 February 2019, the subscription period for the Mandatory Takeover Bid was completed: 59,816 ordinary shares of Recordati S.p.A. were subscribed, equal to 0.061% of the shares that were object of the Bid and, therefore, equal to approximately 0.029% of the Company's share capital. Therefore, on 8 February 2019, the date of payment of the transfer price owed to the holders of the subscribed shares and the contemporaneous transfer of these shares to the bidder, the shareholding held by Fimeï (as the actual buyer designated in the Bid) in Recordati S.p.A. was equal to 51.820% of the share capital.

In consideration of the final results of the Mandatory Takeover Bid, the conditions for the exercise of the Commitment and the Right to Squeeze-out pursuant to article 108, paragraphs 1 and 2, and article 111 of the TUF were not met.

For more information on the Mandatory Takeover Bid, please refer to the notifications and documentation made available to the public pursuant to current legislation on the Company's website at: [http://www.recordati.it/en/investors/public\\_tender\\_offer/](http://www.recordati.it/en/investors/public_tender_offer/)

Following the events referred to above, on 5 February 2019, the Shareholders' Meeting appointed a new Board of Directors. For more information, please refer to section 4.2. ("Composition") of this Report.

**Comment by Mr Andrea Recordati, Chief Executive Officer:** *“In the course of 2018, an important transfer of the majority shareholding of Recordati occurred. An agreement was reached with a consortium of investment funds controlled by CVC Capital Partners, a recognised group of investors, for the indirect acquisition of 51.791% of the share capital of Recordati S.p.A. This change of ownership ensures continuity for the management and the employees and the development of the company in the future, following the strategic guidelines that have been the basis of our Group's success for many years. Furthermore, our new shareholders will contribute their expertise and their international network in the pharmaceutical market to the expansion of our activities, supporting an acceleration of our growth strategy.”*

## **1. PROFILE OF THE ISSUER AND GENERAL INFORMATION**

Recordati S.p.A. (Reuters RECI.MI, Bloomberg REC IM) was founded in 1926 and is a joint stock company 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 4,100 employees. They perform research and development, production, marketing and sales of pharmaceuticals – both original and licensed, belonging to different therapeutic areas including a specialised activity in rare diseases – supplements and medical devices, as well as pharmaceutical chemical products. They perform their activities in the principal European countries, including Russia, Turkey, North Africa, the United States of America, Canada, Mexico, some countries in South America, Japan and Australia. As at 31 December 2018, the Group was composed of 46 subsidiaries (of which 4 are 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. Recordati's values are identified in the Code of Ethics, updated, most recently, by the Board of Directors on 5 May 2017 (which may be consulted on the Recordati website<sup>1</sup>).

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. A “231” (administrative liability) Supervisory Committee has also been

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<sup>1</sup> [http://www.recordati.it/en/corporate\\_governance/compliance\\_programmes/recordati-code-of-ethics-amended-on-4th-may-2017.pdf](http://www.recordati.it/en/corporate_governance/compliance_programmes/recordati-code-of-ethics-amended-on-4th-may-2017.pdf)

appointed which oversees the proper functioning of the “231 Model” and is responsible for updating it.

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

Recordati adheres to and complies with the Corporate Governance Code for listed companies as published in July 2018<sup>2</sup> with the additions and necessary amendments resulting from the characteristics of the Group as mentioned in this Report.

The information contained in this document, unless otherwise indicated, refers to the financial year ended 31 December 2018 and, in relation to specific issues, updated at the date of its approval by the Board of Directors (28 February 2018).

In some cases the Report makes reference to documents and information which may be consulted on the corporate website (<http://www.recordati.it>).

## **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.

As concerns outstanding stock option plans and any share capital increases there may be at the service of those plans, reference is made to 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 address: [http://www.recordati.it/en/corporate\\_governance/remuneration/stock\\_option\\_plans/](http://www.recordati.it/en/corporate_governance/remuneration/stock_option_plans/).

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<sup>2</sup> This may be consulted on the website of Borsa Italiana: <http://www.borsaitaliana.it>.

The Remuneration Report pursuant to 84-*quater* of the Issuers' Regulations may also be consulted, available on the Company website ([http://www.recordati.it/en/corporate\\_governance/remuneration/remuneration\\_reports/](http://www.recordati.it/en/corporate_governance/remuneration/remuneration_reports/)).

STRUCTURE OF THE SHARE CAPITAL			
	No. Shares	% of share capital	Listed/unlisted
Ordinary shares	209,125,156	100	Listed on the <i>Mercato Telematico Azionario</i> (electronic stock exchange) managed by Borsa Italiana
Shares with multiple voting rights	0	0	
Shares with limited voting rights	0	0	
Shares with no voting rights	0	0	

No other financial instruments exist which give the right to subscribe newly issued shares.

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

The By-Laws of the Company establish that the shares of the Company are freely transferable.

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

On the basis of notifications received, in accordance with article 120 of Legislative Decree No. 58/1998 and other information received, as at 27 February 2019, the following parties held shares, either directly or indirectly, amounting to more than 3% of the share capital ("significant holdings").

SIGNIFICANT SHAREHOLDINGS			
Declarant	Shareholder	Percentage (%) of ordinary share capital	Percentage (%) of voting share capital*
CVC CAPITAL PARTNERS	FIMEI S.p.A.	51.82%	51.82%
FMR LLC	Fidelity Management & Research (Japan) Limited FMR Co Inc FIAM LLC FMR Investment Management (UK) Limited	4.34%	4.34%



	<b>Fidelity Institutional Asset Management Trust Company</b>		
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\* As is known treasury stock consists of shares on which voting rights are only temporarily suspended in accordance with the law.

As at 27 February 2019, Recordati S.p.A. also held 5,055,071 treasury shares equal to 2.42% of the capital on which voting rights are suspended in accordance with the law.

Significant shareholdings may be consulted on the Consob website ([www.consob.it](http://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)

On 29 June 2018, the members of the Recordati family, as shareholders of Fimei S.p.A. - majority shareholder of the Company - announced that they had reached an agreement for the transfer to a consortium of investment funds controlled by CVC Capital Partners VII of the entire capital of Fimei S.p.A. which, on that date, held 51.79% of the Company's capital (the "**Contract**").

On July 4, 2018, this Contract was published pursuant to art. 122 of the TUF, as it contains *inter alia* certain agreements (the "**Agreements**") functional to the execution of the transaction governed by the Contract itself, which can be considered as agreements of a shareholder nature and have therefore been prudently subject to the related publication formalities.

On 6 December 2018, in the performance of the aforementioned Contract, the shareholders of Fimei S.p.A. transferred their entire shareholding in Fimei S.p.A. to Rossini Investimenti S.p.A. (a company designated for this purpose under the aforementioned agreement).

Following the completion of this transfer, all the Agreements of the Contract ceased to apply.

On 29 June 2018, Rossini Holdings S.à.r.l., ("**Rossini Holdings**"), executed two investment agreements with Andrea Recordati and an investment agreement with Fritz Squindo (collectively, the "**Investment Agreements**"). The aforementioned agreements govern the investment conditions of Andrea Recordati and Fritz Squindo respectively in Rossini Luxembourg S.à.r.l., a subsidiary of Rossini Holdings, subject to the acquisition by Rossini Luxembourg of the entire share capital of FIMEI S.p.A., a company that holds ordinary shares representing 51.791% of the subscribed share capital of Recordati. The Investment Agreements contain, *inter alia*, certain agreements (the "**Agreements**"), functional to the execution of the transaction governed by the

Investment Agreements themselves, which are likely to take on a significant shareholder nature for the purpose of fulfilling the related publication formalities.

On 4 July 2018, these Agreements were disclosed pursuant to art. 122 of the TUF.

On 6 December 2018, two agreements were executed amending the aforementioned Investment Agreements, both of which were notified pursuant to art. 122 of the TUF on 11 December 2018.

On 6 December 2018, Rossini Holdings S.à r.l. société à responsabilité limitée established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224480 ("**CVC Luxco**"), Rossini Luxembourg S.à r.l. société à responsabilité limitée established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224498 ("**Lux Equityco**") and Rossini Co-Invest GP Limited ("**General Partner**"), in its capacity as general partner of Rossini Co-Invest L.P. (the "**Partnership**") both having their registered office at 1 Waverley Place, Union Street, St Helier, Jersey, and Channel Islands JE1 1SG, executed with PSP Investments Holding Europe Limited with its registered office in London, 10 Bressenden Place SW1E 5DH, United Kingdom, ("**PSP**") some significant shareholders' agreements pursuant to art. 122 of the TUF (the "**PSP Shareholders' Agreement**").

This PSP Shareholders' Agreement was published pursuant to art. 122 of the TUF on 11 December 2018.

On 6 December 2018, Rossini Holdings S.à r.l. société à responsabilité limitée established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224480 ("**CVC Luxco**"), Rossini Luxembourg S.à r.l. société à responsabilité limitée established under Luxembourg law, with registered office at 20 avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg: B 224498 ("**Lux Equityco**") and Rossini Co-Invest GP Limited ("**General Partner**") in its capacity as general partner of Rossini Co-Invest L.P. (the "**Partnership**") both having their registered office at 1 Waverley Place, Union Street, St Helier, Jersey, Channel Islands JE1 1SG, executed with Finance Street SSMA C.V., AlInvest LIVE Co C.V., ACIF VII C.V., ACIF (Euro) VII C.V., AG Co-Investment C.V., AJ Co C.V., AlInvest GA Co 2018 C.V. and APSS Co-Investment C.V. (collectively, "**AlInvest**") some significant shareholders' agreements pursuant to art. 122 of the TUF (the "**AlInvest Shareholders' Agreement**").

This AlInvest Shareholders' Agreement was published pursuant to art. 122 of the TUF on 11 December 2018.

On 19 February 2019, with reference to the investment agreements executed between Andrea Recordati, on one hand, and Rossini Luxembourg S.à r.l. and Rossini Holdings S.à r.l., on the other hand, on June 29th 2018 (as amended on December 6th 2018) (hereinafter referred to as the "**AR Agreements**"), which include some significant shareholders' agreements pursuant to art. 122 of the TUF, paragraph 1 and 5 and were already disclosed to public on 1<sup>st</sup> July and 11<sup>st</sup> December 2018, the following amendment was disclosed: on February 14th 2019, (i) Mr. Andrea Recordati subscribed for No. 6,350,000 ordinary shares and No. 1,150,000 preference shares (the ordinary and preference shares, the "**Shares**") of Rossini Luxembourg; (ii) Mr. Andrea Recordati transferred these Shares to his controlled company Indio s.s., with registered office in Milan, via Paolo Andreani 4, fiscal code 97832790154 ("**Indio**"); (iii) through the signing of certain adhesion agreements with Andrea Recordati, Rossini Luxembourg and Rossini Holdings S.à r.l. (the "**Indio Adhesion Agreements**"), Indio has adhered to the AR Agreements, taking upon itself the rights and obligations arising from the AR Investment Agreements held by Andrea Recordati, who in any case remained a party to those agreements; and (iv) the Shares are held by Cordusio Società Fiduciaria

per Azioni , a company subject to the management and coordination of Unicredit S.p.A., with registered office in Milan, via Borromei n.5, registered at No. 863916 with the Companies Register of Milan ("**Cordusio**"), in its capacity as fiduciary company (*società fiduciaria*) appointed by Indio, which has given Cordusio irrevocable instructions, as they are also conferred in the interest of Rossini Luxembourg and Rossini Holdings, to comply with the provisions of the AR Agreements and the By-laws of Rossini Luxembourg.

Through the Indio Adhesion Agreements, Indio has undertaken the rights and obligations which Andrea Recordati was entitled to on the basis of the AR Agreements, Mr Andrea Recordati remaining although part to such agreements.

Furthermore, pursuant to the Indio Adhesion Agreements, Indio has undertaken towards Rossini Holdings and Rossini Luxembourg to transfer the ordinary and privileged shares of Rossini Luxembourg held by the latter to Mr Andrea Recordati or to a related party to him, in case Indio ceases to be qualified as related party to Mr Andrea Recordati.

No amendments occurred in relation to the same agreements executed on 29<sup>th</sup> June 2018 between Fritz Squindo, on one hand, and Rossini Luxembourg S.à.r.l. and Rossini Holdings SÀr.l., on the other hand, as subsequently amended on December 6<sup>th</sup>, 2018 likewise the AR Agreements the "**FS Agreements**"), which were disclosed to the market on 4<sup>th</sup> July and 11<sup>st</sup> December 2018. On 14<sup>th</sup> February 2019, the Rossini Luxembourg shares subject to the FS Agreement have been subscribed by Cordusio on behalf of Mr Fritz Squindo, who granted Cordusio irrevocable instructions, as they were also granted in the interest of Rossini Luxembourg and Rossini Holdings, to comply with the provisions of the FS Agreement and the By-laws of Rossini Luxembourg.

For the sake of completeness, it should be noted that the extract of the aforementioned shareholders' agreements published pursuant to the law and the essential information on the relevant agreements mentioned above, as also possibly amended, in line with the applicable legislation, are available on the Company's website: [http://www.recordati.it/en/corporate\\_governance/shareholders\\_agreements](http://www.recordati.it/en/corporate_governance/shareholders_agreements).

**h) Change of control clauses (pursuant to Art. 123 bis, paragraph 1, letter h) of the TUF) and Article of Association 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 issued by the Company (in 2014 and 2017) – for totals of US\$75 million and €125 million - both privately placed with international institutional investors and most of the major loan agreements executed by the Company – for a total of €511 million – set out, as is normal in financial operations of this type, 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 11 April 2017.

The increase in the share capital may be performed in one or more tranches, free of charge 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, by means of a resolution of 18 April 2018 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 31 December 2018, scheduled for 11 April 2019. 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 15,000,000, which corresponds to a total potential payment of not more than € 300,000,000, 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 article 180 of the TUF.

At Year end, the Company held 5,153,571 treasury shares in portfolio, which represented 2.4643% of the share capital.

As at the present date, the Board has not made use of this authorisation and has not initiated any plans to purchase its treasury shares.

In consideration of the expiry of the current authorisation which will occur when the Shareholders' Meeting is held to approve the financial statements as at 31 December 2018, the Board resolved to submit a proposal to the Shareholders' Meeting convened to approve the 2018 financial statements 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)

On 28 February 2019, the Company's Board of Directors, newly appointed by the Shareholders' Meeting of 5 February 2019, established the management and coordination activities carried out by Rossini Luxembourg S.à.r.l. in relation to Recordati S.p.A. pursuant to articles 2497 and following of the CC.

On the same date, the Board of Directors verified that the Company meets the requirements set out in Article 16, paragraph 1, letter b), c) and d) of the Market Regulations approved by Consob with resolution 20249/2017. With reference to the disclosure requirements set forth in art. 2497-bis of the Italian Civil Code, as per art. 16, paragraph 1, letter a) of the same Regulation, the appropriate actions will be timely taken within the terms of the law.

Previously, although controlled by Fimei S.p.A., the Company did not consider itself to be subject to management and co-ordination by the same, pursuant to CC articles 2497 *et seq*.

This is because Fimei S.p.A. turned out to be a mere financial holding company with no operations of any kind; no procedures existed to furnish authorisations or instructions to the Company in its relations with the Parent Company and therefore the Company set 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.

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**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 illustrated 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 <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2018clean.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.

Furthermore, as already reported, on 20 June 2016 Recordati was admitted to the FTSE MIB share index. In this respect, even if for the purposes of the application of the CG Code on which Recordati is required to give account in this report, the Company does not consider that it is included in the FTSE MIB share index (see note 1 at the foot of page 4), this report nevertheless also give details of that which is already in place – and of that which may need to be assessed – with reference to the specific recommendations formulated for companies belonging to that index.

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

The main characteristics of the risk and internal control management systems in relation to financial reporting, including consolidated reporting, requested by Art. 123-bis paragraph 2, letter b) of the TUF are illustrated in the report on internal control and risk management (Sect. 11a).

The procedures for the functioning of shareholders' meetings, its principal powers, the shareholder rights and the procedures for exercising them, required by Art. 123-bis, paragraph 2, letter C) of the TUF, are illustrated in the section of the Report on Shareholders' Meeting (Sect. 11a).

The information concerning the criteria and policies concerning diversity applied in relation to the composition and functioning of management and supervision bodies and their committees, required by Art. 123-bis paragraph 2, letter d) of the TUF, are illustrated in the section of the Report on the Board of Directors (Sect. 4) and, in more detail for the Committees, in the section of the Report on internal Board Committees (Sect. 6).

