

**RECORDATI S.p.A.**

**REPORT ON REMUNERATION**

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

Approved by the Board of Directors  
on 1<sup>st</sup> March 2017

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

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## Introduction

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

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

Section one illustrates the remuneration policy pursued by the Company in 2017 (hereinafter the “Remuneration Policy”) for the following persons:

- i) Members of the Board of Directors of the company, distinguishing between executive and non-executive directors;
- ii) General Managers of the company;
- iii) Other key management personnel of Recordati or of its subsidiaries. The Regulations for Related Party Transactions approved by the Board of Directors of Recordati on 24<sup>th</sup> November 2010 (and further confirmed on 9<sup>th</sup> February 2017) in compliance with Consob regulations on related-party transactions approved with Resolution No. 17221 of 12<sup>th</sup> March 2010 and subsequent amendments (hereinafter the “Related Party Transaction Regulations”) defines key management personnel as those defined as such by the legislation and regulations in force from time to time. At present these are those persons who have power over and responsibility, either directly or indirectly, for the planning, management and control of the activities of the Company, including the Directors (executive and non-executive) of the company itself, full members of the Board of Statutory Auditors, the General Managers, the manager appointed to prepare corporate accounting documents (the “Financial Reporting Officer”) and all those additional persons identified from time to time as such by the Board of Directors, and proposed by the Chief Executive of the Company. For the purposes of this Remuneration Policy, Members of the Board of Statutory Auditors are, however, excluded.

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

The 2017 Remuneration Policy was approved in the final version by the Board of Directors of the Company on 1<sup>st</sup> March 2017 on the basis of a proposal from the Remuneration Committee. It may be updated by the Board of Directors on the basis of a recommendation by the Remuneration Committee, which is responsible for periodic assessment of its appropriateness, overall consistency and concrete application. Section one is then subject to a non-binding vote by the Shareholders’ Meeting called to approve the 2016 Annual Report.

Section two of the Report provides information, with reference to the financial year 2016, on each of the items of which the remuneration of the persons indicated in points i) to iii) above are composed, including the members of the Board of Statutory Auditors. It

also gives details in a special table of the remuneration paid to those persons for any reason and in any form by the Company or its subsidiaries in 2016 and also remuneration not yet paid on the date of the approval of the Report, but relating to the financial year 2016.

Data on stock options granted to those persons in implementation of stock option plans is also reported in another table pursuant to Art. 84 *bis* paragraph 5 of the Issuers' Regulations. Finally another table gives details of shares held in the Company or its subsidiaries by the above persons (and by persons related to them) pursuant to Art. 84-*quater* paragraph 4 of the Issuers' Regulations.

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

**SECTION I**

**2017 REMUNERATION POLICY**

## 2017 Remuneration Policy

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

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

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

The Remuneration Committee is supported by the Head of the Human Resources Department of the Group in the formulation of a proposal on the Remuneration Policy to be submitted to the Board.

While no specific intervention by independent experts occurred in the formulation of the Remuneration Policy, account was taken in its formulation of the salary policies pursued by other companies in the sector as constantly monitored by benchmarking salary surveys and by reports on executive remuneration and corporate governance prepared by leading consulting firms. The Remuneration Policy may be updated if necessary or appropriate by the Board of Directors, on the basis of a recommendation by the Remuneration Committee, which is responsible for periodic assessment of its appropriateness, overall consistency and concrete application, as described in detail below.

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

The Chief Executive Officer, General Manager and Vice Chairman refers to the Remuneration Policy in setting the remuneration of key management personnel.

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

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

### **The Remuneration Committee**

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

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

The current committee was appointed by the Board on 17<sup>th</sup> April 2014 and is composed of *Dr. Mario Garraffo*, Chairman, *Dr.ssa Rosalba Casiraghi* and *Avv. Michaela Castelli*, all non executive, independent directors. The Chairman *Dr. Mario Garraffo* and *Dr.ssa Rosalba Casiraghi* have specific expertise on financial matters.

The functions currently assigned to the Committee are as follows:

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

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

1. committee meetings are chaired by the chairman or, in the event of his/her absence or impediment, by the most senior member of the committee in terms of length of service on the Board of Directors, or in the case of equal length of service, the most senior by age;
2. responsibility for preparing minutes of meetings lies with the chairman, who shall appoint a secretary from time to time, who may also not be a member of the committee and who is called upon to minute the meeting;
3. the committee shall meet, having been convened by notice in writing which indicates the place, day and time and agenda of the meeting to be given by the chairman of the committee (or in the event of his absence or impediment by the most senior member of the committee in terms of length of service on the Board of Directors, or in the case of equal length of service, the most senior by age) at least two days prior to the date set for the meeting to be held either at the registered offices of the Company or elsewhere in Italy, as indicated in the notice to convene the meeting;
4. remote participation in meetings of the committee is also admissible by means of appropriate audio-video, teleconference or telephone links, on condition that all participants can be identified and that they are able to speak and at the same time examine the agenda and the related documents and pass resolutions on them. In these cases the meeting is considered as held in the place where the chairman and secretary are present;
5. the committee is constituted and passes resolutions with the attendance and vote in favour respectively of the majority of the members in office;

6. the Chairman of the Board of Statutory Auditors or in the event of his absence or impediment another statutory auditor designated by him takes part in the proceedings of the Remuneration Committee in the capacity of a permanent guest. Other statutory auditors may in any case participate;
7. also the CEO and other corporate functions whose participation in meetings is necessary or appropriate in relation to the duties of the committee may be invited to participate from time to time on invitation of the committee and with reference to individual items on the agenda.

