



**RECORDATI S.p.A.**  
**CORPORATE GOVERNANCE**  
**2020**

**CORPORATE GOVERNANCE REPORT  
AND OWNERSHIP STRUCTURE**

**FINANCIAL YEAR 2020**

pursuant to article 123 *bis* of Italian Legislative Decree no. 58 of  
24<sup>th</sup> February 1998

Approved on 18<sup>th</sup> March 2021 by the Board of Directors

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

## Summary

<b>GLOSSARY</b> .....	<b>4</b>
<b>1. PROFILE OF THE ISSUER AND GENERAL INFORMATION</b> .....	<b>5</b>
<b>2. OWNERSHIP STRUCTURE (pursuant to article 123-bis, paragraph 1, of the TUF)</b> .....	<b>9</b>
a) <i>Structure of the share capital and rights attaching to shares (pursuant to article 123-bis, paragraph 1, letter a) of the TUF)</i> .....	10
b) <i>Restrictions on transfer of securities (pursuant to article 123-bis, paragraph 1, letter b) of the TUF)</i> .....	11
c) <i>Significant investments in the share capital (pursuant to article 123-bis, paragraph 1, letter c) of the TUF)</i> .....	11
d) <i>Securities with special rights (pursuant to article 123-bis, paragraph 1, letter d) of the TUF)</i> .....	12
e) <i>Shareholding by employees: exercise of voting rights (pursuant to article 123-bis, paragraph 1, letter e) of the TUF)</i> .....	12
f) <i>Restrictions on voting rights (pursuant to article 123-bis, paragraph 1, letter f) of the TUF)</i> .....	12
g) <i>Shareholders' Agreements (pursuant to article 123-bis, paragraph 1, letter g) of the TUF)</i> .....	12
h) <i>Change of control clauses (pursuant to article 123-bis, paragraph 1, letter h) of the TUF) and By-Laws provisions concerning public tender offers to purchase (pursuant to articles 104, paragraph 1-ter and 104-bis, paragraph 1)</i> .....	14
i) <i>Authorisation for increase of share capital and acquisition of treasury shares (pursuant to article 123-bis, paragraph 1, letter m) of the TUF)</i> .....	14
j) <i>Management and co-ordination (pursuant to article 2497 et seq. of the Italian Civil Code)</i> .....	16
k) <i>Other information</i> .....	17
<b>3. COMPLIANCE (pursuant to article 123-bis, paragraph 2, letter a) of the TUF)</b> .....	<b>17</b>
<b>4. BOARD OF DIRECTORS</b> .....	<b>18</b>
<b>4.1 APPOINTMENT AND SUBSTITUTION OF DIRECTORS (pursuant to article 123-bis, paragraph 1, letter l) of the TUF)</b> .....	<b>18</b>
<b>4.2 COMPOSITION (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)</b> .....	<b>22</b>
<b>TABLE OF COMPOSITION AND STRUCTURE OF THE BOARD OF DIRECTORS</b> .....	<b>26</b>
4.2.1. <i>Succession Planning for the Executive Directors and Key Manager Personnel</i> .....	28
4.2.2 <i>Diversity criteria and policies (pursuant to article 123-bis, paragraph 2, letter d-bis of the TUF and Principle 2.P.4 of the 2018 CG Code and Recommendation no. 8 of the 2020 CG Code)</i> .....	28
4.2.3 <i>Maximum number of offices held in other companies</i> .....	29
4.2.4. <i>Induction Programme</i> .....	30
<b>4.3 ROLE OF THE BOARD OF DIRECTORS (pursuant to article 123-bis, paragraph 2, letter d) of the TUF)</b> ..	<b>31</b>
4.3.1. <i>Self-assessment by the Board and its Committees</i> .....	38
<b>4.4 EXECUTIVE OFFICERS AND BODIES</b> .....	<b>40</b>
<b>4.5 OTHER EXECUTIVE DIRECTORS</b> .....	<b>42</b>
<b>4.6 INDEPENDENT DIRECTORS</b> .....	<b>42</b>
<b>4.7 LEAD INDEPENDENT DIRECTOR</b> .....	<b>43</b>
<b>5. CONFIDENTIALITY OF CORPORATE INFORMATION</b> .....	<b>44</b>
<b>6. INTERNAL COMMITTEES OF THE BOARD</b> .....	<b>46</b>
<b>7. REMUNERATION AND NOMINATIONS COMMITTEE</b> .....	<b>46</b>
<b>8. DIRECTORS' REMUNERATION</b> .....	<b>48</b>
<b>9. RISK, CONTROL AND CSR (Corporate Social Responsibility) COMMITTEE</b> .....	<b>48</b>
<b>10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM</b> .....	<b>55</b>
10.1 <b>DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM</b> .....	<b>59</b>
10.2 <b>CHIEF OF THE GROUP AUDIT &amp; COMPLIANCE FUNCTION</b> .....	<b>61</b>
10.3 <b>ORGANISATIONAL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001</b> .....	<b>62</b>
10.4 <b>CODE OF ETHICS</b> .....	<b>64</b>
10.5 <b>AUDIT FIRM</b> .....	<b>66</b>
10.6 <b>THE FINANCIAL REPORTING OFFICER</b> .....	<b>67</b>
10.7 <b>CO-ORDINATION BETWEEN THOSE INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM</b> .....	<b>67</b>

<b>11. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS.....</b>	<b>68</b>
<b>12. APPOINTMENT OF STATUTORY AUDITORS.....</b>	<b>71</b>
<b>13. STATUTORY AUDITORS (composition and functioning of the Board of Statutory Auditors pursuant to article 123-<i>bis</i>, paragraph 2, letters d and d-<i>bis</i>, of the TUF) .....</b>	<b>75</b>
<b>14. RELATIONS WITH SHAREHOLDERS .....</b>	<b>79</b>
<b>15. SHAREHOLDERS' MEETINGS .....</b>	<b>80</b>
<b>16. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to article 123-<i>bis</i>, paragraph 2, letter a) of the TUF) .....</b>	<b>84</b>
<b>17. CHANGES OCCURRING SINCE THE END OF THE YEAR .....</b>	<b>84</b>
<b>18. OBSERVATIONS ON THE LETTER OF THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE OF 22<sup>nd</sup> DECEMBER 2020 .....</b>	<b>84</b>
<b>ATTACHMENT 1 PROFESSIONAL OVERVIEW OF THE DIRECTORS AND STATUTORY AUDITORS .....</b>	<b>85</b>

## GLOSSARY

**2020 CG Code:** the Corporate Governance Code for Listed Companies approved on 31<sup>st</sup> January 2020 by the Corporate Governance Committee to be applied by listed companies as from 2021. It should be noted that, on 29<sup>th</sup> October 2020, the Board of Directors of Recordati S.p.A. resolved - and disclosed to the market - to adopt the 2020 CG Code, adhering to it, with a few exceptions, specifying that Recordati will apply the new Code starting from the 2021 financial year (saved for some recommendations that have already been implemented or are in the process of being implemented), informing the market of them in the corporate governance report that will be published in 2022. However, with respect to those recommendations that have already been implemented or are in the process of being implemented, the relevant reporting is set out in this Report.

**2018 GC Code:** the Corporate Governance Code for Listed Companies approved in July 2018 by the Corporate Governance Committee and in force until 31<sup>st</sup> December 2020.

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

**Issuer:** Recordati S.p.A.

**Financial Year:** the financial year to which this Report relates (2020).

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

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

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

**Consob Related-party Regulations:** the regulations issued by Consob with Resolution no. 17221 of 12<sup>th</sup> March 2010 (as subsequently amended) concerning transactions with related parties. It should be noted that in implementation of the delegated power contained in article 2391-*bis* of the Italian Civil Code, Consob amended Regulation no. 17221 of 12<sup>th</sup> March 2010 on related-party transactions. The new provisions will come into force as from 1<sup>st</sup> July 2021.

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

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

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

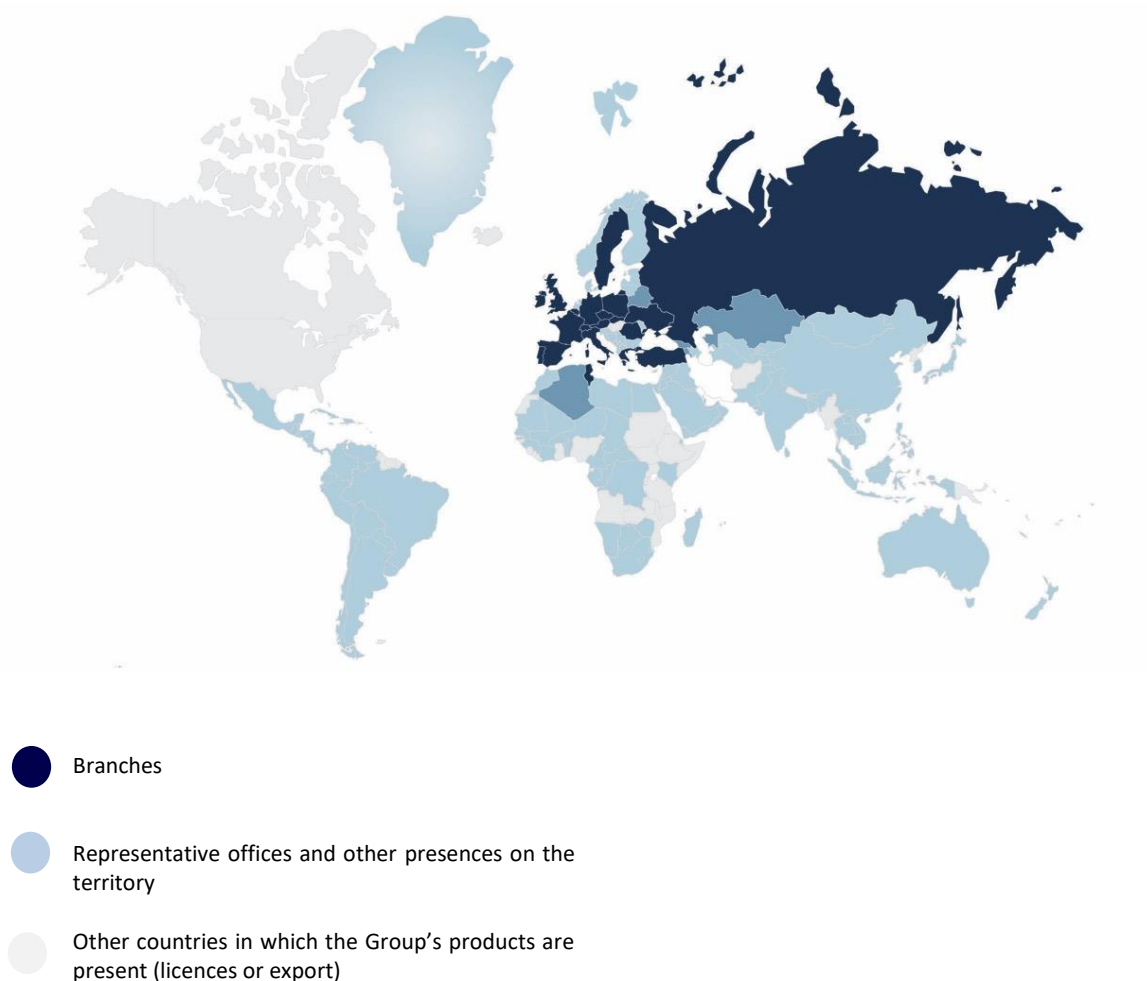
## 1. PROFILE OF THE ISSUER AND GENERAL INFORMATION

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

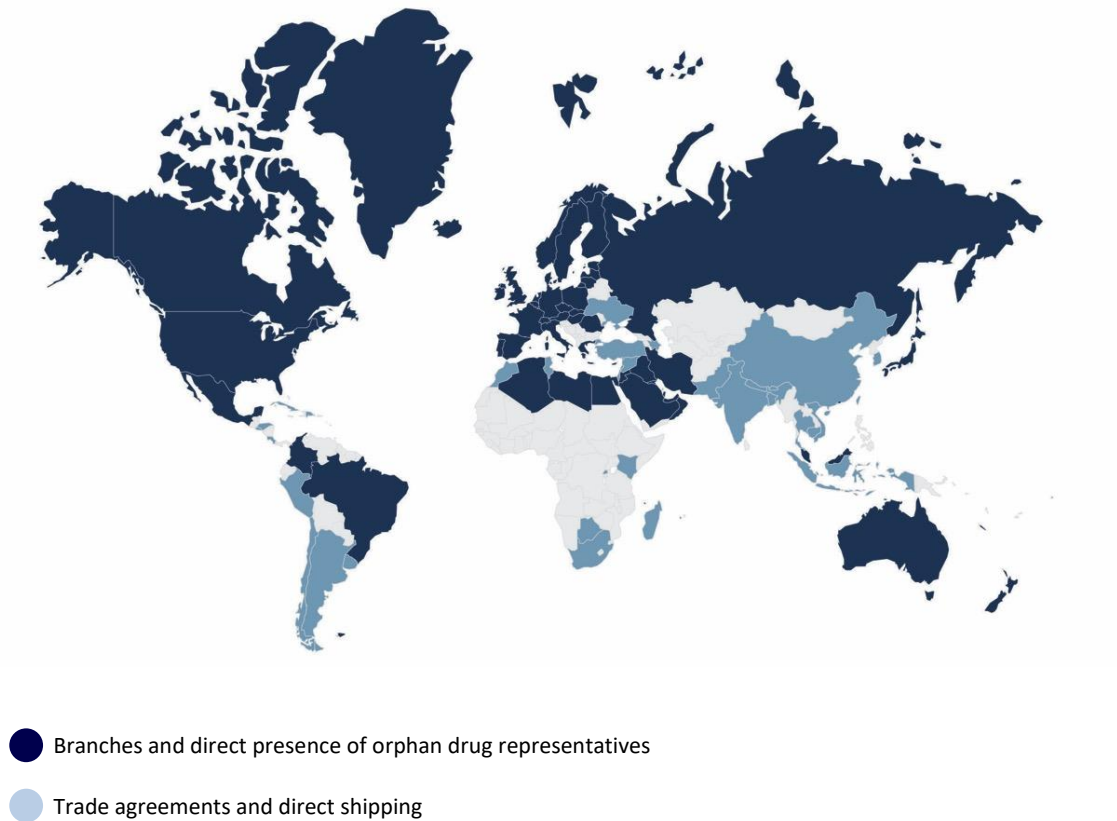
The Company and the Group that it leads has approximately 4,300 employees. They perform research and development, production, marketing and sales of pharmaceuticals – both original and licensed, belonging to different therapeutic areas including a specialised activity in rare diseases – supplements and medical devices, as well as pharmaceutical chemical products. Recordati is engaged in the research and development of innovative pharmaceuticals, particularly, therapies for rare diseases. They perform their activities in the principal European countries, including Russia, Turkey, North Africa, the United States of America, Canada, Mexico, some countries in South America, Japan and Australia.

As at 31<sup>st</sup> December 2020, the Group was composed of 46 subsidiaries (of which 4 are Italian), in addition to the Parent Company, Recordati S.p.A.

### GENERAL AND SPECIALIST MEDICINE



## RARE DISEASES



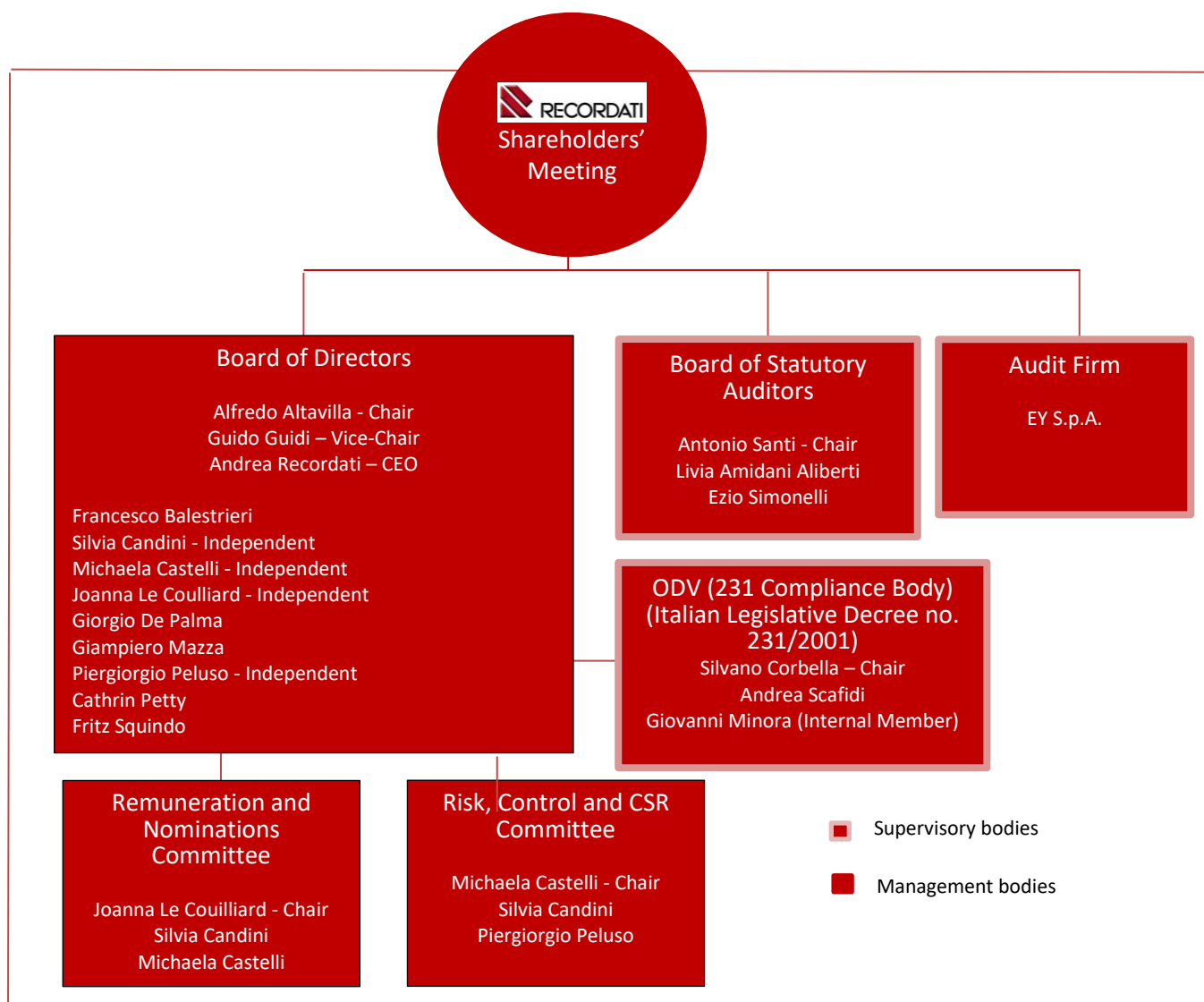
The primary objective of Recordati's corporate governance system is the creation of value for shareholders, without, however, losing sight of the social importance of the activity performed and of all the stakeholders involved. Recordati's values are identified in the Code of Ethics, updated, most recently, by the Board of Directors on 30<sup>th</sup> July 2020 (which may be consulted on the Recordati website<sup>1</sup>).

**The corporate governance structure of the Company** is based on a conventional organisational model and therefore consists of the following corporate bodies: (i) the Shareholders' Meeting, (ii) the Board of Directors, (iii) the Board of Statutory Auditors. Accounting control is delegated, in compliance with the relative legislation in force, to a firm of auditors registered in the special roll maintained by the Consob. A '231' (administrative liability) Compliance Body (ODV) has also been appointed which oversees the proper functioning of the '231 Model' and is responsible for updating it.

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

<sup>1</sup> <https://www.recordati.com/pdf/code-of-ethics-recordati-group.pdf>

Below is a graph representing the corporate governance structure of the Company as at 18<sup>th</sup> March 2021:



With respect to the 2020 Financial Year, Recordati adheres to and complies with the Corporate Governance Code for Listed Companies as published in July 2018<sup>2</sup> with the additions and necessary amendments resulting from the characteristics of the Group as mentioned in this Report. By a resolution adopted on 29<sup>th</sup> October 2020, the Board of Directors of Recordati S.p.A. resolved - and disclosed to the market - to adopt the Corporate Governance Code for Listed Companies, as published in January 2020<sup>3</sup>, adhering to it, with a few exceptions, specifying that Recordati will apply the new Code as from the 2021 financial year (saved for some recommendations that have already been implemented or are in the process of being implemented), informing the market of them in the corporate governance report that will be published in 2022.

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

<sup>3</sup> This may be consulted on the website of Borsa Italiana: <http://www.borsaitaliana.it>.

However, with respect to those recommendations that have already been implemented or are in the process of being implemented, the relevant reporting is set out in this Report.

The information contained in this document, unless otherwise indicated, refers to the financial year ended on 31<sup>st</sup> December 2020 and, in relation to specific issues, updated at the date of its approval by the Board of Directors (18<sup>th</sup> March 2021).

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

\*

### **Reverse merger of Fimei S.p.A. and Rossini Investimenti S.p.A. into Recordati S.p.A.**

On 1<sup>st</sup> 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 Fimei S.p.A. ('**Fimei**') (Rossini Investimenti and Fimei are jointly also 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 Plan**').

The Merger, together with the merger agreement described below, has received the favourable opinion of Recordati's Risk, Control and CSR Committee (the '**Committee**'), which acts as the Committee for Related-Party Transactions in accordance with the procedure for regulating transactions with related parties of Recordati (the '**Procedure**').

The main reasons for the decision to proceed with the Merger, with the consequent benefit of the Transaction for Recordati and for the entire group to which it belongs (the '**Group**') are as follows:

- (a) to shorten the chain of control with respect to the operating companies and to simplify the corporate structure of the Group, in line with domestic and international practice;
- (b) to reduce the administrative costs associated with the maintenance of the Merging Companies with the consequent freeing up of resources for the benefit of the entire Group;
- (c) to obtain administrative synergies and synergies related to fixed structural costs, as well as greater efficiency from a financial point of view resulting from a shortening of the control chain, which will allow dividend flows to be realised more rapidly, with a consequent lower tax cost resulting from the elimination of additional tax levels.

As a result of the Merger, Recordati will also be able to benefit from the ACE tax benefits generated by Rossini Investimenti, as more fully described in the Merger Project and the Information Document. In this respect, as disclosed to the market on 9<sup>th</sup> December 2020, the request for an opinion submitted by the Company received a positive response from the Italian Revenue Agency.