## **4. BOARD OF DIRECTORS**

### **4.1 APPOINTMENT AND SUBSTITUTION OF DIRECTORS (pursuant to Art. 123-bis, paragraph 1, letter I) 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, for the sake of completeness, is reproduced 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 twenty-five 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. 19856 of 25 January 2017, as well as CONSOB resolution no. 13 of 24 January 2019, 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 Code and the Board of Directors verifies possession of the requirements of independence in accordance with the CG Code 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.

In particular, 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 18 August 2012, the Company made the necessary amendments to the By-Laws on 8 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). We report that when the Board of Directors is renewed, which must be resolved by the Shareholders' Meeting convened to approve the 2016 Annual Report, since this is the second period of office subject to the application of Law No. 120/2011, a proportion equal to at least one third of the directors must be reserved to the least represented gender, with the figure rounded up to the next whole number.

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 Company also acknowledged the recommendations concerning diversity, including as regards gender, in the composition of the corporate bodies introduced in the Corporate Governance Code in July 2018.

It should be noted that with the renewal of the Board of Directors resolved by the Shareholders' Meeting of 5 February 2019, the third mandate began within the meaning of Law 120/2011, which provides that for the third mandate of a board of directors, at least one third of Directors be of the less-represented gender, rounded up in the case of a decimal.

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.

##### **Composition from 1 January 2018 to 6 December 2018/5 February 2019**

The Shareholders' Meeting of 11 April 2017 had appointed a Board composed of nine directors, of which six are independent, for three years, expiring with the shareholders' meeting called to approve the financial statements for the year ended on 31 December 2019; among these directors, three were female, in accordance with the criteria indicated by the applicable provisions on gender balance (at least 1/3 of the members must be represented by the less-represented gender) and a minimum number of independent directors (at least one third of the Board in the issuers belonging to the FTSE-Mib index<sup>3</sup>). On the occasion of the aforementioned appointment, a single slate of candidates for the office of Director was presented by the majority Shareholder FIMEI S.p.A.<sup>4</sup> The Board of Directors was elected with a favourable vote of 75.3% of the share capital.

Subsequently, in the context of the completion of the corporate changes relating to the shareholding structure of Recordati S.p.A. occurring on 6 December 2018, which has already been disclosed in section 2 dedicated to Ownership Structure, the Chairman of the Board of Directors, executive director, Alberto Recordati, the non-independent and non-executive director Marco Vitale and the independent director Paolo Fresia have resigned from all positions held respectively in Recordati S.p.A.

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<sup>3</sup> The Corporate Governance Code recommends (application criterion 3.C.3) that at least one third the board of directors of issuers belonging to the FTSE-Mib be made up of independent directors. In the case that is not a whole number, the result is rounded down.

<sup>4</sup> The slate presented by FIMEI S.p.A., together with the additional related documentation filed pursuant to the law and the applicable regulations available on the [www.recordati.it](http://www.recordati.it) (section: Investors / Shareholders' Meetings / 2017). The slate submitted the candidature of the following: Mr Alberto Recordati, Mr Andrea Recordati, Mr Fritz Squindo, Ms Rosalba Casiraghi, Ms Michaela Castelli, Ms Elisa Corghi, Mr Marco Vitale, Mr Mario Garraffo, Mr Paolo Fresia.

The Board of Directors, at its meeting of 6 December 2018, following the completion of the aforementioned corporate changes:

- acknowledged the resignation of the aforementioned directors and consequently resolved, pursuant to art. 2386 of the CC and art. 17 of the By-Laws, the appointment by co-optation of Mr Giampiero Mazza, of Ms Cathrin Petty and Mr Søren Vestergaard-Poulsen, who remained in office until the next shareholders' meeting;
- appointed Giampiero Mazza as Chairman of the Board of Directors;
- in order to allow for full replacement with voting rights of the management body slate of Recordati pursuant to article 15 of the By-Laws, also acknowledged the resignation of 6 December 2018 from the other Directors in office on the same date (appointed by the Shareholders' Meeting of 11 April 2017 at the proposal of the majority shareholder FIMEI S.p.A.) – namely, Andrea Recordati (Vice Chairman & CEO), Fritz Squindo (non-independent and executive director) and Rosalba Casiraghi, Michaela Castelli, Elisa Corghi and Mario Garraffo (these last four all being independent and non-executive directors) with effect from the next Shareholders' Meeting, following the completion of the corporate changes relating to the indirect shareholding structure of Recordati S.p.A. that occurred on 6 December 2018;
- consequently, resolved to convene the Ordinary Shareholders' Meeting for the replacement of the management body on 5 February 2019.

The **composition of the Board of Directors from 1 January 2018 to 6 December 2018** and the qualifications of each Director during this period are summarised below:

<b>Alberto Recordati</b>	Chairman	Executive	-	*Board of Directors 19.03.1986
<b>Andrea Recordati</b>	Vice-Chairman and CEO	Executive	-	*Shareholders' Meeting 29.04.1998
<b>Rosalba Casiraghi</b>	Director	Non-Executive	Independent	*Shareholders' Meeting 17.04.2014
<b>Micaela Castelli</b>	Director	Non-Executive	Independent	*Shareholders' Meeting 17.04.2014
<b>Elisa Corghi</b>	Director	Non-Executive	Independent	*Shareholders' Meeting 11.04.2017
<b>Paolo Fresia</b>	Director	Non-Executive	Independent	*Shareholders' Meeting 17.04.2014
<b>Mario Garraffo</b>	Director	Non-Executive	Independent	*Shareholders' Meeting 29.04.1999
<b>Fritz Squindo</b>	Director	Executive	-	*Board of Directors 14.03.2013
<b>Marco Vitale</b>	Director	Non-Executive	Independent	*Shareholders' Meeting 13.04.1997

\*Date of first appointment to the Board of Directors

The **composition of the Board of Directors from 6 December 2018 to 5 February 2019** and the qualifications of each Director during this period are summarised below:

<b>Giampiero Mazza</b>	Chairman	Executive	-
<b>Andrea Recordati</b>	Vice-Chairman and CEO	Executive	-
<b>Rosalba Casiraghi</b>	Director	Non-Executive	Independent
<b>Micaela Castelli</b>	Director	Non-Executive	Independent
<b>Elisa Corghi</b>	Director	Non-Executive	Independent
<b>Mario Garraffo</b>	Director	Non-Executive	Independent
<b>Cathrin Petty</b>	Director	Executive	-
<b>Søren Vestergaard-</b>	Director	Executive	-

**Poulsen**

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<b>Fritz Squindo</b>	Director	Executive	-
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**Current composition**

The Board of Directors in office at the date of this report was appointed by a Shareholders' Meeting held on 5 February 2019 for three years, with the term of office expiring at the time of the Shareholders' meeting held to approve the financial statements for the year ended 31 December 2021.

The Shareholders' Meeting held on 5 February 2019 had appointed a board composed of eleven directors, of which four were women and three were independent, in compliance with the criteria laid down by the applicable legal and corporate governance 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)<sup>5</sup>:

- 10 directors (Flemming Ørnskov, Andrea Recordati, Fritz Squindo, Giampiero Mazza, Francisco Javier de Jaime Guijarro, Søren Vestergaard-Poulsen, Cathrin Petty, Joanna Le Couilliard, Michaela Castelli, Alfredo Altavilla) taken from the majority slate presented by the shareholder FIMEI S.p.A., holder, as at that date, of 51.79% of the share capital;
- 1 director (Silvia Elisabetta Candini) taken from the minority slate presented by SGR and institutional investors holding a total of 1.303% of the share capital.

The most voted slate was the one presented by FimeI S.p.A. which obtained 71.315% of the share capital with voting rights represented at the Shareholders' Meeting, while the second list was voted by 28.544% of the voting capital<sup>6</sup>. The voting capital represented 78.454% of the Issuer's share capital.

Please note that the outgoing Board of Directors with the Shareholders' Meeting of 5 February 2019, taking into account the results of the Board self-assessment process at the beginning of the 2018 financial year and the recommendations of the Corporate Governance Code, also following the amendments introduced in July 2018, sent to the Shareholders guidelines in relation to the appointment of the new Board of Directors in the Directors' Report on the only item on the agenda of the Shareholders' Meeting, concerning the appointment of the new administrative body.

In particular, the outgoing Board of Directors *“Having regard to the consolidated rules of corporate governance according to which the number of members of the board must be adequate to the size and complexity of the organizational structure of the Company and having regard to the positive operating dynamics of the administrative body registered in the last three years”* expressed guidelines pursuant to which *“at the time of formulating the proposals to the Shareholders' Meeting, the Shareholders should ensure that the number of directors to be elected for the 2019-2021 three-year period be between nine and twelve and so that the new composition, as already recommended by the same Code and in continuity with the past, adequately represent, in relation to the activity carried out by the Company, the different components (executive, non-executive,*

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<sup>5</sup> The Corporate Governance Code recommends (Application Criterion 3.C.3) that for issuers included in the FTSE-MIB index, at least one third of the Board of Directors is comprised of independent directors. If that portion does not correspond to a whole number, the number is rounded down.

<sup>6</sup> The presented slates, together with the extra relevant documentation filed pursuant to applicable law and regulations are available at [www.recordati.it](http://www.recordati.it), (section: Investors/Shareholders' Meetings /2019).

*independent) and the professional and managerial skills and experience necessary for good business management, also taking into account the international dimension of Recordati”<sup>7</sup>.*

The controlling shareholder accepted these guidelines.

The composition of the Board of Directors as at the date of this Report and the qualifications of each Director at that date are summarised below:

<b>Flemming Ørnskov</b>	Chairman	Non-Executive	-	*Board of Directors meeting of 05.02.2019
<b>Alfredo Altavilla</b>	Vice Chairman	Non-Executive		*Board of Directors meeting of 05.02.2019
<b>Andrea Recordati</b>	CEO	Executive	-	*Shareholders' meeting of 29.04.1998
<b>Silvia Candini</b>	Director	Non-executive	Independent	*Shareholders' meeting of 05.02.2019
<b>Michaela Castelli</b>	Director	Non-executive	Independent	*Shareholders' meeting of 17.04.2014
<b>Joanna Le Couilliard</b>	Director	Non-executive	Independent	*Shareholders' meeting of 05.02.2019
<b>Francisco Javier de Jaime Guijarro</b>	Director	Executive		*Shareholders' meeting of 05.02.2019
<b>Giampiero Mazza</b>	Director	Executive	-	*Board of Directors meeting of 06.12.2018
<b>Cathrin Petty</b>	Director	Executive		*Board of Directors meeting of 06.12.2018
<b>Søren Vestergaard-Poulsen</b>	Director	Executive		*Board of Directors meeting of 06.12.2018
<b>Fritz Squindo</b>	Director	Executive		*Board of Directors meeting of 14.03.2013

\*Date of first appointment to the Board of Directors

The personal and professional characteristics of each Director - which range from economic, financial and managerial subjects also, for some of them, with significant international experience in the business sectors in which the Company and the Group operate, to legal and corporate governance matters - are documented in Attachment 1 to this Report along with the offices held by Directors in other listed companies.

In this regard, as it was in the interest of the Company to strengthen the Board's experience, also internationally, in the business sectors in which the Company and the Group operate, the Shareholders' Meeting of 5 February 2019 approved the proposal of the majority shareholder FIMEI S.p.A. to authorise the exemption of members of the Board of Directors from the competition prohibition provided for by art. 2390 of the CC with reference to the positions held by them in other companies and disclosed on that date.

On 5 February 2019 the Board of Directors confirmed that Silvia Candini, Michaela Castelli and Joanna Le Couilliard met the independence requirements.

<sup>7</sup> The Directors' report on the only point on the agenda of the Shareholders' Meeting of 5 February 2019 can be consulted at [www.recordati.it](http://www.recordati.it), (section: Investors/Shareholders' Meetings/2019)

<b>TABLES COMPOSITION AND STRUCTURE OF THE BOARD AND COMMITTEES</b>															
<b>BOARD OF DIRECTORS IN OFFICE AS AT 31.12.2018</b>												<b>Control, Risk and CSR Committee</b>		<b>Remuneration Committee</b>	
<b>Position</b>	<b>Members</b>	<b>Year of birth</b>	<b>In office since</b>	<b>In office until</b>	<b>Slate (M/m) *</b>	<b>Exec.</b>	<b>Non-Exec.</b>	<b>Indep. as per CG Code</b>	<b>Indep. as per TUF</b>	<b>% ***</b>	<b>Number of other positions in listed companies ****</b>	<b>*****</b>	<b>% ***</b>	<b>*****</b>	<b>% ***</b>
Chairman	GIAMPIERO MAZZA	1969	6.12.2018	Shareholders' Meeting of 5.02.2019	Na <sup>8</sup>	X				4/4	0				
Vice Chairman and CEO $\diamond$	ANDREA RECORDATI	1971	11.4.2017	Shareholders' Meeting of 5.02.2019	M	X				17/17	0				
Director	ROSALBA CASIRAGHI	1950	11.4.2017	Shareholders' Meeting of 5.02.2019	M		X	X	X	17/17	1	M	3/3 <sup>9</sup>	M	5/5
Director	MICHAELA CASTELLI	1970	11.4.2017	Shareholders' Meeting of 5.02.2019	M		X	X	X	17/17	4	P <sub>10</sub>	5/5	M	5/5
Director	ELISA CORGHI	1972	11.4.2017	Shareholders' Meeting of 5.02.2019	M		X	X	X	17/17	2	M	5/5		
Director $\circ$ <sup>11</sup>	MARIO GARRAFFO	1937	11.4.2017	Shareholders' Meeting of 5.02.2019	M		X	X (**)	X	17/17	0			P	5/5
Director	CATHRIN PETTY	1973	6.12.2018	Shareholders' Meeting of 5.02.2019	Na <sup>8</sup>	X				4/4	1				
Director •	FRITZ SQUINDO	1956	11.4.2017	Shareholders' Meeting of 5.02.2019	M	X				17/17	0				

<sup>8</sup> Appointed by co-optation by the Board of Directors on 6.12.2018.

<sup>9</sup> Member since 8.5.2018.

<sup>10</sup> Appointed Chairman on 8.5.2018.

<sup>11</sup> Appointed LID on 9.07.2018.

Director	Søren VESTERGAARD-POULSEN	1969	6.12.2018	Shareholders' Meeting of 5.02.2019	Na <sup>8</sup>	X				3/4	1				
<b>DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE REFERENCE YEAR (2018)</b>															
Chairman	ALBERTO RECORDATI	1953	11.4.2017	6.12.2018	M	X				12 <sup>12</sup> /13	0				
Director	PAOLO FRESIA	1988	11.4.2017	6.12.2018	M		X	X	X	10/13	0				
Director o <sup>13</sup>	MARCO VITALE	1937	11.4.2017	6.12.2018	M		X	X (**)	X (**)	8/13	1	P	2/2 <sup>14</sup>		

• 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 Mario Garraffo as independent, even though he has been director of the Company for more than nine years during the past twelve, considering that by his specific expertise and professional commitment to constant control and stimulation of the Board, he has demonstrated that he has maintained his characteristics of independence and freedom of judgement in evaluating the operations carried out by management. Please be informed that on 8<sup>th</sup> May 2018 the Board has resolved that Marco Vitale did not satisfied any more the independent requirements. For more information please refer to Section 4.6.

(\*\*\*) 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 19/21.

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

<b>Number of meetings held during 2018</b>	<b>Board meetings:</b> 17	<b>Control, Risk and CSR Committee:</b> 5	<b>Remuneration committee:</b> 5
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<sup>12</sup> It should be noted that one of the designated meetings of the Board took place over two days. The presence of Alberto Recordati has been counted taking into account his participation only in the second part thereof.

<sup>13</sup> LID until 8.05.2018.

<sup>14</sup> Member until 8.5.2018.