The Remuneration Committee has the right to access the corporate information and functions needed to perform its duties and also to make use of external consultants, under the terms and conditions laid down by the Board of Directors. The Committee has the right to ask for adequate funds to be made available to it to carry out its duties.

### **Objectives**

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

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

### ***Principles and criteria***

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

- to balance the fixed and variable components of remuneration appropriately in accordance with the strategic objectives of the Company and of the Group;
- to provide a fixed component of overall remuneration that is sufficient and appropriate to remunerate services in the event that the variable component is not paid, because of the failure to achieve performance objectives;
- to set maximum limits to variable components, by linking them to qualitative and quantitative performance objectives, set in advance, that are measurable and linked to the creation of wealth for shareholders in both the short and long term;
- to encourage the fidelity and protection of key Group personnel with incentives to remain with the Group.

### ***Amendments to Remuneration Policy compared with the previous year***

As already known, the year 2016 unfortunately saw the demise, on 15<sup>th</sup> August 2016, of *Ing.* Giovanni Recordati, Chairman, Chief Executive Officer and General Manager. Therefore the changes made to the Remuneration Policy pursued for 2016 are mainly the result of the

change in Recordati governance that occurred subsequently, consisting more specifically of the appointment of *Dr. Alberto Recordati* as Chairman and *Dr. Andrea Recordati* as Chief Executive Officer, General Manager and also Vice Chairman. With regard to the variable component of remuneration in particular, the maximum bonus payable on achieving the objectives set under the MBO scheme was raised to 50% of gross annual income (GAI) (see the following sub-section “Short-term variable remuneration – MBO Scheme”), since two additional “on/off” objectives are no longer specifically set for that position as occurred previously for *Ing. Giovanni Recordati*. At the same time, it was decided generally, where appropriate, that further “on/off” objectives for key management personnel, inclusive of executive directors, may be set in addition to the MBO objectives in relation to projects of strategic importance for the Group (see the subsequent sub- section “Components of Remuneration”).

Finally, in consideration of the particular strategic importance of the position of General Manager for the Co-ordination of Operations and Chief Financial Officer, the maximum bonus payable on achieving the objectives set under the MBO scheme was raised from 30% to 40% of gross annual income (GAI).

### ***Components of remuneration***

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

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

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

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

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

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

Further details are given below of the components of total remuneration for key management personnel (including the three executive directors).

- **Fixed remuneration**

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

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

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

The variable component of salaries for key management personnel (including executive directors) is linked to the inclusion of these roles in a management by objectives (MBO) incentive scheme.

On the basis of this scheme, a bonus is paid on the achievement of annual results defined with the Company and measured according to parameters and weightings set in advance. Bonuses are payable for individuals in amounts proportionate to the achievement of the results for the year in question and with a maximum ceiling equal to 30% of gross annual income (GAI), with the exception made for that which is stated below for the Chief Executive Officer, General Manager and Vice Chairman as well as for the General Manager for the Co-Ordination of Operations and Chief Financial Officer. The MBO scheme involves the assignment of three individual objectives for each person, each of which is associated with a measurement indicator: this indicator represents the reference parameter which, if reached, determines the percentage achievement of the objective to which it is related.

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

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

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

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

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

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

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

It is clear, with regard to the above, that by including the important Group operating income objective among the individual objectives of each individual concerned, Recordati's

MBO scheme tends not to reward individual performance in itself so much, but rather individual performance in a context of operating results which will allow the bonus to be paid, in line with the principle of aligning management interests with shareholder interests with a view to pursuing the long term interests of the Company.

For the sole position of the Chief Executive Officer, General Manager and Vice Chairman the maximum bonus payable is 50% of GAI, while for the sole position of General Manager for the Coordination of Operations and CFO the maximum bonus payable is 40% of GAI, in consideration of the particular strategic importance of those positions.

The right to the receipt of a bonus is acquired when the Board of Directors approves the consolidated financial statements from which achievement of the Group operating income objective set when the objective was decided is seen. The bonus is paid in the year in which the consolidated financial statements mentioned are approved. No reason can be seen, at present, to defer payment of the bonus with respect to the time when the right to receive it is acquired, (i) because of the amount, which is rather low in terms of a percentage of fixed income, (ii) because it forms part of a scheme which is already very challenging (see above for information on the self-financing nature of the MBO scheme) and (iii) because, with a view to continuity it lends itself to setting the same objectives each year. Furthermore, the main objective for key management personnel, which is budgeted Group operating income, is a target to which all the above persons contribute to achieving, without any single individual being able to influence that achievement exclusively. Finally, deferment of a part of variable remuneration is nevertheless guaranteed by the medium to long-term incentive scheme based on the grant of stock options, reported on below.

At present, no need can even be seen to insert criteria for determining conditions for the return of bonuses in contractual arrangements with executive directors, or those assigned particular duties, and with key management personnel, should it be discovered they were determined on the basis of data which was found subsequently to be manifestly inaccurate (i.e. "clawback" clauses).

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

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

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

The medium to long-term incentive scheme adopted by the Company is based on granting stock option rights. The stock option plans adopted by the Company are available on the Company website at: [http://www.recordati.it/en/corporate\\_governance/remuneration/stock\\_option\\_plans/](http://www.recordati.it/en/corporate_governance/remuneration/stock_option_plans/)

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

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

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

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

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

The existence of a performance clause in the stock option plan regulations also complies with the principle whereby the Remuneration Policy is consistent with the pursuit of the interests of the Company and its shareholders, which must coincide with the interests of the management.

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

- **Extra performance clause**

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

#### **Non-monetary benefits**

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

#### **End of contract indemnity**

The Remuneration Policy does not provide for end of contract indemnities for non-executive directors nor does it normally do so for executive directors.