Furthermore, it should be noted that as a result of the Merger:

- there will be no change to the share capital or the By-laws of Recordati S.p.A.;
- the shareholdings held in Recordati S.p.A. by Rossini S.à r.l. (indirectly held by CVC Capital Partners VII Limited), currently equal to 51.820% of the share capital of Recordati S.p.A. shall remain unchanged, as well as those shareholdings held by the other shareholders;
- all the Recordati shares held by Fimei will be assigned to Rossini S.à r.l. against the cancellation of all the Rossini Investimenti shares held by Rossini S.à r.l. itself;



- there will be no effect on the net financial position or on the capital allocation strategy or policy of Recordati S.p.A.;
- there will be no recognition in Recordati S.p.A.'s financial statements of goodwill or intangible assets resulting from the transaction.

With regard to the Exchange Ratio, PricewaterhouseCoopers S.p.A., appointed by the Court of Milan to prepare the report on the fairness of the Exchange Ratio pursuant to article 2501-*sexies* of the Italian Civil Code, issued (on the assumption that the relevant conditions, set out in detail in the Merger Project and the Explanatory Reports, remain unchanged) on 13<sup>th</sup> November 2020 a positive opinion on the fairness of the Exchange Ratio.

In addition, the Merger was also notified, pursuant to Italian Law Decree no. 21/2012, converted into Italian Law no. 56/2012, entitled 'Rules on special powers over corporate governance models in the defence and national security sectors, as well as for strategically important activities in the energy, transportation and communications sectors', and subsequent relevant provisions, to the Presidency of the Council of Ministers, which, on 30<sup>th</sup> October 2020, announced the closure of the related proceedings, as there was no information regarding the threat of serious prejudice to the national interest.

On 17<sup>th</sup> December 2020, the extraordinary shareholders' meetings of Rossini Investimenti, Fimeì and Recordati examined and approved, without amendments or supplements, the merger project for the 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 31<sup>st</sup> December 2020 and their closing balance sheet as at 31<sup>st</sup> March 2021.

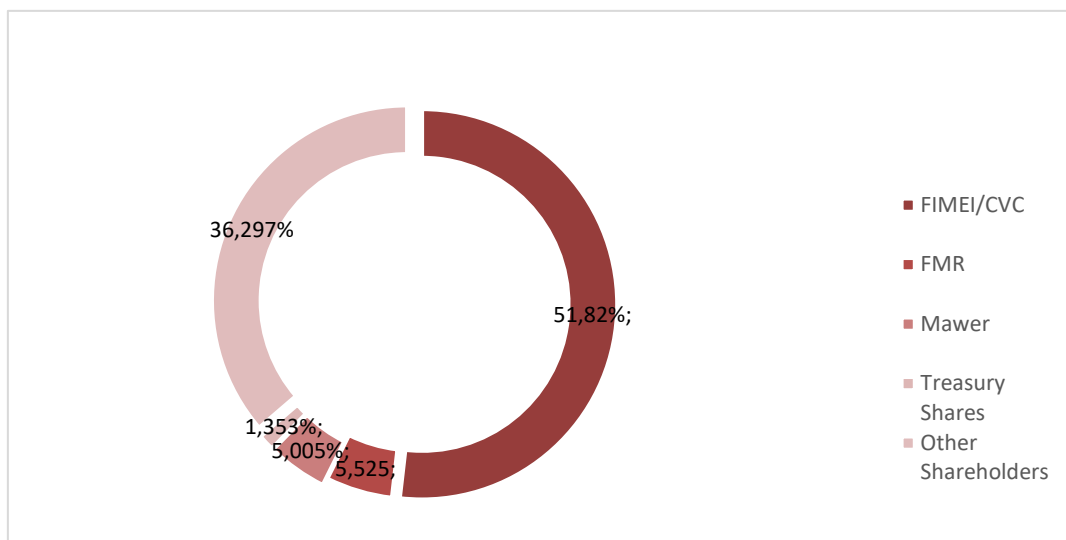
Within the strictly necessary technical timeframe immediately following the approval of the aforementioned closing balance sheets, the Participants in the Merger shall execute the Merger deed and file it with the competent Companies' Register. The transactions of the Merging Companies will be recorded in the financial statements of the Acquiring Company as from 1<sup>st</sup> April 2021 (the '**Accounting Effective Date**').

The Merger will be effective for statutory purposes from the date of the last of the registrations required by article 2504 of the Italian Civil Code (the '**Effective Date**'). As from such date, the Acquiring Company will take over all the assets and liabilities of the Merging Companies, which will be extinguished accordingly.

For further information on the terms and procedures for performing the Merger, reference should be made to the Merger Project, the Information Document and the Explanatory Reports, published on the website [www.recordati.com](http://www.recordati.com) (in the 'Investors' area, section 'Shareholders' Meetings - Reverse Merger into Recordati S.p.A. 2020/2021') and on the authorised storage mechanism 1Info <https://www.1info.it>

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

Below is a graph representing the ownership structure as at 31<sup>st</sup> December 2020.



**a) Structure of the share capital and rights attaching to shares (pursuant to article 123-bis, paragraph 1, letter a) of the TUF)**

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

The rights attaching to the shares are set out in the By-Laws. More specifically, each share entitles the holder to a proportional part of the profits allocated for distribution; article 28 of the By-Laws provides that the net profits on the balance sheet are to be distributed as follows: (a) 5% (five percent) to the legal reserve fund up to the amount established by the law; (b) the remainder, unless the Shareholders' Meeting, as proposed by the Board, resolves to allocate funds for extraordinary reserves or for other purposes, or to postpone part or all of the distribution to all shares to successive years, to be distributed to all shares. The Board of Directors may resolve to distribute interim dividends, within the limits and according to the procedures established by law. Dividends not collected within five years following the day on which they became payable shall revert to the Company and are recognised in the extraordinary reserve.

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

As concerns outstanding stock option plans and any share capital increases there may be at the service of those plans, reference is made to the information documents prepared in accordance with article 84-bis of the Consob Issuers' Regulations relating to each outstanding stock option plan, available on the Company website at the address: [http://www.recordati.it/en/corporate\\_governance/remuneration/stock\\_option\\_plans/](http://www.recordati.it/en/corporate_governance/remuneration/stock_option_plans/).

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

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

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

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

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

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

On the basis of notifications received, in accordance with article 120 of Italian Legislative Decree no. 58/1998 and other information received, as at 17<sup>th</sup> March 2021, the following parties held shares, either directly or indirectly, amounting to more than 3% of the share capital ('significant shareholdings').

SIGNIFICANT SHAREHOLDINGS			
Reporting entity	Direct Shareholder	Percentage (%) of ordinary share capital	Percentage (%) of voting share capital*
CVC CAPITAL PARTNERS	FIMEI S.p.A.	51.82%	51.82%
FMR LLC	Fidelity Management & Research Company LLC Fidelity Management & Research (Japan) Limited FIAM LLC FMR Investment Management (UK) Limited Fidelity Institutional Asset Management Trust Company	4.998%	4.998%

<b>Mawer Investment Management LTD</b>	<b>Mawer Investment Management Ltd</b>	5.005%	5.005%
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\* As is known treasury stock consists of shares on which voting rights are only temporarily suspended in accordance with the law.

As at 17<sup>th</sup> March 2021, Recordati S.p.A. also held no. 3,499,096 treasury shares equal to 1.6732% of the capital on which voting rights are suspended in accordance with the law.

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

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

No securities with special rights of control have been issued.

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

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

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

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

**g) Shareholders' Agreements** (pursuant to article 123-*bis*, paragraph 1, letter g) of the TUF)

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

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

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

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

On 29<sup>th</sup> June 2018, Rossini Holdings S.à.r.l., ('**Rossini Holdings**'), executed two investment agreements with Andrea Recordati and an investment agreement with Fritz Squindo (collectively, the '**Investment Agreements**'). The aforementioned agreements govern the investment conditions of Andrea Recordati and Fritz Squindo respectively in Rossini Luxembourg S.à.r.l., a subsidiary of Rossini Holdings, subject to the acquisition by Rossini Luxembourg of the entire share capital of FIMEI S.p.A., a company that holds ordinary shares representing 51.791% of the subscribed share capital of Recordati. The Investment Agreements contain, *inter alia*, certain agreements (the '**Agreements**'), functional to the execution of the transaction governed by the Investment Agreements themselves, which are likely to take on a significant shareholder nature for the purpose of fulfilling the related publication formalities.

On 4<sup>th</sup> July 2018, these Agreements were disclosed pursuant to article 122 of the TUF.

On 6<sup>th</sup> December 2018, two agreements were executed amending the aforementioned Investment Agreements, both of which were notified pursuant to article 122 of the TUF on 11<sup>th</sup> December 2018.

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

This PSP Shareholders' Agreement was published pursuant to article 122 of the TUF on 11<sup>th</sup> December 2018.

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

This Alpinvest Shareholders' Agreement was published pursuant to article 122 of the TUF on 11<sup>th</sup> December 2018.

On 19<sup>th</sup> February 2019, with reference to the investment agreements executed between Andrea Recordati, on one hand, and Rossini Luxembourg S.à r.l. and Rossini Holdings S.à r.l., on the other hand, on 29<sup>th</sup> June 2018 (as amended on 6<sup>th</sup> December 2018) (hereinafter referred to as the **'AR Agreements'**), which include some significant shareholders' agreements pursuant to article 122 of the TUF, paragraphs 1 and 5 and were already disclosed to public on 1<sup>st</sup> July and 11<sup>th</sup> December 2018, the following amendment was disclosed: on 14<sup>th</sup> February 2019, (i) Mr Andrea Recordati subscribed for no. 6,350,000 ordinary shares and no. 1,150,000 preference shares (the ordinary and preference shares, the **'Shares'**) of Rossini Luxembourg; (ii) Mr Andrea Recordati transferred these Shares to his controlled company Indio s.s., with registered office in Milan, via Paolo Andreani 4, fiscal code 97832790154 (**'Indio'**); (iii) through the signing of certain adhesion agreements with Andrea Recordati, Rossini Luxembourg and Rossini Holdings S.à r.l. (the **'Indio Adhesion Agreements'**), Indio has adhered to the AR Agreements, taking upon itself the rights and obligations arising from the AR Investment Agreements held by Andrea Recordati, who in any case remained a party to those agreements; and (iv) the Shares are held by Cordusio Società Fiduciaria per Azioni, a company subject to the management and coordination of Unicredit S.p.A., with registered office in Milan, via Borromei, 5, registered under no. 863916 with the Companies' Register of Milan

(‘**Cordusio**’), in its capacity as fiduciary company (*società fiduciaria*) appointed by Indio, which has given Cordusio irrevocable instructions, as they are also conferred in the interest of Rossini Luxembourg and Rossini Holdings, to comply with the provisions of the AR Agreements and the By-laws of Rossini Luxembourg.

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

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

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

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

**h) Change of control clauses (pursuant to article 123-bis, paragraph 1, letter h) of the TUF) and By-Laws provisions concerning public tender offers to purchase (pursuant to articles 104, paragraph 1-ter and 104-bis, paragraph 1)**

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

In addition, bonds issued by the Company (in 2014 and 2017) – for totals of US\$ 75 million and € 125 million - both privately placed with international institutional investors and most of the major loan agreements executed by the Company, also as guarantor for the benefit of its subsidiaries – for a total of € 898 million – set out, as is normal in financial operations of this type, a clause, which authorises the creditors to obtain immediate repayment if the control of the Company changes.

The By-Laws of the company do not allow exceptions to the provisions concerning takeovers on the passivity rule pursuant to article 104, paragraph 1-ter, of the TUF nor do they allow the application of neutralisation rules pursuant to article 104-bis, paragraph 1, of the TUF.

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

The Board of Directors was authorised to increase share capital, pursuant to article 2443 of the Italian Civil Code, by a Shareholders' Meeting of 11<sup>th</sup> April 2017.

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

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

That same Shareholders' Meeting authorised Directors, in accordance with article 2420-*ter* of the Italian Civil Code to decide the issue in one or more tranches, for a total maximum nominal amount of € 80,000,000, of bonds convertible to ordinary shares, or valid warrants to subscribe to such shares, to offer in option to shareholders within a period of no more than five years from the date of resolution, in observance of applicable law and regulations concerning the issuing of bonds, and at the same time, deciding an increase of share capital for the amount that corresponds to the nominal value of the shares to be attributed in conversion.

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

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

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In ordinary session, by means of a resolution of 29<sup>th</sup> April 2020 a Shareholders' Meeting renewed the authorisation to purchase and assign treasury shares, pursuant to articles 2357 *et seq.* of the Italian Civil Code, until approval of the financial statements as at 31<sup>st</sup> December 2020, scheduled for 20<sup>th</sup> April 2021. In particular, the maximum number of shares that may be acquired, after accounting for the number of treasury shares already held in the Company's portfolio, is 5,000,000, which corresponds to a total potential payment of not more than € 200,000,000, at a minimum price not less than the nominal value of Recordati shares (€ 0.125) and a maximum price not greater than the average of official Borsa prices during the five sessions prior to the acquisition, plus 5%. Purchases must be made on regulated markets, in observance and according to the procedures set forth by EU Regulation no. 596/2014 and the relevant implementing provisions, where applicable, and according to standard practices recommended by Consob in accordance with article 13 of EU Regulation no. 596/2014.

At the end of the Financial Year, the Company held no. 2,829,302 treasury shares in portfolio, which represented 1.353% of the share capital.

On the basis of this shareholders' resolution, on 18<sup>th</sup> February 2020, a share buy-back program was launched to service stock option plans for the management of Recordati Group companies already



adopted by the Company and those plans to be adopted in the future. Such plan was completed on 9<sup>th</sup> March 2020. On 13<sup>th</sup> March 2020, a second program was launched, for the same purpose. On the basis of the first program, the Company purchased no. 868,970 for a total amount of € 33,999,837.75; in implementation of the second program, the Company, starting from 13<sup>th</sup> March 2020 until 29<sup>th</sup> April 2020, the date on which the Shareholders' Meeting resolved upon the approval of the financial statements for the year ended on 31<sup>st</sup> December 2019, thereby causing the Shareholders' Meeting authorisation for such program to expire, purchased no. 414,261 for a total amount of € 13,820,317.

Also, on the basis of said shareholders' meeting resolution, on 23<sup>rd</sup> February 2021, a third program was launched for the same purpose. In implementation of such program, on 17<sup>th</sup> March 2021, the Company purchased no. 745,794 for a total amount of € 32,464,452.23. This program will expire on the date of the Shareholders' Meeting convened to approve the financial statements for the year ended on 31<sup>st</sup> December 2020, thereby causing the Shareholders' Meeting authorisation for such program to expire on that date.

In consideration of the expiry of the current authorisation which will occur when the Shareholders' Meeting is held to approve the financial statements for the year ended on 31<sup>st</sup> December 2020, the Board resolved to submit a proposal to the Shareholders' Meeting convened to approve the 2020 financial statements to renew the authorisation to purchase and assign treasury stock in order to maintain the necessary operational flexibility over an appropriate time horizon. The Directors' Report on the relevant item on the agenda, which will be also made available on the Company's website within the time period set forth by law, may be consulted for further information.

#### **j) Management and co-ordination (pursuant to article 2497 *et seq.* of the Italian Civil Code)**

The Company is subject to the management and coordination on the part of Rossini Luxembourg S.à.r.l, pursuant to article 2497 *et seq.* of the Italian Civil Code.

In 2019 the Board of Directors approved the adoption of specific regulations on the management and coordination activities carried out by Rossini Luxembourg S.à.r.l. on Recordati S.p.A. and on the information flows of Recordati S.p.A. towards, in particular, Rossini Luxembourg S.à.r.l. at the end of an in-depth investigation which involved, from the onset of the drafting phase, the independent directors and the Board of Statutory Auditors.

The exercise of this activity by Rossini Luxembourg S.à.r.l. can be carried out, *inter alia*, through the formulation of general guidelines, the purpose of which is to coordinate, to the extent deemed necessary, insofar as possible and in any case in accordance with the respective objectives, the management strategies of Rossini Luxembourg and the Recordati Group; the establishment of directives and the formulation of instructions for the transmission of management and accounting information which Rossini Luxembourg may need in order to comply with applicable laws and regulations; the formulation by Rossini Luxembourg of non-binding opinions in particular on some significant transactions and decisions.

The Company performs management and coordination activities, pursuant to articles 2497 *et seq.* of the Italian Civil Code, vis-à-vis the Italian companies belonging to the Recordati Group and its direct and indirect subsidiaries, outlining their medium/long-term strategies in terms of economic and financial results, industrial and investment objectives and commercial policies. The fully controlled Italian subsidiaries have acknowledged management and co-ordination by the Company and have fulfilled legal disclosure requirements in this respect.



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**k) Other information**

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

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

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

As illustrated in Section 1, in accordance with the procedures contained in this report, the Company adheres to the 2018 Code and, on 29<sup>th</sup> October 2020, adhered to the 2020 GC Code, with a few minor exceptions, specifying that Recordati will apply the new Code as from the 2021 financial year, except for some recommendations that have already been implemented or are in the process of being implemented.

Both of the Codes may be consulted on the website of Borsa Italiana at the address <https://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovernance> with reference to the website of the Corporate Governance Committee for the 2020 GC Code.

In particular, in the event that the Company has decided not to adhere to certain principles or operating criteria of the 2018 CG Code, reasons were given either in the corresponding section of this Report or in the corresponding section of the Remuneration Report. Moreover, this Report contains the relevant reporting on these recommendations that have already been implemented or are in the process of being implemented.

The main characteristics of the risk and internal control management systems in relation to financial reporting, including consolidated reporting, requested by article 123-bis, paragraph 2, letter b) of the TUF are illustrated in the report on internal control and risk management (Section 10).

The procedures for the functioning of shareholders' meetings, its principal powers, the shareholder rights and the procedures for exercising them, required by article 123-bis, paragraph 2, letter c) of the TUF, are illustrated in the section of the Report on Shareholders' Meeting (Section 15).

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

Information on the criteria and policies on diversity applied in relation to the composition of the administrative, management and control bodies with regard to aspects such as age, gender composition and training and professional background required by article 123-bis, paragraph d-bis, of the TUF, is illustrated in the section of the Report dedicated to the Board of Directors (Section 4.2.2.).

## 4. BOARD OF DIRECTORS

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

The appointment and replacement of Directors is regulated by articles 15, 16 and 18 of the By-Laws, the text of which, for the sake of completeness, is reproduced in full below:

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

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

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

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

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

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

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

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

*The Board of Directors will be elected as follows:*

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

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

*If the candidates elected by the method as above do not include an adequate number of independent Directors with the characteristics as established for statutory auditors at article 148, third paragraph, of the TUF, equal to the minimum number established by the law in relation to the total number of Directors, the last non-independent candidate, according to the progressive numbering, of the slate that obtained the greatest number of votes as at letter a) of the paragraph above, will be substituted by the first independent candidate, according to the progressive numbering, of the non-elected candidates on the same slate, or if not possible, by the first independent candidate, according to the progressive numbering, of the non-elected candidates of the other slates, according to the number of votes obtained by each. This procedure of substitution will be followed until the board of directors is composed of a number of members who have the qualifications as at article 148, third paragraph of the TUF, equal at least to the minimum legal number. If this procedure does not produce the latter result, the substitution will be effected by resolution of the Shareholders' Meeting by relative majority, after presentation of candidates who possess the qualifications as cited above.*

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

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

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

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

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

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

It is also underlined that, on the basis of the By-Laws in force, the right to submit slates is only held by shareholders who, individually or together with other shareholders submitting slates, hold voting shares representing at least 2.5% of the voting capital in an Ordinary Shareholders' Meeting, or representing a lower percentage established by mandatory laws or regulations. In this respect, in accordance with articles 144-*quater* and 144-*septies* of the Consob Issuers' Regulations, as well as Consob resolution no. 44 of 29<sup>th</sup> January 2021, the percentage of the share capital required to present slates of candidates to the Board of Directors of the Company is currently 1%.

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

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

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

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

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

The By-Laws do not lay down any additional **requirements for the independence of Directors** with respect to those contained in article 148, paragraph 3, of Italian Legislative Decree no. 58/1998,

because the Company adheres to the 2018 CG Code and the Board of Directors verifies possession of the requirements of independence in accordance with the 2018 CG Code and consequently when a Shareholders' Meeting appoints Directors, the Board of Directors invites candidates to the position of Director contained on slates to declare also these requirements, as adopted by the Company.

In compliance with the 2020 CG Code, the Board will evaluate in the course of 2021 the predefinition of quantitative and qualitative criteria for assessing the significance of relationships that could be relevant in order to correctly apply the independence criteria.

In particular, the table at the end of this Section may be consulted for details of those Directors currently in office who meet the requirements for independence in accordance with the TUF and those that are independent in accordance with the 2018 CG Code.

With regard to the **regulations on gender balance in corporate bodies** Italian Law no. 160 of 27<sup>th</sup> December 2019 (Budget Law 2020) has amended articles 147-ter, paragraph 1-ter, and 148, paragraph 1-bis, of the TUF, providing for a different quota reserved for the least represented gender equal to 'at least two-fifths' (compared to the previous 'at least one-third') of the members and established that this allocation criterion applies for 'six consecutive terms of office'.

According to the Budget Law 2020, the criterion of allocation of 'at least two-fifths' applies 'as from first renewal of the management and supervisory bodies of the companies listed on regulated markets following the date of entry into force of this Law' (1<sup>st</sup> January 2020).

Consob, by means of Communication no. 1/20, has therefore provided clarifications on the interpretation of this application, to corporate bodies composed of three members, of the new rules on gender quotas, introduced by the aforementioned provisions of the TUF and which will already apply to the renewal of corporate bodies scheduled for the next Shareholders' Meetings in April): since in the case of boards composed of three members, the two-fifths reserve is inapplicable due to arithmetical impossibility, Consob has clarified that for corporate bodies composed of three members only the rule of rounding down rather than upwards applies, as currently provided for in article 144-undecies, 1, paragraph 3, of the Consob Issuers' Regulations.

It should be noted that the Company By-Laws, as from 2012, provide that the Board of Directors shall be appointed in compliance with the existing legislation in force on gender balance (and in any case on the basis of slates of candidates submitted by shareholders).

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

Again, with respect to gender balance in the bodies of listed companies, the Company acknowledged the recommendations concerning diversity, including as regards gender, in the composition of the corporate bodies first introduced in the 2018 CG Code in July 2018 and subsequently confirmed by the 2020 CG Code, which indicates that at least one-third of the members of the board of directors shall be composed of the least represented gender.