For completeness, the table below illustrates the current composition of the Board of Directors:

**BOARD OF DIRECTORS IN OFFICE FROM 5 FEBRUARY 2019**

										Control, and Committee	Risk CSR	Remuneration Committee
Position	Members	Year of birth	In office since	In office until	Slate (M/ m) *	Exec.	Non- Exec.	Indep. as per CG Code	Indep. as per TUF	**	**	
Chairman	Flemming Ørnskov	1958	5.2.2019	Approval of 2021 Annual Report	M		X					
Vice Chairman	Alfredo Altavilla	1963	5.2.2019	Approval of 2021 Annual Report	M		X					
CEO ◇	Andrea Recordati	1971	5.2.2019	Approval of 2021 Annual Report	M	X						
Director	Silvia Elisabetta Candini	1970	5.2.2019	Approval of 2021 Annual Report	m		X	X	X	M	M	
Director	Michaela Castelli	1970	5.2.2019	Approval of 2021 Annual Report	M		X	X	X	P	M	
Director	Francisco Javier de Jaime Guijarro	1964	5.2.2019	Approval of 2021 Annual Report	M	X						
Director	Joanna Susan Le Couilliard	1963	5.2.2019	Approval of 2021 Annual Report	M		X	X	X	M	P	
Director	Giampiero Mazza	1969	5.2.2019	Approval of 2021 Annual Report	M	X						
Director	Cathrin Petty	1973	5.2.2019	Approval of 2021 Annual Report	M	X						
Director •	Fritz Squindo	1956	5.2.2019	Approval of 2021 Annual Report	M	X						
Director	Søren Vestergaard-Poulsen	1969	5.2.2019	Approval of 2021 Annual Report	M	X						

• 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).

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



#### **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, and over time, no situations have emerged that showed an opportunity to obtain one.

Taking into account the changes in the ownership structure at the end of 2018 and the appointment of the new Board of Directors on 5 February 2019, the Company will be responsible for submitting it again to the newly appointed Board during 2019.

#### **4.2.2 Diversity criteria and policies (pursuant to article 123-bis, paragraph 2(d)-bis TUF and Principle 2.P.4 of the Corporate Governance Code)**

Legislative Decree no. 254/2016 on non-financial information, implementing Directive 2014/95/EU, (which entered into force on 25 January 2017) introduces the obligation for listed companies to disclose, in the report on corporate governance relating to financial years beginning from 1 January 2017, detailed information on diversity policies "applied in relation to the administrative, management and supervisory bodies with regard to aspects such as, for instance, age, gender or educational and professional backgrounds, as well as a description of the objectives, methods of implementation and results of these policies. In the event that no policy is applied, the Company is required to clearly and articulate reasons for this choice.

As part of the self-assessment process of the Board of Directors that took place at the beginning of 2018, the Company carried out a specific study in this regard, inviting the Directors to provide comments in relation to the diversity issues of the members of the Board for the purpose of determinations about the adoption of specific policies aimed at promoting diversity.

The results of this study were examined by the Board of Directors as part of the general analysis of what emerged overall from the answers to the questionnaires received, held at the Board meeting of 8 February 2018; in this regard, it should be noted that no specific reports have emerged aimed at guiding the Board in relation to its policies in matters of member diversity with regard to aspects such as age, gender composition and training and professional development.

The Board, following an in-depth discussion, therefore deemed it unnecessary to prepare a formal policy to promote diversity in these aspects, taking into account that the Board, even in the absence of such a formal policy and, in particular, through the annual process self-assessment, can already effectively monitor and identify its optimal qualitative and quantitative composition over time; the Board considered - as part of a process of empowerment that involves, on the one hand, the board itself and on the other, the shareholders, which, if specific needs arise for the proper functioning of the Board - including critical issues related to aspects related to the diversity of its members - resorting, as already done in 2017 and again in 2018 preliminary to the shareholders' meeting of 5 February 2019, the formulation of any recommendations to members before the appointment of the new board and the board of statutory auditors or request the integration of the Board with the appointment of a new director(s) even during the term of office, if these needs cannot be postponed to the renewal of the mandate.

This assessment, as described above, also applies with regard to what is recommended more generally by the Corporate Governance Code, following the amendments introduced in July 2018 with reference to principle 2.P.4, regarding the application by the Issuer of diversity criteria, including as regards gender, in the composition of the board of directors and the Board of Statutory Auditors, with due regard to the priority objective of ensuring adequate competence and professionalism of its members.

In this regard, as already mentioned in the section concerning the composition of the Board of Directors, it is recalled that the outgoing Board with the Shareholders' Meeting of 5 February 2019, taking into account the outcomes of the Board self-assessment process at the beginning of the 2018 financial year as recommended by the Corporate Governance Code, also following the changes introduced in July 2018, sent to the Shareholders guidelines in relation to the appointment of the new Board of Directors in the Directors' Report on the only item on the agenda of the Shareholders' Meeting of 5 February 2019, concerning the appointment of the new administrative body.

In particular, the outgoing Board *"having regard to the consolidated rules of corporate governance according to which the number of members of the board must be adequate to the size and complexity of the organisational structure of the Company and having regard to the positive operating dynamics of the management body registered in the last three years"* expressed guidelines pursuant to which *"at the time of formulating the proposals to the Shareholders' Meeting, the Shareholders must ensure that the number of directors to be elected for the 2019-2021 three-year period be between nine and twelve and so that the new composition, as already recommended by the same Code and in continuity with the past, adequately represent, in relation to the activity carried out by the Company, the different components (executive, non-executive, independent) and the professional and managerial skills and experience necessary for good business management, also taking into account the international dimension of Recordati."*

It is confirmed that the controlling shareholder has accepted these guidelines and, in particular, that four out of the eleven members of the Board are of the less-represented gender (and therefore at least one third of the Board) and that, more generally, the new composition highlights that the objective of ensuring adequate competence and professionalism of the members of the Board, including those of an international nature, has been pursued. Therefore, the issue is correctly supervised.

Moreover, with reference to measures to promote equal gender treatment and gender opportunities within the entire corporate organisation, the Issuer and in general the Recordati Group is committed, as referred to in its applicable Code of Ethics, to offer equal job opportunities without discrimination on the basis of ethnicity, gender, age, sexual orientation, physical or psychological disability, nationality, religious belief, political and trade union membership and to ensure fair and merit-based treatment to its employees. For more details on the policies applied to this topic, refer to the respective section ("Diversity and equal opportunities") of the Non-Financial Statement.

#### **4.2.3 Maximum number of offices held in other companies**

The Board of Directors has over time preferred not to 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 until now because it feels that it is best to allow individual directors to assess this compatibility themselves.

The Board self-assessment process has, on several occasions and also at the beginning of 2018, confirmed the positive assessment made of the functioning of the Board and its committees also with particular reference to this aspect.

Taking into account the appointment of the new Board of Directors on 5 February 2019, in the course of 2019 the Company will take care of submitting to the newly appointed Board the updated guidelines relating to said criteria.

#### **4.2.4. Induction Programme**

Following the appointment of the Board of Directors and the Board of Statutory Auditors on 11 April 2017, the Chairman and Chief Executive Officer did not consider it necessary to organize a specific induction session because, with the exception of Ms Coghi and Mr Santi, the other directors and auditors were already part of the outgoing administrative and control bodies.

In May 2018, the Chairman and the Chief Executive Officer organised, as a specific induction session, a visit to the Milan production site for Independent Directors and Statutory Auditors.

Following the appointment of the new Board of Directors on 5 February 2019, the Chairman and the Chief Executive Officer are organising a special induction program for the new Directors.

Generally speaking, during the course of meetings of the Board of Directors, the Chief Executive officer gives information required to present the performance of the Company and the Group, constantly providing, amongst other things, information and the most important updates to the regulatory framework for the sector and their impact on the Company. Also, with regard to principles for the proper management of risks, during the course of meetings of the Board of Directors, the Chief Executive Officer ensures that appropriate details are given in this respect, if considered appropriate, in addition to the annual analysis of the Recordati Risk Catalogue.

### **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 17 times, with meetings lasting on average around an hour and thirty minutes. 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.

With regard to the current year, 11 meetings are scheduled and the Board has already met 3 times; the calendar of meetings in which the results of the year and period are examined is communicated to the public annually within one month of the end of the previous year and published on the Company's website (<http://www.recordati.it/en/investors/calendar/>).

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 some 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, 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 periodic accounts were in fact delivered approximately 4.2 days) before meetings on average). The Board self-assessment process held at the beginning of 2018 essentially confirmed the appropriateness of this notice.

The Chairman of the Board of Directors newly appointed on 5 February 2019 expressly submitted to the attention of the new Board of Directors, appointed on the same date, the adequacy of this term that has been confirmed, except for the presence of particular situations of urgency or confidentiality.

During the course of the year and in the meetings already held in 2019 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), the Chief of the Group Internal Audit Function (who also acted as Data Protection Officer and internal member of the Supervisory Body) as well as the General Manager of Pharmaceuticals - Italy.

The Board of Directors has the duty to set strategic policies for the Company and the Group it leads and it is responsible for overseeing its management. In accordance with article 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. On the basis of the terms indicated below, the Board has assigned part of its management responsibilities to the Chief Executive Officer.

In accordance with CC. Art. 2365, paragraph 2, the Board of Directors is also authorised to decide 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;

- definition of the nature and level of risk that is compatible with the Company's strategic objectives, including in its assessments, all risks that might be significant with a view to sustainability of the Company's activities in the medium to long-term;
- the definition 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 internal control and risk management system;
- 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;
- the establishment, after examination of the proposals from the Remuneration Committee, and having been heard the opinion of the Board of Statutory Auditors, of the remuneration of executive directors and other Directors with special mandates, as well as the performance objectives link to variable remuneration of the latter and 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, amongst other things, 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 24<sup>th</sup> November 2010 (and last revised in 2017); 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 management and 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;
- subject to the opinion of the Audit, Risk and Sustainability 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 a Risk, Control and CSR Committee, which by conducting the 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 Risk, Control and CSR 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 Risk, Control and CSR 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 Risk, Control and CSR 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 Risk, Control and CSR 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.

The Company has decided to take advantage, with effect from 20 December 2012, of the right not to comply with obligations to publish the reports required when significant operations are performed consisting of mergers, demergers, share capital increases through contributions in kind, acquisitions and disposals, in accordance with Art. 70, paragraph 8 and with Art. 71, paragraph 1-*bis* of the Issuers' Regulations.

It should be noted that, in implementation of the above, during 2018, the Board, in particular:

- assessed the general trend of management and monitored the implementation of the 2017-2019 Three-Year Business Plan, by comparing, amongst other things, actual with budgeted results taken from the approved 2018 budget, carried out as generally established practice when quarterly accounting reports are approved;
- examined the impairment analyses concerning the 2017 financial statements, the economic assessment assumptions and the forecast assumptions used for these purposes;
- approved the most relevant company provisions;
- at the beginning of 2018, provided a positive assessment as regards to the adequacy of the organisational, administrative and general accounting structure of the Company and of the subsidiaries of strategic importance prepared by the Chief Executive Officer, with the support of the Director in charge of the internal control and risk management system, with particular reference to the internal control system, to the management of risks on the basis of the information provided on the occasion of the Board's meeting, through specific reports and/or other documentation (e.g. organisation charts) presented by the Group Auditing Manager, the Control, Risk and CSR Committee, by the Supervisory Body pursuant to Legislative Decree 231/01, by the Director in charge of the internal control and risk management system and by the Managing Director;
- set the performance targets related to the variable component of the remuneration of the Chairman (Mr Alberto Recordati) and the Deputy Chairman, Chief Executive Officer and General Manager (Mr Andrea Recordati);



- with the favourable opinion of the Control, Risk and CSR Committee, adapted the guidelines for the internal control and risk management system of the Company and of the Recordati Group in order to incorporate the competences in terms of sustainability;
- after hearing the Board of Statutory Auditors and the Director in charge of the internal control and risk management system, approved the work plan prepared by the head of the internal audit function for 2018;
- confirmed as subsidiaries that have strategic importance, referring to mainly size criteria (turnover) or in consideration of the peculiarity of the market where the subsidiary operates (in particular, the orphan drug 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., Rusfic Llc and Casen Recordati SL;
- examined and approved in advance the operations of the Company and its subsidiaries, when such transactions have had a significant strategic, economic, equity or financial importance for the Company or its subsidiaries (in particular: acquisitions of medicinal specialties and companies and contracts financing);
- approved the proposal for a new 2018-2022 Stock Option Plan to be submitted to the Shareholders' Meeting of 18 April 2018 and resolved on 3 August 2018 a new allocation of stock options based on said new plan approved by the Shareholders' Meeting;
- examined the organisational implementation of Regulation (EU) 2016/679 on the processing of personal data at the Company and Group level, sharing the designation of the Internal Audit Director as Data Protection Officer of Recordati;
- examined and approved the updating of the corporate procedures in the field of market abuse that had been last amended in 2016 following the entry into force of Regulation (EU) no. 596/2014 containing the regulation of market abuse, for the purpose of adapting them to the legislation and regulations issued subsequently both at the national and at the Community level; this also as an update of the Model of management, organisation and control of the Company pursuant to Legislative Decree 231/2001;
- designated Mr Mario Garraffo as Lead Independent Director;
- also taking into account the results of the self-assessment process carried out at the beginning of 2018, the Board (which, as a reminder, carries out the functions assigned by the Code to the Appointments Committee) formalised through its own Report on guidelines to Shareholders on the composition of the Board of directors to be appointed by the Shareholders' Meeting called on 5 February 2019;
- at the end of 2018, examined and approved the 2019 Group budget and set the targets for this year;
- approved on 21 December 2018 the Notice pursuant to art. 103, paragraph 3, of the TUF and art. 39 of the Issuers Regulation relating to the mandatory takeover bid promoted by Rossini Investimenti S.p.A. pursuant to and for the purposes of articles 102 and 106, paragraph 1-bis of the TUF, concerning a maximum of 97,735,180 ordinary shares of the Company, representing 46.735% of the share capital of Recordati S.p.A.

In 2019, as at the date of this Report, the Board, in particular:

- evaluated and approved the agreement to mutually terminate the long-term employment relationship between the Company and Mr Alberto Recordati.
- following the renewal of the Board of Directors by the Shareholders' Meeting of 5 February 2019, conferred the positions of Chairman (Flemming Ornskov) and Vice Chairman (Alfredo Altavilla) and confirmed the appointment of Chief Executive Officer (Mr Andrea Recordati), also renewing the assignment of previous operating powers. Furthermore, on the same

- date, it renewed the establishment of the Remuneration Committee and of the Control, Risk and CSR Committee. The Board also confirmed the previous assessment by the outgoing Board not to proceed with the establishment of a nomination committee;
- on 11 February 2019, the Board resolved, after consulting the Remuneration Committee and after consulting with the Board of Statutory Auditors, the remuneration of the Chairman and the Chief Executive Officer, including the fixing of the termination indemnity and the fee for participation in the internal board Committees; it has also evaluated and approved, after consulting the Remuneration Committee, the mutual resolution agreement of the long-term employment relationship between the Company and Mr Andrea Recordati, thus remaining, from that date, only an administrative relationship;
  - on 28 February 2019 established the exercise by Rossini Luxembourg S.à.r.l of the management and co-ordination activity of the Company pursuant to articles 2497 and following of the Italian Civil Code.

During the 2018 financial year - in consideration of the extraordinary events that affected the life of the Company in relation to the transfer of the controlling interest by the Recordati family to the investment funds consortium controlled by CVC Capital Partners, the resignation on 6 December 2018 of the majority of the members of the Board of Directors taking effect from the subsequent renewal of the Board of Directors on 5 February 2019 – the examination of the 'Risk Catalogue' for the 2018 financial year, updated with respect to that examined for the 2017 financial year and the consequent assessment of the compatibility of the level and nature of the risks as identified by the Group Risk Catalogue presented to the Board (with the strategic objectives of the Group referred to in the 2017-2019 Three Year Plan) had been postponed to the meeting of the Board of Directors held on the date of this Report, also with a view to promoting mid- to long-term sustainability of the Company's activity, it being understood that the potential exposure to company risks is constantly monitored also through the measures adopted by management to prevent, monitor and control these risks.

In this regard, please note that the Group has developed - also with the support of the consulting firm Deloitte S.p.A. - its own model of mapping, management and control of the risks of the Company and the Group, which is kept constantly updated, in order to better identify the risks associated with the achievement of the strategic objectives of the Three Year Plan in force, also with a view to promoting mid- to long-term sustainability and, in general, in order to identify and manage the main internal and external risks of the Group in the most efficient way; this Model is inspired by the international principles of Enterprise Risk Management (ERM).

In principle, the updating of risk mapping is reviewed annually by the Board of Directors, on the occasion of the meeting where it approves the budget for the subsequent financial year.

On 28 February 2019, the Board examined the "Risk Catalogue" for the 2018 financial year, updated compared to the 2017 financial year and assessed that the level and nature of the risks as identified by the Group Risk Catalogue, presented to the Board, also including in its assessment the risks that may be relevant with a view to mid- to long-term sustainability of the Company's activity, are compatible with the Group's strategic objectives as per the 2017-2019 Three Year Plan, it being understood that the process of updating and revising the mapping brought to the Board's examination will proceed in coherence with the definition of the new industrial plan that will be examined by the Board in the coming months.