As concerns other key management personnel, if it is considered to be in the best interests of the Company, considering the importance of a senior manager's position in the organisation of the company, agreements may be entered into which involve the payment of special indemnities, usually equal to a certain number of month's or year's salary, if an employment relationship is terminated by initiative of the Company for reasons other than "just cause"; reference is also made here to the prevailing market practices at the time. In consideration of those practices no linkage is generally made between these possible payments and the performance of the Company.

In all other cases, should an employment relationship terminate early for reasons other than just cause, key management personnel are paid an indemnity in accordance with the provisions of the law and of the national labour contract for the senior management of industrial companies and in some cases together with an additional amount calculated on a fair pay basis.

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

**Additional insurance, social security and pension cover**

No additional cover with respect to that which is compulsory by law or provided under labour contracts is provided by the company except for supplementary F.A.S.I. insurance to cover medical expenses and a D&O policy .

## **SECTION II**

### **INFORMATION ON REMUNERATION IN 2016**

## PART 1

### 1. DESCRIPTION OF REMUNERATION

Firstly it must be stated that unfortunately the year 2016 was marked by the demise of *Ing. Giovanni Recordati*, the Chairman and Chief Executive Officer, on 15<sup>th</sup> August 2016 after a long illness.

On 16<sup>th</sup> August 2016, the Board of Directors resolved to appoint *Dr. Alberto Recordati* as Chairman of the Board of Directors of the Company and *Dr. Andrea Recordati* as Chief Executive Officer, General Manager and Vice Chairman.

Furthermore, on 8<sup>th</sup> March 2016, *Avv. Carlo Pedersoli* handed in his resignation as a Director of company and consequently also as a member of the Audit and Risk Committee. The Shareholders' Meeting held on 13<sup>th</sup> April 2016 passed a resolution to reduce the number of directors from ten to nine, while the Board of Directors resolved to appoint *Avv. Michaela Castelli* to the Audit and Risk Committee with effect from 8<sup>th</sup> March 2016.

Details are given as at 31<sup>st</sup> December 2016, of each of the items of which the remuneration earned is composed relating to 2016 for the following:

- (i) the Chairman, Chief Executive Officer and General Manager *Ing. Giovanni Recordati* until 15<sup>th</sup> August 2016, the date of his demise;
- (ii) *Dr. Alberto Recordati* as Vice Chairman until 15<sup>th</sup> August 2016 and as Chairman from 16<sup>th</sup> August 2016;
- (iii) *Dr. Andrea Recordati* as a Director until 15<sup>th</sup> August 2016 and as Vice Chairman, Chief Executive Officer and General Manager from 16<sup>th</sup> August 2016;
- (ii) other members of the Board of Directors;
- (v) members of the Board of Statutory Auditors;
- (vi) other key management personnel (this information is given on an aggregate basis).

As at 31<sup>st</sup> December 2016, two key management personnel who are employees of the Company had been identified as other key management personnel. One member of key management personnel who is an employee of the Company left his position during 2016, following the consensual termination of his employment contract. The information provided in this section also relates to options, shares and remuneration paid on a pro-rata annual basis to this other member of key management personnel who left the Group in 2016.

On the basis of a proposal from the Chief Executive Officer, in February 2017 the Board nominated a further three key management personnel (one in the Company and the other two belonging to two subsidiaries).

As already reported, on the basis of a proposal submitted by the majority shareholder, the Shareholders' Meeting held on 17<sup>th</sup> April 2014 approved fixed remuneration for Directors (€480,000) and the Board of Statutory Auditors (€50,000 for the Chairman and €35,000 for each Statutory Auditor), unchanged compared with the amount approved for the officers previously in office. On that same date, the Board of Directors had therefore set the fees to be

paid to Directors appointed to specific posts and members of the various internal Board Committees on the basis of a proposal made by the Remuneration Committee.

Following the demise of *Ing. Giovanni Recordati*, Chairman and Chief Executive Officer, on 16<sup>th</sup> August 2016 and on 26<sup>th</sup> October 2016, the Board of Directors set the fees to be paid to Directors appointed to specific posts on the basis of a proposal made by the Remuneration Committee.

**(i) Ing. Giovanni Recordati: Chairman of the Board of Directors, Chief Executive Officer and General Manager until 15<sup>th</sup> August 2016**

Giovanni Recordati (Chairman of the Board of Directors, Chief Executive Officer and General Manager) until 15<sup>th</sup> August 2016: (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration for occupying the special position as Chairman and Chief Executive Officer of the Company in accordance with article 2389, paragraph 3 of the Italian Civil Code; (iii) fixed remuneration as a senior manager of the Company; (iv) benefits of a non-monetary nature including a life insurance policy.

In 2016, *Ing. Giovanni Recordati* exercised 270,000 option rights granted in implementation of the 2010-2013 stock option plan and the 2014-2018 stock option plan.

On 13<sup>th</sup> April 2016, on the basis of a recommendation by the Remuneration Committee, the Board of Directors of the Company granted 216,000 option rights to *Ing. Giovanni Recordati*, under the 2014-2018 stock option plan.

In accordance with the provisions of the regulations, the effects of the end of the employment contract on the existing stock option plans caused by the demise of *Ing. Giovanni Recordati* are reported under sub-section 2 of this section and in the notes to Table 2.