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

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

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

### Composition from 1<sup>st</sup> January 2020 to 29<sup>th</sup> April 2020

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

The Shareholders' Meeting held on 5<sup>th</sup> February 2019 appointed a board composed of eleven directors, of whom four were women and three were independent, in compliance with the criteria laid down by the applicable legal and corporate governance provisions on the matters of gender balance and the minimum number of independent directors (at least one-third of the Board members in issuers belonging to the FTSE-Mib index<sup>4</sup>):

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

The most voted slate was the one submitted by FimeI S.p.A. which obtained 71.315% of the share capital with voting rights represented at the Shareholders' Meeting, while the second slate was voted by 28.544% of the voting capital<sup>5</sup>. The voting capital represented 78.454% of the Issuer's share capital.

The composition of the Board of Directors from 1<sup>st</sup> January 2020 to 29<sup>th</sup> April 2020 and the titles of each Director during this period are summarised below:

<b>Flemming Ørnskov</b>	Chair	Non-Executive	-	*BoD 05.02.2019	
<b>Alfredo Altavilla</b>	Vice-Chair	Non-Executive	-	*BoD 05.02.2019	
<b>Andrea Recordati</b>	CEO	Executive	-	*Shareholders' Meeting 29.04.1998	
<b>Silvia Candini</b>	Director	Non-Executive	Independent	*Shareholders' Meeting 05.02.2019	
<b>Michaela Castelli</b>	Director	Non-Executive	Independent	*Shareholders' Meeting 17.04.2014	
<b>Joanna Le Couilliard</b>	Director	Non-Executive	Independent	*Shareholders' Meeting 05.02.2019	
<b>Francisco Javier de Jaime Guijarro</b>	Director	Executive	-	*Shareholders' Meeting 05.02.2019	

<sup>4</sup> The 2018 Corporate Governance Code recommended (Application Criterion 3.C.3) that for issuers belonging to the FTSE-MIB index, at least one-third of the Board of Directors is comprised of independent directors. If that portion does not correspond to a whole number, the number is rounded down.

<sup>5</sup> The submitted slates, together with the extra relevant documentation filed pursuant to applicable law and regulations are available at [www.recordati.it](http://www.recordati.it), (section: Investors/Shareholders' Meetings /2019).



<b>Giampiero Mazza</b>	Director	Executive	-	*BoD 06.12.2018
<b>Cathrin Petty</b>	Director	Executive	-	*BoD 06.12.2018
<b>Søren Vestergaard-Poulsen</b>	Director	Executive	-	*BoD 06.12.2018
<b>Fritz Squindo</b>	Director	Executive	-	*BoD 14.03.2013

\*Date of first appointment to the Board of Directors

It should be noted that, as it was in the interest of the Company to strengthen the Board's experience, also internationally, in the business sectors in which the Company and the Group operate, the Shareholders' Meeting of 5<sup>th</sup> February 2019 had approved the proposal of the majority shareholder FIMEI S.p.A. to authorise the exemption of members of the Board of Directors from the competition prohibition provided for by article 2390 of the Italian Civil Code with reference to the positions held by them in other companies and disclosed on that date.

On 5<sup>th</sup> February 2019 the Board of Directors had confirmed that Silvia Candini, Michaela Castelli and Joanna Le Couilliard met the independence requirements, which was subsequently confirmed on 14<sup>th</sup> February 2020 following the annual renewal of the assessment.

Subsequently, at the Board of Directors' meeting of 18<sup>th</sup> March 2020, three Directors resigned, effective as of the Shareholders' Meeting which was held on 29<sup>th</sup> April 2020 on a single call: Flemming Ornskov, Søren Vestergaard-Poulsen and Francisco Javier de Jaime Guijarro due to increased professional commitments.

In light of the resignation of Mr Flemming Ørnskov, the Board of Directors, on the same day, expressed its intention to appoint, as soon as Mr Ørnskov's resignation became effective, Mr Alfredo Altavilla as new Chair of the Board of Directors.

It should be noted that Mr Søren Vestergaard-Poulsen and Mr Francisco Javier de Jaime Guijarro were qualified as executive directors under the 2018 CG Code as they held executive positions in companies of majority shareholder's group that also include the Company, but did not have individual operational powers.

The Shareholders' Meeting on 29<sup>th</sup> April 2002 was then called upon to take the relevant decisions regarding the integration of the Board of Directors, upon redetermination of the number of its members. Please note that the only candidate not elected from the same slate, Ms Elisa Corgi, informed the Company that she would not accept the position, due to the multiple professional commitments she has previously undertaken. There are therefore no unelected candidates remaining on the aforementioned slate.

In light of the foregoing, FIMEI S.p.A. (Recordati's majority shareholder) had already communicated to the Company – as indicated in the press release dated 18<sup>th</sup> March 2020 - that, in view of possible resignations of members of the Board, it had already selected a limited number of high-profile candidates to the Board to be proposed to the next Shareholders' Meeting of the Company in order to further strengthen the composition of the Board also in terms of specific pharmaceutical market experience.

It should also be noted that the Board of Directors, taking into account the results of the Board's self-assessment process held at the beginning of the 2020 financial year

as well as the recommendations of the 2018 edition of the Corporate Governance Code, has addressed to the Shareholders the proposal 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<sup>6</sup>.

The controlling shareholder accepted these guidelines.

### **Current composition**

On 29<sup>th</sup> April 2020, the Shareholders' Meeting approved the increase in the number of Directors from eleven to twelve and, as the resignations submitted on 18<sup>th</sup> March 2020 by Flemming Ørnskov, Søren Vestergaard-Poulsen and Francisco Javier de Jaime Guijarro had become effective, upon the proposal of the majority shareholder, FIMEI S.p.A., it appointed new Directors, Francesco Balestrieri, Giorgio De Palma, Guido Guidi and Piergiorgio Peluso, who will remain in office until the expiry of the current Board of Directors, *i.e.* until the Shareholders' Meeting for the approval of the financial statements for the year ending on 31<sup>st</sup> December 2021.

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

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

The curriculum vitae of the new directors are available on the Company's website [www.recordati.it](http://www.recordati.it) in the section relating to the Shareholders' Meeting of 29<sup>th</sup> April 2020 (within the Investors Section).

In addition, the personal and professional characteristics of each Director still in office as at 31<sup>st</sup> December 2020 - which range from economic, financial and management matters, including, for some of them, significant international experience in the business sectors in which the Company and the Group operate, to legal and corporate governance matters - are set out in attachment 1 to this Report, which also indicates the positions held by the Directors in other listed companies, financial companies, insurance companies and in significantly-sized companies. In some cases, for the sake of transparency, the Directors have decided to indicate additional positions held in companies other than listed companies, financial companies, insurance companies and significantly-sized companies.

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

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<sup>6</sup> The Directors' Report on the relevant item on the agenda of the shareholders' meeting of 29<sup>th</sup> April 2020 is available on the website [www.recordati.it](http://www.recordati.it) (section Investors/Shareholders' Meetings/2020)



<b>Alfredo Altavilla</b>	Chair	Non-Executive	-	*BoD 05.02.2019
<b>Guido Guidi</b>	Vice-Chair	Non-Executive	-	*BoD 29.04.2020
<b>Andrea Recordati</b>	CEO	Executive	-	*Shareholders' meeting 29.04.1998
<b>Francesco Balestrieri</b>	Director	Non-Executive	-	*Shareholders' meeting 29.04.2020
<b>Silvia Candini</b>	Director	Non-Executive	Independent	*Shareholders' meeting 05.02.2019
<b>Michaela Castelli</b>	Director	Non-Executive	Independent	*Shareholders' meeting 17.04.2014
<b>Joanna Le Couilliard</b>	Director	Non-Executive	Independent	*Shareholders' meeting 05.02.2019
<b>Giorgio De Palma</b>	Director	Executive	-	*Shareholders' meeting 29.04.2020
<b>Giampiero Mazza</b>	Director	Executive	-	*BoD 06.12.2018
<b>Cathrin Petty</b>	Director	Executive	-	*BoD 06.12.2018
<b>Piergiorgio Peluso</b>	Director	Non-Executive	-	*Shareholders' meeting 29.04.2020
<b>Fritz Squindo</b>	Director	Executive	-	*BoD 14.03.2013

\*Date of first appointment to the Board of Directors.

## TABLE OF COMPOSITION AND STRUCTURE OF THE BOARD OF DIRECTORS

TABLE OF COMPOSITION AND STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES															
BOARD OF DIRECTORS IN OFFICE AS AT 31 <sup>ST</sup> DECEMBER 2020 and at the date of this Report												Risk, Control and CSR Committee		Remuneration and Nominations Committee (5)	
Office	Members (name and surname)	Year of birth	In office since	In office until	Slate (M/m)	Executive	Not Executive	Indep. under Code	Indep. under TUF	No. of attendances	No of other positions in listed companies	****	No of attendances	****	No of attendances
					*					**	***		**		**
Chair (1)	Alfredo ALTAVILLA	1963	5.2.2019	Approval of 2021 financial statements	M		X			13/13	2				
Vice-Chair	Guido GUIDI	1953	29.4.2020	Approval of 2021 financial statements	M		X			7/9	0				
Chief Executive Officer	Andrea RECORDATI	1971	5.2.2019	Approval of 2021 financial statements	M	X				13/13	0				
Director	Francesco BALESTRIERI	1969	29.4.2020	Approval of 2021 financial statements	M		X			9/9	0				
Director	Silvia CANDINI	1970	5.2.2019	Approval of 2021 financial statements	m		X	X	X	12/13	1	M	19/19	M	9/9
Director (2)	Michaela CASTELLI	1970	5.2.2019	Approval of 2021 financial statements	M		X	X	X	12/13	3	C	19/19	M	9/9
Director	Giorgio DE PALMA	1974	29.4.2020	Approval of 2021 financial statements	M	X#				9/9	0				
Director	Joanna LE COUILLIARD	1963	5.2.2019	Approval of 2021 financial statements	M		X	X	X	12/13	2	M (3)	3/3	C	8/9
Director	Giampiero MAZZA	1969	5.2.2019	Approval of 2021 financial statements	M	X#				13/13	0				
Director	Piergiorgio PELUSO	1968	29.4.2020	Approval of 2021 financial statements	M		X	X	X	9/9	0	M(4)	16/16		
Director	Cathrin PETTY	1973	5.2.2019	Approval of 2021 financial statements	M	X#				13/13	0				
Director	Fritz SQUINDO	1956	5.2.2019	Approval of 2021 financial statements	M	X				13/13	0				

(1) Appointed Chair of the Board of Directors on 29.4.2020.

(2) Appointed Lead Independent Director (LID) on 29.4.2020

(3) Member until 29.4.2020

(4) Member from 29.4.2020

(5) Starting from 29.10.2020, the functions granted to the Remuneration Committee were integrated with the functions assigned to the Nominations Committee by the new Corporate Governance Code.

DIRECTORS NO LONGER IN OFFICE DURING THE REFERENCE FINANCIAL YEAR (2020)											Risk, Control and CSR Committee		Remuneration and Nominations Committee	
Office	Members (name and surname)	Year of birth	In office since	In office until	Slate (M/m)	Executive	Not Executive	Indep. under Code	Indep. under TUF	No of attendances	****	No of attendances	****	No of attendances
					*					**		**		**
Chair	Flemming ØRNSKOV	1958	5.2.2019	29.4.2020	M		X			4/4				
Director	Francisco Javier DE JAIME GUIJARRO	1964	5.2.2019	29.4.2020	M	X‡				3/4				
Director	Søren VESTERGAARD-POULSEN	1969	5.2.2019	29.4.2020	M	X‡				3/4				
<p>● This symbol indicates the director responsible for the internal control and risk management system.</p> <p>◊ This symbol indicates the main person responsible for the management of the issuer (Chief Executive Officer or CEO).</p> <p>○ This symbol indicates the Lead Independent Director (LID).</p> <p>‡ This symbol indicates the executive director identified as such in accordance with the Code 2018 (and 2020) as he/she holds management positions in group companies of the majority shareholders that regard also the Company, but has no operational powers in the latter.</p> <p>* M/m is indicated in this column depending on whether the member was elected from the slate voted by the majority (M) or by a minority (m).</p> <p>** This column shows the attendance of Directors at meetings of the Board of Directors and Committees respectively (no. of attendances / no. of meetings held during the actual period of office of the person concerned during the financial year in question).</p> <p>*** This column shows the number of positions as director or auditor held by the person concerned in other companies listed on regulated markets, including foreign ones; for a complete list of other positions, including in financial, banking, insurance or large companies, please refer to the list in Annex 1 to this document.</p> <p>**** This column indicates the position of the director within the Committee: 'C' chair and 'M' member.</p> <p>Please note that the information relating to the date of the first appointment of Directors to the Board of Directors of the Company is indicated on page 25.</p>														
INDICATE THE QUORUM REQUIRED FOR THE SUBMISSION OF SLATES AT THE LAST APPOINTMENT: 1%.														
NO. OF MEETINGS HELD DURING 2020							Board of Directors: 13			Risk, Control and CSR Committee: 19			Remuneration and Nominations Committee: 9	

#### **4.2.1. Succession Planning for the Executive Directors and Key Manager Personnel**

With respect to succession plans for Executive Directors who are granted individual management powers, on 30<sup>th</sup> July 2020, the Board of Directors adopted, upon receiving the opinion of the Remuneration and Nominations Committee - following agreement also with the Risk, Control and CSR Committee which had also originally started the preliminary analysis before assigning the relevant competence to the Remuneration and Nominations Committee at the time of the extension of the Remuneration Committee's competences to the functions of the Nominations Committee - **a plan for the Chief Executive Officer and the Director responsible for the Internal Control and Risk Management System**,<sup>7</sup> containing, in the event of early termination or impediment, even temporary, to the performance of their functions, the guidelines of the succession process aimed at short-term/medium-term management continuity. It is therefore a so-called '**contingency plan**' that will enable the Company to deal with any emergency situation immediately,

On the basis of this 'contingency plan':

- upon the occurrence of the early cessation from holding office or impediment, including temporary, to the performance of the Chief Executive Officer's functions, the Group General Manager shall assume the powers for the management of the Company with the same limits as those previously envisaged for the Chief Executive Officer, and shall promptly be convened the Board of Directors' meeting in order to take the consequential measures;
- upon the occurrence of the early cessation from holding office or impediment, including temporary, to the performance of the functions of the Director Responsible for the Internal Control and Risk Management System, the Chief Executive Officer shall take over the role, and shall promptly be convened the Board of Directors' meeting in order to take the consequential measures.

Also in line with the provisions of the 2020 CG Code (Recommendation no. 24), the Remuneration and Nominations Committee, during 2020, began analysing on the status quo regarding the existence of adequate procedures for the succession of **key manager personnel**.

The process is aimed at verifying the existence of adequate organisational controls by the Company in order to ensure effective managerial continuity.

#### **4.2.2 Diversity criteria and policies (pursuant to article 123-bis, paragraph 2, letter d-bis of the TUF and Principle 2.P.4 of the 2018 CG Code and Recommendation no. 8 of the 2020 CG Code)**

With specific regard to the recommendations of the 2018 CG Code, as explained in greater detail in the paragraph dedicated to the composition of the Board of Directors, the configuration of Recordati's Board of Directors complies with the diversity criteria recommended by such 2018 GC Code (and confirmed by the 2020 CG Code).

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<sup>7</sup> Taking into account that the current structure - confirmed also upon adherence to the new 2020 CG Code as a specific exception; in this regard, please refer to paragraph 10.1 - provides that the position of director responsible for the internal control system and risk management will be entrusted to the Executive Director - Group General Manager – Mr Fritz Squindo.

With regard to the provisions introduced on this matter by Italian Law no. 160 of 27<sup>th</sup> December 2019 (the '2020 Budget Law'), these were taken into account with reference to the appointment of the Board of Statutory Auditors that took place at the Shareholders' Meeting of 29<sup>th</sup> April 2020 and therefore the composition of the Board of Statutory Auditors complies not only with the diversity criteria recommended by the 2018 CG Code (and confirmed by the 2020 CG Code), but also with the law; while, as regards the Board of Directors, such legal provisions, which have intervened on the matter by amending the previous regulations, shall apply at the time of the next appointment of the Board of Directors, whose term of office will expire at the time of the Shareholders' Meeting called to approve the 2021 financial statements.

It should be noted that the self-assessment process conducted between 2019 and 2020 confirmed that in terms of diversity (not only gender), the composition of the Board was balanced, with some areas for improvement in terms of the skills of directors within the sector in which the Company operates; to this end, the Board of Directors recommended, when providing guidelines to the shareholders for the integration of the Board of Directors during the Shareholders' Meeting on 29<sup>th</sup> April 2020, that the number of members of the Board of Directors be increased from eleven to twelve and that some of the new directors should have experience and professional 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 2018 CG Code.

With regard to the diversity policies applied in relation to the composition of the management and control bodies (also referred to in Italian Legislative Decree no. 254/2016 on non-financial information, implementing Directive 2014/95/EU), the issue is therefore adequately covered since the composition of the Board of Directors and the Board of Statutory Auditors is adequately diversified in terms of age, gender, educational and professional background, and nationality, as can be seen from the curricula. In light of this, as previously stated, the Board of Directors has so far deemed it unnecessary to formalise the approval of such policies, deeming that it can effectively monitor and identify its optimal qualitative and quantitative composition over time by carrying out the self-assessment process and preferring to provide guidelines in its report to the shareholders' meeting called to resolve on the appointment of directors, as was also performed during 2020.

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

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

The Board of Directors has over time preferred not to set any general criterion for the maximum number of positions as director or statutory auditor in other companies that are considered compatible with performing duties as a director of the Company. It has done this until now

because it feels that it is best to allow individual Directors to assess this compatibility themselves.

The Board self-assessment process has, on several occasions and also at the beginning of 2020, confirmed the positive assessment made of the functioning of the Board and its committees with particular reference to this aspect.

Moreover, taking into account recommendation no. 15 of the 2020 CG Code *'in large companies, the board of directors expresses its guidelines on the maximum number of offices that can be considered compatible with an effective performance and the time commitment required by the role of the directors'* - on 29<sup>th</sup> October 2020, at the time of the resolution to adhere to the 2020 CG Code, the Board of Directors asked the Remuneration and Nominations Committee to carry out an analysis aimed at verifying the contents of the best practices developed on the subject by the market (and more specifically by a peer group of comparable companies) and by the main proxy advisors and institutional investors, reserving the right to formulate a proposal on the subject after examining the results of these analyses.

The Remuneration and Nominations Committee is completing the above- mentioned analysis and elaborating a proposal to be submitted to the Board of Directors during 2021.

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

Following the appointment of the Board of Directors on 5<sup>th</sup> February 2019, the Chair and the Chief Executive Officer organised various training (*i.e.*, 'induction') sessions for newly-appointed directors and statutory auditors, which also included a visit to the Milan production site.

During 2020, the Chair and Chief Executive Officer once again organised induction sessions aimed at providing directors with an adequate knowledge of the business sectors in which the Group operates, as well as of corporate dynamics and their evolution, including organisational structures, for directors and the statutory auditor first appointed following the Shareholders' Meeting of 29<sup>th</sup> April 2020 and extended to the other interested Directors and Statutory Auditors. In particular, these induction sessions were attended by, *inter alia*, the heads of the Specialty and Primary Care business unit, the Rare Diseases business unit and the Pharmaceutical Italy business unit, with specific business insights. In addition, the heads of Group Industrial Operations, Research and Development VP and the Global Head of Corporate Development & Licensing also spoke.

Generally speaking, during the course of meetings of the Board of Directors, the Chief Executive Officer describes what is relevant for the presentation of the performance of the Company and the Group, constantly providing, amongst other things, information and the most important updates to the regulatory framework for the sector and their impact on the Company. Also, with regard to principles for the proper management of risks, during the course of meetings of the Board of Directors, the Chief Executive Officer ensures that appropriate details are given in this respect, if considered appropriate and in particular with respect to significant acquisition/licensing transactions, in addition to the annual analysis of the Recordati Risk Map.

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

During the course of the year, the Board of Directors met 13 times, with meetings lasting on average around two hours. The percentage attendance of each Director at Board meetings and in the relative committees is shown in the table contained at the end of Section 4.2.

With regard to the current year, 10 meetings are scheduled and the Board has already met 2 times; the calendar of meetings in which the results of the year and period are examined is communicated to the public annually within one month of the end of the previous year and published on the Company's website (<http://www.recordati.it/en/investors/calendar/>). For 2020, it was published in November 2019, with an update in relation to the date of the Shareholders' Meeting in February 2020.

The promptness and completeness with which information is provided before board meetings is ensured by the Chair with the distribution of documents relating to the items on the agenda to members a few days immediately preceding the date set for the meetings. On some occasions it has not been possible to provide information concerning some items on the agenda until the time of the board meeting itself primarily for urgency reasons. On some of these occasions, the arguments were in any case investigated by internal committees, within the scope of their remits, and the Chair took care to provide adequate and detailed information during the Board meetings themselves. When making amendments to the 2018 CG Code in December 2011, the Board of Directors had generally considered a time interval of three days prior to the Board meeting to be appropriate.

The newly appointed Chair of the Board of Directors on 5<sup>th</sup> February 2019 expressly submitted to the attention of the new Board of Directors, appointed on the same date, the adequacy of this term that had been confirmed, except for the presence of particular situations of urgency or confidentiality.

The Board's self-assessment process that took place at the beginning of 2020, in order to improve the quality of the information flow addressed to directors, highlighted the opportunity to diversify the deadlines for the delivery of the documentation deemed appropriate according to the subject matter of the resolution to be passed. The Board, also taking into account the specific recommendation of the Risk, Control and CSR Committee, has substantially complied with this recommendation, increasing from 3 days to 5 days before the meeting the deadline for the delivery of the documentation relating to certain resolutions deemed particularly important. The 3-day notice period was maintained for all the other cases, with a few exceptions in terms of reduced notice for certain specific cases. During 2020, these terms were generally complied with, with a few exceptions for urgent reasons.

It should be noted that, in order to increase the speed and security of access to documents reserved for the Board of Directors and simplify the organisation of documentation concerning Board of Directors' meetings (and its committees), starting from 2019, the Company has adopted a specific IT portal for the management of such documentation, which has optimised the entire process.

During the course of the Financial Year and in the board meetings already held in 2021 various persons attended board meetings in order to provide additional information on the items on the agenda. These included the CFO, the Chief of Corporate Development & Licensing, the Chief of the VP and Director Corporate Legal Affairs (also acting as the Secretary to the Board), the Chief of the Group Internal Audit Function (who also acted as Data Protection Officer and internal

member of the 231 Compliance Body (ODV), as well as the Head of the Business Unit dedicated to medical products for rare diseases and some managers belonging to this organisational unit.

The Board of Directors has the duty to set strategic policies for the Company and the Group it leads and it is responsible for overseeing its management, pursuing its sustainable success in accordance with the Code.

