

This is an unofficial English Language courtesy translation of the original Italian report prepared and issued in Italian by the Board of Statutory Auditors of Recordati S.p.A ('The Company').

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Courtesy copy follows:

**Report of the Board of Statutory Auditors to the Shareholders' Meeting
of Recordati S.p.A. pursuant to article 153 of Italian Legislative Decree no. 58/1998 and to article
2429, paragraph 2, of the Italian Civil Code.**

Dear Shareholders,

By this report, drafted pursuant to article 153 of Italian Legislative Decree no. 58/1998 (hereinafter also referred to as '**TUF**' - *Testo Unico della Finanza*), also taking into account the applicable Consob Recommendations and the rules of conduct of the board of statutory auditors of listed companies issued by the National Board of Chartered Accountants and Accounting Consultants, the Board of Statutory Auditors of Recordati S.p.A. (hereinafter also referred to as the '**Company**') reports to you on the supervisory activity carried out and the relevant outcomes.

1. Supervision carried out and information received

The Board of Statutory Auditors, at the date of this report, is composed of Mr Antonio Santi (Chair), Mr Ezio Simonelli (statutory member) and Ms Livia Amidani Aliberti (statutory member) (the alternate auditors are Mr Andrea Balelli and Ms Patrizia Paleologo Oriundi). The Board of Statutory Auditors, in its current composition, was appointed by the Shareholders' Meeting of 29th April 2020 and will expire with the Shareholders' Meeting called to approve the financial statements for the year ended on 31st December 2022.

During the year ended on 31st December 2020, the Board of Statutory Auditors carried out the supervisory activities required by law. To this end, during the financial year, the Board has:

- held 11 auditors' board meetings, which were always attended by all members in office;
- attended 13 Board of Directors' meetings;
- attended 19 Risk, Control and CSR Committee's meetings;
- attended 9 Remuneration Committee's meetings (from 29th October 2020 Remuneration and Nominations Committee);
- attended the meetings of the Independent Directors;
- attended 2 Shareholders' Meetings;
- held meetings with the managers of the Auditing Firm, pursuant to article 150, paragraph 3, of Italian Legislative Decree no. 58/1998, during which the appropriate information was exchanged and no other events or situations that were worth highlighting were detected;
- met regularly with the Chief of the Internal Audit Function;
- met regularly with the ODV (231 Compliance Body) appointed pursuant to Italian Legislative Decree no. 231/2001;
- obtained the documents and information deemed relevant by the executive Directors and other company functions;
- exchanged information with the boards of statutory auditors of the subsidiaries regarding the management and control systems and the general performance of the company operations.

Please note that the undersigned Board of Statutory Auditors usually attends as a guest, as a board or in person of its Chair, to the meetings of the Risk, Control and CSR Committee and of the Remuneration and Nominations Committee, during which matters relating to related-party transactions were also discussed.

During the Board of Directors' meetings, the Board of Statutory Auditors was informed by the Directors on the activities carried out and on the most significant economic, financial and capital transactions carried out by the Company and its subsidiaries.

It should be noted that on 1st October 2020, the Board of Directors of Recordati S.p.A. (the '**Acquiring Company**') examined and approved, by unanimous vote of those present, the reverse merger by incorporation of Rossini Investimenti S.p.A. ('**Rossini Investimenti**') and Fimeì S.p.A. ('**Fimeì**') (Rossini Investimenti and Fimeì also jointly referred to as the 'Merging Companies') into Recordati (the '**Transaction**' or the '**Merger**') and the documentation required for the implementation of the Merger itself, including the relevant merger project (the '**Merger Project**'). The Merger, together with the merger agreement described in the above documentation, has received the favourable opinion of Recordati's Risk, Control and CSR Committee (the '**Committee**'), acting as the Committee for Related-party Transactions in accordance with the Related Parties Transactions Procedure of Recordati (the '**Procedure**').

The Merger aims at shortening the chain of control of the Group's operating companies, for the benefit of the controlling shareholder and of the Group as a whole, simplifying the corporate governance structure and reducing the costs associated with maintaining the Merging Companies (Rossini Investimenti S.p.A. and FIMEI S.p.A.). With respect to the Acquiring Company (Recordati S.p.A.), it is aimed at obtaining lower taxes for tax benefits transferred by the Merging Companies, subject to the submission of a specific request for an opinion ("interpello"), that has obtained a positive answer from the Italian Internal Revenue Agency.

On 17th December 2020, the extraordinary shareholders' meetings of Rossini Investimenti, Fimeì and Recordati examined and approved, without amendments or supplements, the merger by incorporation of Rossini Investimenti and Fimeì into Recordati.

The Merger is expected to be completed during the first half of the 2021 financial year and in any case after the date of approval of the Merging Companies' financial statements for the year ended on 31st December 2020 and of their balance sheet as at 31st March 2021.

As illustrated by the Directors in the Report on Corporate Governance and Ownership Structure, following the approval of the aforementioned balance sheets, and in the strictly necessary technical timeframe, the Participating Companies in the Merger will execute the Merger deed and will file it with the competent Companies' Register. The transactions of the Merging Companies will be recorded in the financial statements of the Acquiring Company as from 1st April 2021. The Merger will be effective for statutory purposes as from the date of the last of the registrations required by article 2504 of the Italian Civil Code. As from that date, the Acquiring Company will succeed the Merging Companies in relation to all of their assets and liabilities, and they will therefore cease to exist.

During the meetings and contacts between the Board of Statutory Auditors and the Auditing Firm, no adverse events were detected.

With particular reference to the functions assumed pursuant to article 19 of Italian Legislative Decree no. 39/2010, amended by Italian Legislative Decree no. 135/2016 implementing Directive 2014/56/EU, the Board of Statutory Auditors- also in the context of the meetings held with the Auditing Firm and its attendance at the meetings of the Risk, Control and CSR Committee- examined the work plan adopted, received information on the accounting principles used, the accounting treatment of the most significant transactions carried out in the financial year in

question as well as on the outcome of the audit engagements and on the key audit matters. The Auditing Firm did not report significant shortcomings in the internal control system in relation to the financial reporting process.

In this regard, the Board of Statutory Auditors also received detailed information on the impairment test performed by the Company to confirm the value of goodwill and of certain financial assets of + significant amount recorded in the financial statements. The relevant details are provided by the Directors in the financial statements in accordance with the guidelines of the international accounting standards and of Consob.

With regard to the supervision of the financial reporting process and the independence of the Auditing Firm, please refer to the following sections of this report.

It should be noted that in the context of the Board of Statutory Auditors' activities:

- no complaints have been received pursuant to article 2408 of the Italian Civil Code;
- no complaints have been received.