**(ii) (ii) Dr. Alberto Recordati: Vice Chairman until 15<sup>th</sup> August 2016 and Chairman from 16<sup>th</sup> August 2016**

Alberto Recordati (Vice Chairman of the Board of Directors until 15<sup>th</sup> August 2016, Chairman of the Board of Directors from 16<sup>th</sup> August 2016): (i) “basic” remuneration as a Director of Recordati S.p.A.; (ii) remuneration for occupying the special position as Vice Chairman of the Company until 15<sup>th</sup> August 2016 and subsequently as Chairman in accordance with article 2389, paragraph 3 of the Italian Civil Code; (ii) fixed remuneration as a senior manager of the Company; (iii) variable M.B.O. remuneration relating to 2016.

In 2016, Dr. Alberto Recordati exercised 360,000 option rights granted in implementation of the 2010-2013 stock option plan and the 2014-2018 stock option plan.

On 13<sup>th</sup> April 2016, on the basis of a recommendation by the Remuneration Committee, the Board of Directors of the Company granted 108,000 option rights to Dr. Alberto Recordati, under the 2014-2018 stock option plan.

**(iii) Dr. Andrea Recordati: Director until 15<sup>th</sup> August 2016, Vice Chairman, Chief Executive Officer and General Manager from 16<sup>th</sup> August 2016**

Andrea Recordati (Director until 15<sup>th</sup> August 2016 and as Vice Chairman, Chief Executive Officer and General Manager from 16<sup>th</sup> August 2016): (i) “basic” remuneration as a Director of Recordati S.p.A.; (ii) from 16<sup>th</sup> August 2016 the remuneration for occupying the special position as Chief Executive Officer of the Company in accordance with article 2389, paragraph 3 of the

Italian Civil Code; (ii) fixed remuneration as a senior manager of the Company and, in particular, as General Manager from 16<sup>th</sup> August 2016; (iii) variable M.B.O. remuneration relating to 2016.

In 2016, *Dr. Andrea Recordati* did not exercise any option rights.

On 13<sup>th</sup> April 2016, on the basis of a recommendation by the Remuneration Committee, the Board of Directors of the Company granted 108,000 option rights to *Dr. Andrea Recordati*, under the 2014-2018 stock option plan.

**(iv) Other members of the Board of Directors**

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

\*

Michaela Castelli (Director): (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration as a member of the Remuneration Committee of the Company; (iii) from 8<sup>th</sup> March 2016 remuneration as a Member of the Audit and Risk Committee.

\*

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

\*

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

\*

Carlo Pedersoli (Director) until 8<sup>th</sup> March 2016: (i) “basic” remuneration as a director of Recordati S.p.A.; (ii) remuneration as a member of the Audit and Risk Committee.

\*

Fritz Squindo (Director): (i) “basic” remuneration as a Director of Recordati S.p.A.; (ii) fixed remuneration as a senior manager of the Company; (iii) variable MBO remuneration relating to 2016 and an extra performance bonus; (iv) benefits of a non-monetary nature. See also the information given in sub-section 2.

In 2016, *Dr. Fritz Squindo* did not exercise any option rights.

On 13<sup>th</sup> April 2016, on the basis of a recommendation by the Remuneration Committee, the Board of Directors of the Company granted 108,000 option rights to *Dr. Fritz Squindo*, under the 2014-2018 stock option plan.

\*

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

**(v) Members of the Board of Statutory Auditors**

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

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

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

**(vi) Other key management personnel**

Three members of the key management personnel of the Company who are employees of the Company (one of whom left the Group in 2016): (i) fixed remuneration as senior managers; (ii) variable MBO remuneration relating to 2016 (excluding the member of key management personnel who left the Group in 2016); (iii) other benefits of a non-monetary nature; and (iv) leaving indemnity benefits (for the member of key management personnel who left the Group in 2016).

In 2016, the aforementioned members of key management personnel exercised a total of 82,500 option rights granted in implementation of the 2010-2013 stock option plan and the 2014-2018 stock option plan. On 13<sup>th</sup> April 2016, on the basis of a recommendation by the Remuneration Committee, the Board of Directors of the Company granted 153,000 option rights to the aforementioned members of key management personnel, under the 2014-2018 stock option plan.

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

\* \* \*

The implementation of the remuneration policy in 2016, in accordance with the verification performed by the Remuneration Committee when it made its periodic assessment required under the Corporate Governance Code, complied with the general principles approved by the Board of Directors and agreed upon by the Remuneration Committee.

Furthermore, detailed information on the Stock Option Plans of the Company is given in the information documents prepared in accordance with Art. 84-bis of the Consob Issuers’ Regulations relating to each outstanding Stock Option Plan and each plan pursuant to Art. 114-bis of the Consolidated Finance Act, which may be consulted on the Company website at the

address:

[http://www.recordati.com/en/corporate\\_governance/remuneration/stock\\_option\\_plans/](http://www.recordati.com/en/corporate_governance/remuneration/stock_option_plans/).

\* \* \*

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

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

A supplementary agreement to the executive employment contract between the Company and a member of key management personnel, who then left the Group in 2016, was also signed in 2014, with an opinion in favour from the Remuneration Committee under the same terms and conditions as those set out for *Dr. Squindo* in the previous paragraph sub-sections.

Following the consensual termination of the employment contract of the member of key management personnel already mentioned, in implementation of the provisions of the relative termination agreement (the terms of which were submitted to the Remuneration Committee, which considered the agreement compliant with the Remuneration Policy pursued by the Company), a sum calculated on an equitable basis was paid to the aforementioned senior manager. Finally, prior to signing an unemployment contract a supplementary agreement to the contract subsequently entered into was signed by another member of key management personnel, which provides for the payment to the senior manager of a "golden handshake" remuneration of 36 month's salary in the event of termination of employment contract by the Company, except for termination for "just cause". The senior manager shall have the right to that remuneration until within three years of obtaining the right to a pension at which time the remuneration will diminish by one month for each month of employment. The effects of the end of contract on rights granted under incentive schemes based on financial instruments in place, approved by Recordati S.p.A. in accordance with Art. 114 bis of the Consolidated Finance Act are not expressly regulated and therefore the provisions of the stock option plans illustrated below apply.