#### **4.3.1. Self-assessment by the Board and its Committees**

At the beginning of 2018, the Board of Directors conducted, in relation to the 2017 financial year, an assessment of the functioning of the Board itself and its committees as well as their size



and composition, also taking into account elements such as the professional characteristics, experience (including managerial experience) and gender of its members as well as their seniority, with the support of the Company's Legal and Corporate Affairs Department. For more information, please refer to the Report on Corporate Governance and Ownership Structure relating to this financial year.

Unlike previous years, the Board of Directors has agreed not to carry out a self-assessment of the size, composition and functioning of the Board itself and its Committees between the end of 2018 and the beginning of 2019. This is due to the substantial changes that occurred in 2018 in the Recordati control structure and which also affected the composition of the Board of Directors and its governance structure, finalised with the Shareholders' Meeting held on 5 February 2019, which appointed the new board of directors.

In fact, as a result of these changes, the Board of Directors appointed by the Shareholders' Meeting of 11 April 2017 resigned (for three directors, the resignation had already taken effect on 6 December 2018, and for the others, the resignation took effect from the Shareholders' Meeting called for 5 February 2019) and moreover, the three new co-opted directors could not have expressed their assessments with respect to a period that was too short. However, on 18 December 2018, the Board of Directors, availing itself of the results of the self-assessment process carried out at the beginning of 2018 (which had included a specific in-depth analysis concerning aspects of diversity of its members such as age, gender composition and the training and professional path) had decided to express itself, through a specific Report of the Directors, on the guidelines to be provided to the shareholders, and above all to the controlling shareholder, about the appropriate composition of the new Board, to be appointed at the Shareholders' Meeting of 5 February 2019.

As already detailed in the section entitled "Composition of the Board of Directors", the controlling shareholder has accepted these guidelines and as the Chief Executive Officer Mr Andrea Recordati commented at the end of the Shareholders' Meeting that appointed the new Board of Directors: *"I am very satisfied with the appointment of such a qualified Board, which has wide experience and leadership skills and combines new faces with the continuity of some executive and non-executive members already present. I am pleased to work with Flemming and the new Board members in the interest of all our shareholders to continue developing the Group on the strategic lines that have ensured our growth both in the area of rare diseases and in the area of primary and specialty care."*

#### **4.4 EXECUTIVE OFFICERS AND BODIES**

##### **Chairman, Vice 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 cessation 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.

During 2018, the role of Chairman was held, until 6 December 2018, by Mr Alberto Recordati and, subsequently, by Mr Giampiero Mazza, appointed in office by the Board of Directors who had co-opted him at the meeting held on the same date.

Alberto Recordati, during his term as Chairman, contributed to the elaboration of the corporate strategies to be submitted to the Board of Directors within the Presidency Committee, chaired by him and of which the other executive directors were also members. Andrea Recordati and Fritz Squindo had the task of examining the main management facts of Recordati and its subsidiaries. This Committee has been dissolved as a result of the resignation of Alberto Recordati.

Alberto Recordati was qualified as executive director and also as Chairman and Chief Executive Officer of Fimei S.p.A., a company that holds the majority shareholding in Recordati S.p.A.

Following the appointment of the new Board of Directors on 5 February 2019, the role of Chairman was assigned to Flemming Ørnskov; neither Mr Mazza, nor Mr Ørnskov have been assigned operational powers in their terms of office. The Chairman has institutional duties of direction and control to (i) convene Board meetings and ensure 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,<sup>15</sup> (ii) co-ordinate the activities of the Board and conduct the proceedings of Board meetings; (iii) continuously provide 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.

Throughout 2018, the role of Vice Chairman and Chief Executive Officer was held by Andrea Recordati.

From 16 August 2016 - following confirmation and immediately after the appointment of the new board of directors resolved on 5 February 2019 - Andrea Recordati, as Managing Director, has been delegated, to the extent permitted by law, all the widest powers for the administration and ordinary and extraordinary management of the Company and the performance of the management and coordination activities carried out by the Company in comparison with Group companies, determining the adequacy of the organisational, administrative and accounting structure of the Company for the execution of strategic, industrial and financial plans approved by the Board of Directors, with the sole exclusion of the operations listed below (exhaustive and

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<sup>15</sup> It should be noted that the Chairman of the Board of Directors newly appointed on 5 February 2019 has expressly submitted to the attention of the new Board of Directors, appointed on the same date, the adequacy of this term that has been confirmed, except for the presence of particular situations of urgency or confidentiality.

mandatory in nature), which, because they are to be carried out directly by the Company and/or indirectly through subsidiaries, are operations reserved to the responsibility of the Board of Directors (except for intragroup operations, and that is performed with or between other companies of the Recordati Group):

- a) the assumption of financial debt for an amount greater than €25 million for each transaction and the grant of secured or personal guarantees for amounts greater than €10 million for each transaction;
- b) the sale and purchase of real estate properties for amounts of greater than €10 million, in which industrial activities of the Company or its subsidiaries are carried out at the time of the sale;
- c) the purchase or provision of ownership, or the purchase or the grant of licences for intellectual property rights and more specifically by way of example, but not limited to these, intellectual property rights regarding specialty medicines, dietary supplements and medical devices for amounts not greater than €10 million each;
- d) acquisition, disposal or any other provision in relation to holdings in other companies and similarly the acquisition and disposal of companies or company operations, for an amount greater than €10 million each;
- e) the stipulation of agreements, including settlement agreements, concerning matters not included in those above for an amount greater than €10 million for each agreement.

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

On 5 February 2019, Mr Alfredo Altavilla was appointed as Vice Chairman of the Board of Directors responsible for the functions provided for by the By-Laws in the case of the absence or impediment of the Chairman of the Board of Directors.

#### **Executive Committee**

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

#### **Reporting to the Board**

The 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 each meeting, and independently of the time elapsed since the previous meeting, the 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**

With regard to the Board of Directors in office from 1 January 2018 to 6 December 2018, in addition to Alberto Recordati, Chairman, and Andrea Recordati, Chief Executive Officer, Fritz Squindo, Director, is also an Executive Director.

The Administration, Finance and Control, Human Resources, Information Technology and Investor Relations & Corporate Communications functions report to Mr. Squindo, who serves as General Manager for the coordination of management and Chief Financial Officer (in addition

to being responsible for drafting the accounting documents and serving as Director in charge of the internal control and risk management system, as also confirmed by the Board of Directors newly appointed on 5 February 2019). Mr. Squindo also holds the position of director in other companies of the Group.

With regard to the Board of Directors in office from 6 December 2018 to 5 February 2019, in addition to Andrea Recordati, Chief Executive Officer, and Fritz Squindo, Director, in light of the functions performed by each, Giampiero Mazza, Chairman, on the one hand, and Cathrin Petty and Søren Vestergaard-Poulsen, the Directors who were co-opted by the Board of Directors on 6 December 2018, on the other hand, are also executive Directors, because they hold management positions in the indirect parent company or in other companies in the control chain.

With reference to the new Board of Directors appointed by the Shareholders' Meeting of 5 February 2019, Andrea Recordati, Chief Executive Officer, and Fritz Squindo, General Manager for the Coordination of Management and CFO, are executive directors, in light of the functions performed by each, as are Javier De Jaime Guijarro, Giampiero Mazza, Cathrin Petty and Søren Vestergaard-Poulsen, because they hold management positions in the indirect parent company or in other companies in the chain of control.

#### **4.6 INDEPENDENT DIRECTORS**

With reference to the Board of Directors in office from 1 January 2018 until 6 December 2018, the Board of Directors of the Company was characterised by a number of independent Directors which constituted the absolute majority of its members (six until 8 May and five following that date), which is a more rigorous approach than that required by the TUF and the CG Code itself, even for issuers included in the FTSE-Mib index.

The procedure followed by the Board for verifying independence involves satisfaction of the requirement being declared by directors when they submit their candidatures and also when they accept their appointments. The Board ascertains that satisfaction in the first meeting subsequent to the appointment and discloses the results to the market.

Subsequently, and without prejudice to independent directors' commitments to promptly communicate to the Board the development of situations which determine failure to satisfy the requirement, the Board requires the directors concerned to annually confirm satisfaction of the requirements, as required by law and by the CG Code. The Board of Directors and the Board of Statutory Auditors then proceed to verify the contents and to verify the correct application of requirements and of the procedure to ascertain them respectively.

In the implementation of the provisions of the Code, the Board of Directors - on 8 February 2018 - confirmed, on the basis of the statements provided by the individuals concerned or of the information however available to the Company, that six Directors, Rosalba Casiraghi, Elisa Corghi, Michaela Castelli, Paolo Fresia, Mario Garraffo and Marco Vitale, fulfilled 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 23 and for that which is specified below.

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 Code 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 Code 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 therefore considered that the requirements of independence were met by the said directors in accordance with the CG Code, confirming its opinion that consideration must be given to substance and not form in an assessment of independence requirements, with account taken also of a widespread orientation among listed companies.

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.

However, on 7 May 2018, as a result of discussions between the Company and CONSOB regarding the existing relationship of collaboration between the Company and Mr Vitale and the assessments made by CONSOB in relation to his independence, other than those carried out by the Company, Mr Vitale sent a statement by which, although dissenting from the position of CONSOB, thus claiming his proven independence, he resigned from his position as Chairman and member of the Control, Risk and CSR Committee to protect the Company from the risk of further problematic discussions.

On 8 May 2018, once the Board of Directors acknowledged CONSOB's position regarding the non-independence of Mr Vitale, and of the statement of the latter, although confirming that it shared the view that Mr Vitale was essentially independent - as always made in the context of the periodic annual assessment in the perspective of the prevalence of the substance on the formal requirements - it resolved to align itself with the assessment carried out by Consob which concluded that Mr Vitale had failed to meet the independence requirements.

Following this assessment, the number of independent directors in the Board fell to five members, in any case in excess of the number recommended by the Corporate Governance Code for issuers belonging to the FTSE-Mib index (at least one third of the board of directors).

Subsequently, in the context of the completion of the corporate changes relating to the shareholding structure of Recordati S.p.A. that took place on 6 December 2018, which has already been disclosed in section 2 concerning Ownership Structure, the independent director Paolo Fresia resigned as a Director and the number of independent directors fell further to four (Michaela Castelli, Elisa Corghi, Rosalba Casiraghi and Mario Garraffo), but still amounted to more than one third of the board of directors.

With reference to the new Board of Directors appointed by the Shareholders' Meeting of 5 February 2019, three directors (Michaela Castelli, Silvia Candini and Joanna Le Couilliard) stated, when presenting the slates, that they meet the independence requirements established by art. 148, paragraph 3, of the TUF and by the Code of Corporate Governance, and the Board, on the same date, not having identified that the Company, on the basis of the information available, found itself in opposite situations, confirmed that said requirements for the same directors were met.

The independent Directors, on the occasion and before the beginning of the meetings of the Board of Directors, have from time to time verified the absence of specific problems that would be relevant in the context of their role as independent Directors.

During the 2018 financial year, the independent directors met on one occasion in March and then subsequently on several occasions for the purpose of issuing the opinion pursuant to art. 39-bis of the Consob Issuers' Regulation in the context of the mandatory takeover bid, which has already been pointed out in the Introduction (released on 19 December 2018) without the other directors, also on the initiative of the Lead Independent Director.

#### **4.7 LEAD INDEPENDENT DIRECTOR**

Currently, a lead independent director has not been appointed, and there have been no requests for such an appointment from the independent directors.

Previously, during the 2018 financial year and until 5 May 2018, the Board had designated as lead independent director the independent Director Mr Vitale, to which the independent Directors refer, for a better contribution to the activity and functioning of the Board, given the significant number of independent directors.

Following what has already been indicated in the previous paragraph regarding the Board's assessment of the independence of Mr Vitale, the Board had not deemed necessary to proceed with a new appointment.

On 9 July 2018, the independent Directors reported to the Board the need to appoint a lead independent director who could coordinate the activities of the independent directors for the purpose of issuing the opinion pursuant to art. 39-bis of the Consob Issuers' Regulation in the context of the mandatory takeover bid, already pointed out in the introduction (released on 19 December 2018). The Board, in accepting said request, appointed Mario Garraffo lead independent director, giving him the right to call, on his own initiative or at the request of other independent and/or non-executive Directors, specific meetings of independent or non-executive Directors only, to discuss issues of interest with respect to the obligations with reference to the aforementioned mandatory takeover bid and more generally with respect to the functioning of the Board or the company management.

As mentioned above, the Lead Independent Director has convened several meetings of only independent directors: in addition to a meeting in March and then subsequently on several occasions for the purpose of issuing the opinion pursuant to art. 39-bis of the Consob Issuers' Regulation in the context of the mandatory takeover bid, already pointed out in the Introduction (released on 19 December 2018).



## 5. CONFIDENTIALITY OF CORPORATE INFORMATION

The Company has adopted a procedure that regulates the internal management and external communication of information relating to the Company, with particular reference to Important and Inside Information, in order to prevent its improper circulation and disclosure both inside and outside the Company, in compliance with current EU and national regulations regarding market abuse: "**Procedure for the internal management of Relevant Information and Inside Information and disclosure to the public of Inside Information**" (in brief, the "Procedure for Relevant Information and Inside Information").

The Procedure is a fundamental component of the internal control and risk management system of the Company and the Group, as well as an integral part of the overall system of prevention of offenses pursuant to Legislative Decree no. 231/2001.

Over time, the Company has adopted a specific procedure for the management of corporate information and the version currently in force was last revised in the course of 2018, as an update of the company procedures in the field of market abuse, which had been previously and significantly amended in 2016 following the entry into force of Regulation (EU) no. 596/2014 containing the regulation of market abuse, for the purpose of adapting them to the rules and regulations subsequently issued both at the national and at the Community level and, in particular, to the Guidelines issued by Consob on that subject in October 2017.

The rules of conduct established by the Procedure for Relevant Information and Inside Information are designed at implementing the necessary organisational controls for the following: proper management of information flows, guaranteeing the maximum confidentiality information that is Inside Information or otherwise likely to become so (Relevant Information), balancing the interest in the confidentiality of information in the course of its progressive formation and the obligation of the related disclosure in a non-selective form, protecting investors and the integrity of the market, since they are aimed at preventing the carrying out of transactions detrimental to their interests through the exploitation of information asymmetries, or the alteration of market variables, through the dissemination of untrue or misleading information; to reduce the risk of crimes or administrative offenses relating to market abuse; protecting the Company against any liability that may arise for the unlawful acts committed by parties that can be referable to the same; defining the processes for identifying and managing the Relevant Information; defining the processes for identifying and managing the Inside Information; defining the processes of communication to the public and to Consob of Inside Information.

The members of the administrative, management and control bodies of the Company and the employees and collaborators of the Company and of its Subsidiaries who have access for any reason to Important or Inside Information are required to comply with this procedure.

The Procedure for Relevant Information and Inside Information identifies the Chief Executive Officer as the person responsible for the public disclosure process of inside information concerning the Company also in relation to the decision to begin the procedure of any delay in communication to the market. The Chief Executive Officer has therefore been identified as holding the Inside Information Management Function (so-called "*IIMF*") pursuant to the 2017 Consob guidelines or as a function responsible for the management of inside information. For the carrying out of his activities, the Chief Executive Officer, as holder of the IIMF, avails himself

of the technical consultancy support of an "info room" (always in line with the 2017 Consob guidelines) of which the General Manager for the coordination of management and CFO, the Director of Legal and Corporate Affairs and the Director of Investor Relations & Corporate Communication, are permanent members as well as, when needed, additional members of management concerned from time to time with specific information.

During 2018, the Board also approved the update of the "**Procedure for keeping and managing the list of persons who have access to relevant information and the list of persons having access to inside information**" which is aimed at regulating the methods of maintaining and regularly updating the List of persons who have access to inside information (hereinafter referred to as "**Insider List**") which is necessary for the Issuer to maintain pursuant to the legislation in force, and the List of persons having access to relevant information (hereinafter "**Relevant Information List**" or, in brief, "**RIL**") in implementation of the Procedure for Relevant Information and Inside Information, in compliance with the applicable Community and national legislation and regulations on the prevention and repression of market abuses, also taking into account the guidelines issued by ESMA and CONSOB. In particular, for the purposes of applying the Procedure for Relevant Information and Inside Information, the Company takes into account the interpretative and applicative indications contained in the Consob Guidelines.