In accordance with article 22 of the By-Laws, the Board is the corporate body vested with the broadest powers to handle ordinary and extraordinary management of the Company and it has the right to conclude all acts that it deems appropriate in order to conduct business and to achieve the corporate purposes, excluding only those reserved by the law exclusively for the Shareholders' Meeting. On the basis of the terms indicated below, the Board has assigned part of its management responsibilities to the Chief Executive Officer.

In accordance with article 2365, paragraph 2, of the Italian Civil Code, the Board of Directors is also authorised to decide on the following matters:

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

The Board is also responsible, in compliance with the 2020 CG Code, for the following matters:

- the examination and approval of business plans of the Company and the Recordati Group, also on the basis of the analysis of issues relevant to the creation of long-term value carried out with the support of the Risk, Control and CSR Committee and periodic monitoring of their implementation;
- the definition of the nature and level of risk that is compatible with the Company's strategic objectives, including in its assessments, all risks that might be significant with a view to the Company's sustainable success;
- the definition of the corporate governance system of the Company itself and of the structure of the Group itself, setting guidelines for the governance of subsidiaries;
- the evaluation of whether the organisational, administrative and financial structures of the Company and its strategic subsidiaries, as defined herein and as configured by the responsible organs, are adequate, with particular reference to the internal control and risk management system;
- the attribution and cancellation of managerial mandates to Chief Executive Officers, and, the Executive Committee, if any, defining the extent, means and intervals (at least quarterly), with which the delegates must refer to the Board about the activities carried out in exercising their mandates; identifies who, among the executive directors, holds the position of chief executive officer;
- the establishment, after examination of the proposals from the Remuneration and Nominations Committee, and having been heard the opinion of the Board of Statutory Auditors, of the remuneration of executive directors and other Directors with special mandates, as well as the performance objectives link to variable remuneration of the latter and the division, for the individual members, of the total allotment for compensation of the Board, if the Shareholders' Meeting has not already decided the matter;



- the evaluation of business trends, in accordance, amongst other things, with the law and the By-Laws, especially in the light of information provided by the delegated bodies and periodic comparison of results with budget forecasts;
- the examination and approval prior to strategic economic or financial transactions of the Company and its subsidiaries, with particular attention to situations in which one or more Directors have an interest, whether personal or on behalf of third parties, and in general, to operations with related parties in accordance with the Regulations for Related-Party Transactions approved by the Board of Directors itself on 24<sup>th</sup> November 2010 (and last revised in 2017); establish guidelines to identify significant transactions;
- carrying out of the assessment of the independence of each non-executive director immediately after appointment as well as during the term of office upon the occurrence of circumstances relevant to the independence requirements and, in any case, at least on an annual basis; in this respect, the Board of Directors shall define, at least at the beginning of its term of office, the quantitative and qualitative criteria so as to assess the significance of commercial, financial and professional relationships and of significant additional remuneration;
- periodically conduct an assessment on the effectiveness of its activities and the contribution made by its individual members; in particular, the self-assessment focuses on the size, composition and actual functioning of the Board of Directors and its committees, also taking into account the role it played in defining strategies and monitoring management performance and the adequacy of the control and risk management system; possibly providing guidelines on the type of management and professional figures whose presence on the Board would be useful, before the appointment of a new Board; although this task is entrusted, by the 2020 CG Code, to the Board of Directors of companies other than those with concentrated ownership;
- reporting, in the Corporate Governance Report, of the means of application of the 2018 CG Code.

Moreover, the Board of Director, in accordance with what is specified by the 2020 CG Code, with the support of the Risk, Control and CSR Committee:

- defines the guidelines for the Internal Control and Risk Management System in accordance with the Company's strategies, so that the principal risks to which the issuer and its subsidiaries are exposed, including the various risks that may be relevant to sustainable success, are correctly identified and adequately measured, managed and monitored. It also determines the degree to which such risks are compatible with management of the Company that is consistent with its strategic objectives;
- selects one or more Directors who are given responsibility for the creation and maintenance of an effective internal control and risk management system (Director(s) responsible for the Internal Control and Risk Management System ) if it decides to depart from the recommendation of the 2020 CG Code which identifies the latter as the Chief Executive Officer as being the director given this responsibility;
- appoints and removes the Chief of the Group Internal Audit Function, defining his/her remuneration in line with Company policies and ensuring that he/she is provided with adequate resources to perform his/her duties. If the Board of Directors decides to d the Group Internal Audit Function, as a whole or by operational segments, to a person outside of the Company, it shall ensure that such person has adequate requirements of professionalism, independence and organisation, and that adequate reasons for such choice are provided in the Corporate Governance Report;

- approves, at least once a year, the work plan drawn up by the Chief of the Group Internal Audit Function, after consulting the Board of Statutory Auditors, the Director responsible for the Internal Control and Risk Management System and the Chief Executive Officer (if not the same person as the Director Responsible the Internal Control and Risk Management System);
- assesses the appropriateness of adopting measures to ensure the effectiveness and impartiality of judgement of the corporate functions involved in controls (such as risk management and legal and non-compliance risk monitoring functions, with reference to the organisational structures of the Company set up in relation to such functions), verifying that they are equipped with adequate professionalism and resources;
- assesses, at least once a year, the adequacy of the Internal Control and Risk Management System with respect to the characteristics of the company and the risk profile undertaken, as well as its effectiveness;
- assigns to the Board of Statutory Auditors or to a specially established body - the ODV (231 Compliance Body) - the supervisory functions pursuant to article 6, paragraph 1, letter b, of Italian Legislative Decree no. 231/2001; in the second case, (i) it appoints the members of the ODV (the 231 Compliance Body) pursuant to Italian Legislative Decree no. 231/2001, taking care to assess the appropriateness of appointing, within the Body, at least one non-executive director and/or a member of the Board of Statutory Auditors and/or the holder of legal or control functions of the Company, in order to ensure coordination between the various persons involved in the Internal Control and Risk Management System and (ii) it allocates an annual budget to the ODV (231 Compliance Body);
- describes, in the Corporate Governance Report, the main features of the Internal Control and Risk Management System and the methods of coordination between the persons involved in it, indicating the models and national and international best practices of reference, expressing its overall assessment of the adequacy of the system itself and giving an account of the choices made regarding the composition of the ODV (231 Compliance Body);
- assesses after consulting the Board of Statutory Auditors, the results set out by the auditor in the letter of suggestions, if any, and in the additional report on key issues arising from the statutory audit addressed to the Board of Statutory Auditors;
- adopts, amends and/or supplements the Organisational, Management and Control Model prepared pursuant to Italian Legislative Decree no. 231/2001 and approves its adjustments to the regulatory provisions in force from time to time;
- appoints and removes the person(s) assigned to internal control functions pursuant to article 150 of Italian Legislative Decree no. 58/1998;
- appoints, subject to the mandatory opinion of the Board of Statutory Auditors, the Financial Reporting Officer pursuant to article 154-*bis* of Italian Legislative Decree no. 58/1998 and article 25 of the By-Laws, also on the basis of the preliminary investigation on the requirements of professionalism and integrity carried out by the Risk, Control and CSR Committee pursuant to the provisions of the 'Regulation of the Financial Reporting Officer' approved by the Board of Directors on 18<sup>th</sup> March 2020;
- implements the recommendations contained in the Corporate Governance Code in relation to the Internal Control and Risk Management System.

Under the 2020 CG Code, the Board of Directors also:

- if deemed necessary in order to define a corporate governance system that is more functional to the company's needs, shall draw up reasoned proposals to be submitted to the Shareholders' Meeting on the following matters:

- a) choice and characteristics of the corporate model (traditional, 'one-tier', 'two-tier');
- b) the size, composition and appointment of the board of directors and the term of office of its members;
- c) structuring of the administrative and property rights of the shares;
- d) the percentages established for the exercise of the protections afforded to minorities.

In particular, in the event that the Board of Directors intends to propose to the Shareholders' Meeting the introduction of the increased voting rights, it shall provide in the explanatory report to the Shareholders' Meeting adequate reasons on the purpose of the choice and indicate the expected effects on the ownership and control structure of the Company and on its future strategies, giving account of the decision-making process followed and of any contrary opinions expressed in the Board.

- upon the Chair's proposal, formulated in agreement with the Chief Executive Officer, adopts and describes in the Corporate Governance Report a policy for managing dialogue with the generality of shareholders, also taking into account the engagement policies adopted by institutional investors and asset managers.
- adopts regulations that define the rules for the functioning of the body itself and its committees, including the procedures for taking minutes of meetings and the procedures for managing reporting to directors. These procedures identify the terms for the prior delivery of the reporting and the means of protecting the confidentiality of the data and information provided so as not to prejudice the timeliness and completeness of the information flows.
- appoints an independent director as lead independent director
  - a) if the chair of the managing body is the chief executive officer or holds significant management powers;
  - b) if the office of chair is held by the person who controls, also jointly, the company;
  - c) even in the absence of the conditions referred to in points a) and b) above, if the majority of the independent directors so request.
- expresses its guidelines on the maximum number of offices on the management or control bodies in other listed companies or significantly-sized companies that may be considered compatible with the effective performance of the office of director of the company, taking into account the commitment deriving from the role held.
- resolves, upon the chair's proposal, on the appointment and removal of the secretary of the body and defines its professional requirements and duties in its own regulations.
- defines, with the support of the nominations committee, a plan for the succession of the Chief Executive Officer and of the executive directors that at least identifies the procedures to be followed in the event of early cessation from office;
- ensures that appropriate procedures are in place for the succession of top management.

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

It should be noted that, in implementation of the above, during 2020, the Board, in particular:

- set targets for 2020 to be disclosed to the market;

- launched two share buy-back programs to service stock option plans for the management of Recordati Group companies already adopted by the Company and those plans to be adopted in the future;
- set the performance targets linked to the variable component of the remuneration of the Chief Executive Officer and the Director, Mr Squindo, Group General Manager, for 2020 and approved their performance targets for 2019;
- set targets for 2020 to which the exercise of the individual tranches of the options assigned and not yet vested on the basis of the Company's Stock Option Plans is subject;
- after consulting with the Board of Statutory Auditors and the Director in Responsible for the internal control and risk management system, approved the work plan prepared by the Chief of the Group Internal Audit Function for 2020;
- at the beginning of 2020, in addition to confirming the companies already identified as such in 2019 as strategically important subsidiaries, also identified Recordati AG as another strategically important company. The Board therefore gave a positive assessment of the adequacy of the general organisational, administrative and accounting structure of the Company and its strategically important subsidiaries prepared by the Chief Executive Officer, with the support of the Director responsible for the internal control and risk management system;
- examined the impairment analyses concerning the 2019 financial statements, the economic valuation assumptions and the forecast assumptions used for these purposes;
- monitored throughout 2020 the evolution of the extraordinary situation created by the spread of the virus known as Sars- Cov2, 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, also following ad hoc reporting by the Chief Executive Officer;
- more generally assessed the operating performance and monitored the comparison, amongst other things, of actual results with budgeted results taken from the approved 2020 budget, carried out as generally established practice when quarterly interim accounting reports are approved; given the uncertainty regarding evolution of the pandemic and its impact on the economy and specifically on business activities, postponed the adoption of the new Three-Year Plan - since the 2017-2019 Three-Year Plan has now expired - to 2021;
- examined the updated 'Risk Map' of the Company prior to the closing of a transaction for the acquisition of rights to products considered relevant;
- at the beginning of 2020, provided a positive assessment as regards to the adequacy of the organisational, administrative and general accounting structure of the Company and of the subsidiaries of strategic importance prepared by the Chief Executive Officer, with the support of the Director responsible for the internal control and risk management system, with particular reference to such system, on the basis of the information provided during the Board's meeting, through specific reports and/or other documentation (e.g. organisation charts) presented by the Chief of Group Internal Audit Function, by the Risk, Control and CSR Committee, by the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01, by the Director responsible for the internal control and risk management system and by the Chief Executive Officer himself;
- approved the most relevant corporate provisions;
- with the favourable opinion of the Risk, Control and CSR Committee, confirmed that the previously adopted guidelines for the internal control and risk management system of the Company and of the Recordati Group are still adequate and do not need to be amended;
- examined and approved in advance the transactions of the Company and its subsidiaries, when such transactions have had a significant strategic, economic, equity or financial

- importance for the Company or its subsidiaries (in particular: acquisitions of rights to medical products as well as loan agreements also of significant subsidiaries);
- acknowledged the recommendation of the internal control and audit Committee (Board of Statutory Auditors) of Recordati S.p.A. to appoint an auditor for purposes of the statutory audit for the nine-year period 2020-2028;
  - examined the results of the self-assessment process carried out between 2019 and 2020 and, also taking these into account, formalised through its own Report guidelines to Shareholders on the composition of the Board of Directors to be supplemented by the Shareholders' Meeting called on 29 April 2020, following the resignations of the Chair of the Board of Directors and of two other directors;
  - appointed, with effect from 18<sup>th</sup> March 2020, Mr Luigi La Corte, former Group CFO and key manager personnel, as the new Financial Reporting Officer pursuant to article 154-*bis* of the TUF and approved the adjustment of the 'Regulations of the Financial Reporting Officer pursuant to article 154-*bis* of the TUF'; it also appointed Mr La Corte, with effect from 29<sup>th</sup> October 2020, as a Relevant Person pursuant to the Procedure on internal dealing;
  - upon the proposal of the Remuneration Committee regarding the remuneration of the members of the Board of Statutory Auditors, approved to recommend to the Shareholders' Meeting, in the Directors' Report on the renewal of the Board of Statutory Auditors, an increase in the remuneration of the Statutory Auditors;
  - following the Shareholders' Meeting of 29<sup>th</sup> April 2020, it appointed Mr Alfredo Altavilla as the new Chair of the Board of Directors and subsequently determined, after hearing the opinion of the Remuneration Committee and consulting the Board of Statutory Auditors, the remuneration of the same as the new Chair; furthermore, again following the Shareholders' Meeting of 29<sup>th</sup> April 2020, it confirmed the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/2001 in its previous composition;
  - following the Shareholders' Meeting of 29<sup>th</sup> April 2020, it assessed the independence requirements of the newly elected director, Mr Piergiorgio Peluso, who had declared that he met such requirements at the time of his candidacy, and appointed the independent director, Ms Michaela Castelli, lawyer, as lead independent director;
  - approved the adaptation of the Organisational Model pursuant to Italian Legislative Decree no. 231/2001 and the new Code of Ethics of Recordati;
  - after receiving a favourable binding opinion from the Risk, Control and CSR Committee, as the Committee for Related-Party Transactions - since it is a transaction with significantly relevant related parties - it examined and approved the reverse merger of Rossini Investimenti S.p.A. and Fimei S.p.A. into Recordati S.p.A. and convened an Extraordinary Shareholders' Meeting of Recordati for its approval;
  - with the favourable opinion of the Remuneration Committee, approved the succession plan - as a contingency plan - for the CEO and the Director Responsible for the Internal Control System;
  - upon examination by the Board's internal committees within their respective powers, on 29<sup>th</sup> October 2020 it examined and resolved to adhere to the 2020 CG Code as from 1<sup>st</sup> January 2021 with certain exceptions, which will be described in this Report and in the Report relating to the 2021 financial year; at that meeting resolved to integrate the functions conferred on the Remuneration Committee with the functions assigned by the 2020 CG Code to the Nominations Committee and consequently changed the name of the Remuneration Committee to the Remuneration and Nominations Committee; moreover, at that meeting resolved to carry out the next self-assessment process of the Board and its Committees during 2021, prior to the renewal of the Board by the 2022 Shareholders' Meeting;

- after adhering to the 2020 CG Code referred to in the previous point, upon the proposal of the Board's internal committees within the scope of their respective competences, approved the relevant adjustment of the regulations of said committees as well as their work plans for 2021 and, more generally, the work plan and calendar of Board meetings for 2021;
- at the end of 2020, examined and approved the 2021 Group budget and examined the 'Risk Map' for the 2021 financial year, updated with respect to what was examined for the 2020 financial year, and the consequent assessment of the compatibility of the level and nature of the risks as identified in the Group Risk Map presented to the Board, with the Group's strategic objectives as set out in the 2021 budget, also with a view to the Company's sustainable success.

In 2021, as at the date of this Report, the Board, mainly:

- set objectives for 2021 to be disclosed to the market;
- launched a share buy-back program to service stock option plans for the management of Recordati Group companies already adopted by the Company and those which may be adopted in the future;
- set the 2021 targets to which the exercisability of the individual tranches of options granted and not yet vested under the Company's Stock Option Plans is subject;
- set the performance targets linked to the variable component of the remuneration of the Chief Executive Officer and the Director, Mr Squindo, Group General Manager, for 2021 and approved their performance targets for 2020;
- after consulting with the Board of Statutory Auditors, the Director Responsible for the internal control and risk management system and the Chief Executive Officer, approved the work plan prepared by the chief of the internal audit function for 2021;
- approved the Guidelines on the internal control and risk management system for 2021, following their adaptation to the 2020 CG Code, as adopted by the Company at the end of the 2020 financial year;
- assessed the independence requirements of directors who qualify as independent, also in light of the criteria set forth in the 2020 CG Code;
- approved the Road Map, the materiality matrix and the sustainability objectives for the 2021 financial year;
- at the beginning of 2021, confirmed as strategically relevant subsidiaries the companies already identified as such in 2020 and therefore positively assessed the adequacy of the general organisational, administrative and accounting structure of the Company and its strategically important subsidiaries prepared by the Chief Executive Officer, with the support of the Director Responsible for the internal control and risk management system;
- approved a procedure aimed at regulating possible conflicts of interest for Directors in relation to M&A/Licensing in transactions.
- examined the impairment analyses concerning the 2020 financial statements, the economic valuation assumptions and the forecast assumptions used for these purposes;
- following the proposal of the Remuneration and Nominations Committee, approved the new 2021-2023 Stock Option Plan to be submitted to the Shareholders' Meeting scheduled for 20<sup>th</sup> April 2021.

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



The Board of Directors, at the end of 2019 and the beginning of 2020 and therefore substantially one year after its appointment, carried out an in-depth board review process with the support of an external consultant (the legal advisor Koiné S.r.l. which, it should be noted, does not provide any further services to Recordati or to companies that it controls). The process concerned the functioning of the board itself and its committees as well as their size and composition, and also involved a benchmarking analysis with Recordati's peers and, in general, with the relevant best practices carried out by the external consultant.

The Risk, Control and CSR Committee has played a supervisory role in the process, having also recommended to the Board to conduct the process with the support of an external consultant. The results of the board review process were analysed by the Risk, Control and CSR Committee at the meeting held on 31<sup>st</sup> January 2020 and then by the Board of Directors on 14<sup>th</sup> February 2020, together with some recommendations made by the same Committee in relation to

- (i) the size of the Board (in terms of a desirable higher portion of independent directors);
- (ii) the appointment of a lead independent director;
- (iii) the identification of some new deadlines for the delivery of documentation in order to improve the quality of the information flow addressed to directors; and lastly
- (iv) the increase of in-depth sessions on business issues also with the participation of company managers.

and the recommendations made by the Corporate Governance Committee referred to in the letter of its Chair dated 19<sup>th</sup> December 2019.

As a result of this review, the Board expressed an overall positive opinion with regard to the 2019 financial year and, in relation to the recommendations made by the Risk, Control and CSR Committee, acknowledged them, sharing the opportunity to proceed with their implementation in the way deemed most appropriate from time to time. In particular, at the same meeting, it established new rules on the deadlines for the delivery of the documents to the Board (see what has already been indicated in this regard in paragraph 4.3.). Moreover, in light of the resignation of the directors Mr Flemming Ørnskov, Mr Søren Vestergaard-Poulsen and Mr Francisco Javier de Jaime Guijarro, who submitted their resignations at the Board meeting on 18<sup>th</sup> March 2020, effective as of the next Shareholders' Meeting, the Board proceeded to formulate certain guidelines to the shareholders and in particular to the controlling shareholder, with reference to the size of the Board, which were accepted by the majority shareholder and then by the Shareholders' Meeting on 29<sup>th</sup> April 2020.

In particular, the Board of Directors, on the basis of the results of the self-assessment process described above, proposed 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 requirements of independence laid down by law (article 148, third paragraph, of Italian Legislative Decree no. 58/1998) as well as those indicated in the 2018 GC Code.

With regard to the future self-assessment processes of the Board of Directors and its committees, the Board, in adhering to the 2020 CG Code, assigned the Remuneration and Nominations Committee the competence to support it in this respect.

Finally, with regard to the timing of the next self-assessment process, following the recommendation of the Remuneration and Nominations Committee, in agreement with the Risk, Control and CSR Committee, the Board decided to proceed during 2021, in view of the renewal of the process in 2022.

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

##### **Chair, Vice-Chair and Chief Executive Officer**

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

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

From 1<sup>st</sup> January 2020 to 29<sup>th</sup> April 2020, the role of Chair was held by Mr Flemming Ørnskov, appointed in office by the Board of Directors on 5<sup>th</sup> February 2019.

Subsequently, at the Board of Directors' meeting of 18<sup>th</sup> March 2020, Mr Flemming Ørnskov resigned, effective as of the next Shareholders' Meeting, due to increased professional commitments.

In light of the resignation of Mr Flemming Ørnskov, the Board of Directors expressed its intention to appoint, as soon as Mr Ørnskov's resignation became effective, Mr Alfredo Altavilla as new Chair of the Board of Directors, whose appointment was resolved upon by the Board on 29<sup>th</sup> April 2020, following the Shareholders' Meeting held on the same date.

The Chair has institutional duties of direction and control to (i) convene Board meetings and ensure that the members of the Board and the Board of Statutory Auditors are provided, in accordance with the timeframes set by the Board of Directors, except for exceptional cases of urgency and particular confidentiality, with the documentation and information necessary to enable them to express an informed opinion about the matters submitted to their examination and approval,<sup>8</sup> (ii) co-ordinate the activities of the Board and conduct the proceedings of Board meetings; (iii) continuously provide information about the frequent variations of the law and the regulations that govern the sector and their impact on the Company, in order to develop the awareness of all Directors in relation to the situation and dynamics of the Company.

It is anticipated that the 2020 CG Code, to which the Company adheres as from 1<sup>st</sup> January 2021, envisages that the chair of the board of directors plays a liaison role between the executive directors and the non-executive directors and ensures the effective functioning of the board

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<sup>8</sup> Please refer to what is already indicated in Section 4.3.



proceedings. In particular, it provides that the chair of the board of directors, with the assistance of the board secretary, shall ensure:

- a) that the pre-meeting information and the additional information provided during the meetings are suitable to enable directors to act in an informed manner in the performance of their duties;
- b) that the activity of board committees with investigative, proposal-making and advisory functions is coordinated with the activity of the board of directors;
- c) in agreement with the chief executive officer, that the managers of the company and those of the companies of the group headed by the company itself, responsible for the corporate functions competent according to the subject matter, attend Board meetings, also at the request of individual directors, in order to provide the appropriate details on the items on the agenda;
- d) that all the members of the management and control bodies may participate, after their appointment and during their term of office, in initiatives aimed at providing them with an adequate knowledge of the business sectors in which the company operates, of the company dynamics and their evolution also with a view to the sustainable success of the company itself as well as of the principles of proper risk management and of the reference regulatory and self-regulatory framework;
- e) the adequacy and transparency of the board's self-assessment process, with the support of the nominations committee.