No agreements exist which involve the assignment or maintenance of non monetary benefits or the stipulation of special consultancy contracts in the event of the termination of

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

As concerns the effects of the end of an employee relationship on existing incentive plans based on financial instruments approved by Recordati S.p.A., in accordance with Art. 114 *bis* of the Consolidated Finance Act, the 2014-2018 Stock Option Plan approved by the Shareholders' Meeting held on 17<sup>th</sup> April 2014 provides for the following:

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

Without prejudice to the previous paragraph, if on the date of the Termination of Employment, a Participant in the Plan holds Options in relation to one or more tranches that have already vested, but which have not yet been exercised, that Participant may exercise the Options in relation to those tranches that have already vested within 30 days of the date of the Termination of Employment, while those Options lose all validity if they are not exercised within that period. Nevertheless, if the Termination of the Employment Contract is due to the retirement of the Participant, the latter may, unless decided otherwise by the Remuneration Committee or by the Board, exercise those Options already vested, but not yet exercised on the date of the Termination of the Employment Contract, until the Expiry Date.

Without prejudice to the previous paragraph, in the event of the Termination of the Employment Contract due to death or permanent invalidity of a Participant in the Plan, the Options already granted on the date of the Termination of the Employment Contract shall become immediately exercisable by the heirs of the Participant in the case of the death of the latter, or by the Participant in person or his/her legal representative if incapacitated in the case of permanent invalidity, for a period of one year following the date of the Termination of the Employment Contract. After that period of one year has passed, the Options shall permanently and irrevocably lose their validity. If an Employment Contract is terminated for other reasons, the Board or the Remuneration Committee may decide, at its sole discretion, that the Options granted to the Participant in question may be exercised immediately, if it considers that particular circumstances exist which make it appropriate, in the case in question, to make this decision.

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

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

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

Without prejudice to the above, if at the date of Termination of the Employment Contract, a Participant in the Plan possesses Options which have already vested in relation to one or more

tranches, but which have not yet been exercised, the Participant may exercise those Options, in relation to the tranches already vested, within 30 days of the date of the Termination of the Employment Contract, while those Options shall lose all validity if they are not exercised within that period.”

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

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

With regard to the consensual termination of the employment contract of the aforementioned member of key management personnel who left in 2016, having been examined by the Remuneration Committee and considered by that committee in line with the Remuneration Policy pursued by the Company, the right was granted to maintain all options previously granted and not yet vested.

\* \* \*

### 3. SUMMARY OF THE ACTIVITIES OF THE REMUNERATION COMMITTEE IN 2016

The Remuneration Committee met six times in 2016. The average length of meetings was approximately one hour. The percentage of attendance of the Committee members at the meetings is given at the table contained at the end of paragraph 4.2 of the Report on Corporate Governance and Ownership Structure.

The Committee has met three times during the current year.

In 2016 and until the date of the approval of this report the activities of the committee mainly concerned the following:

- the formulation of a proposal to the Board on setting the objective for the 2016 Stock Option Plans adopted by the Company;
- the formulation of a proposal to the Board in relation to the Remuneration Policy for 2016;
- assessment of the conditions of an agreement for the consensual termination of the employment contract of a member of key management personnel (in 2016). The Committee agreed with the terms and conditions of the agreement, considering them in line with the remuneration policy pursued by the Company;
- determination of the final results concerning the 2015 performance objectives for the Chairman, CEO and General Manager;

- assessment of the appropriateness, overall consistency and concrete implementation of the policy for the remuneration of directors and key management personnel;
- formulation of proposals with regard to the grant of options under the stock option plans adopted by the Company;
- acknowledgement of updates to the Group Human Resources Department's strategic activities plan, inclusive in particular of procedures for assessing managerial skills;
- formulation of proposals to the Board on remuneration for special positions resolved by the Board of Directors on 16<sup>th</sup> August 2016 in accordance with article 2389, paragraph 3 of the Italian Civil Code concerning remuneration treatment;
- the formulation of proposals to the Board on setting the remuneration treatment of *Dr. Andrea Recordati* as General Manager of the Company and an examination of the performance objectives previously set for him for 2016;
- the formulation of proposals for submission to the Board on setting the objective for the 2017 Stock Option Plans adopted by the Company;
- the formulation of a proposal for submission to the Board in relation to the Remuneration Policy for 2017;
- determination of the final results concerning the 2016 performance objectives for the Chairman, CEO and General Manager;
- the formulation of the performance objectives for 2017 for the Chairman and for the Chief Executive Officer and General Manager.

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

The meetings of the Remuneration Committee have been properly minuted.