Following the extraordinary events which began during the 2018 financial year and that affected the Company in relation to the transaction involving the sale by the Recordati family of the entire share capital of Fime S.p.A., holder of the controlling shareholding in Recordati S.p.A. to the consortium of investment funds controlled by CVC Capital Partners VII Limited, on 28th February 2019 the (new) Board of Directors of the Company, appointed by the Shareholders' Meeting on 5th February 2019, had ascertained the management and coordination activities exercised by Rossini Luxembourg S.à.r.l. over Recordati S.p.A., pursuant to articles 2497 and following of the Italian Civil Code. More specifically, specific regulations concerning the management and coordination activities exercised by Rossini Luxembourg S.à.r.l. over Recordati S.p.A. and the information flows from Recordati S.p.A. to, in particular, Rossini Luxembourg S.à.r.l. were approved by the Board of Directors of Recordati S.p.A. in 2019, following a process which involved, from the initial drafting stages, the independent Directors and the Board of Statutory Auditors.

In light of the above, in 2020 the Company is subject to management and coordination activity of Rossini Luxembourg S.à.r.l. pursuant to article 2497 and following of the Italian Civil Code.

As illustrated by the Directors in the Corporate Governance Report, the exercise of management and coordination activities by Rossini Luxembourg S.à.r.l. can be achieved, among other things, through a variety of means, such as: the formulation of general guidelines; the establishment of directives and the formulation of instructions for the transmission of management and accounting information; the formulation by Rossini Luxembourg of non-binding opinions on certain significant transactions and decisions.

The Company exercises management and coordination activities, pursuant to article 2497 and following of the Italian Civil Code, over the directly or indirectly controlled Italian companies belonging to the Recordati Group. As illustrated by the Directors in the Corporate Governance Report and Ownership Structure, the wholly-owned Italian subsidiaries have acknowledged the management and coordination activities performed by the Company and have complied with the disclosure requirements provided for by Law.

With reference to events occurring after the end of the financial year, it should be noted that there were no company events occurred after the end of the financial year that would require changes to the values of assets, liabilities and the profit and loss account.

It should be noted, however, that Italy and all the other main countries in which the Company operates continue to be affected by restrictive measures on the movement of people and measures to support the economic activity of companies put in place following the epidemiological emergency resulting from the COVID-19 virus, that was declared a pandemic by the WHO (World

Health Organisation) in March 2020. The Board of Statutory Auditors was informed by the Chief Executive Officer about the measures taken, noting that the Company, in order to deal with the emergency in Italy and subsequently in other countries, had taken action by implementing all possible measures and initiatives in order to guarantee the supply of medicines to its patients and the safety of its employees. As shown in the Company's financial statements for the year ended on 31st December 2020, the 2020 results show that the impact on the Company's revenues is more than offset by the containment of operating expenses resulting from the reduction in business, with operating income and net profit remaining in line with forecasts.

2. Supervising relations with subsidiaries and parent companies and related-party transactions

The Board of Statutory Auditors supervised the ordinary or recurring related-party transactions and/or intra-group transactions in relation to which it reports as follows:

- commercial and financial intra-group transactions referring to subsidiaries and the parent company are regulated on an equivalent basis to those prevailing in transactions between independent parties;
- the most significant related-party transaction items are:
 - a) receivables for loans granted to Group companies;
 - b) payables for loans received from Group companies;
 - c) trade receivables from subsidiaries;
 - d) trade payables to subsidiaries;
 - e) receivables from subsidiaries for the management of the centralised treasury;
 - f) payables to subsidiaries for the management of the centralised treasury;
- it should be noted that related-party transactions do not include any non-standard or unusual transactions and that during 2020 there were no transactions or contracts with related-parties that, with reference to materiality of effects on the financial statements, could be considered significant in terms of value or conditions. The only exceptions to the above - which are indicated in the 2020 consolidated financial statements - are: 1) the net tax payable determined by the Company on the basis of the estimated taxable income and transferred to the parent company, Fimei S.p.A., as a result of the adhesion to the tax consolidation scheme pursuant to articles 117 to 128 of Italian Presidential Decree no. 917/1986, as amended by Italian Legislative Decree no. 344/2003; 2) the fact that on 1st October 2020 the Board of Directors of the Parent Company approved the reverse merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. (the Merger). It should be noted that the consolidated financial statements of the Recordati Group for the year ended on 31st December 2020 show that the Merger will not entail any change in the share capital of the Acquiring Company, nor any payment of cash adjustments is planned; furthermore, the post-merger balance sheet and profit and loss account of Recordati S.p.A. will be substantially in line with the current ones and, in particular, the Merger will not alter the net financial position and therefore Recordati's investment capacity, its capital allocation strategy and policy;
- in compliance with the requirements of article 4, paragraph 7, of the Regulations for related-party transactions adopted by CONSOB, resolution no. 17221 of 12th March 2010 as subsequently amended, as well as by article 2391-bis, paragraph 1, of the Italian Civil Code, the Company adopted the *'Procedure for regulating related-party transactions'* available on the Company's website.

3. Financial statements, consolidated financial statements and Report on Operations

With specific regard to the examination of the financial statements for the year ended on 31st December 2020, the consolidated financial statements for the year ended on 31st December 2020 (prepared in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as in accordance with the provisions issued by Consob in implementation of paragraph 3 of article 9 of Italian Legislative Decree no. 38/2005) and the Report on Operations, the Board of Statutory Auditors reports the following:

- the financial statements file was delivered to the Board of Statutory Auditors in due time to be deposited at the Company's registered office together with this report;
- the Board of Statutory Auditors has verified that the Company's financial statements and the consolidated financial statements have been prepared in accordance with the structure and layouts required by applicable regulations and are accompanied by the documents required by the Italian Civil Code and the TUF;
- the Board of Statutory Auditors verified the rationality for the valuation procedures applied and their compliance with the international accounting standards.

4. Transactions and events of major economic, financial and asset importance

In relation to the most significant transactions under an economic, financial and asset point of view carried out by the Company and the Group during the 2020 financial year, and, more generally, with regard to the most significant events, the Board reports the following:

- several initiatives were undertaken in line with the Group's strategy of continuous development and growth;
- initiatives were undertaken in the field of sustainability. In particular, the Group has decided to continue the structured and organic process to sustainability through which the stakeholders' expectations in relation to social, environmental and economic objectives are also taken into account. This process – which in previous years had already led to the preparation of non-financial information, through which to highlight the objectives that the Group has set itself and the results achieved in the environmental, social and economic fields – led to the establishment, in 2020, of the Environmental, Social & Governance function, dedicated to supporting the integration of social and environmental aspects in the business processes;
- the reverse merger of Fimeì and Rossini Investimenti into Recordati was approved.