From 16<sup>th</sup> August 2016 - following confirmation and immediately after the appointment of the new board of directors resolved on 5<sup>th</sup> February 2019 – Mr Andrea Recordati, as Chief Executive Officer, has been delegated, to the extent permitted by law, all the widest powers for the administration and ordinary and extraordinary management of the Company and the performance of the management and coordination activities carried out by the Company in comparison with Group companies, determining the adequacy of the organisational, administrative and accounting structure of the Company for the execution of strategic, industrial and financial plans approved by the Board of Directors, with the sole exclusion of the operations listed below (exhaustive and mandatory in nature), which, because they are to be carried out directly by the Company and/or indirectly through subsidiaries, are transactions reserved to the responsibility of the Board of Directors (except for intragroup operations, and that is performed with or between other companies of the Recordati Group):

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

The Chief Executive Officer of Recordati does not hold interlocking directorships pursuant to Implementation Criterion 2.C.5 of the 2018 CG Code.

#### **Executive Committee**

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

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

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

### **4.5 OTHER EXECUTIVE DIRECTORS**

With regard to the Board of Directors in office from 1<sup>st</sup> January 2020 to 29<sup>th</sup> April 2020, in addition to Mr Andrea Recordati, Chief Executive Officer, and Mr Fritz Squindo, Director and Group General Manager, in light of the functions performed by each, Mr Javier De Jaime Guijarro, Mr Giampiero Mazza, Ms Cathrin Petty and Mr Søren Vestergaard-Poulsen, were also qualified as executive Directors, as they held management positions in the indirect parent company or in other CVC companies which also concern the Company; however, they were not granted individual operating powers.

With reference to the Board of Directors in office as from 29<sup>th</sup> April 2020 until 31<sup>st</sup> December 2020, as supplemented by the Shareholders' Meeting of 29<sup>th</sup> April 2020, the Board of Directors has qualified as executive directors, in light of the functions performed, Mr Andrea Recordati, Chief Executive Officer and Mr Fritz Squindo, Group General Manager, as well as Mr Giampiero Mazza, Ms Cathrin Petty and Mr Giorgio De Palma, as they hold management positions in the indirect parent company or in other CVC companies, which also concern the Company; the same persons, have not been granted individual operating powers.

### **4.6 INDEPENDENT DIRECTORS**

From 1<sup>st</sup> January 2020 to 29<sup>th</sup> April 2020, three Directors (Michaela Castelli, Silvia Candini and Joanna Le Couilliard), were qualified as independent based on the statements provided by the individuals concerned and information available to the Company, as confirmed during the annual assessment required by the 2018 CG Code and which was carried out by the Board of Directors on 14<sup>th</sup> February 2020.

Following the supplementing of the Board of Directors resolved upon by the Shareholders' Meeting on 29<sup>th</sup> April 2020, also Mr Piergiorgio Peluso declared, when submitting his candidacy, to meet the independence requirements established by article 148, paragraph 3, of the TUF and by the 2018 GC Code, and the Board, on the same date, not having identified that the Company,

on the basis of the information available, found itself in opposite situations, confirmed that said requirements for the same director were met.

In implementation of the provisions of the 2020 CG Code, the Board of Directors - on 22<sup>nd</sup> February 2020 - confirmed, on the basis of the statements provided by the individuals concerned and the information available in any case to the Company, in relation to the four directors mentioned above, that they meet the independence requirements set forth in article 148, paragraph 3, of the TUF and the independence requirements set forth in the 2020 CG Code.

The Board of Statutory Auditors successfully verified the correct application of the criteria and procedures adopted by the Board to assess the independence of its members.

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

The Independent Directors met twice during 2020 to discuss governance and risk control issues, in particular with regard to the correct application and the correct functioning of the Regulations on the management and coordination activities performed by Rossini Luxembourg S.à.r.l. on Recordati S.p.A. and the information flows of Recordati S.p.A. to, in particular, Rossini Luxembourg S.à.r.l. which were approved by the Board of Directors of Recordati S.p.A. in 2019 as well as regarding the possible matters to be analysed further in the board or in induction sessions.

#### Information regarding the independence assessment process

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

Without prejudice to independent directors' commitments to promptly communicate to the Board the development of situations which determine failure to satisfy the requirement, the Board requires the directors concerned to annually confirm satisfaction of the requirements, as required by law and by the 2018 CG Code. The Board of Directors and the Board of Statutory Auditors then proceed to verify the contents and to verify the correct application of requirements and of the procedure to ascertain them respectively.

According to the 2020 CG Code, the Board of Directors shall predefine, at least at the beginning of its term of office, the quantitative and qualitative criteria for assessing the significance of commercial, financial and professional relationships and of significant additional remuneration; the Board, when adhering to the 2020 CG Code, approved the Company's application proposal, shared by the Committees within the Board, to proceed, during 2021, to define these criteria, with the preliminary support of the Remuneration and Nominations Committee.

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

Following the Shareholders' Meeting on 29<sup>th</sup> 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, Michaela Castelli, lawyer, as lead independent director, assigning her the duties established by the Corporate Governance Code in force at that date (2018 edition); thus, also taking into account the outcome of the board review process carried out between 2019 and 2020, which recommended her appointment.

It should be noted that under the 2018 CG Code, the lead independent director was responsible for (a) representing a point of reference and coordination of the requests and contributions of the non-executive Directors and, in particular, of the independent Directors, and (b) working with the Chair of the Board of Directors to ensure that the Directors are provided with complete and timely information flows.

The 2020 CG Code, to which the Company resolved to adhere as of 1<sup>st</sup> January 2021, confirmed that the lead independent director (a) represents a point of reference and coordination for the requests and contributions of the non-executive directors and, in particular, of the independent ones, specifying that (b) he/she coordinates the meetings of only the independent directors.

## **5. CONFIDENTIALITY OF CORPORATE INFORMATION**

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

The Procedure is a fundamental component of the Internal Control and Risk Management System of the Company and the Group, as well as an integral part of the overall system of prevention of offenses pursuant to Italian Legislative Decree no. 231/2001.

The current version of the Procedure for the internal management of Relevant Information and Inside Information was last revised in the course of 2018, as an update of the company procedures in the field of market abuse, which had been previously and significantly amended in 2016 following the entry into force of Regulation (EU) no. 596/2014 containing the regulation of market abuse, for the purpose of adapting them to the rules and regulations subsequently issued both at the national and at the EU level and, in particular, to the Guidelines issued by Consob on that subject in October 2017.

The rules of conduct established by the Procedure for Relevant Information and Inside Information are designed at implementing the necessary organisational controls for the following: proper management of information flows, guaranteeing the maximum confidentiality information that is Inside Information or otherwise likely to become so (Relevant Information), balancing the interest in the confidentiality of information in the course of its progressive formation and the obligation of the related disclosure in a non-selective form, protecting investors and the integrity of the market, since they are aimed at preventing the carrying out of transactions detrimental to their interests through the exploitation of information asymmetries, or the alteration of market variables, through the dissemination of untrue or misleading

information; to reduce the risk of crimes or administrative offenses relating to market abuse; protecting the Company against any liability that may arise for the unlawful acts committed by parties that can be referable to the same; defining the processes for identifying and managing the Relevant Information; defining the processes for identifying and managing the Inside Information; defining the processes of communication to the public and to Consob of Inside Information.

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

The Procedure for Relevant Information and Inside Information identifies the Chief Executive Officer as the person responsible for the public disclosure process of inside information concerning the Company also in relation to the decision to begin the procedure of any delay in communication to the market. The Chief Executive Officer has therefore been identified as holding the Inside Information Management Function (so-called ‘IIMF’) pursuant to the 2017 Consob guidelines or as a function responsible for the management of inside information. For the carrying out of his activities, the Chief Executive Officer, as holder of the IIMF, avails himself of the technical consultancy support of an “info room” (always in line with the 2017 Consob guidelines) which includes, on a permanent basis, in light of the evolution of the Company’s organisational charts, the Group General Manager and the Group CFO (previously: the role of General Manager for the coordination of management and CFO were held by the same person), the Director of Legal and Corporate Affairs and the Director of Investor Relations & Corporate Communication, are permanent members as well as, when needed, additional members of management concerned from time to time with specific information.

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

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

The Insider List, on the other hand, contains registered persons who have access, in the performance of their duties, to Inside Information and, in compliance with Community

legislation, the Procedure provides that the Insider List also has a section of registrants in which to register subjects who are permanently aware of all the inside information and a section where registration is required for each event.

Lastly, it should be noted that Recordati also has in place an '**Internal Dealing Procedure**' which provides for, starting from 2016, the so-called **black-out periods**, namely, specific periods of the year – thirty calendar days prior to the announcement of an interim or year-end financial report that the Company is required to make public according to the rules of the registered office of trading in which the shares are admitted to trade or national law - in which there is an obligation to abstain from carrying out transactions on financial instruments issued by the Company and listed on regulated markets. During 2020 the following black out periods were identified: prior to the publication of the preliminary data for the 2019 financial year and prior to the 2020 half-yearly report.

On the basis of the organisational structure of Recordati, during 2020, the Board of Directors, upon the proposal of the Chief Executive Officer, identified Mr Luigi La Corte, former Group CFO, as a key manager personnel and Financial Reporting Officer pursuant to article 154-*bis* of the TUF. He was also appointed as a Relevant person pursuant to the Procedure on internal dealing.

## **6. INTERNAL COMMITTEES OF THE BOARD**

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

## **7. REMUNERATION AND NOMINATIONS COMMITTEE**

Until 29<sup>th</sup> October 2020, the Board had over time renewed its assessment that it was not necessary to form a Nominations Committee, expressly reserving the duties assigned to the latter by the 2018 CG Code to itself sitting in plenary session. This is mainly because until now no difficulty had – and have not – been encountered in making nomination proposals, partly due to the presence of a Shareholder who holds legal control of the Company (and therefore in consideration of the narrow shareholder base).

It should be noted that, starting with the December 2011 edition, the Corporate Governance Code recommended the establishment of such a committee and that, however, the 2020 CG Code specified that companies with concentrated ownership, even large ones - such as Recordati S.p.A. - may assign the functions of the nomination committee to the Board of Directors, even when the number of independent directors do not exceed one-half of the Board members.

When adopting the 2020 CG Code, on 29<sup>th</sup> October 2020, the Board of Directors of Recordati nevertheless decided, following a joint recommendation by the Risk, Control and CSR Committee and the Remuneration Committee, to supplement, 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. This is because it considered that assigning the functions of the Nominations Committee directly to the full



Board no longer was the most efficient method, taking into account the increase in the number of issues on which it is appropriate to carry out a preliminary investigation in a Committee rather than a discussion in a Board meeting.

#### Composition

During 2020, the Remuneration and Nominations Committee was composed of Joanna Le Couilliard (acting as Chair), Silvia Candini and Michaela Castelli, all directors meeting the independence requirements. The Board of Directors acknowledged that all members have adequate knowledge and experience in financial matters or remuneration policies.

#### Duties

As regards specific information on the Remuneration and Nominations Committee's duties and activities in the field of remuneration, please refer to the relevant parts of the Remuneration Report published pursuant to article 123-ter of the TUF.

With regard to the tasks as a nominations committee, according to the organisational regulations, most recently updated in December 2020, the Remuneration and Nominations Committee is assigned the consultative and proposal-making duties described below:

- assisting the Board of Directors in the self-assessment process of the Board itself and its committees;
- also taking into account the results of the aforesaid self-assessment, formulating opinions to the Board of Directors on the optimal composition (qualitatively and quantitatively) of the Board itself and its committees and on the managerial and professional profile whose presence on the Board is deemed appropriate, also in light of the Company's sectoral characteristics, for the purposes of the possible formulation by the outgoing Board of Directors to the shareholders of guidelines in relation to the appointment of the new Board of Directors;
- assisting the Board of Directors in assessing candidates for the office of director in cases of co-optation;
- making recommendations to the Board of Directors on any critical issues related to the application of the non-competition clause provided for Directors by article 2390 of the Italian Civil Code in the event that the Shareholders' Meeting has authorised general and preventive exceptions to this prohibition;
- supporting the Board of Directors by carrying out the necessary investigation activities for the preparation of a possible succession plan for the chief executive officer and the other executive directors granted with management powers, which at least identifies the procedures to be followed to ensure the regular management of the Company in the event of early termination of the office of the Chief Executive Officer and/or of the Director responsible for the Internal Control and Risk Management System – if different from the the Chief Executive Officer – with respect to the ordinary expiration of the mandate;
- assisting the Board of Directors through the necessary investigation activity in order to ascertain the existence of adequate procedures for the succession of top management, *i.e.*, key manager personnel ('Top Management')
- formulating opinions to the Board of Directors in relation to the guidelines on the maximum number of offices held in the administrative or control bodies in other listed companies or significantly-sized companies that may be considered compatible with an effective performance of the office of director of the Company, taking into account the commitment



deriving from the role held also with reference to the participation of directors in the committees established within the Board.

#### Activities carried out in 2020

With reference to the above-mentioned duties, during 2020, the Committee:

- in agreement with the Risk, Control and CSR Committee, which had originally started the preliminary analysis before the Remuneration Committee (subsequently, the Remuneration and Nominations Committee) was assigned the relevant competence, preliminary examined the Board's proposal of a 'contingency plan' for the Chief Executive Officer and the Director responsible for the internal control and risk management system containing, in the event of early cessation from office or impediment, even temporary, to the performance of their functions, the guidelines of the succession process aimed at ensuring management continuity in the short-medium term;
- examined the new 2020 CG Code for the purpose of supporting the formulation of application proposals to the Board of Directors for the matters falling within its competence and, subsequently, also proposed to the latter the adjustment of its own organisational regulations;
- began to analyse the status quo with regard to the existence of adequate procedures for the succession of key manager personnel;
- analysed the methods for carrying out the self-assessment process of the Board of Directors and its committees with a view to future assessment processes; on this occasion, the Chair of the Board of Directors also attended the Committee meeting in compliance with the role assigned to him in relation to this process by the 2020 CG Code.

The percentage of attendance of Committee members at meetings is shown in the table at the end of Section 4.2 of this Report.

The meetings of the Remuneration and Nominations Committee were duly minuted.

The Committee had access to the information and company departments necessary to carry out its duties; it did not consider it necessary to use external consultants.

## **8. DIRECTORS' REMUNERATION**

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

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

As at the date of this report, the Risk, Control and CSR Committee is composed of the following non-executive and independent Directors: Ms Michaela Castelli, lawyer, Chair, Ms Silvia Candini and Mr Piergiorgio Peluso, who replaced Ms Joanna Le Couilliard on 29<sup>th</sup> April 2020.

The Committee met 19 times during the Financial Year, 10 of which as the Committee for Related-Party Transactions in relation to a significant related-party transaction (see the paragraph on page 8 'Reverse merger of Fime S.p.A. and Rossini Investimenti S.p.A. into

Recordati S.p.A. (sessions lasted around 2 hours). The Committee met three times during the current financial year. The percentage attendance of Committee members at meetings is shown in the table contained at the end of Section 4.2 of this Report.

The Board determined that all members have adequate experience in accounting and finance or risk management matters.

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

Upon invitation by the Chair of the Committee and with regard to individual items on the agenda, various non-members have participated in some meetings, in particular the Group General Manager and the Director Responsible for the Internal Control and Risk Management System, the Chief of Group Internal Audit Function, the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01, the Group CFO, the IT Director, the ESG Manager, representatives of the Audit Firm, Employers and the Heads of the Prevention and Protection Service for production sites in Italy with regard to safety in the workplace, the Group Engineering Manager and consultants who provided support to the Company on specific projects examined by the Committee.

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

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

The Risk, Control and CSR Committee has been set up with the task of supporting the Board's assessments and decisions relating to the internal control and risk management system and, in particular, it is in charge of analysing the issues and instructing relevant practices to control business activity, by carrying out investigative, advisory and proposal-making functions towards the Board with respect to assessments and decisions relating to the internal control and risk management system - understood as the set of rules, procedures and organisational structures for the actual and efficient identification, measurement, management and monitoring of the main risks, in order to contribute to the Company's sustainable success (meaning the objective that guides the Board's actions and that consists of the creation of long-term value to the benefit of the shareholders, taking into account the interests of other stakeholders relevant to the Company) - as well as in those relating to the approval of periodic financial and non-financial reports for the purposes of the internal control and risk management system.

In particular, during 2020, while adhering to the 2020 CG Code, the Board of Directors confirmed the assignment to the Risk, Control and CSR Committee of the task of supporting the Board in ensuring that strategies are consistent with the sustainable success objective.

More specifically, the Committee plays an investigative and advisory role vis-à-vis the Board in the performance of certain tasks pertaining to the Board itself, such as:

- to carry out the analysis of issues relevant to the creation of long-term value as a preliminary step for the Board's approval of the business plan of the Company and of the Group;
- to define the nature and level of risk compatible with the Company's strategic objectives, including in its assessments all elements that may be relevant to the Company's sustainable success;

- to identify the director in charge of for establishing and maintaining an effective internal control and risk management system (Director responsible for the internal control and risk management system) in the event that the Board decides to depart from the recommendation of the 2020 CG, which identifies the latter as the Chief Executive Officer;
- to define the guidelines of the internal control and risk management system in accordance with the Company's strategies;
- to assess, at least once a year, the adequacy of the internal control and risk management system in relation to the characteristics of the company it's risk profile, as well as its effectiveness;
- to appoint and revoke the Chief of the Group Internal Audit Function, defining his/her remuneration in line with company policies, and ensuring that he/she is provided with adequate resources to perform his/her duties. If the Board decides to entrust the internal audit function, as a whole or by operational segments, to a person external to the Company, the Committee shall first assess that the person adequately meets the requirements of professionalism, independence and organisation and that and that adequate reasons for such choice are provided in the Corporate Governance Report;
- to approve, at least once a year, the work plan prepared by the Chief of the Group Internal Audit Function, after having consulted with the Board of Statutory Auditors, the Director responsible for the internal control and risk management system and the Chief Executive Officer;
- to assess the appropriateness of adopting measures to ensure the effectiveness and impartiality of judgement of the corporate functions involved in controls (such as the risk management and legal and non-compliance risk monitoring functions, with reference to the organisational structures of the Company set up in relation to such functions), verifying that they have adequate professionalism and resources;
- to assign to the Board of Statutory Auditors or to a specially established body - the ODV (231 Compliance Body) - the supervisory functions pursuant to article 6, paragraph (1)(b) of Italian Legislative Decree no. 231/2001; in the second case, (i) to appoint the members of the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/2001, taking care to assess the advisability of appointing to the Body at least one non-executive director and/or one member of the Board of Statutory Auditors and/or the holder of the company's legal or control functions, in order to ensure coordination between the various persons involved in the internal control and risk management system and (ii) to allocate an annual budget to the ODV (231 Compliance Body). In particular, the Committee formulates proposals to the Board regarding the appointment of members of the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01 and the allocation of an annual budget to that body;
- to assess, in consultation with the Board of Statutory Auditors, the findings set out by the auditor in the letter of suggestions, if any, and in the additional report on key issues arising from the statutory audit addressed to the Board of Statutory Auditors;
- to describe, in the Corporate Governance Report, the main features of the internal control and risk management system and the methods of coordination between the persons involved in it, indicating the models and national and international best practices of reference, expressing its overall assessment of the adequacy of the system itself and giving an account of the choices made regarding the composition of the ODV (23 Compliance Body);
- to generally implement the recommendations contained in the 2020 CG Code in relation to the internal control and risk management system.

Moreover, the Risk, Control and CSR Committee, in compliance with the 2020 CG Code, in assisting the Board:

- assesses, together with the Financial Reporting Officer and after having consulted with the auditor and the Board of Statutory Auditors, the correct use of accounting standards and their uniformity for the purposes of preparing the consolidated financial statements, prior to the Board's approval of the consolidated financial statements;
- assesses the suitability of periodic financial and non-financial information to correctly represent the Company's business model, strategies, the impact of its activities and the performance achieved;
- examines the content of periodic non-financial information relevant to the internal control and risk management system;
- expresses opinions on specific aspects relating to the identification of the main corporate risks and supports the Board's assessments and decisions relating to the management of risks deriving from prejudicial facts of which it has become aware;
- examines the periodic reports on the assessment of the internal control and risk management system and those of particular relevance prepared by the Chief of the Group Internal Audit Function;
- monitors the autonomy, adequacy, effectiveness and efficiency of the Chief of the Group Internal Audit Function;
- possibly entrusts the Chief of the Group Internal Audit Function with the task of carrying out checks on specific operational areas, simultaneously reporting to the Chair of the Board of Statutory Auditors and the Director responsible for the internal control and risk management system, unless the subject of the request for control specifically concerns the latter's activity;
- reports to the Board, at least every six months, upon the approval of the annual and half-yearly financial reports, on the activities carried out as well as on the adequacy of the internal control and risk management system.

The Risk, Control and CSR Committee also assists the Board **in relation to sustainability issues**:

- monitors sustainability issues related to the Company's operations and the dynamics of its interaction with all stakeholders in accordance with the principle of sustainable success;
- examines the guidelines of the Sustainability Plan and the means for implementing the sustainability policy;
- examines the general approach of the consolidated non-financial statement and the structuring of its contents, as well as the completeness and transparency of the reporting provided through this document;
- at the request of the Board, expresses opinions on sustainability issues.

Lastly, the Risk, Control and CSR Committee also plays an investigative and advisory role vis-à-vis the Board of Directors in the performance of the following duties pertaining to the Board itself:

- amending and/or supplementing the Organisational Model pursuant to Italian Legislative Decree no. 231/2001 adopted by the Company; in particular, the Committee makes proposals to the Board of Directors regarding amendments to be made to the Organisational Model pursuant to Italian Legislative Decree no. 231/01 adopted by the Company;
- appointing and dismissing the Internal Audit Officer(s) pursuant to article 150 of Italian Legislative Decree no. 58/1998;

- appointing, subject to the mandatory opinion of the Board of Statutory Auditors, the Financial Reporting Officer pursuant to Article 154-*bis* of Italian Legislative Decree no. 58/1998 and article 25 of the By-Laws; in compliance with the 'Regulations of the Financial Reporting Officer' approved by the Board on 18<sup>th</sup> March 2020, the Committee carries out the preliminary activities regarding the requirements of professionalism and integrity in support of the Board's resolution;
- carries out any further duties assigned to it by the Board of Directors.