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

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

## PART 2 - TABLES

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

Board of Directors(*)	Description of Office			Remuneration								
	(A)	(B)	(C)	(D)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
First Name and Last Name	Position	Period in which the position was held	Expiry of term of office	Fixed remuneration €	Remuneration for attendance on committees €	Non-equity variable remuneration €		Non-monetary benefits €	Other remuneration €	TOTAL (**) €	Fair value of equity remuneration €	End of term of office or of employment relationship indemnity €
						Bonuses and other incentives	Share in profits					
Alberto Recordati	Vice-Chairman	from 1.01.16 until 15.08.16	Approval of 2016 Annual Report	(i) 40 (ii) 31.1 Vice C. 37.7 Chair (iii) 440	0	132	0	0	0	680.8	113	0
	Chairman	from 16.08.16 until 31.12.16										
Andrea Recordati	Director	from 1.01.16 until 15.08.16	Approval of 2016 Annual Report	(i) 40 (ii) 37.7 (iii) 501	0	198	0	0	0	776.7	110	0
	Vice Chair CEO and GM	from 16.08.16 until 31.12.16										
Rosalba Casiraghi	Director	2016	Approval of 2016 Annual Report	(i) 40	10 (b)	0	0	0	0	50	0	0
Michaela Castelli	Director	2016	Approval of	(i) 40	10 (b)	0	0	0	0	58	0	0

			2016 Annual Report		8 (d)							
Paolo Fresia	Director	2016	Approval of 2016 Annual Report	(i) 40	0	0	0	0	40	0	0	0
Mario Garrallo	Director	2016	Approval of 2016 Annual Report	(i) 40	20 (a) 10 (d)	0	0	0	70	0	0	0
Fritz Squindo	Director	2016	Approval of 2016 Annual Report	(i) 40 (iii) 605	0	380	0	3	0	1,028	113	0
Marco Vitale	Director	2015	Approval of 2016 Annual Report	(i) 40	20 (c)	0	0	0	50 (1)	110	0	0

**Directors who retired from office in 2016**

Giovanni Recordati	Chairman, CEO, General Manager	from 1.01.16 until 15.08.16	Deceased	Pro rata until date of demise: (i) 24.9 (ii) 62.3 (iii) 447	0	0	0	27	0	561	225	0
Carlo Pedersoli	Director	from 1.01.16 until 8.03.16	Resignation	Pro rata until date of resignation: (i) 7.4	1.8 (d)	0	0	0	0	9.2	0	0

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

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

**LEGEND**
**FIXED REMUNERATION**

(i) Emoluments approved by shareholders even if not paid.

(ii) Remuneration for special positions pursuant to Art. 2389, paragraph 3 of the Italian Civil Code. Dr. Aberto Recordati occupied the position of Vice Chairman until 15<sup>th</sup> August 2016 and subsequently was appointed Chairman. Dr. Andrea Recordati, who was already a Director, was appointed Vice Chairman, chief Executive Officer and General Manager on 16<sup>th</sup> August 2016.

(iii) Fixed employee remuneration gross of social security payments and tax borne by the employee, net of compulsory collective social security payments borne by the Company.

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

**REMUNERATION FOR ATTENDANCE ON COMMITTEES**

- (a) For the position of Chairman of the Remuneration Committee.
- (b) For the position of member of the Remuneration Committee.
- (c) For the position of Chairman of the Audit and Risk Committee.
- (d) For the position of member of the Audit and Risk Committee. Avv. Castelli was appointed a member of the Audit and Risk Committee on 8<sup>th</sup> March 2016 to replace Avv. Pedersoli who resigned on the same date.

**OTHER REMUNERATION**

- (1) For consulting activity.

**FAIR VALUE OF EQUITY REMUNERATION**

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

Board of Statutory Auditors		Description of Office			Remuneration								
(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)	
First Name and Last Name	Position	Period in which the position was held	Date on which appointment ends	Fixed remuneration €	Remuneration for attendance on committees €	Non-equity variable remuneration €		Non-monetary benefits €	Other remuneration €	TOTAL (*) €	Fair value of equity remuneration €	End of term of office or of employment relationship indemnity	
						Bonuses and other incentives	Share in profits						
<b>(I) Remuneration at Recordati S.p.A.</b>													
Marco Nava	Chairman Board of Statutory Auditors	2016	Approval of 2016 Annual Report	50	0	0	0	0	0	50	0	0	0
Livia Amidani Aliberti	Statutory Auditor	2016	Approval of 2016 Annual Report	35	0	0	0	0	0	35	0	0	0
Marco Rigotti	Statutory Auditor	2016	Approval of 2016 Annual Report	35	0	0	0	0	0	35	0	0	0
<b>(II) Remuneration at subsidiaries and associates (Dr. Rigotti and Dr.ssa Amidani Aliberti received no remuneration at subsidiaries or associate companies of Recordati S.p.A.)</b>													
Marco Nava				8.9	0	0	0	0	0	8.9	0	0	0
<b>(III) TOTAL</b>													
Marco Nava				<b>58.9</b>	0	0	0	0	0	58.9			
Livia Amidani Aliberti				<b>35</b>	0	0	0	0	0	35	0	0	0
Marco Rigotti				<b>35</b>	0	0	0	0	0	35	0	0	0

<b>Other key management personnel</b>	<b>Remuneration</b>									
	<b>(A)</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(7)</b>	<b>(8)</b>	
		Fixed remuneration €	Remuneration for attendance on committees €	Non-equity variable remuneration €	Non- monetary benefits €	Other remunerati on €	TOTAL (**) €	Fair value of equity remunerati on €	End of term of office or of employment relationship indemnity €	
THREE MEMBERS OF KEY MANAGEMENT PERSONNEL (*)		694	0	257.5	0	6.9	0	958.4	192	2,266

\* Two key management personnel who were employees of the Company and no other member of key management personnel at subsidiaries were in service as at 31<sup>st</sup> December 2016. The employment contract was terminated in 2016 of one member of the key management personnel of Recordati S.p.A. The information provided also relates to that member of senior management on a pro-rata annual basis.