In particular, the Company has, on a voluntary basis, proceeded to establish a list of persons who have access, in the performance of their duties, to Relevant Information, in compliance with the provisions of the Consob Guidelines. This list is aimed at ensuring the traceability of persons who have access to Relevant Information with a view to a more effective monitoring of corporate information also for the purpose of fulfilling the obligations of communication to the market of Inside Information and the prevention and repression of market abuses.

The Insider List, on the other hand, contains registered persons who have access, in the performance of their duties, to Inside Information and, in compliance with Community legislation, the Procedure provides that the Insider List also has a section of registrants in which to register subjects who are permanently aware of all the inside information and a section where registration is required for each event.

Also in the course of 2018 and always as an update of the company procedures on market abuse, the Board of Directors approved the update of its "**Internal Dealing Procedure**" which already envisaged, starting from 2016, the forecast of so-called **black-out periods** namely specific periods of the year - in the period from the thirtieth day before the Board of Directors called to approve an interim or year-end financial report that the Company is required to make public according to the rules of the registered office of trading in which the shares are admitted to trade or national law and until the disclosure to the public of the related information - in which there is an obligation to abstain from carrying out transactions on financial instruments issued by the Company and listed on regulated markets. During the audit, the Board confirmed that it did not apply the black-out periods to the publication process of the quarterly reports.

On the basis of the organisational structure of the Issuer, no new persons significant for the application of the regulations were identified in 2018.



## 6. INTERNAL COMMITTEES OF THE BOARD

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

## 7. APPOINTMENTS COMMITTEE

For some time, and most recently following the appointment of the new Board of Directors on 5 February 2019, the Board did not consider it necessary to form an Appointments Committee,<sup>16</sup> 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 due to the presence of a shareholder who holds legal control of the Company, also following the transfer by the Recordati family to a consortium of funds controlled by CVC (and therefore in consideration of the narrow shareholder base) 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.

In this respect, at the end of 2018, the outgoing Board of Directors with the Shareholders' Meeting of 5 February 2019, taking into account the results of the Board self-assessment process completed at the beginning of the 2018 financial year and the recommendations of the Corporate Governance Code, also following the amendments introduced in July 2018, sent to the Shareholders some guidelines in relation to the appointment of the new Board of Directors in the Directors' Report on the only item on the agenda of the Shareholders' Meeting, concerning the appointment of the new administrative body:

*In particular, the outgoing Board of Directors "having regard to the consolidated rules of corporate governance according to which the number of members of the board must be adequate to the size and complexity of the organisational structure of the Company and having regard to the positive operating dynamics of the management body registered in the last three years" expressed guidelines pursuant to which "at the time of formulating the proposals to the Shareholders' Meeting, the Shareholders should ensure that the number of directors to be elected for the 2019-2021 three-year period be between nine and twelve and so that the new composition, as already recommended by the same Code and in continuity with the past, adequately represent, in relation to the activity carried out by the Company, the different components (executive, non-executive, independent) and the professional and managerial skills and experience necessary for good business management, also taking into account the international dimension of Recordati".<sup>17</sup>*

The controlling shareholder has accepted these guidelines.

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<sup>16</sup> Even if from the December 2011 edition onwards, the Corporate Governance Code recommends the creation of such a committee (Principle 5.P.1).

<sup>17</sup> The Directors' report on the only item on the agenda of the shareholders' meeting of 5 February 2019 can be consulted at [www.recordati.it](http://www.recordati.it) (section: Investors/Shareholders' Meetings/2019).

## **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. CONTROL, RISK AND CSR (Corporate Social Responsibility) COMMITTEE**

As at the date of this report, the Control, Risk and CSR Committee is composed of the following non-executive and independent Directors: Michaela Castelli, Chairman, Silvia Candini and Joanna Le Couilliard.

Previously, from 1 January 2018 to 7 May 2018, the Control, Risk and CSR Committee was made up of the following non-executive and independent Directors (see, in this regard, section 4.6 concerning independent directors): Marco Vitale, Chairman, Michaela Castelli and Elisa Corghi.

Following the assessment concerning the non-fulfilment of the independence criteria by Mr Vitale on 8 May 2018 and the resignation by the Chairman and member of the Control, Risk and CSR Committee from the latter, the Board appointed a new Chairman to the Committee, Michaela Castelli, and new member of the same, Rosalba Casiraghi. This composition remained unchanged until the Shareholders' Meeting held on 5 February 2019 which appointed the new Board of Directors.

The Board which met on the same date resolved to set up the Control, Risk and CSR Committee, confirming previously assigned functions and competencies (including sustainability supervision) and appointing, as mentioned above, the following non-executive and independent Directors as above, Michaela Castelli, Chairman, Silvia Candini and Joanna Le Couilliard.

The Committee met five times during the year (sessions lasted around 1 hour). The Committee met three times 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.

The Board determined that all members have adequate experience in accounting and finance or risk management 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 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 and consultants who provided support to the Company on specific projects examined by the Committee.

The Legal and Corporate Affairs Department attended to take minutes of meetings.

#### **Duties assigned to the Control, Risk and CSR Committee**

The Control, Risk and CSR Committee performs consultation functions and provides proposals to the Board of Directors. Through appropriate investigation and evaluation in its designated areas, it supports the Board with regard to the internal control and risk management system and on sustainability issues (intended as the processes, initiatives and activities carried out to oversee the Company's commitment to sustainable development along the value chain), as well as with regard to the approval of periodic financial reports. More specifically, it expresses opinions on the following:

- a) 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 and with a view to sustainability in the medium to long-term;
- 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 Control, Risk and CSR 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 riskmanagement 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 12<sup>th</sup> 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;
- monitors sustainability issues connected to business activities and to the dynamics of interactions with all stakeholders;
- examines sustainability plan guidelines and how to implement sustainability policies;
- examines the overall layout of the sustainability report and how the report's contents are presented, as well as the completeness and transparency of information provided in it;
- expresses, upon request by the Board, an opinion on sustainability issues.

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

- it examined the periodic reports by the Supervisory Committee as per Legislative Decree 231/2001 and by the Group Audit Officer along with the results of audits conducted by the Audit Department;
- it examined the proposed Audit Plan for 2018;
- it acknowledged the Supervisory Committee's action plan for 2018;
- 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 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 section of the Corporate Governance Report for the 2017 financial year concerning the internal control and risk management system;
  - it examined the organisational structure of the Group Audit function;
  - it examined the actions implemented by the Company with the aim of providing non-financial information, as required under Legislative Decree No. 254/2016 concerning the 2018 financial year as well as the relevant documentation, including the analysis of materiality giving a favourable opinion;
  - it examined, in preparation for the examination and approval of the board, the updating of the company procedures in the field of market abuse in order to adapt them to the legislation and regulations issued after the previous 2016 revision both at the national and at Community level and, in particular, to the Guidelines issued by Consob on the subject in October 2017. In fact, as already specified, these procedures are a fundamental component of the internal control and risk management system of the Company and of the Group, as well as an integral part of the overall system of prevention of offenses pursuant to Legislative Decree no. 231/2001;
  - in its capacity as the Committee for Related-Party Transactions, it examined a proposal to opt for consolidated tax treatment as per Article 117 of Presidential Decree No. 917/1986 (i.e., for the consolidation for fiscal purposes of Recordati S.p.A. and Fimei S.p.A. from 2019 to 2021);
  - it also 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 2017 Annual Report and the 2018 half yearly interim financial report;
    - ✓ the programme of work prepared by Chief of Group Audit for 2019;
  - it reported to the Board twice on its activities, at the time of approval of the 2017 Annual Report and the 2018 half yearly interim financial report; the Chairman of the Committee in any case informed the Board of Directors at the first subsequent meeting of the decisions taken regarding the matters for which it is competent;
  - in its capacity as the Committee for Related-Party Transactions, it carried out the three-year periodic review of the Related Party Transactions Procedure, not recognising the need to propose substantial changes to the Board;

During the 2018 financial year - in consideration of the events that interested the life of the Company in relation to the transfer of the controlling interest by the Recordati family to the investment funds consortium controlled by CVC Capital Partners, the resignation on 6 December 2018 of the majority of the members of the Board of Directors taking effect from the subsequent renewal of the Board of Directors on 5 February 2019 – the examination of the ‘Risk Catalogue’ for the 2018 financial year (updating with respect to that examined for the 2017 financial year) and the consequent assessment of the compatibility of the level and nature of the risks as identified by the Group Risk Catalogue presented to the Board with the strategic objectives of the Group referred to in the 2017-2019 Three Year Plan, also with a view to promoting mid- to long-term sustainability of the Company's activity, have been postponed to 2019. Said examination and assessment took place with positive opinion in the meeting of 25th February 2019.

Meetings of the Committee were properly minuted.

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

The Board of Directors approved a specific budget for the Control, Risk and CSR Committee for 2018 in order to provide it with adequate financial resources for the performance of its duties.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Internal Control and Risk Management System, which is based on the Enterprise Risk Management (ERM) approach, consists of a structured process of risk management in line with international best practice and in accordance with the primary requirements of applicable laws and regulations. The goal of the Internal Control and Risk Management System is to guide activities in line with company objectives while promoting informed decisions and ensuring the efficiency and efficacy of internal processes and the reliability of financial information. The principles underlying the Company's risk management processes are based on the Borsa Italiana Corporate Governance Code.

A catalogue of company risks within the Internal Control and Risk Management System makes it possible to measure and control the exposure of all companies of the Group to the various risk factors, as well as to manage overall exposure and implement controls and procedures that are able to reveal anomalous situations. The main risk factors to which the Group is exposed may be related to the external context, strategic and operational risks (including in relation to research and development, environment risks, health and safety risks, and pharmacovigilance risks), financial risks, and legal and compliance risks.<sup>18</sup>

The Group periodically reassesses the Catalogue of Risks throughout the year, including by way of a bottom-up approach to the critical assessment of risks, in conjunction with significant company events, such as the definition of the budget, the revision of organisation charts, and other events that could have an impact on the Company's risks.

As already mentioned under section 4.3, during the 2018 financial year - in consideration of the events that interested the life of the Company in relation to the transfer of the controlling interest by the Recordati family to the investment funds consortium controlled by CVC Capital Partners, the resignation on 6 December 2018 of the majority of the members of the Board of Directors taking effect from the subsequent renewal of the Board of Directors on 5 February 2019 – the examination of the 'Risk Catalogue' for the 2018 financial year, updating with respect to that examined for the 2017 financial year and the consequent assessment of the compatibility of the level and nature of the risks as identified by the Group Risk Catalogue presented to the Board (with the strategic objectives of the Group referred to in the 2017-2019 Three Year Plan) had been postponed to the Board of Director's meeting which took place at the date of this Report, it being understood that the potential exposure to company risks is constantly monitored also through the measures adopted by management to prevent, monitor and control these risks.

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<sup>18</sup> For more information, see the section "Main Risks and Uncertainties" of the 2017 Consolidated Financial Statements of the Recordati Group.



In this regard, please note that the Group has developed - also with the support of the consulting firm Deloitte S.p.A. - its own model of mapping, management and control of the risks of the Company and the Group, which is kept constantly updated, in order to better identify the risks associated with the achievement of the strategic objectives of the Three Year Plan in force, also with a view to promoting mid- to long-term sustainability and, in general, in order to identify and manage the main internal and external risks of the Group in the most efficient way.

In principle, the updating of risk mapping is reviewed annually by the Board of Directors, at the meeting at which it approves the budget for the subsequent financial year.

On 28 February 2019, the Board examined the "Risk Catalogue" for the 2018 financial year, updating with respect to the 2017 financial year and assessed that the level and nature of the risks as identified by the Group Risk Catalogue, presented to the Board, also including in its assessment the risks that may be relevant with a view to mid- to long-term sustainability of the Company's activity, are compatible with the Group's strategic objectives as per the 2017-2019 Three Year Plan, it being understood that the process of updating and revising the mapping brought to the Board's examination will proceed in coherence with the definition of the new industrial plan that will be examined by the Board in the coming months.

Furthermore, in a meeting held on 15 March 2018, with the opinion in favour of the Control, Risk and CSR Committee, the Board considered that the 2018 guidelines for the internal control and risk management system of the Company and the Recordati Group, approved the previous year (except for some changes made for compliance concerning sustainability competencies regarding the Control, Risk and CSR Committee) 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 System also makes it possible to identify, measure, manage, and monitor the main risks in order to improve the efficiency and efficacy of company processes, to protect the value of company assets, to ensure the reliability and integrity of accounting and operational information, and to ensure that operations comply with all applicable laws and regulations.

The internal control and risk management System permeates the whole Company, involving a variety of staff with specific roles and responsibilities. The Company has had special whistle blowing channels of reporting in place for some time as part of its organisational models pursuant to Legislative Decree No. 231/2001 (administrative liability) and the Group's anti-bribery system.<sup>19</sup> In the course of 2018, these whistle blowing channels were strengthened with the introduction of additional communication tools: a new procedure was implemented in the French branches of the group and new reporting channels were introduced in

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<sup>19</sup> *Corporate Governance Code, comment on Art. 7: "The Committee considers that at least in companies belonging to the FSTE – Mib index, an adequate internal control and risk management system must possess an internal system for employees to report any irregularities or violations of the applicable legislation and regulations and internal procedures ("whistle blowing"), in line with existing best practices nationally and internationally, which guarantee the existence of a dedicated and reserved channel for reporting these as well as the anonymity of the reporter".*



compliance with new local legislation (Loi Sapin 2) and in the Italian branches, already in compliance with Law 179/2017, containing "Provisions to protect people reporting crimes or irregularities they became aware of within their public or private employment" (so-called "Whistleblowing Law") some improvements are under way on reporting systems.

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 Control, Risk and CSR 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 mechanisms described above are monitored by management, by the functions and bodies of management and control (i.e. the Board of Directors; the Control, Risk and CSR Committee; the Board of Statutory Auditors; the executive director responsible for overseeing the internal control system; and the Supervisory Body) and involve all personnel of the Recordati Group. The Group's Auditing function also conducts the independent audits called for under the annual audit plan. The results of these audits are reported to the Chairman and Chief Executive Officer, the executive director responsible for the internal control and risk management system, and to company management, as well as periodically to the Board of Statutory Auditors, the Control, Risk and CSR Committee, and the Board of Directors.

#### 11.a) Principal characteristics of the risk and internal control 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.

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 and the procedures for co-ordination between the parties involved.

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

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 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 attached 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 to one another and are subject to continuous update and periodic assessment.

More specifically, administrative and accounting risk assessment is a continuous process of identifying and assessing risks attached 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, the function responsible for the process shall 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 Control, Risk and CSR 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.

The Board of Statutory Auditors is also called upon to perform the functions assigned by the current regulations to the **Committee for internal control and accounting audit** ("CICAA"), established by Legislative Decree 39/2010 (so-called "consolidated law on statutory audits"), implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, and therefore oversees the financial information process, on the effectiveness of the internal control, internal audit and risk management systems, the revision of the annual accounts and consolidated accounts, and the independence of the auditing company. 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**

On 5 February 2019 (and previously on 11 April 2017), the Board of Directors confirmed the appointment of Dr Fritz Squindo as Executive Director with responsibility for the internal control system the General Manager for the co-ordination of operations and CFO.

The Director Responsible for supervising the functionality of 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. In detail, he has completed the update of the Recordati Catalogue of Risks for 2018 (again with the assistance of the outside company Deloitte S.p.A.) of which he informed the Control, Risk and CSR Committee and the Board in the course of 2019 (and therefore not in parallel with the presentation of the budget for 2018 as per previous practice) in consideration of the events that interested the life of the Company and mentioned throughout this Report;
- 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 Control, Risk and CSR Committee and to the Chairman of the Board of Statutory Auditors;
- shall report promptly to the Control, Risk and CSR Sustainability 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**

It is 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.

The Group Audit Department, headed by Dr. Giovanni Minora, is not responsible for any operational area whatsoever and reports hierarchically from 20 December 2012 to the Board of Directors; the ordinary management of employment relationships has been assigned to the Chairman, also following the renewal of the Board of Directors on 5 February 2019. Additionally, the Board confirmed the Chief of the Group Audit Function 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 Risk, Control and CSR 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;
- 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;
- to promptly prepare reports on events of particular importance;
- to submit periodic reports to the Board of Statutory Auditors, the Control, Risk and CSR Committee, the Board of Directors, the Director with responsibility for the internal control and risk management system and the CEO;
- as part of the audit plan, to oversee the reliability of IT systems, including those responsible for bookkeeping.