In addition to the above, the Committee is also assigned the following duties with reference to the Procedure governing Related-Parties transactions:

- shall express an opinion on the Procedure governing Related-Parties Transactions that the Company must adopt in compliance with Consob Regulation no. 17221 of 12<sup>th</sup> March 2010, as well as on any subsequent amendments to the Procedure itself;
- shall express an opinion, either binding or non-binding, on Related-Party Transactions of major importance and on Related-Party Transactions of minor importance in compliance with the aforementioned Procedure for Related-Party transactions adopted by the Company, unless they consist of Related-Party Transactions which concern remuneration.

#### Activities performed in 2020

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

- followed the developments of the emergency caused by the spread of the SARS-CoV-2 virus with the aim of monitoring the adequacy of the measures adopted by Recordati to ensure the safety of employees and business continuity and subsequently also examined the plans to reopen production activities and, prospectively, the operational activities of the offices as well as, more generally, the measures and guidelines adopted by Recordati, at Group level, to deal with the spread of the Sars-Cov-2 virus;
- with reference to the emergency situation, the Committee acknowledged the Chief Executive Officer's intention to propose that the Board proceed to approve donations to contribute to the support of health structures engaged in the fight against the epidemiological emergency from the SARS-CoV-2 virus, considered by the Company to be the most effective method of support;
- it examined the periodic reports by the ODV (231 Compliance Body) as per Italian Legislative Decree no. 231/2001 and by the Chief of the Group Internal Audit Function along with the results of audits conducted by the Audit Function, including the audits that specifically concerned the measures taken by the Company to deal with the spread of the Sars-Cov-2 virus at the Milan offices and the assessment of IT security, taking into account the way in which the staff at the Milan offices work remotely;
- it examined the proposed Audit Plan for 2020 and supervised its progress during the Financial Year; in particular, it followed and shared the proposals to adjust the activities planned by the internal audit function as a result of the measures adopted to manage the pandemic;
- it acknowledged the ODV's (231 Compliance Body) action plan for 2020;
- after consultation with the Audit Firm and the Board of Statutory Auditors and together with the Financial Reporting Officer, it examined the results of the audit of the accounts regarding the financial statements and the proper application of accounting standards and their consistency in the preparation of the consolidated financial statements; the Committee subsequently acknowledged the specific reporting to be included within the 2019 annual financial report with respect to the expected impacts of the SARS-Cov-2

coronavirus on the evolution of operating performance and agreed positively with the Company's proposal;

- it formulated a proposal for submission to the Board concerning the expenditure budget of the ODV (231 Compliance Body) for the operating expenses of the committee itself concerning the application of the Organisation, management and control model pursuant to Italian Legislative Decree no. 231/01;
- it examined the adequacy of the guidelines for the internal control and risk management system;
- it examined the section of the Corporate Governance Report for the 2019 financial year concerning the internal control and risk management system;
- it examined the organisational structure of the Group Internal Audit Function, and examined Recordati's organisational structure following specific reporting from the Chief Executive Officer;
- it examined the results of the self-assessment process carried out between 2019 and 2020 in preparation for the Board's examination, making a number of recommendations;
- it acknowledged the process for updating the Organisational Model pursuant to Italian Legislative Decree no. 231/2001 in accordance with the legal provisions that introduced new predicate offences (excluding the extension to tax offences, given the entry into force of the relevant legislation in late December) and in particular the procedure for handling reports of infringements of law, the Organisational Model, the Code of Ethics and the internal procedures for the Group's Italian companies (so-called 'whistleblowing'), updated to the most recent legal provisions, and expressed a favourable opinion on said update for subsequent approval by the Board of Directors;
- following the activities already carried out in 2019 in this regard, having ascertained, together with the Board of Statutory Auditors, the necessary requirements of integrity and professionalism in relation to Mr Luigi La Corte, Group CFO, it expressed a favourable opinion on the Chief Executive Officer's proposal, to be submitted to the Board, to appoint Mr La Corte as Financial Reporting Officer. The Committee also acknowledged the proposal to update the Regulations of the Financial Reporting Officer pursuant to article 154-bis of the TUF;
- it examined the proposal for a new Code of Ethics for Recordati, for subsequent approval by the Board of Directors;
- it examined the actions implemented by the Company with the aim of providing non-financial information, as required under Italian Legislative Decree no. 254/2016 concerning the 2020 financial year as well as the relevant documentation, including the analysis of materiality giving a favourable opinion; during the year it also supervised the activities carried out by the Company in the various areas of interest highlighted by the materiality analysis;
- it examined the 'Risk Map' relating to the 2020 financial year, updated with respect to that examined for the 2019 financial year, also in order to support the Board's assessment of the compatibility of the level and nature of the risks as identified in the Group Risk Map submitted to the Board, with the Group's strategic objectives set out in the 2020 Budget, also with a view to the medium/long-term sustainability of the Company's activities; the Committee then primarily examined the update of the Risk Map prior to a transaction for the acquisition of rights to products considered relevant, should this transaction be completed;
- it also expressed its opinion to the Board on the following:
  - ✓ the adequacy of the guidelines for the internal control and risk management system;
  - ✓ the adequacy of the internal control system, at the time of approval of the 2019



- Annual Report and the 2020 half yearly interim financial report;
- ✓ the work plan prepared by Chief of Group Internal Audit Function for 2021;
- it reported to the Board twice on its activities, at the time of approval of the 2019 Annual Report and the 2020 half-yearly interim financial report; the Chair of the Committee in any case informed the Board of Directors at the first subsequent meeting of the decisions taken regarding the matters for which it is competent;
- it examined the new 2020 Corporate Governance Code and the Company's application proposals;
- with regard to safety in the workplace, it examined the reports of the Employers and the Heads of the Prevention and Protection Service of the Milan and Campoverde production plants, as well as the reporting on the Group's foreign plants, specifically focusing on the management of the pandemic;
- It examined the results of compliance checks with certain protocols forming part of the Organisational Model pursuant to Italian Legislative Decree no. 231/2001 on environmental and occupational safety issues;
- It examined the updated materiality matrix and sustainability plan, including the targets to be submitted to the Board of Directors for the purpose of the 2020 consolidated non-financial statement;
- It started the preliminary analysis - before assigning the relevant competence to the Remuneration Committee (subsequently, the Remuneration and Nominations Committee), sharing with the latter its initial assessments - of the proposed 'contingency plan' for the Chief Executive Officer and the Director responsible for the internal control and risk management system containing, in the event of early cessation from office or impediment, even temporary, to the performance of their functions, the guidelines of the succession process aimed at management continuity in the short-medium term;
- it examined the new 2020 Corporate Governance Code in order to support the formulation of application proposals to the Board of Directors, to the extent of its competence, and, subsequently, it also proposed to the latter the adjustment of its organisational regulations;
- it started the preliminary analysis - before assigning the relevant competence to the Remuneration Committee (subsequently, the Remuneration and Nominations Committee), sharing with the latter its initial assessments - on the methods for carrying out the self-assessment process of the Board of Directors and its committees in view of future assessment processes.

Finally, as already mentioned, the Risk, Control and CSR Committee, which acts as the Committee for Related-Parties Transactions in accordance with the Recordati Procedure for Related-Parties Transactions, was immediately involved in order to participate, from the preliminary phase, in the assessment of the most significant related-party transaction 'Reverse merger of Fimei S.p.A. and Rossini Investimenti S.p.A. into Recordati S.p.A.'.

Brief information on that transaction and on the activities of the Committee in that regard may be found on page 8 of this Report.

For further information on the terms and procedures for performing the Merger, please refer to the Merger Plan, the Information Document and the Explanatory Reports, published on the website [www.recordati.com](http://www.recordati.com) (in the 'Investors' area, section 'Shareholders' Meetings - Reverse Merger into Recordati S.p.A. 2020/2021') and on the authorised storage mechanism 1Info <https://www.1info.it>

Meetings of the Committee were properly minuted.



The Committee had access to the information and Company functions that were necessary for the performance of its duties; it did not consider it necessary to make use of outside consultants. The Board of Directors approved a specific budget for the Risk, Control and CSR Committee for 2020 in order to provide it with adequate financial resources for the performance of its duties.

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

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

The principles underlying the Company's risk management processes are based on the Borsa Italiana Corporate Governance Code.

The internal control and risk management system permeates the whole Company, involving a variety of staff with specific roles and responsibilities.

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

The updating process of the Risk Map of the Company allows it to measure and control the level of exposure of all Group Companies to the various risk factors, as well as to manage overall exposure and implement controls and procedures that are able to reveal anomalous situations. The main risk factors to which the Group is exposed may be related to the external context, strategic and operational risks (including in relation to Research and Development, environment risks, health and safety risks, and pharmacovigilance risks), financial risks, and legal and compliance risks.<sup>9</sup>

The Group periodically reassesses the Risk Map throughout the year, usually during the meeting called to approve the budget for the following financial year including by way of a bottom-up approach to the critical assessment of risks, in conjunction with significant company events, such as the definition of the budget, the revision of organisation charts, and other events that could have an impact on the Company's risks. In addition, Recordati updates its Risk Map in conjunction with the approval of extraordinary transactions, such as acquisitions of new assets that are considered significant.

As already mentioned in this Report, during 2020, Recordati updated its Risk Map on several occasions: at the beginning of October 2020 at the time of a project for a transaction for the acquisition of rights over products considered significant and, finally, at the time of the approval of the 2021 budget, at the Board of Directors' meeting held on 17<sup>th</sup> December 2020.

Furthermore, in a meeting held on 22<sup>nd</sup> February 2021, further to the opinion in favour by the Risk, Control and CSR Committee, the Board approved the adjustment of the guidelines for the

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<sup>9</sup> For more information, see the section 'Main Risks and Uncertainties' of the 2020 Consolidated Financial Statements of the Recordati Group.

internal control and risk management system of the Company and the Recordati Group, on the basis of the Board's resolutions in compliance with the 2020 CG Code; it should be noted that the purpose of these guidelines is to ensure that the principal risks to which the Company and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored.

The heads of each department are responsible for designing and managing the Internal Control and Risk Management System and for monitoring its effective functioning on the basis of the guidelines approved by the Board of Directors.

The Board of Directors positively assessed the adequacy, effectiveness and actual functioning of the internal control and risk management system on the basis of information provided in meetings in the form of reports presented by the Internal Risk, Control and CSR Committee and by the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01.

With respect to reporting on breaches of applicable regulations, of the Code of Ethics and of internal procedures, the Company has for some time established special whistleblowing channels in place in all Group branches. In the course of 2020, these existing whistleblowing channels were strengthened by extending the existing whistleblowing web portal to all Group branches.

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

The control mechanisms described above are monitored by management, by the functions and bodies of management and control (*i.e.*, the Board of Directors; the Risk, Control and CSR Committee; the Board of Statutory Auditors; the executive director responsible for the internal control and risk management system; and the ODV (231 Compliance Body)) and involve all personnel of the Recordati Group. The Group's Auditing & Compliance function also conducts the independent audits called for under the annual audit plan. The results of these audits are reported to the Chair and Chief Executive Officer, the executive director responsible for the internal control and risk management system, and to company management, as well as periodically to the Board of Statutory Auditors, the Risk, Control and CSR Committee, and the Board of Directors.

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

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

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

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

The Issuer has implemented a model for the administrative and accounting control of the system (hereinafter also the '262 Control Model') for some time now in order to ensure the effectiveness of that system. It has also assigned responsibility for verifying proper application of that model and for monitoring the functioning and adequacy of the Internal Control System in relation to the model to the Financial Reporting Officer. The 262 Control Model consists of a set of corporate rules and procedures designed to enable objectives of reliability, accuracy, completeness and promptness in financial reporting to be achieved by identification and management of the main risks attached to the preparation and disclosure of financial information.

The 262 Control Model consists of

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

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

More specifically, administrative and accounting risk assessment is a continuous process of identifying and assessing risks attached to accounting and financial information and it is performed by the Financial Reporting Officer with the support of the Chief of the Internal Audit Function. This process is performed annually by means of:

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

If control activities are not found to be adequately documented or regulated in relation to risk areas identified following periodic risk assessment, the function responsible for the process shall provide adequate support documentation, with the support of the Financial Reporting Officer and, if necessary, the Chief of the Internal Audit Function, to enable the existing controls in the area subjected to analysis to be assessed.

When risks were identified as a result of annual risk assessment activities, the Company and the Group put procedures, protocols and documents in place to control administrative and accounting activities. The body of the administrative and accounting manuals and procedures is comprised of the following principal documents:

- the Group Accounting and Reporting Manual, designed to ensure the application of uniform criteria in the Group with regard to the recognition, classification and

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

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

Group Internal Audit & Compliance Function designed to assess the adequacy of the design and proper implementation and operational effectiveness of the controls in place.

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

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

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

The roles involved with specific reference to financial reporting processes are: the Board of Directors, CEO, the Chief of Group Audit & Compliance, the Risk, Control and CSR Committee and the Financial Reporting Officer and the Director responsible for the internal control and risk management system.

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

The Board of Statutory Auditors is also called upon to perform the functions assigned by the current regulations to the **Committee for internal control and accounting audit** ('CICAA'), established by Italian Legislative Decree no. 39/2010 (so-called "consolidated law on statutory audits"), implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, and therefore oversees the financial information process, on the effectiveness of the internal control, internal audit and risk management systems, the revision of the annual accounts and consolidated accounts, and the independence of the auditing company. Further information is given in Section 13 on the Board of Statutory Auditors.

### **10.1 DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

On 29th October 2020 (and previously on 5th February 2019), at the time of adhering to the 2020 CG Code, the Board of Directors, with the support of the favourable opinion of the Risk, Control and CSR Committee, confirmed the appointment of Mr Fritz Squindo, Group General Manager, as Executive Director responsible for the internal control system, confirming, therefore, the assignment of the tasks referred to in Recommendation no. 34 of the new 2020 CG Code, despite the fact that the latter recommends that the CEO be identified as the director responsible for establishing and maintaining the internal control and risk management system. It is therefore highlighted that this is a case of non-compliance with the 2020 CG Code; in relation to the reasons for this decision, it should be noted that it takes into account the particular characteristics of Mr Squindo's role with reference to the following aspects: a) in-depth knowledge of the group both at business and organisational level; b) his supporting role to the CEO in determining the Group's strategies and objectives; c) the organisational reporting

to Mr Squindo of the ESG manager (taking into account that the 2020 CG Code recommends that sustainability objectives be integrated into the internal control and risk management system).

#### Duties

The Director responsible for the Internal Control and Risk Management System, with the assistance of the Chief of the Group Audit&Compliance

- a) is responsible for identifying the main corporate risks, taking account of the characteristics of the activities performed by Recordati S.p.A. and its subsidiaries, with particular attention to strategically relevant companies, and periodically submits them to the Board of Directors for examination;
- b) implements the guidelines defined by the Board of Directors, monitoring the structuring, implementation and management of the Internal Control and Risk Management System and constantly checking its adequacy and effectiveness;
- c) takes care of the adaptation of the Internal Control and Risk Management System to the dynamics of the operating conditions and the legislative and regulatory framework;
- d) may entrust the Group Internal Audit Function with the task of carrying out checks on specific operational areas and on compliance with internal rules and procedures in the performance of corporate transactions, simultaneously notifying the Chair of the Board of Directors, the Chief Executive Officer (if not identified as the latter person), the Chair of the Risk, Control and CSR Committee and the Chair of the Board of Statutory Auditors;
- e) promptly reports to the Risk, Control and CSR Committee (or to the Board of Directors) on problems and critical issues that have arisen in the performance of its activities or of which it has become aware, so that the Committee (or the Board of Directors) can take the appropriate measures.

#### Activities carried out in 2020

The Director Responsible for supervising the functionality of the internal control and risk management system during 2020:

- has identified, with the help of the Chief of Group Audit & Compliance, the principal business risks, taking account of the characteristics of the activities undertaken by the Company and by its subsidiaries. In detail, he has completed the update of the Recordati Risk Map relating to the 2020 financial year (again with the assistance of the outside company Deloitte S.p.A.) of which he informed the Risk, Control and CSR Committee and the Board on several occasions during 2020;
- has implemented the guidelines defined by the Board and, with the assistance of the Chief of Group Audit & Compliance and other competent functions within the Company, has designed, constructed and managed the internal control and risk management system, while constantly checking its adequacy and effectiveness;
- has brought the system, again with the help of the Chief of Group Audit & Compliance and other competent functions within the Company, into line with changes in operating conditions and in the legislative and regulatory framework.



## **10.2 CHIEF OF THE GROUP AUDIT & COMPLIANCE FUNCTION**

It is the responsibility of the Board of Directors, upon the proposal of the Risk, Control and CSR Committee, to appoint and remove the chief of that function, and also to ensure that he has adequate resources to carry out the relative functions and to set the remuneration consistent with Company policies.

The Group Audit & Compliance Department, headed by Mr Giovanni Minora, is not responsible for any operational area whatsoever and reports hierarchically from 20 December 2012 to the Board of Directors; the ordinary management of employment relationships has been assigned to the Chair, also following the appointment of the new Chair on 29<sup>th</sup> October 2020. The Chief of the Group Audit & Compliance Function is also in charge of internal control pursuant to article 150 of Italian Legislative Decree no. 58/1998, as confirmed by the Board of Directors, most recently on 5<sup>th</sup> February 2019.

When he was appointed, the Board, having consulted with the Risk and Control Committee (as named at the time), assessed the appropriateness of the remuneration paid to the Chief of Group Audit & Compliance as an employee of the Company with respect to the Company's policies.

### Duties

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

- to oversee, both on a continuous basis and in relation to specific needs and in observance of international standards, the functioning and the adequacy of the internal control and risk management system, by carrying out an audit plan approved by the Board of Directors, based on a structured process to analyse and set priorities in relation to the main risks;
- to prepare periodic reports containing adequate information on his activities, on the procedures employed to manage risks and on compliance with the plans drawn up to mitigate them. These periodic reports contain an assessment of the appropriateness of the internal control and risk management system;
- also, upon request by the Board of Statutory Auditors, to promptly prepare reports on events of particular importance;
- to submit periodic reports to the Board of Statutory Auditors, the Risk Control and CSR Committee, the Board of Directors, the Director responsible for the internal control and risk management system and the CEO, except where the subject matter of such reports specifically concerns the activities of such bodies;
- as part of the audit plan, to oversee the reliability of IT systems, including those responsible for bookkeeping.

For the purposes of the above the Chief of Audit & Compliance has direct access to all information useful for performing his/her duties.

Furthermore, the Chief of Group Audit & Compliance:

- explains the proposed annual work programme to the Risk, Control and CSR Committee in order to implement any recommendations that the Committee may intend to make;
- assists the Executive Director responsible for overseeing the functionality of the internal control and risk management system with the design, management and monitoring of the internal control and risk management system and with the identification of the



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

#### Activities in 2020

In detail, during the course of the Financial Year and in meetings of the Board of Directors already held in 2021, the Chief of Group Audit & Compliance:

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

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

The Board of Directors was informed by the Risk, Control and CSR Committee of the organisational structure of the Group Audit & Compliance Function and it agreed with the assessment of its adequacy in carrying out the responsibilities assigned to it and drawing up the audit plan approved for 2020.

### **10.3 ORGANISATIONAL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001**

All the Italian companies of the Recordati Group (Recordati S.p.A., Innova Pharma S.p.A., Recordati Rare Diseases Italy S.r.l., Italcimici S.p.A. and Natural Point S.r.l.) adopted their own model of organisation, management and control as envisaged under Italian Legislative Decree 231/2001 concerning the administrative liability of organisations. More specifically, Recordati, the Group Parent, adopted its model in 2003, with the latest update in 2020.

In accordance with Confindustria guidelines, the organisational models of the Italian companies of the Recordati Group are dynamic, effective mechanisms as a result of constant monitoring and updating by the Supervisory Bodies. The organisational models call for specific, confidential channels for the reporting of violations or other anomalies by employees and periodic personnel training on the content of Italian Legislative Decree no. 231/2001 and of the organisational model. The ODV (231 Compliance Bodies), which have been appointed

within the Group's Italian companies, are boards comprising of the Chief of the Internal Audit & Compliance and outside experts. Each ODV (231 Compliance Body) has its own internal regulations and operate in accordance with a specific programme. The ODV (231 Compliance Bodies) also periodically report to the Board of Directors and the Board of Statutory Auditors. In particular, the ODV (231 Compliance Body) of Recordati S.p.A. appointed by the Board of Directors on 29<sup>th</sup> April 2020, is composed of the external members, Prof. Silvano Corbella, Chair and Mr Andrea Scafidi, lawyer, and the internal member Mr Giovanni Minora, Group Audit & Compliance Manager.

During 2020, in the Group's Italian companies, special training on Code of Ethics and Models pursuant to Italian Legislative Decree no. 231/01 was provided to all personnel, for a total of 1,100 employees.

For the subsidiaries located abroad, policies with a function similar to those of the organisational model pursuant to Italian Legislative Decree no. 231/01 adopted by the Company have been implemented or are being implemented, where considered necessary based on local laws and regulations.

In particular, on 14<sup>th</sup> March 2018 Spanish subsidiary Casen Recordati adopted a Management and Control Organisational Model in compliance with Ley Organica 2015/1 of 30<sup>th</sup> March 2015 which introduced in the Spanish criminal code some relevant changes concerning the criminal liability of legal persons. This law, in relation to the conditions for the exemption from administrative liability for legal persons, borrowed the legislative structure envisaged in Italy by Italian Legislative Decree no. 231/01. The model adopted by the Spanish subsidiary therefore has a similar approach to the 231 Models adopted by the Italian companies of the Group. Also, in the Spanish subsidiary, a collective ODV (231 Compliance Body) has been appointed and is operative, as required by best practices. In 2020, the ODV (231 Compliance Body) of the Spanish subsidiary met periodically.

In 2012, the Board of Directors, assisted by the Risk and Control Committee (as named at the time), had also assessed whether to assign to the Board of Statutory Auditors the functions of the ODV (231 Compliance Body) (pursuant to Italian Legislative Decree no. 231/2001 in accordance with Italian Law No. 183/2011 – the 2012 'Stability' Law), and decided in favour of Recordati continuing to maintain a ODV (231 Compliance Body) as a separate highly specialised unit, dedicated entirely to the supervision of ethical, preventative, organisational and management procedures adopted to prevent incurring liability within the meaning of Italian Legislative Decree no. 231/2001 and therefore with specific expertise on compliance with a particular area of law which applies to the Company. These functions were not therefore assigned to the Board of Statutory Auditors.