With specific reference to the aforementioned Merger, the Board of Directors, has obtained the favorable binding opinion of the Risk, Control and CSR Committee, as Committee for related-party Transactions – due to its nature of a most significant related-party transaction and has subsequently examined and approved the reverse merger of Rossini Investimenti S.p.A. and Fimeì S.p.A. into Recordati S.p.A., and called the Extraordinary Shareholders' Meeting of Recordati for its approval; on 17th December 2020, the extraordinary shareholders' meetings of Rossini Investimenti, Fimeì and Recordati examined and approved, without amendments or supplements, the merger by incorporation of Rossini Investimenti and Fimeì into Recordati.

On 17th December 2020, the Board of Directors approved the Budget for the 2021 financial year. During 2020, the Board of Directors periodically monitored the operating performance, also by comparing the results achieved with those planned as per 2020 Budget. Given the uncertainty about the evolution of the pandemic and its impact on the economy and on business activities, in 2020 the Board of Directors postponed the adoption of the new Three-Year Plan to 2021, since the 2017-2019 Three-Year Plan had already expired. Indeed, throughout the entire 2020, the Board of Directors via ad hoc reporting by the Chief Executive Officer, monitored the evolution of the extraordinary situation that had arisen following the spread of the virus named Sars-Cov-2, in relation to the operating performance and with regard to the protection of the health of the employees of the Company and of the other companies of the Group.

In addition, during 2020, the Board of Directors examined, on several occasions, the updates of the corporate Risk Catalogue of the Company, prior to the completion of transactions for the acquisition of rights to products deemed significant.

It should also be noted that the Board of Directors received reports on the appointment process of the external auditors for the nine-year period 2020-2028; in this regard, at the beginning of 2020, Recordati's internal control and audit committee (Board of Statutory Auditors) issued its own recommendation, as already acknowledged in the Board of Statutory Auditors' report on Recordati's financial statements for the year ended on 31st December 2019.

The Board of Directors also approved in 2020 the adaptation of the Organisational Model pursuant to Italian Legislative Decree no. 231/2001 and the new Code of Ethics of Recordati.

It should be noted that in the period between 1st January 2021 and the date of this report, upon the proposal of the Remuneration and Nominations Committee, the Board of Directors approved the new 2021-2023 Stock Option Plan, to be submitted to the Shareholders' Meeting.

In particular, it is noted that on 29th April 2020 the ordinary Shareholders' Meeting passed a resolution renewing the authorisation to purchase and dispose of treasury shares pursuant to articles 2357 and following of the Italian Civil Code until the approval of the financial statements for the year ended on 31st December 2020. On the basis of the said shareholders' resolution, three share buy-back programs were launched to service the Recordati's Group management's stock option plans already adopted by the Company and those which may be adopted in the future (on 18th February 2020, 13th March 2020 and 23rd February 2021 respectively). The third aforementioned program will expire with the Shareholders' Meeting that approves the financial statements for the year ended on 31st December 2020, since the authorisation granted by the Shareholders' Meeting on the basis of that program will expire on that date.

As the current authorisation will expire with the Shareholders' Meeting called to approve the financial statements for the year ended on 31st December 2020, the Board of Directors, resolved to propose to the same meeting that the authorisation to purchase and dispose of treasury shares be renewed in order to maintain the necessary operational flexibility over an adequate time period.

The Board of Directors expects to continue in the coming years the process of acquiring products and expanding into new markets, while respecting prudent parameters of financial sustainability.

More specifically, the above transactions and events are adequately described in the Report on Operations and in the Explanatory Notes to the financial statements, to which reference should be made for further information.

The Board of Statutory Auditors has not detected nor received information from the Auditing Firm or the Chief of the Group Internal Audit Function (also the Manager responsible for the internal controls, pursuant to article 150 TUF) of non-standard and/or unusual transactions carried out with third parties, related parties or intra-group transactions.

In the Report on Operations and in the Explanatory Notes to the consolidated financial statements and the separate financial statements, the Directors have reported on the ordinary transactions carried out with related parties, indicating their nature and size. These indications are adequate also considering their size as well as the size of the Group and the Company. The transactions in question are represented almost exclusively by commercial or financial intra-group transactions carried out at market conditions.

For its part, the Board of Statutory Auditors has ascertained that the provisions of law and the By-laws have been complied with and that the transactions carried out by the Directors are not manifestly imprudent or risky, in potential conflicts of interest, contrary to the resolutions passed by the Shareholders' Meeting or in any case are such as to compromise the integrity of the Company's assets, and that they are based on, to the best of the Board of statutory auditors' knowledge, criteria of economic rationality, without this constituting an opinion on the merits of the Directors' management choices.

In general, the Board of Statutory Auditors therefore considers that the provisions of the law, the By-laws and the principles of proper administration have been complied with.

5. Performance of the year and economic and financial situation

The 2020 financial year closed with a consolidated net profit of €/000 355,027 compared to €/000 368,866 as at 31.12.2019.

The consolidated financial situation (Net financial position) as at 31.12.2020 is equal to €/000 (865,824) compared to €/000 (902,681) as at 31.12.2019. The reasons for the change are fully explained in the Report on Operations.

Consolidated shareholders' equity as of 31.12.2020 is equal to €/000 1,276,260 compared to €/000 1,198,811 as at 31/12/2019, with an increase of €/000 77,449 (against an increase of €/000 235,225 in 2019).

It should be noted that in 2011, the Company approved a change in the capital remuneration policy. As a consequence, an interim dividend of € 0.50 per share has been set for 2020. The board of Directors proposes to the shareholders' meeting to distribute a further dividend of € 0.55 per share, as balance of the 2020 financial year, which would thus result in a total dividend of € 1.05 per share, compared to € 1.00 per share distributed from the 2019 financial year result.

On the basis of the above elements, considering the more general situation of the Company and the Group and, in particular, the forecasts of the Directors for the 2021 financial year, the Board of Statutory Auditors does not consider, at present, that there are events or circumstances that may give rise to significant doubts concerning the going concern assumptions.

6. Organisational structure, administrative and accounting system and internal control system

The Board of Statutory Auditors monitored the existence of a suitable organisational structure in relation to the company's size and structure and the objectives which it pursues, capable of ensuring compliance with the regulations, including sector-specific regulations, which are applicable to the Company.