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

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

			Options held on 1.1.2016			Options granted in 2016						Options exercised in 2016			Options expired in 2016	Options held on 31.12.16	Options relating to 2016
First Name and Last Name	Post occupied as at 31 <sup>st</sup> December 2016	Plan - date of resolution	Num- ber of stock options	Exercise price €	Exercise period (from - until)	Num- ber of stock options	Exercise price €	Exercise period (from - until)	Fair value on the grant date	Grant date	Market price of the Recordati share on the grant date of the options € (c)	Num- ber of stock options	Exercise price €	Market price of the Recordati share on the exercise date € (c)	Num- ber of stock options	Number of stock options	Fair value (€000)
Alberto Recordati	Chairman (a)	2010- 2013 Plan (b) 13.4.10	45,000	6.7505	2013*-31.12.19							180,00	6.7505	27.327	0	288,000	113
			45,000	6.7505	2014*-31.12.19							0	5.307	27.327			
			45,000	6.7505	2015*-31.12.19							135,00					
			45,000	6.7505	2016*-31.12.19							0					
	2014- 2018 Plan (b) - 17.04.14	45,000	5.307	2014*-31.12.20								180,00	6.7505	27.327	0	288,000	113
		45,000	5.307	2015*-31.12.20								0	5.307	27.327			
		45,000	5.307	2016*-31.12.20								135,00					
		45,000	5.307	2017*-31.12.20								0					
	2014- 2018 Plan (b) - 17.04.14	45,000	12.29	2016*-31.12.22								45,000	12.29	27.327	0	288,000	113
		45,000	12.29	2017*-31.12.22								0					
Andrea Recordati	Vice Chair. CEO and Gen. Mgr. (a)	2010- 2013 Plan (b) 13.4.10	32,500	6.7505	2013*-31.12.19							27,000	21.93	2018*-31.12.24	260	13.4.16	22.318
			32,500	6.7505	2014*-31.12.19							27,000	21.93	2019*-31.12.24			
			32,500	6.7505	2015*-31.12.19							27,000	21.93	2020*-31.12.24			
			32,500	6.7505	2016*-31.12.19							27,000	21.93	2021*-31.12.24			
		2010- 2013 Plan (b) - 17.04.14	32,500	5.307	2014*-31.12.20							27,000	21.93	2018*-31.12.24	0	548,000	110
			32,500	5.307	2015*-31.12.20							27,000	21.93	2019*-31.12.24			
			32,500	5.307	2016*-31.12.20							27,000	21.93	2020*-31.12.24			
			32,500	5.307	2017*-31.12.20							27,000	21.93	2021*-31.12.24			

		2014-2018 Plan (b) - 17.04.14	45,000 45,000 45,000 45,000	12.29 12.29 12.29 12.29	2016*-31.12.22 2017*-31.12.22 2018*-31.12.22 2019*-31.12.22												
		2014-2018 Plan (b) - 17.04.14				27,000 27,000 27,000 27,000	21.93 21.93 21.93 21.93	2018*-31.12.24 2019*-31.12.24 2020*-31.12.24 2021*-31.12.24	260	13.4.2016	22.318						
<b>Fritz Squindo</b>	Director (a)	2010-2013 Plan (b) - 13.4.10	45,000 45,000 45,000 45,000 45,000 45,000 45,000 45,000	6.7505 6.7505 6.7505 6.7505 5.307 5.307 5.307 5.307	2013*-31.12.19 2014*-31.12.19 2015*-31.12.19 2016*-31.12.19 2014*-31.12.20 2015*-31.12.20 2016*-31.12.20 2017*-31.12.20								0	648,000	113		
		2014-2018 Plan (b) - 17.04.14	45,000 45,000 45,000 45,000	12.29 12.29 12.29 12.29	2016*-31.12.22 2017*-31.12.22 2018*-31.12.22 2019*-31.12.22												
		2014-2018 Plan (b) - 17.04.14				27,000 27,000 27,000 27,000	21.93 21.93 21.93 21.93	2018*-31.12.24 2019*-31.12.24 2020*-31.12.24 2021*-31.12.24	260	13.4.2016	22.318						
<b>TOTAL FOR THREE MEMBERS OF KEY MANAGEMENT PERSONNEL (d)</b>		2010-2013 Plan 13.4.10 (b) and 2014-2018 Plan (b) - 17.04.14	595,00 0	10.01 (e)	2.251 (f)							82,500	10.1739 (e)	25.8484 (g)	0	665,500	192
		2014-2018 Plan (b) - 17.04.14				153,00 0	21.93 21.93 21.93 21.93	2018*-31.12.24 2019*-31.12.24 2020*-31.12.24 2021*-31.12.24	369	13.4.2016	22.318						

**DIRECTORS WHO RETIRED FROM OFFICE IN 2016**

First Name and Last Name	Post occupied	Plan - date of resolution	Options held on 1.1.2016			Options granted in 2016						Options exercised in 2016			Options expired in 2016	Options held on 15 <sup>th</sup> August 2016**	Options relating to 2016
			Number of stock options	Exercise price €	Exercise period (from - until)	Number of stock options	Exercise price €	Exercise period (from - until)	Fair value on the grant date	Grant date	Market price of the Recordati share on the grant date of the options € (c)	Number of stock options	Exercise price €	Market price of the Recordati share on the exercise date € (c)			
<b>Giovanni Recordati**</b>	Chairman, CEO and General Manager (a)	2010-2013 Plan (b) - 13.04.10	90.000	6.7505	2016*-31.12.19							90.000	6.7505	25.715	0	576.000	225
		2014-2018 Plan (b) - 17.04.14	90.000	12.29	2016*-31.12.22							90.000	12.29	28.932			
		2014-2018 Plan (b) - 17.04.14				54.000	21.93	2018*-31.12.24	520	13.4.2016	22.318						

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

\*\* Deceased on 15<sup>th</sup> August 2016.