The Organisation, Management and Control Models adopted by the Group's Italian companies, pursuant to Italian Legislative Decree no. 231/2001, are constantly monitored by the ODVs (231 Compliance Bodies) in charge. The Models are subject to constant updating both for the introduction or updating of the regulations of interest and for organisational changes or internal processes. The updates concern the General part of the Model, with adjustments to risk mapping, the disciplinary system and other general elements and the Special part of the Model, made up of control and behavioural protocols.

The Models consist of a general part and a specific part, arranged into different sections. The general part includes, *inter alia*, the Code of Ethics, the Disciplinary System and the By-Laws of the ODV (231 Compliance Body). The specific part includes, *inter alia*, a 'map' of the areas where the risk of offences is more marked and a significant number of 'protocols' through

which measures are put in place to prevent offences being committed in the areas identified in the map.

A presentation of the Model adopted by the Company is available on the Company's website at [http://www.recordati.it/en/corporate\\_governance/compliance\\_programmes/](http://www.recordati.it/en/corporate_governance/compliance_programmes/)

#### **10.4 CODE OF ETHICS**

The Code of Ethics, approved by Recordati S.p.A. for the first time in 2002 and constantly updated and supplemented, is a clear embodiment of the Company's corporate values.

During 2020, the Group approved a new version of its Code of Ethics. This update was guided by the Recordati Group's desire to further increase the accessibility and usability of that document and was achieved by means of meticulous drafting and critical revision by an internal inter-functional team, supported by external specialists as well as by the ODV (231 Compliance Body) of Recordati S.p.A.

The new version of the Code of Ethics, approved in July 2020 by the Board of Directors of Recordati S.p.A., defines Recordati's fundamental values which guide and support the Group in its daily operations and in its relations with both its internal and external stakeholders.

The Code of Ethics also describes the responsibilities of all those to whom it is addressed, both internal and external to the Group, and defines 'shared commitments', *i.e.*, those forms of conduct through which Recordati's values are put into practice. This section includes information on:

- How we manage our business, *i.e.*, guidelines concerning:
  - Ethical and legally compliant behaviour
  - Product quality and safeguarding health
  - Commitment to environmental protection and sustainable development
  - Conflicts of interest and asset protection
  - Accounting transparency, confidentiality of information, personal data and social media
- People and workplaces, *i.e.*, indications concerning:
  - Protection of employees
  - Fairness, equality and protection of human rights
  - Health and safety in the workplace
- Relations with our stakeholders.

The Code is adopted by all Group companies and applies to all employees, shareholders, directors, members of corporate bodies, commercial partners and other third parties with whom the Group cooperates, such as consultants, intermediaries, agents and contractors, clearly defining the Company's expectations regarding ethical standards and behaviour.

The Code is therefore a point of reference for all Recordati's stakeholders and it represents the Group's commitment to conducting its business and managing its internal and external relations in an ethical and sustainable manner.

The Code is based on the main existing regulations and guidelines on corporate governance, human rights and the environment, such as, for example, the United Nations Universal Declaration of Human Rights, the Charter of Fundamental Rights of the European Union, the decent work standards laid down by the ILO (International Labour Organisation) conventions, the OECD (Organisation for Economic Co-operation and Development) Guidelines for

multinational companies, national and supranational Anti-Bribery regulations (*e.g.*: OECD Anti-Bribery Convention, Italian Legislative Decree no. 231/2001, Foreign Corrupt Practices Act, Bribery Act, Loi Sapin 2, Ley Organica, etc.) and ISO 14001 environmental standards.

The new version of the Code of Ethics defines the procedures for reporting infringements (whistleblowing) and provides information on how to handle such reports.

The Code of Ethics has been published on the Recordati Group's website, in order to ensure that it is widely distributed and accessible, and can be consulted at the following link:

[https://www.recordati.com/en/corporate\\_governance/compliance\\_programmes/](https://www.recordati.com/en/corporate_governance/compliance_programmes/) In order to facilitate the dissemination and understanding of the principles contained in the Code of Ethics, a training programme has also been commenced for all employees of the Group and for external persons who, although not employees of the Recordati Group, perform activities on an ongoing basis in the name and on behalf of the Recordati Group.

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

Because of our international reach, the Recordati Group is present in a diverse range of social, cultural, economic and political contexts and is responsible for acting in accordance with applicable laws based on an awareness that any act of corruption would compromise the integrity of the business would jeopardise the organisation and would expose the company to legal and financial risks and risks to the company image.

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

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

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

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

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

During 2019, the Group Anti-Bribery Manual was revised. The manual was updated with new areas of attention, with new explanatory examples and new behavioural guidelines. The Manual, in its updated version, contains 16 business areas potentially exposed to the risk of corruption and, for each of them, specific principles of conduct have been formulated to avoid cases of corruption.

The 16 areas most exposed to corruption risk are the following: Research and Development; Production; Relations with doctors and healthcare organisations; regulatory activities; transactions with government; consulting; medicine samples; courses and conferences; marketing material; contributions and donations; financial transactions; Human Resources,

relations with politicians and political organisations, purchasing management, relations with public administrations and management of agency costs.

During 2020 the Manual was distributed again to all of the Group's subsidiaries.

During 2020, training sessions dedicated to ethics and anti-corruption were provided to a total of 3,774 employees, of whom 1,116 in the Italian branches and 2,658 in the Group's foreign branches.

With regard to communication and training on the issues of corruption and on the contents of the Group Anti-Bribery Manual, in 2019 all members of the Board of Directors of Recordati S.p.A. received communication on the policies and procedures adopted through periodic reporting by the Chief of Group Internal Audit & Compliance.

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

The systemic approach of the model of organisation, management and control defined under Italian Legislative Decree no. 231/2001 may also be found in other models in other areas of the company, such as within the scope of health and safety in the workplace, environmental management, and data protection.

Regarding data management and privacy, the Recordati Group has conformed to the new General Data Protection Regulation (No. 2016/679, hereinafter 'GDPR'). The Group companies have adopted the measures envisaged by European regulation with the introduction of a privacy management model and of new rules and business processes, both at the group level and at the local level. On the organisational front, the Company has appointed a Data Protection Officer and a Key Privacy Person in each subsidiary concerned. With regard to the processes and operating rules, Group policies are in place for the management of personal data, from which local procedures adopted by the various European branches derive.

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

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

### **10.5 AUDIT FIRM**

EY S.p.A. is the firm of external auditors appointed to audit the Company for 2020. The appointment was formally made by a Shareholders' Meeting on 29<sup>th</sup> April 2020 for the financial years 2020-2028, as proposed by the Board of Statutory Auditors.

Indeed, with the approval of the financial statements for the 2019 financial year the engagement previously conferred to KPMG S.p.A. for the financial years 2011 – 2019 ended.

For further information on the engagement conferred by the Shareholders' Meeting to EY S.p.A., please refer to the Shareholders' Meeting documentation available on Recordati's website in relation to the Shareholders' Meeting of 29<sup>th</sup> April 2020.

#### **10.6 THE FINANCIAL REPORTING OFFICER**

From 3<sup>rd</sup> May 2007 and until 18<sup>th</sup> March 2020 the role of the Financial Reporting Officer is entrusted to Mr Fritz Squindo, General Manager for the coordination of management and CFO until 1<sup>st</sup> November 2019 and, subsequently, Group General Manager. On 18<sup>th</sup> March 2020, after receiving the opinion of the Risk, Control and CSR Committee and the Board of Statutory Auditors, upon proposal of the Chief Executive Office, the Board of Directors appointed, as Financial Reporting Officer, Mr Luigi La Corte, the new Group CFO with effect as from 1<sup>st</sup> November 2019.

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

The Financial Reporting Officer is given duties and powers to perform that assignment also with reference to the provisions of the operational guidelines for the Financial Reporting Officer, lastly approved, on 18<sup>th</sup> March 2020, by the Board of Directors updating those previously adopted since 2007.

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

The Company has specified the roles and responsibilities of those involved in the internal control and risk management system in detail, in the guidelines for the internal control and risk management system of Recordati S.p.A. and of the Recordati Group and also the procedures for co-ordination between the parties involved.

In this respect, the Company encourages meetings between the different roles involved in order to exchange information and to co-ordinate. As already reported, the entire Board of Statutory Auditors in particular is constantly invited to participate in the proceedings of the Risk, Control and CSR Committee and also the Director Responsible for the internal control and risk management system, the Chief of Group Audit & Compliance, the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01, the Group CFO and the Financial Reporting Officer as well as senior representatives of the external audit firm have participated in various meetings on invitation of the Chair of the Committee and on individual items on the agenda.



The Board of Statutory Auditors of the Company and the ODV (231 Compliance Body) pursuant to Italian Legislative Decree no. 231/01 have organised and held joint meetings during the year for the same purposes of co-ordination on matters of common interest.

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

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

In relation to the provisions of articles 15 and 18 of the Markets Regulations concerning the conditions for the listing of the parent companies of companies formed and regulated under the laws of countries that do not belong to the EU and which are of significant importance for the purposes of consolidated financial statements, since 31<sup>st</sup> December 2020 the regulatory provisions of article 15 of the Markets Regulations have applied to the Turkish subsidiary Recordati İlaç Sanayi Ve Ticaret Anonim İrketi, to the American subsidiary Recordati Rare Diseases Inc, to the Russian subsidiary Rusfic Llc and to the Swiss subsidiary Recordati AG.

With reference to those companies, the Company:

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

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

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

Subject to the favourable opinion of the Risk and Control Committee (now the Risk, Control and CSR Committee) identified as the Committee Responsible pursuant to article 4 paragraph 3, of Consob Regulation no. 17221 of 12<sup>th</sup> March 2010, in a meeting held on 24<sup>th</sup> November 2010, the Board adopted 'Regulations for related-party transactions' in accordance with article 2391-*bis* of the Italian Civil Code and with the aforementioned Regulations to replace the 'Procedure for significant transactions with related parties or when a Director has an interest in the transaction' adopted in 2008.

The Regulations for Related-Party Transactions (the full text is available on the Company website at

[http://www.recordati.it/en/corporate\\_governance/related\\_parties/regulations\\_for\\_related-party-transactions](http://www.recordati.it/en/corporate_governance/related_parties/regulations_for_related-party-transactions)) in force since 1<sup>st</sup> January 2011, defines the guidelines and the criteria for the identification of related-party transactions and gives details of the roles, responsibilities and operating procedures designed to ensure adequate reporting transparency and the relative proper conduct in form and substance for those transactions. The Company has also issued internal rules in order to ensure that the Regulations are fully implemented.



At the beginning of 2017, the Board therefore carried out a periodic review of the Related Party Transactions Regulations, three years having passed since it was last updated and, having taken note of the opinion given by the Risk and Control Committee (now the Risk, Control and CSR Committee), it considered that those Regulations were still adequate, not requiring substantial modifications, but only modifications of a formal nature.

The following was performed on the basis of these Regulations:

- the Risk and Control Committee (now the Risk, Control and CSR Committee) was identified as the Committee Responsible for issuing a reasoned opinion on both transactions of Major Importance and transactions of Minor Importance, except for related-party transactions concerning remuneration, for which the Committee Responsible would be the Remuneration Committee. As already reported both committees are composed exclusively of independent Directors;
- a related-party transaction is defined as any transfer of resources, services or obligations (i.e., any contractual commitment) between Recordati – either directly or through its subsidiaries – and one or more Recordati Related Parties, independently of whether any consideration has been agreed upon;
- a Recordati related-party is defined as:
  - (a) the parent of Recordati and its shareholders;
  - (b) any other party which, either directly or indirectly, including through subsidiaries, trust companies or intermediaries and/or jointly with other parties (also defined as related parties):
    - (i) exercises Control over Recordati, is controlled by it or is subject to Common Control;
    - (ii) holds an interest in the share capital of Recordati such that it is able to exert Significant Influence over it;
  - (c) an associate company of Recordati;
  - (d) a joint venture in which Recordati S.p.A. is a venturer;
  - (e) an executive with strategic responsibilities of Recordati or its parent;
  - (f) a close member of the family of one of the parties referred to in letters (a), (b) or (e);
  - (g) entity in which one of the parties referred to in letters (e) or (f) exercises Control, Joint Control or Significant Influence or holds, either directly or indirectly, a significant proportion, and in any case not less than 20%, of the voting rights;
  - (h) a collective or individual, Italian or foreign, supplementary pension fund, formed for the benefit of Recordati employees, or any other entity related to it, to the extent by which that fund has been formed or promoted by Recordati, or in the circumstance that Recordati may influence its decision-making processes.
- Key Manager Personnel are those persons defined as such in accordance with the legislation and regulations in force from time to time. At present these are such persons who have power over and responsibility, either directly or indirectly, for the planning, management and control of the activities of the Company, including the Directors (executive and non-executive) of the company itself, full members of the Board of Statutory Auditors, the General Managers, the 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 (as at the date of this Report, eight executives of whom six are Company employees and two are employees of a subsidiary);
- Transactions of Major Importance are defined as those related-party transactions for which at least one of the relevance indicators contained in the aforementioned Attachment No. 3 of the Consob Regulations and which are applicable according to the characteristics of each related-party transaction (i.e. value of the transaction in relation to shareholders' equity or, if

greater, to capitalisation; total assets of the entity involved in the transaction compared to the total assets of the Company; total liabilities of the entity acquired compared to the total assets of the Company) exceeds 5%;

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

The Regulations do not apply to:

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

revenue generating activities and all other normal activities of the Company that are not classifiable as investment or financial activities pursuant to International Financial Reporting standard seven adopted by EC Regulation No. 1126 of 2008, as subsequently amended from time to time. Should the exemption contained in this point apply, the Company is nevertheless required, without prejudice to article 114, paragraph 1, of the TUF, to comply with the provisions of article 13, paragraph 3, letter c), points i) and ii) of the Consob Regulation no. 17221 of 12th March 2010;

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

Firstly, with regard to transactions with related parties carried out in 2020, the reverse merger of Rossini Investimenti S.p.A. and Fimei S.p.A. into Recordati S.p.A. - identified as a related-party transaction parties of major importance.

Brief information on that transaction and on the activities of the Committee in that regard is provided on page 8 of this Report.

Further information on the terms and procedures for executing the Merger may be found in the Merger Project, the Information Document and the explanatory reports published on the website [www.recordati.com](http://www.recordati.com) (in the 'Investors' section of the 'Shareholders' Meetings - Reverse Merger into Recordati S.p.A. 2020/2021') and on the authorised storage mechanism 1Info <https://www.1info.it>.

Reference should be made to the Company's Annual Report for information on other related-party transactions performed during the 2020 financial year.

It should be noted that on 10<sup>th</sup> June 2019, Italian Legislative Decree no. 49/2019 implementing Directive (EU) 2017/828 (SHRD II), which amends Directive 2007/36/EC (*Shareholders' Rights Directive - SHRD*) (hereinafter the '**Decree**' and the '**Directive**' respectively) on encouraging long-term shareholder commitment, was published in the Official Journal no. 134.

One of the main innovations in the transposition of the said Directive is the amendment to the legislation on related-parties.

With Resolutions nos. 21623 and 21624 of 10<sup>th</sup> December 2020, Consob amended the regulations to implement the Directive and, in implementation of the delegation contained in article 2391-bis of the Italian Civil Code, amended Regulation no. 17221 of 12<sup>th</sup> March 2010 on related-party transactions (the 'RPT Regulation').

Companies will have until 30<sup>th</sup> June 2021 to adapt their procedures to the new provisions, which will come into force on 1<sup>st</sup> July 2021.

The Company will proceed to update the abovementioned procedure in accordance with the above terms.

## **12. APPOINTMENT OF STATUTORY AUDITORS**

The appointment of Statutory Auditors is governed by article 26 of the By-Laws, which is given below:

*'Article 26) The Shareholders' Meeting shall appoint the Board of Statutory Auditors, comprising three statutory auditors and two alternate auditors, who may be re-elected, and shall determine their remuneration. Their powers, duties and term of office shall be as established by law. Auditors shall satisfy the requirements laid down in current laws and regulations. As regards requirements of professionalism, the matters and sectors of activity strictly connected with that of the company are the research, production and sale of chemical and pharmaceutical products. The minority shareholders shall elect one Statutory Auditor and one Alternate Auditor.*

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

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

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

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

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

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

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

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

*Statutory Auditors shall be elected as follows:*

- 1. from the slate which obtained the highest number of votes at the Shareholders' Meeting, two Statutory Auditors and one Alternate Auditor shall be elected, based on the progressive order with which they are listed in the sections of the slate;*
- 2. from the second slate which obtained the highest number of votes at the Shareholders'*

*Meeting and which, in accordance with regulations in force, has no connection, not even indirectly, with those who submitted and voted for the slate which obtained the highest number of votes, one Statutory Auditor, who shall chair the Board of Statutory Auditors, and one Alternate Auditor shall be elected, based on the progressive order with which they are listed in the slate.*

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

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

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

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

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

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

*The procedure outlined below shall be followed when the Shareholders' Meeting is required to appoint Statutory and/or Alternate Auditors to complete the board: if it is necessary to replace auditors elected on the basis of the majority slate, the replacements shall be appointed by relative majority vote without slate voting; if, however, it is necessary to replace auditors elected on the basis of the minority slate, the Shareholders' Meeting shall replace them by a relative majority vote by choosing them from the candidates on the slate from which the outgoing auditor was elected or on the slate that obtained the second highest number of votes.*

*Should the application of the above procedures not result in the replacement of the auditors designated by minority shareholders for whatever reason, the shareholders' meeting shall hold a relative majority vote, following the presentation of candidatures by shareholders that, individually or together with others, possess shareholdings with voting rights that represent at least the percentage indicated above in relation to the procedure for the presentation of slates. However, votes registered by shareholders who hold the relative majority of voting rights that may be exercised in the meeting as identified in disclosures made in accordance with applicable regulations, whether directly, indirectly, or jointly with other shareholders who have signed a shareholders' agreement as indicated in article 122 of Italian Legislative Decree no. 58/1998, shall not be considered in establishing the outcome of said vote.*

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

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



*In the above case:*

- *the following must always be established:*
  - a) *the identity of all members attending, at each point of connection, shall be confirmed;*
  - b) *each member attending shall be permitted to express a personal opinion verbally, to view, receive or send any documentation and to participate simultaneously in the discussion of the points at issue and pass resolutions;*
- *meetings of the Board of Statutory Auditors shall be considered to be held at the place where both the Chair and Secretary are located.*

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

It is underlined that the right to submit slates is only held by shareholders who, individually or together with other shareholders submitting slates, hold voting shares representing at least 2.5% of the voting capital in the Ordinary Meeting, or representing any lower percentage established by mandatory laws or regulations. It should be noted that In accordance with articles 144-*quater* and 144- *septies* of Consob Issuers' Regulations, according to the Consob resolution no. 44 of 29<sup>th</sup> January 2021, the minimum percentage of the share capital required to present slates of candidates to the Board of Statutory Auditors of the Company is currently 1%.

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

With regard to the rules on gender balance in corporate bodies, Italian Law no. 160 of 27<sup>th</sup> December 2019 (Budget Law 2020) amended articles 147-*ter*, paragraph 1-*ter*, and 148, paragraph 1-*bis*, of the TUF, providing for a different quota reserved for the least represented gender equal to 'at least two-fifths' (compared to previous 'at least one-third') of the members and established that this allocation criterion applies for 'six consecutive terms of office'.

According to the Budget Law 2020, the criterion of allocation of 'at least two-fifths' applies 'as from first renewal of the management and supervisory bodies of the companies listed on regulated markets following the date of entry into force of this Law', which occurred on 1<sup>st</sup> January 2020.

Consob, by means of Communication no. 1/20, has therefore provided clarifications on the interpretation of the application, to corporate bodies composed of three members, of the rules on gender quotas, introduced by the aforementioned provisions of the TUF and which have already applied to the renewal of corporate bodies at the 2020 shareholders' meetings: since in the case of boards composed of three members, the two-fifths reserve is inapplicable due to arithmetical impossibility, Consob has clarified that for corporate bodies composed of three members only the rule of rounding down rather than upwards applies, as currently provided for in article 144-*undecies*.1, paragraph 3, of the Consob Issuers' Regulations.

It should be noted that the Company By-Laws, as from 2012, provide that the Board of Directors shall be appointed in compliance with the existing legislation in force on gender balance (and in any case on the basis of slates of candidates presented by shareholders).

Again with respect to gender balance in the bodies of listed companies, the Company also acknowledged the recommendations concerning diversity, including as regards gender, in the composition of the corporate bodies introduced in the Corporate Governance Code in July 2018: these recommendations concern the application of the one-third quota for the least represented gender in the management and supervisory bodies as from the first renewal following the termination of the effects of Italian Law no. 120 of 12 July 2011. It should be noted that the 2020 CG Code confirms these recommendations with reference to the first renewal following the cessation of the effects of legislative provisions that impose a quota equal to or greater than that recommended by the Code, while no longer providing for the specification, which the 2018 CG Code provided, that if this quota corresponds to a non-integral number, such number shall be rounded down.

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

### **13. STATUTORY AUDITORS (composition and functioning of the Board of Statutory Auditors pursuant to article 123-bis, paragraph 2, letters d and d-bis, of the TUF)**

The composition of the Board of Statutory Auditors in office on the closing date of the Financial Year is shown below. The Board was appointed by the Ordinary Shareholders’ Meeting of 29<sup>th</sup> April 2020 and its term of office will expire at the Shareholders’ Meeting called to approve the financial statements for the year ended on 31<sup>st</sup> December 2022.

At the Ordinary Shareholders’ Meeting of 29<sup>th</sup> April 2020, two slates for the position of statutory auditor were presented: one by the shareholder FIMEI S.p.A., holder of 108,368,721 ordinary shares equal to 51.82% of the Recordati S.p.A. share capital, and another, following the shareholding required in order to present a minority slate being cut in half, presented by other shareholders – SGR and institutional investors, - which collectively hold 1,662,725 shares equal to 0.79509% of share capital.

In detail:

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

#### Statutory Auditors

Ms Livia Amidani Aliberti

Mr Ezio Simonelli

Mr Emiliano Nitti

#### Alternate Auditors

Ms Patrizia Paleologo Oriundi

Mr Marco Antonio Viganò

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

#### Statutory Auditors

Mr Antonio Santi

#### Alternate Auditors

Mr Andrea Balelli



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

Mr Antonio Santi	Statutory Auditor and Chair
Ms Livia Amidani Aliberti	Statutory Auditor
Mr Ezio Simonelli	Statutory Auditor
Ms Patrizia Paleologo Oriundi	Alternate Auditor
Mr Andrea Balelli	Alternate Auditor

The voting share capital represented 84.016% of the share capital with voting rights of the Issuer. A total of 113,547,362 shares were in favour of slate no. 1 (63.860% of the share capital with voting rights). A total of 41,519,283 shares were in favour of slate no. 2 (19.854% of the share capital with voting rights).