The Board of Statutory Auditors, with the assistance of the function aimed at monitoring the internal control system, verified the existence of an organisational chart, systems, job descriptions and procedures that are in line with achieving the aforementioned objectives, as well as the existence of a system of delegated and proxy powers which correspond to the responsibilities conferred.

During the financial year, the actions already undertaken in the previous financial year continued, aimed at reviewing certain functions and the relevant responsibilities of reporting directly to the Chief Executive Officer, as well as the constant improvement and strengthening of the human resources with specific organisational skills.

The organisational model adopted by the Company is also consistent with the provisions of Italian Legislative Decree no. 231/2001 and is periodically updated. In particular, in 2000, Recordati approved to adapt the Organisational Model pursuant to Italian Legislative Decree no. 231/2001 (December 2020) and the new Code of Ethics (July 2020). This model, which concerns the Company's overall activities from a procedural, organisational and control viewpoint, appears to be particularly incisive and its compliance is monitored by a specially appointed and duly functioning body, consisting of an internal member (the Head of the Group Audit & Compliance) and two external and independent experts. The model is constantly monitored and updated, in line with new regulations and organisational developments.

During 2020, the Company continued to disseminate the new Code of Ethics adopted as part of the new Organisational Model pursuant to Italian Legislative Decree no. 231/2001; in addition, special training courses on the two aforementioned documents were also provided to all personnel.

The Company monitors the strategically significant subsidiaries with reference to organisational controls and provisions that are in line with those adopted by the Company in relation to Italian Legislative Decree no. 231/2001. In this regard, taking into account the growing importance of foreign subsidiaries, activities have been systematically implemented to monitor applicable regulations on corruption in the various countries in which these companies operate and for the purposes of strengthening internal controls in order to prevent such events.

Since 2009, the Company has drawn up a Group Anti-Bribery Manual which sets out the principles of conduct to avoid bribery in company areas that are potentially exposed to the risk of corruption. During 2019, the Group Anti-Bribery Manual was revised and updated with new focus areas, new explanatory examples and new behavioural guidelines and, during 2020, it was again distributed to all Group branches.

The Company is committed to health, safety and the environment, matters that are adequately highlighted in the Report on Operations and the Non-Financial Statement. The Board of Statutory Auditors has acknowledged the continuous attention paid to this issue, which is regularly brought to the attention of the relevant corporate bodies.

The Internal Audit & Compliance Function is actively involved in identifying the critical issues in the internal control system. The head of this function, who has no links with operational functions, reports to the Board of Directors and is operationally coordinated by the Chair, and regularly reports to the Risk, Control and CSR Committee, presenting the annual work plan and reporting periodically on the activities carried out. The Board of Statutory Auditors, also in its capacity as the Internal Control and Audit Committee (the 'ICAC') established pursuant to article 19 of Italian Legislative Decree no. 39/2010, maintains an ongoing dialogue with the head of the function, verifying the effectiveness of such work.

The Report on Corporate Governance and Ownership Structure provides analytical reporting on the characteristics of the existing risk management and internal control systems with respect to the financial reporting process, in compliance with article 123-*bis* of TUF.

During the financial year, the Company continued to implement its risk control system.

In implementation of what was previously approved by the Board of Directors, the Company carried out the periodic monitoring which involved all company functions, with the aim of both improving financial reporting and of monitoring in a continuous and structured way the main risk areas and factors also pursuant article 19, paragraph 1 c) of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016, which implements Directive 2014/56/EU (Risk Catalogue of Recordati).

With specific reference to the Risk Catalogue of the Company, it should be noted that, as a rule, it is usually updated annually by the Board of Directors during the meeting that approves the budget for the following financial year; furthermore, the Company updates its Risk Catalogue in conjunction with the approval of extraordinary transactions such as acquisitions of new assets that are deemed to be significant.

In particular, during 2020, the Company updated its Risk Catalogue on several occasions: at the beginning of October 2020, in conjunction with a project for the acquisition of rights over products deemed to be significant, and finally, at the Board of Directors' meeting on 17th December 2020 that approved the 2021 Budget.

At the end of the 2020 financial year the Board of Directors resolved to adopt the 2020 Corporate governance Code (discussed in the following) and as a consequence on 22nd February 2021 the Board approved - with the favourable opinion of the Risk, Control and CSR Committee, the adjustment of the guidelines for the internal control and risk management system of the Company

and the Recordati Group so that the main risks affecting the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored.

It should be noted that the Board of Directors has positively assessed the suitability, efficacy and effective functioning of the internal control and risk management system, on the basis of the information provided at meetings through the reports submitted by the Risk, Control and CSR Committee and the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01.

In the Report on Operations, the main risk factors to which the Group is exposed are classified and described as follows:

- risks related to the external context: these are the risks associated with catastrophic events (biological, epidemic and pandemic, etc.), the evolution of the regulatory and legal framework of the pharmaceutical sector (characterised by a high level of local, national and international regulation, which affects activities at all levels), the expansion into emerging countries and competitive pressure;
- strategic and operational risks: these are the risks associated with the internationalisation of the Group, expiring patents, investments in research and development, the launch of new products, risks relating to pharmacovigilance, risks relating to the production process, production interruption, the risks associated with the environment, health and safety and those associated with the management of IT resources and data security;
- financial risks: these are credit, interest rate, currency exchange rate and liquidity risks;
- legal and compliance risks: these are the risks associated with product liability, compliance and those relating to legal proceedings.

All the risks and the measures adopted by the Company to limit them are fully described in the Report on Operations. The Budget, as well as the planning of the activities of the control bodies, in particular the Internal Audit & Compliance Function, take due account of the main risk factors and the actions aimed at mitigating their effects.

With reference to the administrative area, the Company complies with the provisions introduced by Italian Law no. 262/2005.

Mr Fritz Squindo, who was General Manager for Coordination of Management and Chief Financial Officer until 1st November 2019 and subsequently Group General Manager, was entrusted with the role of Financial Reporting Officer from 3rd May 2007 until 18th March 2020.

On 18th March 2020, with the positive opinion of the Risk, Control and CSR Committee and of the Board of Statutory Auditors, the Board of Directors appointed Mr Luigi La Corte as the Financial Reporting Officer, effective as from 1st November 2019.

Again on 18th March 2020, the Board of Directors approved the update of the *'Operating guidelines for the Financial Reporting Officer'*, the latest version of which was dated 3rd May 2007.

The Corporate Governance Report extensively reports on the internal control system and in particular to the activities aimed at monitoring the financial reporting process, which are also relevant pursuant to the provisions of article 19 paragraph 1 c) of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016, which implements Directive 2014/56/EU.