- a) This person is a beneficiary of stock option schemes as a member of the Company's key management personnel who is an employee.
- b) of Recordati S.p.A.. No plans exist in force at subsidiaries and associates of Recordati S.p.A..
- c) Official price of the day.
- d) Two key management personnel who were employees of the Company and no other member of key management personnel at subsidiaries were in service as at 31<sup>st</sup> December 2016. A member of the key management personnel left in 2016 due to the termination of the employment contract. With regard to the aforementioned consensual termination of the employment contract, the right was granted to maintain all options previously granted and not yet vested.
- e) Average exercise price.
- f) Average length of the period in days.
- g) Average market price.

**TABLE 3B: MONETARY INCENTIVE SCHEMES FOR DIRECTORS, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL**

(€000)

Board of Directors								
(A)	(B)	(1)	(2)			(3)		
First Name and Last Name	Position as at 31 <sup>st</sup> December 2016	Plan	2016 Bonus (2016 MBO)			Prior year bonuses		
			(A)	(B)	(C)	(A)	(B)	(C)
			Payable	Deferred	Deferment period	No longer payable	Paid (**)	Still deferred
Alberto Recordati (*)	Chairman	Variable incentive scheme (2016 MBO)	132	-	-	-	132	-
Andrea Recordati (*)	Vice Chairman, CEO and GM	Variable incentive scheme (2016 MBO)	198	-	-	-	120.5	-
Fritz Squindo (*)	Director	Variable incentive scheme (2016 MBO)	180	-	-	-	180	-
Directors who retired from office in 2016								
Giovanni Recordati	Chairman, CEO and GM until 15.08.16 (date of demise)	-	-	-	-	-	480	-

(\*) This person is a beneficiary of monetary incentive schemes for 2016 (2016 MBO scheme) as an employee of the Company.

*The other members of the Board of Directors and members of the Board of Statutory Auditors are not beneficiaries of any monetary incentive scheme.*

(\*\*) Bonus relating to 2015 (2015 MBO scheme) paid in 2016.

(\*\*\*) Extra-performance bonus paid in 2016.

		Other key management personnel						
First Name and Last Name	Plan	2016 Bonus			Prior year bonuses			Other Bonuses
		(A)	(B)	(C)	(A)	(B)	(C)	
		Payable	Deferred	Deferment period	No longer payable	Paid (**)	Still deferred	
Three members of key management personnel (*)	Variable incentive scheme (2016 MBO)	257.5	-	-	-	250	-	-

(\*) Two key management personnel of the Company and no other member of key management personnel at subsidiaries were in service as at 31<sup>st</sup> December 2016. A member of the key management personnel left in 2016 due to the termination of the employment contract.

(\*\*) Bonus relating to 2015 (2015 MBO scheme) paid in 2016.

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

Board of Directors	Position	Recordati S.p.A. type of shares	Number of shares held on 31.12.2015	Number of shares purchased in 2016	Number of shares sold in 2016	Number of shares held on 31.12.2016
<b>DIRECTORS IN OFFICE AS AT 31.12.2016</b>						
Alberto Recordati (1)	Chairman	ordinary	155,000	360,000*	155,000*	360,000
Andrea Recordati (2)	Vice Chairman, CEO and General Manager	ordinary	135,008	0	0	135,008
Rosalba Casiraghi	Director	ordinary	0	0	0	0
Michaela Castelli	Director	ordinary	0	0	0	0
Paolo Fresia	Director	ordinary	0	50,000	0	50,000
Mario Garraffo	Director	ordinary	0	0	0	0
Fritz Squindo	Director	ordinary	334,216	0	0	334,216
Marco Vitale	Lead independent director	ordinary	0	0	0	0
<b>DIRECTORS WHO RETIRED FROM OFFICE IN 2016</b>						
Giovanni Recordati (3)	Chairman, CEO and General Manager	ordinary	0	270,000*	270,000*	0
Carlo Pedersoli (4)	Director	ordinary	0	0	0	0

\* These include shares resulting from the exercise of stock options.

(1) Appointed Chairman of the Board of Directors on 16<sup>th</sup> August 2016

(2) Appointed Vice Chairman, Chief Executive Officer and General Manager on 16<sup>th</sup> August 2016

(3) Deceased on 15<sup>th</sup> August 2016

(4) Resigned on 8<sup>th</sup> March 2016

<b>Board of Statutory Auditors</b>	<b>Position</b>	<b>Recordati S.p.A. type of shares</b>	<b>Number of shares held on 31.12.2015</b>	<b>Number of shares purchased in 2016</b>	<b>Number of shares sold in 2016</b>	<b>Number of shares held on 31.12.2016</b>
Marco Nava	Chairman	ordinary	0	0	0	0
Livia Amidani Aliberti	Statutory Auditor	ordinary	0	0	0	0
Marco Rigotti	Statutory Auditor	ordinary	0	0	0	0

	<b>Recordati S.p.A. type of shares</b>	<b>Number of shares held on 31.12.2015</b>	<b>Number of shares purchased in 2016</b>	<b>Number of shares sold in 2016</b>	<b>Number of shares held on 31.12.2016</b>
Three members of key management personnel (*)	ordinary	508,000 (1)	82,500 (2)	82,500 (2)	508,000 (3)

(\*) Of which one member of the key management personnel of the Company left in 2016. Two key management personnel who were employees of the Company and no other member of key management personnel at subsidiaries were in service as at 31.12.2016.

- (1) Of which 83,000 shares held by a spouse
- (2) Resulting from the exercise of stock options
- (3) Of which 83,000 shares held by a spouse

Milan, 1<sup>st</sup> March 2017

for the Board of Directors  
The Vice Chairman and Chief Executive Officer  
*Dr. Andrea Recordati*