For the purposes of the above the Chief of Auditing has direct access to all information useful for performing his/her duties;

Furthermore, the Chief of Group Audit:

- explains the proposed annual work programme to the Control, Risk and CSR Committee in order to implement any recommendations that the Committee may intend 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 at 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 at the request of the Board of Directors, the

Contro, Risk and CSR 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 2019, the Chief of Group Audit:

- explained the annual work programme and the organisational structure of his function to the Audit, Risk and Sustainability and Risk Committee;
- 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 Control, Risk and CSR 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.

The Board of Directors was informed by the Control, Risk and CSR Committee of the organisational structure of the Group Audit Function and it agreed with the assessment of its adequacy in carrying out the responsibilities assigned to it and drawing up the audit plan approved for 2018.

### **11.3 ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001.**

The Italian companies of the Recordati Group (Recordati S.p.A., Innova Pharma S.p.A., Orphan Europe Italia S.r.l. and Italmichici S.p.A.) have adopted their own model of organisation, management and control as envisaged under Italian Legislative Decree 231/2001 concerning the administrative liability of organisations. More specifically, Recordati, the Group Parent, adopted its model in 2003, with the latest update in 2017, and the subsidiaries Innova Pharma Orphan Europe Italy updated their Model in July 2018. In addition, in 2018, the company Italmichici S.p.A., acquired by Recordati in June 2016, also adopted its own Organisational model. In 2018, a plan was drawn up for the implementation and adoption of an Organisational Model pursuant to Legislative Decree 231/2001 also for the company Natural Point S.r.l., acquired by Recordati in June 2018. Natural Point is expected to adopt its Organisational Model pursuant to the aforementioned decree by the first half of 2019.

In accordance with Confindustria guidelines, the organisational models of the Italian companies of the Recordati Group are dynamic, effective mechanisms as a result of constant monitoring and updating by the Supervisory Bodies. The organisational models call for specific, confidential channels for the reporting of violations or other anomalies by employees and periodic personnel training on the content of Decree 231/2001 and of the organisational model. The Supervisory Bodies, which have been appointed within the Group's Italian companies, are



boards comprising of the Chief of the Internal Audit unit and outside experts. Each Supervisory Body has its own internal regulations and operate in accordance with a specific programme. The Supervisory Bodies also periodically report to the boards of directors and of statutory auditors (where applicable).

For the subsidiaries 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 or are being implemented, where considered necessary based on local laws and regulations.

In particular, on 14 March 2018 Spanish subsidiary Casen Recordati adopted a Management and Control Organisational Model in compliance with Ley Organica 2015/1 of 30 March 2015 which introduced in the Spanish criminal code some relevant changes concerning the criminal liability of legal persons. This law, in relation to the conditions for the exemption from administrative liability for legal persons, borrowed the legislative structure envisaged in Italy by Legislative Decree 231/01. The model adopted by the Spanish subsidiary therefore has a similar approach to the 231 Models adopted by the Italian companies of the Group. Also, in the Spanish subsidiary, a collective Supervisory Body has been appointed and is operative, as required by best practices. In 2018, the Supervisory Body of the Spanish subsidiary adopted its own operating regulations, prepared a plan of activities and verifications and provided training sessions on the themes of the Model (including, in particular, those concerning anti-corruption) to all staff of the subsidiary.

In 2012, the Board of Directors, assisted by the then Risk, Control and CSR Committee, had 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 Models adopted by the Group's Italian companies, pursuant to Legislative Decree 231/2001, are constantly monitored by the Supervisory Bodies in charge. The Models are subject to constant updating both for the introduction or updating of the regulations of interest and for organisational changes or internal processes. The updates concern the General part of the Model, with adjustments to risk mapping, the disciplinary system and other general elements and the Special part of the Model, made up of behavioural protocols.

The Models consist 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 offences being committed in the areas identified in the map.

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/](http://www.recordati.it/en/corporate_governance/compliance_programmes/)

## 11.4 CODE OF ETHICS

Approved by Recordati S.p.A. in 2002 and constantly updated and supplemented, the Code of Ethics is a clear embodiment of the Company's values, including: protection of the individual; fairness and equality; ethical conduct and compliance with the law; loyalty; the confidentiality of information; respect of the interests of all stakeholders; professionalism; and the protection of health and the environment.

The Code of Ethics is normally adopted by all the companies of the Recordati Group.

By way of the Code of Ethics, the Group undertakes to ensure equal employment opportunities without discrimination, to lead the way in the protection of the environment and of individual health, to promote and protect the health of our employees, and to provide technical and career training for them.

In conducting operations, the Group ensures that there is a constant balance between the pursuit of profit and the observance of the law and of ethics, while taking account of corporate social responsibility and the need to prevent the risk of violations of the law.

The Code of Ethics establishes the rights, duties and responsibilities of all those who work for Recordati in whatever capacity and represents a point of reference in regulating the various activities of all companies of the Group. The conduct specified in the Code of Ethics concerns a range of areas within the organisation. The rules of conduct established in the Code of Conduct include: the need to avoid conflicts of interest; the prohibition of corruption, unlawful favouritism, and collusion; responsibilities in the use and protection of company information; and relations with government, political organisations, trade unions, and the media.

The Code of Ethics, which has been or is being adopted by all companies of the Group, is an integral part of the model of management, organisation and control pursuant to Legislative Decree 231/2001 for Italian companies and is one of the cornerstones of the model itself.

Observance of the Code of Ethics is not only required of directors, management, employees, and all who work within the Group, but is also an integral part of the obligations of trading partners and other third parties, such as vendors, consultants, agents, partners, and whoever has relations with the companies of the Recordati Group.

Distribution and dissemination of the Code of Ethics is handled directly by the Parent Company for the Italian companies of the Group. All employees are provided with a copy of the Code of Ethics, and it is also available on the Company's website. In 2018, a new distribution of the Code was made to 1325 employees of companies of the Group.

The current version of the Recordati Group's Code of Ethics will be subject to a general review in the course of 2019. Subject to all the principles already present in the Code, the document will be reviewed with a view to greater legibility and usability and will be updated with further behavioural guidelines.

### **The Recordati Group's Anti-Bribery Model**

Because of our international reach, the Recordati Group is present in a diverse range of social, cultural, economic and political contexts and is responsible for acting in accordance with applicable laws based on an awareness that any act of corruption would compromise the integrity

of the business would jeopardise the organisation and would expose the company to legal and financial risks and risks to the company image.

The Group is firmly committed to conducting business transparently, honestly and ethically in every nation in which we operate, and we reject all forms of corruption, aware of the potential risks deriving from numerous relations with government that are typical of the industry in which the Group operates.

To that end, since 2009, the Group has been conducting an assessment of the status of internal mechanisms in accordance with the main international and supranational anti-bribery laws and regulations in the countries in which we have branches.

The Group's anti-bribery programme involves the employees of both the Parent Company and of the various branches and is made up of four stages:

1. assessment of local and supranational legislation;
2. assessment of the local systems, procedures and models to protect against corruption;
3. analysis of inherent risks and of existing mechanisms for identifying residual risks;
4. definition and release of the Group's Anti-Bribery Model.

Based on the documentation and information gathered, 13 areas of the organisation potentially exposed to a risk of corruption were identified, and the principles of conduct to avoid corruption have been defined for these areas. Based on this analysis, an Anti-Bribery Manual for the Group has been implemented.

The 13 areas most exposed to the potential for corruption risk are the following: Research and Development; Production; relations with doctors and healthcare organisations; regulatory activities; transactions with government; consulting; medicine samples; courses and conferences; promotional material; donations; financial transactions; Human Resources; and relations with politicians and political organisations.

The Manual was distributed to Recordati's subsidiaries in Spain, France, Russia, Turkey, Portugal and Germany and is being distributed in the remaining Group subsidiaries.

The current version of the Antibribery Manual is under revision and, in the course of 2019, an updated version of the Manual is expected to be distributed in all Group companies.

The Group's German subsidiary adopted its own Compliance Manual in 2018 aimed at guiding behaviours and regulating activities in relation to the medical profession in accordance with the introduction of articles 299 a/b of the German Criminal Code (corruption of operators in the health sector).

In 2018, the French subsidiaries of the group adopted procedures and systems to comply with national whistle blowing legislation. In the course of 2019, the same subsidiaries will start, with the support of the Group Audit Department, an anti-corruption assessment in reference to the French legislation called "Loi Sapin 2". Although the French subsidiaries are both below the thresholds for the obligations established by the aforementioned law, the Recordati Group intends to check the existing anti-corruption control measures existing in light of the aforementioned legislation.

In order to improve the communication, coordination and auditing of activities between the Parent Company and the Group's various subsidiaries, specific information flows regarding anti-corruption and counter-terrorism were defined in 2018, which will allow them to be managed through dedicated channels managed by the Group Audit Department for the knowledge and management of situations of potential risk. The aforementioned system of information flows will be fully implemented during 2019.

With regard to communication and training on the issues of corruption and the principles defined in the Recordati Group's Code of Ethics, all members of the Recordati S.p.A. Board of Directors were informed of the policies and procedures adopted in 2017. In 2018, anti-bribery training was also provided to a total of 933 employees, of which 292 in Italy and 641 in the Group's branches outside Italy.

### **Other models of control and adoption of national codes of ethics**

The systemic approach of the model of organisation, management and control defined under Legislative Decree 231/2001 may also be found in other models in other areas of the company, such as within the scope of health and safety in the workplace, environmental management, and data protection.

Regarding data management and privacy, the Recordati Group has conformed to the new General Data Protection Regulation (No. 2016/679, hereinafter "GDPR"). The project allowed all the companies of the Group to adopt the measures envisaged by European regulation. More specifically, compliance with the GDPR led to the definition and implementation of a privacy management model with new rules and business processes, both at the group level and at the local level, in Recordati's European subsidiaries. On the organisational front, the most significant change was the appointment of a Data Protection Officer (in the person of the Group Auditing Director) and of a Key Privacy Person in each subsidiary concerned. With regard to the processes and operating rules, a set of Group policies was adopted, from which local procedures already adopted by the various branches derive. Activities that will lead to the adoption of an IT tool that will be used to allow a better and more effective operating activity in application of company procedures are underway and will continue in 2019.

The Recordati Group also adheres to the codes of self-regulation issued by industry associations that oversee activities related to detailing activities. A large portion of the Group's branches has adopted the codes of ethics defined by their local pharmaceutical associations. These codes of conduct are based on the European Federation of Pharmaceutical Industries and Associations (EFPIA) code, which establishes the ethical standards for European pharmaceutical firms for the management of detailing activities and relations with the medical community.

Within the scope of involvement with the industry associations and adoption of their codes of ethics, the branches are taking specific action aimed at maximising transparency in their management of relations with the medical and scientific community. This includes Project Transparency (and publication of the "Transfers of Value" for healthcare organisations and operators) and the certification of detailing procedures. This disclosure is provided by many of the Group's companies, in compliance with legal rules (such as those that apply in France, Portugal and the USA) and with ethical standards (in addition to Italy, Spain, Germany and others).

### **11.5 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 13 April 2011 for the years 2011-2019, as proposed by the Board of Statutory Auditors.

### **11.6 THE FINANCIAL REPORTING OFFICER**

From 3 May 2007 the role of Manager in charge of preparing the accounting and corporate documents is entrusted to Fritz Squindo, General Manager for the coordination of management by the Board of Directors. The Board of Directors appointed on 5 February lastly expressly confirmed this appointment.

Already during the first appointment, 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 manager appointed to prepare the corporate accounting documents 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.

### **11.7 CO-ORDINATION BETWEEN THOSE INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

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 also the procedures for co-ordination between the parties involved

In this respect, the Company encourages meetings between the different roles involved in order to exchange information and to co-ordinate. As already reported, the entire Board of Statutory Auditors in particular is constantly invited to participate in the proceedings of the Control, Risk and CSR Committee and also 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 senior 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.

Finally, the Board of Statutory Auditors meets periodically with the Financial Reporting Officer, the external auditors and the various corporate functions involved in the processes and procedures that must be subject to specific audit by the Board of Statutory Auditors, including those relating to the internal control and risk management system.

### **11.8 REGULATIONS FOR CONTROLLED FOREIGN COMPANIES LOCATED IN NON-EU COUNTRIES**

In relation to the provisions of Art. 15 and Art. 18 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 31 December 2018 the regulatory provisions of Art. 16 of the Markets Regulations have applied to the Turkish subsidiary Recordati İlaç Sanayi Ve Ticaret Anonim İrketi, to the American subsidiary Recordati Rare Diseases Inc and to the Russian subsidiary Rusfic Llc.

With reference to those companies, the Company:

- publicly discloses its financial statements used for preparing consolidated financial statements;
- 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 corporate by-laws of the companies.

### **12. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS**

Subject to the opinion in favour of the Risk, Control and CSR Committee identified as the Committee Responsible pursuant to Art. 4 paragraph 3 of Consob Regulation No. 17221 of 12 March 2010, in a meeting held on 24 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 the “Procedure for significant transactions with related parties or when a Director has an interest in the transaction” adopted in 2008.

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](http://www.recordati.it/en/corporate_governance/related_parties/regulations_for_related-party-transactions)) in force since 1 January 2011, defines the guidelines and the criteria for the identification of related-party transactions and 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 2017, the Board therefore carried out a periodic review of the Related Party Transactions Regulations, three years having passed since it was last updated and, having taken note of the opinion given by the Risk, Control and CSR 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 these Regulations:

- the Risk, Control and CSR Committee (now the Control, Risk and CSR 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 S.p.A. 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) 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.
- Key Management Personnel are those persons defined as such in accordance with the legislation and regulations in force from time to time. At present these are such persons who have power over and responsibility, either directly or indirectly, for the planning, management and control of the activities of the Company, including the Directors (executive and non- executive) of the company itself, full members of the Board of Statutory Auditors, the General Managers, the manager appointed to prepare corporate accounting documents (the “Financial Reporting Officer”) and all those additional persons identified from time to time as such by the Board of Directors, and proposed by the Chief Executive of the Company.



- 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 amounts i.e. transactions for an individual amount of less than €150,000.

The Regulations do not apply to:

- Transactions of Negligible Amounts unless more than one Transaction of Negligible Amounts is performed as part of a single plan, the total value of which exceeding the sum of €150,000;
- 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 counterparties to the transaction are. 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 Consolidated Finance Law 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 at 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 Consolidated Finance Law, 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 purpose of stability issued by the supervisory authority, without prejudice to disclosure obligations under Consob Regulations.

The Company Annual Report may be consulted with regard to transactions with related parties carried out in 2018.

### **13. APPOINTMENT OF STATUTORY AUDITORS**

The appointment of Statutory Auditors is governed by art. 26 of the By-Laws, which is given 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 candidates 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*

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

*The slates submitted shall be deposited at the Company's head offices at least twenty-five days before the date scheduled for the first convocation of the Shareholders' Meeting without prejudice to further disclosure required by regulatory or other provisions in force at the time. Without prejudice to any further procedural duty required by the legislation and also by the regulations currently in force, the following must be deposited together with each slate, within the time limit already mentioned:*

- 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, singly or jointly, a controlling interest or relative majority, attesting to the absence of any forms of association with such shareholders, as provided for by the regulations in force;*
- 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 are 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.*

*Statutory 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 is 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 elected, 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 point of connection, shall be confirmed;*

*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 statutory 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 CONSOB resolution no. 13 of 24 January, 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 legislation on gender balance in corporate bodies (articles 147-*ter* and 148 of the TUF, Art. 144-*undecies* of the Issuers Regulations, as amended by Law No. 120/2011), which apply to the renewal of corporate bodies subsequent to 18 August 2012, the Company made the necessary amendments to the By-Laws on 8 May 2012 in order to comply with the new regulations. Reference may be made in this respect to the text of article 26 reported above in full.

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, it is noted that the Company acknowledged recommendations concerning diversity, including gender diversity, in the composition of the corporate bodies, including the Board of Statutory Auditors, introduced in the Corporate Governance Code in July 2018.

Finally, we report that article 19, paragraph 3 of Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016, requires that members of the committee for internal control and the accounting audit – which for “public interest entities” is the Board of Statutory Auditors – are competent as a whole and also in the sector in which the company operates.