There is a complete, integrated and consistent reporting system at Group level, both in terms of reporting and procedures and guidelines.

A Group Accounting Manual has also been adopted, as well as protocols and administrative and accounting procedures concerning periodic accounting closures, the preparation of financial

statements and reporting packages by subsidiaries.

With reference to the continuous disclosure obligations pursuant to article 114, paragraph 2, of TUF, the Company has given the subsidiaries adequate instructions to fulfill the disclosure obligations provided for by article 114, paragraph 1, of TUF as part of the internal Regulations on Inside Information.

The Company maintains strict information control over its subsidiaries in order to be able to comply with the periodic disclosure obligations. In particular, it is envisaged that the sending of accounting or financial data for the relevant period by the subsidiaries be accompanied by a specific certification from the relevant Managing Director and Financial Controller.

The Financial Reporting Officer assesses the administrative and accounting internal control system by using the testing activity carried out by the Group Internal Audit Function.

In addition, on 29th March 2021, the Auditing Firm submitted to the Board of Statutory Auditors the Additional Report required by article 11 of EU Regulation no. 537/2014, which shows the results of the mandatory audit carried out and includes the declaration of independence pursuant to article 6, paragraph 2 (a), of the Regulation, as well as the reporting required by article 11 of such Regulation, without having identified any significant shortcomings. In particular, the Additional Report does not reveal any significant shortcomings in the internal control system in relation to the financial reporting process that should be brought to the attention of those responsible for governance activities.

The Board of Statutory Auditors informed the Company's Board of Directors of the results of the external audit, also transmitting to it the additional report, pursuant to article 19 of Italian Legislative Decree no. 39/2010, without providing any observations.

Pursuant to Italian Law no. 262/2005, the Company carried out, with a favourable outcome, tests to verify the general accounting and administrative closing procedures aimed at confirming the accuracy of the accounting data included in the financial statements and in the information documents and charts, which was also fully extended to the foreign subsidiaries..

All Group companies are subject to accounting audit for the purposes of the consolidated financial statements (with a different scope depending on the specifics of the individual company) by auditing firms, almost all of which belong to the EY S.p.A. network, a firm appointed for the nine-year period (2020-2028) by the parent company's shareholders' meeting that approved the financial statements for the 2019 financial year.

In terms of compliance with laws and regulations, the Board of Statutory Auditors has verified that the provisions contained in articles 15 *et seq.* of the Regulations adopted by Consob on markets are applicable to subsidiaries incorporated in Turkey, the United States of America, Russia and Switzerland which, due to their size are of significant importance, as they are incorporated and regulated by the law of a non-EU country, and it has verified compliance with economic and asset limits. To this end, the Board of Statutory Auditors has obtained information from the Company and the auditing firm that allows it to confirm that these subsidiaries have an administrative and accounting system capable of regularly providing the Company's management and the auditor of the parent company with the economic and financial data necessary for the preparation of the consolidated financial statements.

It should be noted that the rules on periodic financial reporting were amended by Italian Legislative Decree no. 25/2016, implementing Directive 2013/50/EU, which eliminated the obligation to publish the interim management statement, previously provided for by paragraph 5 of article 154-ter of Italian Legislative Decree no. 58/1998. On 26th October 2016, by means of resolution no. 19770,

Consob made some regulatory changes, introducing the new article 82-ter, which were applied as from 2nd January 2017.

In this regard, the Board of Directors resolved in 2017 to continue to publish, on a voluntary basis and until resolved otherwise, periodic quarterly reports similar in form and content to those published in previous financial years. In particular, the quarterly reporting will be subject to approval by the Board of Directors in meetings to be held within 45 days from the end of the first and third quarter of each year, and it will be published by means of a press release to be issued at the end of the board of directors' meeting that approved the aforementioned results, and through publication of the quarterly financial report, which will also be issued promptly after the board of directors' meeting that approved the aforementioned results.

As previously stated, the Company is subject to the management and coordination activities of Rossini Luxembourg S.à.r.l, pursuant to article 2497 and following of the Italian Civil Code.

The Corporate Governance Report states that the wholly-owned Italian subsidiaries have acknowledged the Company's management and coordination activities and have complied with the disclosure requirements provided for by law.

In addition, subsidiaries incorporated and regulated by the laws of non-EU countries, with the exception of those incorporated in Turkey, the USA, Russia and Switzerland, are not deemed significant under the applicable secondary regulations. However, in view of the large number of shareholdings held, the Company is committed to monitoring any changes and the Board of Statutory Auditors oversees this.

Auditing firm

It should be noted that, in view of the fact that the engagement conferred on KPMG S.p.A. by the Shareholders' Meeting on 13th April 2011 for the financial years 2011-2019 would expire with the approval of the financial statements for the 2019 financial year, in 2019 the Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, initiated a specific procedure, with the Company's assistance, for the selection of the new auditing firm for the statutory audit to be conferred for the financial years 2020-2028, in accordance with current regulations, particularly, article 16 of EU Regulation no. 537/2014.

As a result of the selection procedure, the ICAC prepared, in February 2020, its reasoned recommendation to be submitted to the Board of Directors, and subsequently to the Shareholders' Meeting, for the purposes prescribed by the applicable regulations; as previously stated, on 29th April 2020, the Shareholders' Meeting, in line with the latter, conferred the engagement for the statutory audit for the nine-year period 2020-2028 to EY S.p.A. (the '**Audit Firm**').

From the information obtained, it appears that during the financial year, the Company and the other Group companies entrusted the auditing firm EY S.p.A. and other entities of its network with certain tasks other than the statutory audit of the Company, as detailed below.

Type of service	Entity providing the service	Recipient	Fees values in €
Accounting Auditing	Auditor of the Parent Company	Parent Company	132,790
Accounting Auditing	Auditor of the Parent Company	Subsidiaries	70,499
Accounting Auditing	Network of the auditor of the Parent Company	Subsidiaries	665,233
Due diligence services	Auditor of the Parent Company	Parent Company	115,500
Tax compliance services	Network of the auditor of the Parent Company	Subsidiaries	67,138
Signing declarations and certificates	Auditor of the Parent Company	Parent Company	39,970
Signing declarations and certificates	Auditor of the Parent Company	Subsidiaries	3,701

Signing declarations and certificates	Network of the auditor of the Parent Company	Subsidiaries	38,825
Other services	Auditor of the Parent Company	Parent Company	15,400
Other services	Network of the auditor of the Parent Company	Parent Company	30,412

These appointments are disclosed for legal purposes and it should be noted that they have been reported by the Company in an annex to the consolidated financial statements (Annex 1) pursuant to article 149-*duodecies* of the Issuers' Regulation.

As a result of the enactment of Regulation 2014/537/EU, starting from 2017, the Board of Statutory Auditors was requested to express its opinion at the time of conferring non-audit engagements (Non-Audit Services) on the audit firm and other entities belonging to the network.

The Board of Statutory Auditors points out that no critical aspects were detected in relation to the independence of the auditing firm.

7. Current corporate governance

Detailed information on how the corporate governance principles approved by Borsa Italiana (contained in the related Corporate Governance Code, hereinafter also referred to as 'the Code') have been implemented is provided by the directors in the annual Report on Corporate Governance and Ownership Structure attached to the reporting on the financial statements.

It should be noted that the Company adheres to and complies with the Corporate Governance Code for Listed Companies (July 2018 version) as specified in the Report on Corporate Governance and Ownership Structure for the 2019 financial year, which the Board of Directors approved on 18th March 2020.

It should, however, be noted that the Corporate Governance Committee published a new version of the Corporate Governance Code on 31st January 2020 to be implemented by listed companies as from 2021.

During 2020, the Company examined the new Code in order to assess its most appropriate application and, by resolution of 29th October 2020, the Board of Directors of Recordati S.p.A. resolved upon – and disclosed to the market – the adoption of the Corporate Governance Code for Listed Companies, as published in January 2020, adhering to it with a few exceptions, specifying that Recordati will implement the new Code as from the 2021 financial year (with the exception of some recommendations that have already been implemented or are currently underway), and will disclose this to the market in the corporate governance report to be published in 2022.

The report prepared to accompany the financial statements for the 2020 financial complies with the provisions of article 123-*bis* of the TUF and the relevant information referred to in paragraph 4 of such provision, and the auditing firm has expressed its opinion on the coherence as per article 14, paragraph 1e) of Italian Legislative Decree no. 39/2010.

It should be noted that the current composition of the Board of Directors is the result of a process that took place between the end of the 2019 and the beginning of the 2020 financial years, with the appointment of the Board of Directors by the Shareholders' Meeting of 5th February 2019 and, following the resignation of some members, was changed by means of a Shareholders' Meeting resolution on 29th April 2020.

In particular, it should be noted that the Board of Directors currently in office was initially appointed by the Shareholders' Meeting on 5th February 2019, for three financial years, expiring with the Shareholders' Meeting called to approve the financial statements for the year ending on 31st December 2021, a Board composed of eleven directors, four of whom are female and three of whom are independent, in accordance with the criteria indicated by the applicable regulatory and

self-regulatory provisions on gender balance (at least 1/3 of the members are of the less represented gender) and the minimum number of independent directors (at least 1/3 of the Board of Directors are to be independent in issuers belonging to the FTSE-Mib index, rounded down to the lowest whole number).

In the Corporate Governance Report, it is pointed out that, as it was in the Company's interest to strengthen the Board's experience, including at international level, in the business sectors in which the Company and the Group operate, the Shareholders' Meeting of 5th February 2019 had approved the proposal of the majority shareholder, FIMEI S.p.A., to authorise the exemption of the members of the Board of Directors from the non-competition clause referred to in article 2390 of the Italian Civil Code with reference to the positions they held in other companies and disclosed at that date.

Following the renewal of the Board of Directors by the Shareholders' Meeting of 5th February 2019, the Board had appointed Mr Flemming Ørnskov as Chair and Mr Alfredo Altavilla as Vice-Chair and had confirmed the appointment of Mr Andrea Recordati as Chief Executive Officer, again granting the previous operating powers.

Also in accordance with the opinion of the Board of Statutory Auditors and the Remuneration Committee, the Board determined the remuneration of the Chair and the Chief Executive Officer.

The composition of the Board of Directors, as appointed by the Shareholders' Meeting of 5th February 2019, in office as from 1st January 2020 to 29th April 2020 and the roles of each Director at that date are summarised below:

Name	Role	Executive/Non-Executive	Independent	Date of First Appointment
Flemming Ørnskov	Chair	Non-Executive	-	Board of Directors 05.02.2019
Alfredo Altavilla	Vice-Chair	Non-Executive	-	Board of Directors 05.02.2019
Andrea Recordati	Chief Executive Officer	Executive	-	Shareholders' Meeting 29.04.1998
Silvia Candini	Director	Non-Executive	Independent	Shareholders' Meeting 05.02.2019
Michaela Castelli	Director	Non-Executive	Independent	Shareholders' Meeting 04.17.2014
Joanna Le Couilliard	Director	Non-Executive	Independent	Shareholders' Meeting 05.02.2019
Francisco Javier de Jaime Guijarro	Director	Executive	-	Shareholders' Meeting 05.02.2019
Giampiero Mazza	Director	Executive	-	Board of Directors 06.12.2018
Cathrin Petty	Director	Executive	-	Board of Directors 06.12.2018
Søren Vestergaard-Poulsen	Director	Executive	-	Board of Directors 06.12.2018
Fritz Squindo	Director	Executive	-	Board of Directors 14.03.2013

It should be noted that at the Board of Directors' meeting of 18th March 2020, three directors resigned due to pressing professional commitments, with effect as from the next Shareholders' Meeting, held on 29th April 2020 in single call: Mr Flemming Ørnskov, Mr Søren Vestergaard-Poulsen and Mr Francisco Javier de Jaime Guijarro.

In light of the resignation of Mr Flemming Ørnskov, the Board of Directors had expressed its intention to appoint, once his resignation had become effective, the director, Mr Alfredo Altavilla, as the new Chair of the Board of Directors.

With regard to the above, and as indicated in the press release issued by the Company on 18th March 2020, it should be noted that the majority shareholder FIMEI S.p.A., had already informed

the Company that, in anticipation of the possible resignation of members of the Board, it had already selected a shortlist of high-profile candidates, whose appointment would be proposed at the next Shareholders' Meeting, in order to further strengthen the Board of Directors, also in terms of specific experience in the pharmaceutical market.

It should also be noted that the Board of Directors, taking into account the results of the Board's self-assessment process carried out at the beginning of the 2020 financial year as well as the recommendations of the 2018 edition of the Corporate Governance Code, proposed to the Shareholders to increase the number of members of the Board of Directors from eleven to twelve, recommending that some of the new directors should have experience and qualified skills in the pharmaceutical industry and that one of the new directors should meet the independence requirements provided for by law (article 148, third paragraph, of Italian Legislative Decree no. 58/1998) as well as those indicated in the Corporate Governance Code.