#### **14. STATUTORY AUDITORS (composition and functioning of the Board of Statutory Auditors pursuant to Art. 123-bis, paragraph 2, letters d and d-bis, of the Consolidated Finance Law)**

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 11<sup>th</sup> April 2017 and its term of office will expire at the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2019.

At the Ordinary Shareholders' Meeting of 11 April 2017, two slates for the position of statutory auditor were presented: one by the shareholder FIMEI S.p.A., holder of 108,308,905 ordinary shares equal to 51.791% of the Recordati S.p.A. share capital, and another, following the shareholding required in order to present a minority slate being cut in half, presented by other institutional investors, who collectively held 1,587,431 shares equal to 0.7591% of share capital.

In detail:

The first slate, presented by FIMEI S.p.A., named the following individuals to be members of the Board of Statutory Auditors:

Statutory Auditors

Dr. Marco Nava

Dr. Marco Rigotti

Dr. Livia Amidani Aliberti

Alternate Auditors

Dr. Patrizia Paleologo Oriundi

Dr. Marco Viganò

The second slate presented by the institutional investors named the following individuals to be members of the Board of Statutory Auditors:

Statutory Auditors

Dr. Antonio Santi

Alternate Auditors

Dr. Andrea Balelli

As a result, and in accordance with the mechanism established to ensure female representation on the board, the following individuals were elected:

**Dr. Antonio Santi**

**Statutory Auditor and Chairman**

**Dr. Marco Nava**

**Statutory Auditor**

**Dr. Livia Amidani Aliberti**

**Statutory Auditor**

Dr. Patrizia Paleologo Oriundi

Alternate Auditor

Dr. Andrea Balelli

Alternate Auditor



The voting share capital represented 78.595% % of the share capital with voting rights of the Issuer. A total of 117,279,915 shares were in favour of slate no. 1 (56.081% of the share capital with voting rights). A total of 46,973,778 shares were in favour of slate no. 2 (22.462% of the share capital with voting rights).

The composition of the Board of Statutory Auditors complies with the criteria indicated in the applicable provisions on balance between genders and therefore at least one third of the actual and alternate members are members of the less represented gender.

Curricula vitae providing information on the personal and professional characteristics of each candidate were attached to the slates presented by FIMEI and by institutional investors, accompanied by a list 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](http://www.recordati.it) (in the section Investor Relations, Shareholders' Meetings, financial year 2017).

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

TABLE OF THE COMPOSITION AND STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AS AT 31 DECEMBER 2018 AND CURRENTLY IN OFFICE										
Office	Members	Year first appointed	Year of birth	In office since	In office until	Slate (M/m) *	Indep. as per CG Code	Indep. as per TUF	(%) **	Number of other offices in other listed companies
Chairman	ANTONIO SANTI	2017	1977	11.4.2017	Approval of 2019 financial statements	m	X	X	8/8	1
Statutory Auditor	LIVIA AMIDANI ALIBERTI	2014	1961	11.4.2017	Approval of 2019 financial statements	M	X	X	8/8	2
Statutory Auditor	MARCO NAVA	2008	1960	11.4.2017	Approval of 2019 financial statements	M	X	X	8/8	0
Alternate Auditor	PATRIZIA PALEOLOGO ORIUNDI	2014	1957	11.4.2017	Approval of 2019 financial statements	M	X	X	N/A	2
Alternate Auditor	ANDREA BALELLI	2017	1975	11.4.2017	Approval of 2019 financial statements	m	X	X	N/A	1

\* 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.

<b>QUORUM REQUIRED FOR THE PRESENTATION OF SLATES WHEN DIRECTORS WERE LAST APPOINTED: 1%</b>
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<b>Number of meetings held during 2018: 8</b>
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Statutory auditors' fees are set by a Shareholders' Meeting when they are appointed.

The fees for the Board of Statutory Auditors in office were set by a Shareholders' Meeting held on 11 April 2017, at the same amounts as previously set, with an annual fee of €50,000 for the Chairman of the Board of Statutory Auditors and of €35,000 for each Statutory Auditor, gross of withholding tax.

Details of the fees earned in 2018 are nevertheless given in detail in the Remuneration Report.

During the Year the Board of Statutory Auditors met 8 times, with meetings lasting approximately 2 hours and 15 minutes on average.

As regards the current year, 7 meetings are scheduled and the Board of Statutory Auditors has already met three times in 2019. The percentage attendance of Auditors in these meetings in 2018 is shown in the table above.

In application of Art. 144-novies of the Issuers' Regulations and the Corporate Governance Code, the satisfaction of the requirements mentioned above by members of the Board of Statutory Auditors is assessed by the latter, which submits the results to the board of directors which discloses them, after the appointment, by means of a press release, and subsequently on an annual basis in the corporate governance report.

The Board of Statutory Auditors conducted an internal verification process concerning 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 independence requirements contained in the CG Code. This assessment was repeated, with a positive outcome, on February 7, 2019. The Board of Statutory Auditors noted, in particular, that the requirement of independence of the statutory auditor Dr. Marco Nava continued to be met, despite holding the position for more than nine years, having taken account of the parameters of substance and not of form.

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 31 December 2018 and the draft separate financial statements of Recordati S.p.A. at 31 December 2018.

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.

The Board of Statutory Auditors is also called upon to carry out the duties assigned by the legislation in force to the **Committee for internal control and accounting audit (CICAA)**, set up by Legislative Decree No. 39/2010 (the “Consolidated Statutory Audit Act”), which implements Directive No. 2006/43/EC concerning the statutory audit of annual accounts which entered into force on 7 April 2010, as subsequently amended.

More specifically, the CICAA is required to monitor the efficacy of systems for the internal control of a company’s quality and risk management and, if applicable, internal audit, as far as the financial reporting of the entity subject to audit is concerned, without violating its independence.

Furthermore, from the specific viewpoint of the statutory audit, on the basis of the current article 19 of Legislative Decree No. 39/2010, the duties of the CICAA are as follows:

- to monitor the statutory audit of the annual separate company and consolidated financial reports;
- to report to the management body and the results of the statutory audit and to submit to it the additional report required by article 11 of Regulation No. 537/2014, accompanied by any remarks that there may be;
- to verify and monitor the independence of the statutory auditors or the firm of statutory auditors, especially with regard to the adequacy of non-auditing services provided;
- these activities also include responsibility for the procedure for the selection of the auditing firm as well as the indication of the firm to be appointed in the recommendation (in accordance with the provisions of article 16 of Regulation No. 537/2014).

The Board of Statutory Auditors systematically meets with the head of the main company functions, who provide any additional information requested by the Board.

In May 2018, the Chairman and the Chief Executive Officer organised, as a specific induction session, a visit to the Milan production site for Independent Directors and Statutory Auditors.

During the year, given the experience of the members of the Board of Statutory Auditors in the specific industry segments in which the Company is involved and the information provided to them during the individual meetings of the Board and in the meetings mentioned above, the Chairman did not deem it necessary to organise further specific induction sessions.

It should also be noted that the Board of Statutory Auditors, by participating in the meetings of the Board of Directors, receives periodic updates on operations and on developments within the regulatory and legislative framework.

Information on the criteria and policies on diversity applied in relation to the composition of the auditing bodies in relation to aspects such as age, gender composition and the training and professional path required by art. 123-bis, paragraph 2, letter d-bis, of the TUF, are illustrated in the section of the Report concerning the Board of Directors (Section 4.2.2.).

## 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 28 May 2012 and until 14 January 2018 used the SDIR – NIS network managed by Blt 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 15 January 2018, for the transmission of regulatory information, the Company makes use of the dissemination system “1Info SDIR” at [www.1info.it](http://www.1info.it), which is managed by Computershare S.p.A. based in Milan (Via L. Mascheroni 19) and has been authorised by CONSOB with Resolution no. 18994 of 30 July 2014;
- ✓ 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](http://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 9 April 2014.

As part of the Company's organisational structure, Marianne Tatschke, the Investor Relations & Corporate Communications Manager, is the person responsible for managing relations with shareholders.

In addition, the tasks of the Group Legal Service and Corporate Affairs Office also include the task of looking after relations with shareholders in general.

The Investor Relations Department of the Company is also responsible for relations with financial analysts who cover the Company and with institutional investors. This department organises periodic conference calls regarding periodic financial information, and the documentation presented for these calls is also made available to the public on the Company's website and by way of the centralised storage system for regulatory information named “1Info” (see [www.1info.it](http://www.1info.it)).

## 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 1 January 2013.

Following amendments made by the Shareholders' Meeting of 13 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 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.

In relation to 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 a single 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 Corporate 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.

In this respect article 127-*ter* of the Consolidated Finance Act, expressly allows 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. Cases where a

reply is not obligatory are then specified: 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 17 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](http://www.recordati.it), in the corporate governance section.

In 2018, the Shareholders met once, on 18 April 2018 on first call with 78.556% of the share capital with voting rights in attendance. At this Shareholders’ Meeting, the Shareholders approved the financial statements for the year ended 31st December 2017 and authorised a new 2018-2022 Stock Option Plan and the purchase and use of treasury shares. The Shareholders’ Meeting also cast a non-binding vote on the first section of the Remuneration Report.

During this Shareholders’ Meeting (at which, in addition to the Chairman, the following members of the Board of Directors were in attendance: Rosalba Casiraghi; Michaela Castelli; Elisa Corghi; Mario Garraffo, chairman of the Remuneration Committee; Andrea Recordati, Vice Chairman and Chief Executive Officer – Fritz Squindo; the full statutory auditors Antonio Santi, Chairman of the Board of Statutory Auditors and Marco Nava, both serving as full statutory auditors; and Livia Amidani Aliberti, statutory auditor), the Chairman of the Board of Directors reported on the activity conducted and planned and answered a number of the Shareholders’ questions. The volume containing a copy of the proposed 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 and who had requested one 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](http://www.recordati.it) in the section: Investors, Shareholders’ Meetings, 2018.

The Remuneration Committee considered that there was no need to report to the Shareholders’ Meeting on how it had carried out its duties, because that information was already contained in the Remuneration Report made available to shareholders before the meeting.

In 2019, as of the date of this report, the Shareholders’ Meeting has already met on 5 February 2019 for the appointment of the new Board of Directors.

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 (in terms of variation of the percentage of control by the majority shareholder, even if the latter has changed according to the previous information contained in the Report) 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.

### **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**

Starting from the end of the Year on 5 February 2019, the new Board of Directors of the Company was appointed. Extensive and detailed information has already been provided in this Report within the sections concerning the Board of Directors.

There were no further changes in the Company's corporate governance structure.

### **19. OBSERVATIONS ON THE LETTER OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE OF 21 DECEMBER 2018**

The recommendations in the letter of the chairman of the Corporate Governance Committee dated 21 December 2018 were brought to the attention, first, of the Chairman of the Board of Directors, the Chief Executive Officer, and the chairman of the Board of Statutory Auditors (to whom the letter was addressed) on 11 January 2019.

On the same date, the letter was also distributed to all other (Italian-speaking) directors and auditors.

Subsequently, after the appointment of the new Board of Directors on 5 February 2018, the letter was distributed to the new Board of Directors, newly appointed (including non-Italian speaking directors, through an English courtesy translation) on 11 February 2019.

As already highlighted in section 4.3.1, unlike previous years, the Board of Directors has agreed not to carry out a self-assessment of the size, composition and functioning of the Board itself and its Committees between the end of 2018 and the beginning of 2019. This is due to the substantial changes that occurred in 2018 in the Recordati control structure and which also affected the composition of the Board of Directors and its governance structure, completed at the Shareholders' Meeting held on 5 February 2019, which appointed the new board of directors. It was therefore not possible to make use of the self-assessment process to discuss the above-mentioned recommendations, since this also concerned an outgoing Board.

However, with reference to the recommendation on pre-meeting information, the Chairman appointed on 5 February 2019 took care, at the same board meeting, to expressly submit to the new Board the assessment on the adequacy of the timing of the pre-meeting information that



previously had been set 3 days in advance of the board meeting (except for the presence of particular situations of urgency or confidentiality). The new Board concurred.

In the process of self-assessment scheduled in 2019, care will be taken to verify that this timing has proven to be adequate during the financial year.

As for the other recommendations - assessments of the independence criteria, board reviews and certain profiles on the clarity and completeness of the remuneration policies such as the strengthening of the link of variable remuneration to parameters linked to long-term objectives and the limitation to single exceptional cases, after an adequate explanation, the possibility of disbursing sums not tied to predetermined parameters (i.e. "ad hoc" bonuses) - the necessity or opportunity of specific interventions for any improvement has not been currently assessed, as the newly appointed Board of Directors has not been able to express its own evaluations due to a limited time span.

Milan, 28 February 2019

for the Board of Directors  
Chief Executive Officer  
Andrea Recordati

## ATTACHMENT 1

### PROFESSIONAL OVERVIEW OF THE DIRECTORS AND STATUTORY AUDITORS

#### DIRECTORS

##### **Flemming Ørnskov**

From 2013 to 8 January 2019, Dr. Flemming Ornskov was Chief Executive Officer at Shire, the global leader in serving patients with rare diseases through the development of best-in-class therapies across a core of rare disease areas including immunology, hematology, genetic diseases, neuroscience, internal medicine and ophthalmics.

Flemming Ornskov has extensive international, strategic and operational experience in the pharmaceutical and biotech sectors, as well as medical expertise as a physician with training in pediatrics.

Prior to joining Shire, he held the positions of Non-Executive Chairman of Evotec and Non-Executive Director of PCI Biotech Holding. From 2010 to 2013, he was Chief Marketing Officer and Global Head, General and Specialty Medicine at Bayer.

Previous leadership roles included Global President, Pharmaceuticals and Over-the Counter (OTC) at Bausch & Lomb; Chairman, President and Chief Executive Officer of LifeCycle Pharma; and President and Chief Executive Officer of Ikaria.

Earlier in his pharmaceutical career, he held roles of increasing responsibility at Merck and Novartis, following a distinguished period working in hospitals and academic medicine.

Flemming Ornskov received his MD from the University of Copenhagen, MBA from INSEAD, and Master of Public Health from Harvard University.

He serves as Co-Chair of The Global Commission to End the Diagnostic Odyssey for Children with a Rare Disease, a multi-disciplinary group of experts led by Shire, Microsoft, and EURORDIS-Rare Diseases Europe, which seeks to address the diagnostic challenges for patients living with a rare disease, particularly for children.

He served previously as a Member of the Dolder Group, an organization of leading biotech and pharmaceutical CEOs dedicated to addressing industry-wide challenges, such as counterfeit medications, anti-microbial resistance, and pandemic preparedness.

Flemming Ornskov currently serves as Non-Executive Director for the Waters Corporation (listed company) and the Swiss-American Chamber of Commerce and works with Takeda Pharmaceuticals Co. under a fixed-term employment agreement that will last until 31 March 2019.

##### **Alfredo Altavilla**

Alfredo Altavilla was Chief Operating Officer Europe, Africa and Middle East (EMEA) of FCA from November 2012 till August 2018. He has also been a member of the Group Executive Council (GEC) and Head of Business Development since September 1, 2011.

He began his career as an assistant at Università Cattolica, Milan.

In 1990, he joined Fiat Auto, where he initially focused on international ventures in the area of strategic planning and product development.

In 1995, he was appointed Head of Fiat Auto China where he set up the first JV in Nanjing and in 1999 head of Asian Operations.

He has been involved in Business Development since 2001, becoming responsible for coordination of the alliance with General Motors and, in 2004, being assigned responsibility for management of all Group alliances.

In September 2004, Mr. Altavilla was appointed Chairman of FGP (Fiat/GM Powertrain JV) and Senior Vice President of Business Development of Fiat Auto.

In July 2005, he became CEO of Turk Otomobil Fabrikasi A.S. (TOFAS) - a 50-50 joint venture between Fiat Auto and Koç Holding listed on the Istanbul stock exchange - while retaining his role as head of Business Development.

In November 2006, he was named Chief Executive Officer of FPT - Fiat Powertrain Technologies. In July 2009, he became a member of the Board of Directors of Chrysler Group LLC (Member of the Audit Committee) and in October 2009 was named Executive Vice President of Business Development for Fiat Group.

From November 2010 to November 2012 he was President and Chief Executive Officer of Iveco. He was also a member of the Fiat Industrial Executive Council (FIEC) from January 2011 to November 2012.

He holds a degree in Economics from Università Cattolica, Milan.