In light of the above, on 29th April 2020, the Shareholders' Meeting approved the increase in the number of Directors from eleven to twelve and, since the resignations submitted on 18th March 2020 by Mr Flemming Ørnskov, Mr Søren Vestergaard-Poulsen and Mr Francisco Javier de Jaime Guijarro had become effective, upon the proposal of the majority shareholder, FIMEI S.p.A., it appointed the following new Directors: Francesco Balestrieri, Giorgio De Palma, Guido Guidi and Piergiorgio Peluso.

These *newly appointed* directors will remain in office until the expiry of the current Board of Directors, *i.e.* until the date of the Shareholders' Meeting called to approve the financial statements for the year ending on 31st December 2021.

Among the new directors, Piergiorgio Peluso qualified as an independent director pursuant to Italian Legislative Decree no. 58/1998 (TUF) and the Corporate Governance Code of Borsa Italiana Spa, 2018 edition, adopted by the Company.

The composition of the Board of Directors at the date of this report and the roles of each Director at that date are summarised below:

Name	Role	Executive/Non-Executive	Independent	Date of First Appointment
Alfredo Altavilla	Chair	Non-Executive	-	Board of Directors 05.02.2019
Guido Guidi	Vice-Chair	Non-Executive	-	Board of Directors 29.04.2020
Andrea Recordati	Chief Executive Officer	Executive	-	Shareholders' Meeting 29.04.1998
Silvia Candini	Director	Non-Executive	Independent	Shareholders' Meeting 05.02.2019
Michaela Castelli	Director	Non-Executive	Independent	Shareholders' Meeting 04.17.2014
Joanna Le Couilliard	Director	Non-Executive	Independent	Shareholders' Meeting 05.02.2019
Piergiorgio Peluso	Director	Non-Executive	Independent	Shareholders' Meeting 29.04.2020
Giorgio De Palma	Director	Executive	-	Shareholders' Meeting 29.04.2020
Giampiero Mazza	Director	Executive	-	Board of Directors 06.12.2018
Cathrin Petty	Director	Executive	-	Board of Directors 06.12.2018
Francesco Balestrieri	Director	Non-Executive	-	Shareholders' Meeting 29.04.2020
Fritz Squindo	Director	Executive	-	Board of Directors 14.03.2013

With regard to the role of the Board of Directors, the Board continued to reserve to its exclusive competence, in addition to the matters reserved to it by law or the By-Laws, the transactions of significant strategic, economic, asset or financial importance, for the identification of which specific criteria have been adopted, and which are reviewed at the time of granting delegated powers.

In relation to this, the Board of Statutory Auditors confirms that the principles and criteria laid down in the Code have been substantially complied with during the financial year.

Following the appointment of the Board of Directors by the Shareholders' Meeting of 5th February 2019, as amended by the Shareholders' Meeting of 29th April 2020, it is noted that one-third of the members are independent directors (four out of twelve directors in office), an approach that complies with the provisions of the TUF and the Corporate Governance Code itself, including those reserved the issuers belonging to the FTSE-Mib index.

The procedure adopted by the Board of Directors in order to verify independence provides that the director must declare that he/she meets this requirement at the time of submitting his/her candidacy and upon his/her acceptance of the appointment. The Board of Directors ascertains that this requirement is met at the first meeting following the appointment and discloses the outcome to the market. Subsequently, and without prejudice to the independent director's commitment to promptly inform the Board of Directors of the occurrence of situations that would result in the requirement not being met, the Board of Directors shall annually again request the directors concerned to confirm that he/she continues to meet the requirements, as provided for by the law and the Code. The Board of Directors shall verify the content of such communications; the Board of Statutory Auditors shall verify that the requirements and the assessment procedure adopted by the Board of Directors to assess the independence of the Board members has been correctly applied.

With reference to the Board currently in office, following the appointment by the Shareholders' Meeting of 5th February 2019 of three independent directors, namely Ms Silvia Candini, Ms Michaela Castelli, lawyer, and Ms Joanna Le Couilliard, the Board of Directors, taking into account their statements, ascertained that the independence requirements pursuant to article 148, paragraph 3, of the TUF and those pursuant to the Code were met; on 14th February 2020, the Board of Directors also confirmed that these requirements were met following the annual renewal of the assessment.

On 29th April 2020, the Board of Directors ascertained that the newly-elected Director, Piergiorgio Peluso, met the independence requirements; this was subsequently confirmed on 22nd February 2021, also on the basis of the 2020 Code, following the annual renewal of the assessment for Directors Silvia Candini, Michaela Castelli and Joanna Le Couilliard, as well as for Piergiorgio Peluso.

The Board of Statutory Auditors has positively verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of its members.

Following the Shareholders' Meeting of 29th April 2020, during which the Board of Directors was supplemented with an additional director meeting the independence requirements, the Board of Directors, on the same date:

- a) changed the composition of the Risk, Control and CSR Committee;
- b) did not consider it necessary to change the composition of the Remuneration Committee;
- c) decided to appoint the independent Director Ms Michaela Castelli as a new Lead Independent Director.

With reference to the Risk, Control and CSR Committee (see point a) above), the Board of Directors, in its meeting of 5th February 2019, following the appointment by the Shareholders' Meeting, had set up an internal Risk, Control and CSR Committee, composed of the following non-executive and

independent directors: Ms Michaela Castelli (Chair), Ms Silvia Candini and Ms Joanna Le Couilliard.

Following the changes in the composition of the Board of Directors with the Shareholders' Meeting of 29th April 2020, and up to the date of this report, the Risk, Control and CSR Committee is composed of the following non-executive and independent directors: Ms Michaela Castelli, (Chair), Ms Silvia Candini and Mr Piergiorgio Peluso (who took over from Ms Joanna Le Couilliard).

With reference to the Remuneration (and Nominations) Committee (see point b) above), it should be noted that the Board, at its meeting of 5th February 2019, had also set up an internal Remuneration Committee, composed of the following non-executive and independent directors: Ms Joanna Le Couilliard (Chair), Ms Michaela Castelli and Ms Silvia Candini.

This composition was maintained even following the Shareholders' Meeting of 29th April 2020, which changed and supplemented the composition of the Board of Directors.

Until 29th October 2020, the Board of Directors had renewed over time its assessment according to which it was not necessary to set up a Nominations Committee, expressly reserving to the full Board of Directors the tasks assigned to the latter by the Corporate Governance Code.

As can be seen from the Corporate Governance Report, the Corporate Governance Code, starting with the December 2011 edition, had recommended that such committee be set up and, nonetheless, the 2020 Code specified that companies with concentrated ownership, even large ones – such as Recordati S.p.A. – may assign the functions of the nominations committee to the Board of Directors, even when the number of independent directors do not exceed half of the number of the Board members.

In adhering to the 2020 Corporate Governance Code, on 29th October 2020, Recordati's Board of Directors nevertheless decided, following the joint recommendation of the Risk, Control and CSR Committee and the Remuneration Committee, to integrate, effective immediately, the functions assigned to the Remuneration Committee with the functions assigned by the new Code to the Nominations Committee, and consequently to change the name of the Remuneration Committee to the Remuneration and Nominations Committee.

With reference to the Lead Independent Director (see point c) above), it should be noted that following the changes in the composition of the Board of Directors by the Shareholders' Meeting of 5th February 2019, no new Lead Independent Director was appointed; however, as a result of the board review process carried out between the end of 2019 and the beginning of 2020, the Risk, Control and CSR Committee had recommended this appointment and the Board agreed that it was appropriate to do so.

Therefore, following the Shareholders' Meeting of 29th April 2020, during which the Board of Directors was supplemented with an additional director who met the independence requirements, the Board of Directors appointed the independent director, Ms Michaela Castelli, lawyer, as lead independent director, assigning her the duties established by the Corporate Governance Code in force at that date (2018 edition).

It should be noted that, on 30th July 2020, with respect to succession plans for executive directors who are granted with individual management powers, after receiving the opinion of the Remuneration and Nominations Committee – and in agreement also with the Risk, Control and CSR Committee, (which had also originally begun the preliminary analysis before assigning the relevant competence to the Remuneration and Nominations Committee at the time when the powers of the Remuneration Committee's powers were extended to include the Nominations Committee functions) – the Board of Directors adopted a plan relating to the Chief Executive Officer and the Director in charge of the internal control and risk management system containing,

in the event of their early cessation from office or inability, even temporary, to perform their functions, guidelines for the succession process aimed at ensuring management continuity in the short to medium term. It is therefore a so-called 'contingency plan' that will allow the Company to immediately deal with any emergency situation.

With regard to the composition of the Board of Statutory Auditors, it should be noted that the Board of Statutory Auditors has successfully verified that its members meet the independence criteria laid down by law and by the Code.

8. Consolidated non-financial statement

Italian Legislative Decree no. 254/2016, in implementation of Directive 2014/95/EU, introduced in the Italian legal system the obligation for certain entities to draw up for each financial year a non-financial statement aimed at "*ensuring the understanding of the business activity, its performance, its results and its impact*", covering environmental and social issues, those pertaining to personnel, respect for human rights and combatting active and passive corruption.

In essence, therefore, starting with the financial statements for the financial years beginning in 2017, listed companies, banks and large insurance companies (with at least 500 employees and meeting certain size requirements) must also draw up, in addition to the traditional financial reporting, a statement on non-financial matters, such as environmental and social aspects, those relating to personnel, respect for human rights, and combatting active and passive corruption.

In compliance with the provisions of Italian Legislative Decree no. 254/2016, the Company has prepared the 2020 consolidated non-financial statement (hereinafter also referred to as 'NFS').

In fact, Recordati has decided to undertake a structured and organic path towards sustainability, taking into consideration the aspects of economic, social and environmental sustainability in a manner that is consistent with its own organisational characteristics. To the extent necessary to ensure an understanding of the company's activities, its performance, its results and its impact, with respect to the main sustainability issues, Recordati's commitment to sustainability was strengthened through preparing the NFS for the 2020 financial year for the purposes of complying with the obligations laid down in articles 3 and 4 of Italian Legislative Decree no. 254/16. The NFS sets out the main policies practiced by the company, the management models and the main activities carried out by the Group during 2020 in relation to the issues expressly referred to by Italian Legislative Decree no. 254/16 (environmental, social, personnel-related, respect for human rights, combatting corruption), as well as the main risks identified that are associated with those issues.

In particular, it should be noted that the NFS was drawn up by the *new* Environmental, Social & Governance function, set up in 2020 by the Recordati Group in order to strengthen its commitment to an increasingly enhanced sustainability management. This function – which reports directly to the Group General Manager, in order to manage and coordinate sustainability issues – promotes and supports the various functions of the Group in adopting and integrating sustainability principles in corporate decision-making and business processes. In collaboration with the relevant functions, this function identifies risks related to sustainability issues, areas and projects for improvement; it proposes the strategy and objectives of the sustainability plan and drafts the NFS.

In particular, the NFS was prepared in accordance with the new reporting standards 'GRI Sustainability Reporting Guidelines', published in 2016 by the Global Reporting Initiative (GRI), according to the 'in accordance - core' option.

The NFS was submitted for review and evaluation by the Risk, Control and CSR Committee on 11th March 2021 and was subsequently approved by the Board of Directors of Recordati S.p.A. on 18th March 2021.

The Board of Statutory Auditors and the Company's ODV (231 Compliance Body) have obtained periodic updates on the preliminary activities for preparing the NFS, and, within the scope of the functions assigned to it by the law, the Board of Statutory Auditors has supervised the compliance with the provisions under Italian Legislative Decree no. 254/2016.

The NFS also underwent a conformity assessment by EY S.p.A., which in a specific report certified the conformity of the information provided pursuant to article 3, paragraph 10, of Italian Legislative Decree 254/16. The audit was carried out according to the procedures indicated in the 'Report of the Auditing Firm'.

It should be noted that the NFS was made public by the Company together with the documents relating to the 2020 annual financial statements.

9. Concluding assessments on supervisory activities and the financial statements

The auditing firm, in its report issued pursuant to article 14 of Italian Legislative Decree no. 39 of 27th January 2010, expressed an unmodified opinion on the 2020 financial statements and on the 2020 consolidated financial statements. The attestations of the Financial Reporting Officer and the Chief Executive Officer pursuant to article 154-*bis* of the TUF are annexed to the financial statements and the consolidated financial statements.

The shareholders' meeting has been convened to approve the financial statements. The Directors' proposal to distribute dividends (€ 0.55 per share for the balance of the 2020 financial year), taking into account the advance on the 2020 profits (€ 0.50 per share), provides for the distribution of a total dividend of € 1.05 per share. In order to distribute the dividend, the Company will draw on the profit for the financial year.

The Board of Statutory Auditors, on the basis of the activities carried out during the financial year, has not detected any reasons to prevent the approval of the financial statements for the year ended on 31st December 2020 and the related resolution proposals formulated by the Board of Directors.

Milan/Rome, 29th March 2021

The Board of Statutory Auditors of Recordati S.p.A.

Antonio Santi

Livia Amidani Aliberti

Ezio Simonelli