He is a Member of the Board of Actuant Corp. (listed on the NYSE, Member of Audit Committee and Compensation Committee), Tim S.p.A. (listed in Milan and Chairman of the Nomination and Compensation Committee) and Conceria Pasubio 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. In July 2013 he was appointed Chief Operating Officer, being responsible for all the commercial and production activities of the Group and sitting on several boards of directors within the Group. From 16 August 2016 to 5 February 2019, he was appointed as Vice Chairman and CEO of Recordati S.p.A.. Currently, he is CEO of Recordati S.p.A..

**Silvia Elisabetta Candini**

Liceo Classico degree, undergraduate degree in Economics (summa cum laude) at Università Commerciale Luigi Bocconi and Exchange Programme at The Wharton School (MBA) of University of Pennsylvania.

After graduation in 1994, she joins Lehman Brothers London in the Corporate Finance team and, subsequently, in the Origination team, where she works on marketing and structuring of IPOs and convertible bonds. In 1996, she moves to the Debt Origination team at JP Morgan London to cover Italian banks and local authorities as issuers.

From 1998 to 2008 she continues to work at JP Morgan in the fixed income sales & trading department, assuming responsibility for the distribution to Italian institutional clients of “plain vanilla” and structured fixed income products, such as senior and subordinated securities issued by financial institutions (including first subordinated bond issue of Generali), senior and subordinated corporate notes, high yield and emerging markets bonds, securitizations (ABS, MBS and CDOs), Credit Default Swaps, Credit linked Notes. Other relevant structured trades include equity linked notes to traditional funds (Henderson), Hedge Funds (GLG) and Indexes (Itraxx, Eurostock50).

Since 2009, co-founder and managing partner of Studio C&C, providing Family Office and financial advisory services to High Net Worth private clients.

Current roles:

- Independent Director, Member of the Control, Risk and CSR Committee and Member of the Remuneration Committee with Recordati S.p.A.
- Independent Director, Member of the Appointments and Corporate Governance Committee and Member of the Remuneration Committee with Unipol Gruppo S.p.A.

**Michaela Castelli**

She worked in leading Italian law firms dealing with corporate law and financial markets. She consolidated her professional experience in Borsa Italiana S.p.A., where she assisted listed companies with respect to extraordinary transactions, price sensitive information, compliance and corporate governance. She held the position of secretary of the scientific committee that was responsible for updating the listed companies’ Code of Conduct and she was responsible for listing legal department in charge of the admission to listing of shares and other financial instruments, with delegations on sensitive procedures.

She participated in consultation procedures on regulations and on the preparation of company operating procedures for the market management’s company, CONSOB supervised entity.

Expert in the organization, corporate compliance, internal controls, and legislation 231.

Consultant and member of Boards of Directors of listed companies, auditor in boards of statutory auditors and member of numerous supervisory bodies.

Author of professional publications and lecturer in several continuous education courses on corporate law and financial markets; participation in numerous conferences as a speaker.

She currently holds the following positions:

**Board of Directors**

- Chairman of the Board of Directors of Sea S.p.A.
- Chairman of the Board of Directors, member of the Risk and Control Committee, member of the Executive Committee and of the Ethical and Sustainability Committee of Acea S.p.A..
- Member of the Board of Directors, Chairman of the Internal Control Committee of Sea Aeroporti di Milano S.p.A..

- Member of the Board of Directors, Chairman of the Internal Control Committee, Chairman of the Related Parties Transaction Committee and Member of the Remuneration Committee of Istituto Centrale delle Banche Popolari Italiane S.p.A. (Nexi Group).
- Member of the Board of Directors and of the Compensation Committee and Chairman of the Control, Risk and CSR Committee of Recordati S.p.A..
- Member of the Board of Directors, Member of the Remuneration Committee and Internal Control Committee of La Doria S.p.A..
- Member of the Board of Directors, Member of the Remuneration Committee and Related Parties Committee of Stefanel S.p.A..
- Member of the Board of Directors of My Best S.p.A..

#### Board of Statutory Auditors

- Member of the Board of Statutory Auditors of Nuova Sidap S.r.l. (Autogrill S.p.A. Group)
- Member of the Board of Statutory Auditors of Eurtel S.r.l. (Eur S.p.A. Group)
- Member of the Board of Statutory Auditors of Autogrill Italia S.p.A.
- Member of the Board of Statutory Auditors of Autogrill Europe S.p.A.

#### Supervisory Board

- 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 La Doria S.p.A.

#### **Joanna Le Couilliard**

Joanna Susan Le Couilliard has 25 years' healthcare management experience gained in Europe, the United States and Asia.

Much of her career has been in pharmaceuticals at GlaxoSmithKline where, amongst other roles, she headed the U.S. vaccines business and Asia Pacific Pharmaceuticals business and led a program to modernise the commercial model.

She was previously Chief Operating Officer at the BMI group of private hospitals in the U.K. She was Non-Executive Director at Frimley Park NHS Foundation Trust in the UK and at the Duke NUS Medical School in Singapore.

She is a graduate of Cambridge University and a Chartered Accountant.

She is currently a Non-Executive Director at Circassia Pharmaceuticals plc, Cello Health plc and Alliance Pharma plc, all listed on the London Stock Exchange.

#### **Francisco Javier de Jaime Guijarro**

Francisco Javier de Jaime Guijarro graduated in law from Universidad Pontificia de Comillas (Madrid) in 1987 and in 1990 obtained a master in business administration at the University of Houston (USA).

He started his career in 3i Group in 1990 as investment controller at the London office (1990-1991) and after as regional director at the Madrid office (1992-1997).

In September 1997 he joined CVC Capital Partners as co-general director to lead the Spanish market, one of the most important market for CVC. In 2003 he was appointed as managing partner of CVC Capital Partners and since 2008 he took the responsibility to also lead the Italian market.

He is currently a member of the board of directors in the following companies: Baranoa Directorship S.L., Tendam Retail S.A., Tendam Brands S.A., Tendam Fashion S.L.U. , Deoleo S.A.,

Servet Shareholdings S.L., Vitalia Plus SA, Vivaly Inversiones Globales S.L., Rioja Bidco Shareholdings S.L., Naturgy Energy Group, S.A., Promotora de Informaciones S.A., Clara Vision S.A., MEP Retail España S.L.U., Lecta S.A., Sub Lecta S.A., Torraspapel S.A., CVC Capital Partners (Luxembourg) S.à.r.l., CVC Advisers (Luxembourg) S.à.r.l., CVC Investment Advisory Services S.L., CVC Advisers (España) SL. È inoltre amministratore della fondazione Fundacion Humana Spes.

#### **Giampiero Mazza**

Giampiero Mazza graduated *summa cum laude* from Rice University (Houston, Texas, USA) in 1991 with a degree in Economics and in 1996 completed a Master in Business Administration at the Harvard Business School (Boston, Massachusetts, USA).

He started his career as a business strategy advisor in Bain & Company (Dallas, Texas, USA). He joined James D. Wolfensohn Inc (New York, NY, USA), a firm specialized in M&A transactions.

From 2005 to 2010 he was a partner of BC Partners (London, UK), a private equity firm.

In 2010 he joined CVC Capital Partners, a private equity firm, where he is a Partner responsible for the Italian business.

Giampiero Mazza also holds the following positions: (i) director in CVC Advisers (Italia) S.r.l., Doc Generici S.r.l., Conceria Pasubio S.p.A., Sisal Group S.p.A., Sisal S.p.A., Recordati S.p.A. (ii) chairman with delegated powers in Rossini Investimenti S.p.A., and (iii) chairman in FIMEI S.p.A..

#### **Cathrin Petty**

Cathrin Petty holds a Master of Arts in Natural Sciences from New Hall, Cambridge University and a post-graduate Diploma in Management Studies from the Judge Institute, Cambridge.

She started her career at Schrodgers and Schroder Ventures. She has been partner at APAX Partners, and prior to moving to CVC Capital Partners, she was Head of Healthcare EMEA with JP Morgan Chase & Co.

Cathrin Petty also held numerous non-executive positions, including at the NHS (Strategic Health Authority for Greater London), Circassia Pharmaceuticals Ltd, Icon Plc., Qualitest Inc. and Zeneus Pharma Ltd.

Currently, she serves as Partner and Head of European Healthcare at CVC Capital Partners, where she joined in July 2016.

She is currently i) member of the board of directors in the following companies: Theramex HQ UK Limited, IWH UK Investco Limited, IWH UK Finco Limited, IWH UK Holdco Limited, IWH UK Midco Limited, Sphinx Reserve Co., Rossini Holdings S.à r.l., Rossini Investments S.à r.l., Rossini Luxembourg S.à r.l., Rossini S.à r.l., FIMEI S.p.A. and Recordati S.p.A., and ii) director with delegated powers in Rossini Investimenti 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.

**Søren Vestergaard-Poulsen**

Søren Vestergaard-Poulsen holds a Masters Degree in Economics and Business Administration from Copenhagen Business School.

He serves as Managing Partner at CVC Capital Partners, where he joined in 1998. Søren also oversees private equity activities in the Nordic region of Europe. He sits on the board of the CVC Capital Partners advisory business and is a member of the Europe/North America Private Equity Board and the Growth Fund Investment Committee.

Prior to joining CVC, he worked for McKinsey & Co.

He is currently a board member of the following companies: AR Packaging Group AB; Sarcina Holdings S. à r.l.; Sarcina Holdings Jersey Limited; Ahlsell AB (publ); Mholdings S.à r.l.; Kirk Beauty Investments S.A.; Keravel S.à r.l.; NEWS Capital (Luxembourg) S.à.r.l, CVC Advisers (Luxembourg) S.à r.l. and Recordati S.p.A. He is also member of the supervisory board of Douglas GmbH.



## MEMBERS OF THE BOARD OF STATUTORY AUDITORS

### STATUTORY AUDITORS

#### **ANTONIO SANTI**

Graduated in Business Administration - University of Rome “La Sapienza”, with a PhD in Business Administration at University of Rome “Roma 3”.

Registered with the Register of Italian Corporate and Tax Affairs Experts (*Albo dei Dottori Commercialisti*) and with the Register of Certified Auditors (*Registro dei Revisori Contabili*).

He carries out advisory activities with regards to the appraisal of companies and branches -of both the public and private sector-, economic and financial feasibility studies and restructuring plans. During his professional experience he has developed consistent expertise in accounting control and supervision activities carried out by company control subjects.

He is member of the Board of Directors of Enav S.p.A. – listed company, where he carries out the role of president of the CRPC Committee.

He is member of the Board of Statutory Auditors and accounting auditor of companies operating in different sectors; amongst the others he is CONI’s Accounting Auditor, Chairman of the Board of Statutory Auditors of Acea Produzione S.p.A. and member of the Board of Statutory Auditors of Rothschild & Co Wealth Management Italy SIM.

#### **LIVIA AMIDANI ALIBERTI**

Livia Amidani Aliberti graduated in Economics and Commerce at LUISS (Rome, Italy) and holds a Post Graduate Diploma from FT-Pearson (UK). She has recently completed the INSEAD International Corporate Directors programme. She holds FCA - Financial Conduct Authority - status (CF 10, 11); she is a *Dottore Commercialista* (Chartered Accountant) and a member of the Scientific Committee of NedCommunity. She serves as Compliance Officer in FCA regulated entities. 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, area where she authored several publications on gender diversity and directors.

Livia Amidani Aliberti occupies the following positions as corporate director:

- Unicredit Bank Austria A.G., part of the Unicredit Group: independent director, chair of the strategy and nomination committee and the remuneration committee.
- Credito Valtellinese, bank listed on the MTA: independent director, member of the Related Party Transactions Committee.
- Neodecortech S.p.A. (AIM Italy): independent director, chair of the Control, Risk, Remuneration, Nomination and OPC Committee.
- Amnesty International Charitable Trust UK (Company Limited by Guarantee): non- executive director, member of the Finance Risk, Control and CSR Committee.
- Quantyx UK Ltd: compliance officer and AML officer.

#### **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:

1. Director of Nava Viganò Revisori Associati Srl.
2. Sole director of Tazat Srl.
3. Chairman of the Board of Statutory Auditors of Cavenaghi SpA.
4. Chairman of the Board of Statutory Auditors of Dott. G. Cavenaghi SpA.
5. Chairman of the Board of Statutory Auditors of Euclideia SIM SpA.
6. Chairman of the Board of Statutory Auditors of Fratelli Re SpA.
7. Chairman of the Board of Statutory Auditors of Italchimici srl.
8. Chairman of the Board of Statutory Auditors of LCS SpA.
9. Chairman of the Board of Statutory Auditors of Max Moda SpA.
10. Chairman of the Board of Statutory Auditors of RBR Valvole SpA.
11. Chairman of the Board of Statutory Auditors of Synlab Italia srl.
12. Chairman of the Board of Statutory Auditors of ICCS Spa.
13. Chairman of the Board of Statutory Auditors of Data Medica Padova Spa.
14. Chairman of the Board of Statutory Auditors of Natural Point Srl.
15. Chairman of the Board of Statutory Auditors of Innova Pharma Spa.
16. External Auditor Associazione Italiana Medicina Nucleare (AIMN).
17. External Auditor Musixmatch SpA.
18. External Auditor Tensive srl.
19. Statutory Auditor Beaumanoir Italy srl.
20. Statutory Auditor Campo SpA.
21. Statutory Auditor J Colors SpA.
22. Statutory Auditor Junionfin SpA.
23. Statutory Auditor National Instruments Italy srl.
24. Statutory Auditor S.I.S.A. Società Italiana Spalmature ed Affini SpA.
25. Statutory Auditor Yazaki Europe Limited Italia srl.
26. Statutory Auditor Synlab Holding Italy Srl.
27. Statutory Auditors of Recordati SpA.
28. Statutory Auditors of Giuseppe & Fratelli Bonaiti Srl.
29. Statutory Auditors of Motork Italia Srl.
30. Sole Member of Compliance Committee Giuliani SpA.
31. Sole Member of Compliance Committee CM Engineering srl.

## ALTERNATE AUDITORS

### **PATRIZIA PALEOLOGO ORIUNDI**

Born in Milan on January 24<sup>th</sup> 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, Spanish and French.

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

- Chairman of Auditors' of the Associazione "Valore D – Donne al vertice per l'Azienda di Domani";
- Chairman of the Board of Statutory Auditors of Chiara Assicurazioni spa;
- Chairman of the Board of Statutory Auditors of Close up spa;
- Chairman of Auditors' of Consorzio Universitario per l'Ingegneria nelle Assicurazioni;
- Statutory Auditor of Esprinet spa;
- Statutory Auditor of Ge.si.ass scarl;
- External Auditor of Fondazione Antonio e Giannina Grillo Onlus;
- Vice Chairman of the Board of Directors of Fondazione Biscozzi- Rimbaud;
- 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;
- Statutory Auditor of Virgin Active spa;
- Statutory Auditor of Banca Farmafactoring spa.
- Chairman of Auditors' of the Associazione AODV231

### **ANDREA BALELLI**

Graduated cum laude in Economics at La Sapienza University of Rome in 2000. Business Advisor, Certified Public Accountant and Auditor.

He started his professional experience at PricewaterHouseCoopers. He subsequently worked at the Government Printing Office and Mint and Capitalia Service Jv in Rome.

He then moved to Milan working for Archon Group (Goldman Sachs Group) as Vice President of the Corporate Accounting Team.

He is now top management advisor for both public and private companies on strategic, organizational and financial aspects such as M&A advisory (including mergers, acquisitions, spin-offs, liquidations, fairness opinions); corporate valuations; strategic plans; business and debt restructuring; performance measurement and control systems; organizational models pursuant to legislative decree 231 of 2001.

He is member of the Board of Directors and the Board of Statutory Auditors for companies operating in various sectors.

He occupies management and supervisory positions in the following companies:

- Sole Director of Fedaia Spv Srl;
- Sole Director of Gardenia Spv Srl;
- Sole Director of Italian Credit Recycle Srl;
- Sole Director of Restart Spv Srl;
- Sole Director of Rienza Spv Srl;
- Sole Director of Re Vesta Srl;
- Statutory Auditor Airport Cleaning Srl;
- Statutory Auditor of Leonardo Energia Scarl;
- Statutory Auditor of Infoblu SpA;
- Statutory Auditor of Pillarstone Italy SpA;
- Statutory Auditor of Pillarstone Italy Holding SpA;
- Statutory Auditor of PS Reti SpA;
- Chairman of the Board of Statutory Auditors of Salvatore Ferragamo SpA;
- Chairman of Supervisory Body ex D.Lgs 231/2001 of Salvatore Ferragamo SpA;
- Statutory Auditor of Sirti SpA.