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

Curricula vitae providing information on the personal and professional characteristics of each candidate were attached to the slates presented by FIMEI and by institutional investors, accompanied by a list of the management and supervisory positions occupied in other companies and which are significant in accordance with the law and also by declarations made by each candidate that they accept their candidature and that there are no grounds for ineligibility or incompatibility and that they satisfy the requirements prescribed by law and in the By-Laws for the office of Statutory Auditor. The above documentation may be consulted on the website [www.recordati.it](http://www.recordati.it) (in the section Investor Relations, Shareholders' Meetings, financial year 2020).

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

TABLE OF THE COMPOSITION AND STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AS AT 31 DECEMBER 2020 AND CURRENTLY IN OFFICE										
Office	Members (name and surname)	Year of birth	Year first appointment	In office since	In office until	Slate (M/m)	Indep. as per CG Code	Indep. as per TUF	Num. of attendances	Num. of other offices
						*			**	***
Chairman	Antonio SANTI	1977	2017	29.4.2020	Approval of 2022 financial statements	m	X	X	11/11	1
Statutory Auditor	Livia AMIDANI ALIBERTI	1961	2014	29.4.2020	Approval of 2022 financial statements	M	X	X	11/11	2
Statutory Auditor	Ezio SIMONELLI	1958	2020	29.4.2020	Approval of 2022 financial statements	M	X	X	6/6	12
Alternate Auditor	Patrizia PALEOLOGO ORIUNDI	1957	2014	29.4.2020	Approval of 2022 financial statements	M	X	X	N/A	9
Alternate Auditor	Andrea BALELLI	1975	2017	29.4.2020	Approval of 2022 financial statements	m	X	X	N/A	21

STATUTORY AUDITORS NO LONGER IN OFFICE DURING THE REFERENCE FINANCIAL YEAR (2020)										
Office	Members (name and surname)	Year of birth	Year first appointment	In office since	In office until	Slate (M/m)	Indep. as per CG CODE	Indep. As per TUF	Num. of attendances	
						*			**	
Statutory Auditor	Marco NAVA	1960	2008	11.4.2017	29.04.2020	M	X	X	5/5	

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

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

\*\*\* This column gives the number of offices as a Director or Statutory Auditor held by the person in accordance with article 148-bis of the TUF and the relative provisions for implementation contained in the Consob Issuers' Regulations. The full list of appointments is published by the Consob on its website in accordance with Art. 144 quinquiesdecies of Consob Issuers' Regulations. Furthermore, all positions held by Statutory Auditors are given in full in the section of this Corporate Governance Report containing the curricula vitae of the Statutory Auditors.

QUORUM REQUIRED FOR THE PRESENTATION OF SLATES DURING THE LAST APPOINTMENT: 0.5% (further to the reduction by half of the 1% threshold pursuant to art. 144-sexies, paragraph 5 of the Issuers' Regulation).

Number of meetings held during 2020: 11

Statutory auditors' fees are set by a Shareholders' Meeting when they are appointed.

The remuneration of the Board of Statutory Auditors' in charge was set by the Shareholders' Meeting of 29<sup>th</sup> April 2020 – upon recommendation of the Board of Directors (and, in turn, upon recommendation of the Remuneration Committee) included in the Directors' Report on the renewal of the Board of Statutory Auditors - providing for an annual fee of € 62,000 (previous fee of € 50,000) for the Chair of the Board of Statutory Auditors and of € 45,000 for each Statutory Auditor (previous fee of € 35,000), gross of withholding tax.

Details of the fees earned in 2020 are nevertheless given in detail in the Remuneration Report.

During the Year the Board of Statutory Auditors met 11 times, with meetings lasting approximately 2 hours on average.

As regards the current year, 7 meetings are scheduled and the Board of Statutory Auditors has already met 2 times in 2021. The percentage attendance of Auditors in these meetings in 2020 is shown in the table above.

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

The Board of Statutory Auditors conducted an internal verification process concerning its independence on 11<sup>th</sup> February 2020 and then again, after the appointment of the new Board

of Statutory Auditors by the Shareholders' Meeting of 29<sup>th</sup> April 2020, on the same date, also with reference to the newly appointed Statutory Auditor, Mr Ezio Simonelli. As a result of these verifications, it was confirmed that all members of the Statutory Auditors in office possessed the requirements for independence according to article 148 of the TUF and also with regard to independence requirements contained in the 2018 CG Code.

During 2021, the aforementioned assessment - also on the basis of the new Code - was renewed, with a positive outcome, on 26<sup>th</sup> February 2021.

The Board of Statutory Auditors monitored the independence of the auditing firm EY S.p.A., verifying both compliance with the relevant regulatory provisions and the nature and extent of non-audit services provided to certain subsidiaries by the same auditing firm and entities belonging to its network. As concerns services other than auditing provided by the audit firm to the Company and its subsidiaries, reference should be made to the specific exhibit concerning 'disclosure of audit and non-audit fees' contained in the consolidated financial statements for the year ended on 31<sup>st</sup> December 2020 and in the draft separate financial statements of Recordati S.p.A. for the year ended on 31<sup>st</sup> December 2020.

The Board of Statutory Auditors, in the performance of its activities, liaised with the Chief of Group Audit and with the Risk, Control and CSR Committee through the constant presence in Committee meetings, in which the Chief of Group Audit & Compliance also usually participates. It also worked with the ODV (231 Compliance Body) appointed in accordance with Italian Legislative Decree no. 231/2001. The Board reported to the Director with Responsibility for the internal control and risk management system as well as with the Financial Reporting Manager. Finally, it participated in the work of the Remuneration Committee (since 29<sup>th</sup> October 2020, the Remuneration and Nominations Committee) and Risk, Control and CSR Committee.

It should also be noted that the Board of Statutory Auditors, by participating in the meetings of the Board of Directors, receives periodic updates on operations and on developments within the regulatory and legislative framework, and was invited to take part in the induction activities organised by the Chair and the Chief Executive Officer following the renewal of the Board of Statutory Auditors by the Shareholders' Meeting of 29<sup>th</sup> April 2020.

As part of its oversight of procedures for the concrete implementation of corporate governance rules, the Board of Statutory Auditors:

- participated in the in-depth analyses, also together with the Independent Directors on governance and risk control issues;
- verified that the criteria and procedures of evaluation adopted by the Board to evaluate the independence of its members were implemented correctly.

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

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

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

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

In this regard, in view of the fact that the engagement conferred on KPMG S.p.A. by the Shareholders' Meeting of 13<sup>th</sup> April 2011 for the financial years 2011-2019, would expire with the approval of the financial statements for the financial year 2019, the Board of Statutory Auditors, in its capacity as the CICA, had initiated in 2019, with the assistance of the Company, a specific procedure for the selection of the new audit firm to be appointed for the financial years 2020-2028, in accordance with the applicable law, particularly, article 16 of Regulation (EU) no. 537/2014. At the end of the selection procedure, the Internal Control and Audit Committee prepared its reasoned recommendation addressed to the Board of Directors and subsequently to the Shareholders' Meeting, which, on 29<sup>th</sup> April 2020, in line with the latter, conferred to EY S.p.A. the engagement for the purposes of the statutory audit for the nine-year period 2020-2028.

For further details, please refer to that recommendation which was published within the terms set forth by law and can be found in the section of Recordati's website dedicated to the shareholders' meeting of 29<sup>th</sup> April 2020.

The Board of Statutory Auditors meets systematically with the Directors of the main corporate functions, who provide the information requested by the Board.

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

## **14. RELATIONS WITH SHAREHOLDERS**

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

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

- ✓ for the transmission of regulatory information, the Company makes use of the dissemination system '1Info SDIR' at [www.1info.it](http://www.1info.it), which is managed by

Computershare S.p.A. based in Milan (Via L. Mascheroni 19) and has been authorised by Consob with Resolution no. 18994 of 30<sup>th</sup> July 2014;

- ✓ uses the centralised storage system for regulatory information named '1Info' to store regulatory information. This can be consulted at the website [www.1info.it](http://www.1info.it) and it is operated by Computershare S.p.A. with registered offices in Milan and is authorised by the Consob with Resolution no. 18852 of 9<sup>th</sup> April 2014.

As part of the Company's organisational structure, for 2020, Ms Marianne Tatschke, the Director Investor Relations & Corporate Communications, was the person responsible for managing relations with shareholders, who later retired and was replaced as from 1<sup>st</sup> January 2021 by Ms Federica De Medici.

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

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

In order to develop and guarantee a constant and direct link with our institutional investors and financial analysts, Recordati has also defined an engagement plan aimed at activating, starting from the first months of 2021, a channel of communication with those who have an interest in our Company.

Finally, it should be noted that the new 2020 CG Code has recommended that the Board - on the proposal of the Chair, formulated in agreement with the Chief Executive Officer - adopt a 'policy for the management of general dialogue with shareholders', taking into account the 'engagement policies adopted by institutional investors and asset managers'; the aim is for companies to strengthen market dialogue.

When adopting the 2020 CG Code, the Board resolved therefore to proceed with the adoption of a policy, in 2021, highlighting, however, the need to better understand, in advance, the content of said policy in terms of areas to be regulated and objectives to be pursued.

## **15. SHAREHOLDERS' MEETINGS**

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

Article 3 of Italian Legislative Decree no. 91 of 18.6.2012 (the 'Corrective Decree') has established that Shareholders' Meetings are convened by a notice published on the Company's website by the thirtieth day prior to the date of the Shareholders' Meeting and also using other procedures and within the time limit set by the Consob with regulations issued in accordance

with article 113-ter, paragraph 3 of the TUF, inclusive of the publication of extracts in daily newspapers. These provisions apply to Shareholders' Meetings for which the notice to convene is published after 1<sup>st</sup> January 2013.

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

Furthermore, that same article 9 of the By-Laws also states that: 'Ordinary Shareholders' Meetings are called to approve the financial statements within one hundred and twenty days of the end of the company's financial year. Where permitted by the law, a Shareholders' Meeting may be convened within one hundred eighty days from the end of the financial year. Directors shall indicate the reasons for the delay in the report required by article 2428 of the Italian Civil Code. Other than on the initiative of the Board of Directors, a Shareholders' Meeting may be called pursuant to the law by the Board of Statutory Auditors or by only two of its members, or upon the request of shareholders representing at least 5% of the share capital.'

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

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

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

An extraordinary shareholders' meeting is validly constituted in second call with the attendance of shareholders accounting for at least a third of the share capital and resolutions are passed with the vote in favour of shareholders accounting for at least two-thirds of the share capital present at the meeting.

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

In relation to the right to participate in Shareholders' Meetings and voting rights, on the basis of article 83-sexies of the TUF, legitimate authorisation to participate in Shareholders' Meetings and to exercise voting rights is certified by a communication to the issuer, performed by the intermediary, in compliance with its accounting entries, certifying the party entitled to



vote on the basis of information relating to the end of the accounting day of the seventh trading day prior to the date set for the Shareholders' Meeting in first call or a single call. Nevertheless, the legitimate right to participate and vote remains, should the communications be received by the Company later than the aforementioned time limit, provided they are received before the commencement of the proceedings of each single session of the shareholders' meetings.

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

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

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

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

In this respect article 127-*ter* of the TUF, expressly allows the Company to set a time limit within which questions formulated prior to a Shareholders' Meeting must be received if they are to be considered. The time limit is at the discretion of the Company, but cannot be earlier than five trading days prior to the date of the Shareholders' Meeting (in first or single call) or the date indicated in article 83-*sexies*, paragraph 2, of the TUF if the notice of call provides for the Company to provide, before the Shareholders' Meeting, an answer to the queries received. In such latter case, answers shall be provided at least two days before the Shareholders Meeting, also by publication in a special section of the company's website, and the ownership of voting rights may be certified even after the queries have been sent, provided that this is done by the third day following the date indicated in article 83-*sexies*, paragraph 2, of the TUF. Cases where a reply is not obligatory are then specified: when the information required is already available in the format 'answer and reply' in the relevant section of the website and also when the reply has already been published on the website.

Starting from 2013, the Company adopted a Shareholders' Regulation, the text of which is available on the Company's website at [www.recordati.it](http://www.recordati.it), in the corporate governance section;



this is to ensure that Shareholders' Meetings can be held in an orderly and functional manner and to ensure that each Shareholder can speak on the items on the agenda.

During the 2020 financial year, **the Shareholders met twice**: in ordinary call on 29<sup>th</sup> April 2020, and in extraordinary call, on 17<sup>th</sup> December 2020.

Firstly, it should be noted that, in view of the health emergency related to the COVID-19 epidemic and taking into account the emergency regulatory provisions issued for the containment of the contagion, at both of the above meetings, as indicated in the respective notices of call, the Company decided to avail itself of the option provided for by article 106 of Italian Law Decree no. 18 of 17<sup>th</sup> March 2020 - converted with amendments into Italian Law no. 27 of 24<sup>th</sup> April 2020 and as extended by paragraph 3 of article 1 of Italian Law Decree no. 125 of 7<sup>th</sup> October 2020 - providing that the intervention at the Shareholders' Meeting of those entitled to vote was allowed exclusively through the Delegated Representative of the Company pursuant to article 135-*undecies* of the TUF to whom a proxy had to be conferred; the Delegated Representative could also be conferred proxies or sub-proxies pursuant to article 135-*novies* of the TUF, as an exception to article 135-*undecies*, paragraph 4, of the TUF.

At the Shareholders' Meeting held on **29<sup>th</sup> April 2020**, in a single call, in ordinary session, **with the attendance of 84.016% of the share capital with voting rights**, it was resolved (i) to approve the financial statements for the year ended on 31<sup>st</sup> December 2019 and the allocation of the 2019 profit for the year, (ii) to supplement the Board of Directors after redetermining the number of its members, (iii) to appoint the Board of Statutory Auditors, (iv) the conferral of the engagement of the purposes of the statutory audit for the financial years 2020-2028, (v) the binding vote on the first section of the Report on remuneration policy and remuneration paid, and (iv) the authorisation to purchase and dispose of treasury shares. The Shareholders' Meeting also cast its non-binding vote on the second section of the Report on remuneration policy and remuneration paid in 2019.

In addition to the Vice-Chair, Mr Alfredo Altavilla, who chaired the meeting in accordance with the By-Laws, in his capacity as Vice-Chair of the Board of Directors, due to the absence of the Chair, Mr Flemming Ornskov, the following Directors were also attending the meeting via audio conference: Mr Andrea Recordati, Chief Executive Officer, Ms Silvia Candini, Ms. Michaela Castelli, lawyer, Mr Giampiero Mazza and Mr Fritz Squindo. Also present for the outgoing Board of Statutory Auditors were Mr Antonio Santi, Chair, Mr Marco Nava and Ms Livia Amidani Aliberti, Statutory Auditors.

The documentation relating to the items on the agenda, together with the voting results, has been filed in accordance with the law and applicable regulations and can be consulted on the website [www.recordati.it](http://www.recordati.it) (section - investors/shareholders-\_meetings/2020/).

The Shareholders' Meeting held on **17<sup>th</sup> December 2020**, in single call, in an extraordinary session, to approve the plan for the reverse merger by incorporation of Rossini Investimenti S.p.A. and Fimei S.p.A. into Recordati S.p.A., **was attended by 81.991% of the share capital with voting rights**. In addition to the Chair, Mr Alfredo Altavilla (who was in any case present at the Company's registered office), the following Directors attended the meeting in audio/video conference: Mr Guido Guidi, Vice-Chair, Mr Andrea Recordati, Chief Executive Officer, Mr Francesco Balestrieri, Mr Giorgio De Palma, Mr Giampiero Mazza, Mr Piergiorgio Peluso and Mr Fritz Squindo. Also present were the Statutory Auditors, Mr Antonio Santi, Chair, Ms Livia Amidani Aliberti and Mr Ezio Simonelli, Statutory Auditors. The documentation relating to the only item on the agenda, together with the voting results, has been filed in accordance with the

law and the applicable regulations and may be consulted on the website [www.recordati.it](http://www.recordati.it) ([https://www.recordati.com/en/investors/shareholders\\_meetings/reverse\\_merger\\_into\\_recordati\\_spa\\_2020/2021](https://www.recordati.com/en/investors/shareholders_meetings/reverse_merger_into_recordati_spa_2020/2021)).

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

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

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

#### **17. CHANGES OCCURRING SINCE THE END OF THE YEAR**

There were no further changes in the Company's corporate governance structure, except for a change in the perimeter of key manager personnel, which will be reported in the Report for the next financial year.

#### **18. OBSERVATIONS ON THE LETTER OF THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE OF 22<sup>nd</sup> DECEMBER 2020**

The recommendations to promote good corporate governance formulated, as per practice, in the letter of the chair of the Corporate Governance Committee dated 22<sup>nd</sup> December 2020 were brought to the attention, first, of the Chair of the Board of Directors, the Chief Executive Officer, the Director responsible for the Internal Control and Risk Management System, the Board of Statutory Auditors and as well as all the directors on 23<sup>rd</sup> December 2020: to integrate the sustainability of the company's business into the definition of strategies and remuneration policy; to ensure adequate management of information flows to the Board of Directors; to define *ex ante* the quantitative and/or qualitative criteria to be used for assessing the significance of the reports on the independence assessment.

On 22<sup>nd</sup> February 2021, the Board of Directors acknowledged that the Corporate Governance Committee had taken the opportunity, given the entry into force of the 2020 CG Code, to take up the recommendations made over the last four years, refining them in light of the content of the new 2020 CG Code.

The Board also acknowledged that some of the recommendations had already been discussed in connection with adhering to the 2020 CG Code and that others were already scheduled for discussion as part of the Board's 2021 work plan.

Milan, 18 March 2021

For the Board of Directors  
Chief Executive Officer  
Mr Andrea Recordati

## **ATTACHMENT 1 PROFESSIONAL OVERVIEW OF THE DIRECTORS AND STATUTORY AUDITORS**

### **DIRECTORS**

#### **Alfredo Altavilla**

Alfredo Altavilla is Senior Adviser to CVC Capital Partners.

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

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

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

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

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

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

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

In November 2006, he was named Chief Executive Officer of FPT - Fiat Powertrain Technologies.

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

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

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

He is a Member of the Board of Enerpac Tool. (listed on the NYSE, Member of Audit Committee and Compensation Committee), Tim S.p.A., (listed on the Milan Stock Exchange Chairman of the Nomination and Compensation Committee), Conceria Pasubio S.p.A., Ambienta SGR, MSX.

#### **Andrea Recordati**

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

He joined Recordati in 1998 as Project Leader for a project aimed at improving Sales Force productivity and better use of marketing investments. In April 1998, he joined the Board of Directors of the Company. In 1999, he was given responsibility for Pharmaceutical Business Development.

In March 2002, the Lercanidipine Business Unit was set up and he was appointed head of that unit. Since November 2002, he has been responsible for setting up the subsidiary Recordati Ireland and its industrial plant and, subsequently, for setting up the UK subsidiary. In September 2006, he was appointed Sole Director of the German subsidiary Recordati Pharma GmbH. In August 2007, the Northern and Central Europe Subsidiaries Division was set up and he was appointed head of that division. That division was enlarged in 2010 to include all western European companies. In February 2011 he was appointed General Manager of the International Pharmaceuticals Division. In July 2013 he was appointed Chief Operating Officer, being responsible for all the commercial and production activities of the Group and sitting on several boards of directors within the Group. From 16 August 2016 to 5 February 2019, he was appointed as Vice Chairman and CEO of Recordati S.p.A. Currently, he is CEO of Recordati S.p.A.

### **Francesco Balestrieri**

He graduated in Business Administration in 1993 at the Ca' Foscari University of Venice.

In 1993 he joined Alcon (formerly CIBA Vision), a division of Novartis, which operates in the eye care sector and develops and markets contact lenses, eye care products, ophthalmic and surgical products, with the position of Head Business Planning and Analysis Italy until 1995, then Project Manager from 1995 to 1996, Head Finance Europe and APAC from 1996 to 1998, Global Head of Financial Planning and Control from 1998 to 2000, General Manager CE and ME from 2000 to 2001, Commercial Head Europe from 2002 to 2005, General Manager DACH from 2005 to 2007, up to the position of President USA, Canada and Latin America from 2008 to 2011, where, as regional manager for USA, Canada and Latin America, he developed and implemented a new strategy for the U.S. market that brings the business in line with growth aspirations.

In 2011 he joined Sandoz, a division of Novartis, which operates in the sector of generic and special medicines, hospital products, biopharmaceuticals and OTC, here he held various positions, always reporting to the CEO of Sandoz, in particular he was President Asia-Pacific until 2013, then President CEE and Global Head OTC until 2015, President CEEMEA until 2017 and from 2018 to 2019 President Europe where, as a member of the Global Executive Committee, he was in charge of the region's strategic agenda, preparation and launch of biosimilar products and portfolio review to redefine the market perimeter and ensure investments in line with growth aspirations. In 2019 he assumes the role of ad interim CEO of Sandoz S.p.A., at the Munich office, until August 2019.

During his career he has also held the position of director at Sandoz S.p.A. and Mipharm S.p.A. He currently holds the position of sole director of Full Skin S.r.l.

### **Silvia Candini**

Silvia Candini was born in Milan on 2<sup>nd</sup> July 1970, she earned a degree in economics (summa cum laude) at Università Commerciale Luigi Bocconi and an Exchange Programme at The Wharton School (MBA) of University of Pennsylvania.

In 1994 she began her career at Lehman Brothers London in the Corporate Finance team where she worked on marketing and structuring of IPOs and convertible bonds.

In 1996 she moved to the Debt Origination team at JP Morgan London to cover Italian banks and local authorities as issuers.

From 1998 to 2008 she continued to work at JP Morgan in the fixed income sales & trading department, assuming responsibility for the distribution to Italian institutional clients of fixed income products, plain vanilla and structured, specialising in structured credit. Main issues

distributed were first subordinated bonds, first securitization notes (ABS, MBS and CDOs), Credit Default Swaps and Credit linked Notes.

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

From 2016 to 2019 she has been an independent board director at Unipol Gruppo (FTSE MIB listed company).

Current roles:

- Independent Director, Member of the Audit, Risk and Sustainability Committee and Member of the Remuneration and Nominations Committee at Recordati S.p.A. (FTSE MIB listed company)
- Independent Director, Member of the Remuneration Committee and Member of the Nomination Committee at BPER Banca (FTSE MIB listed company)

### **Michaela Castelli**

Born in Rome on 7 September 1970; after the degree in Law and a specialization course in financial law, her working experience started in London dealing with Capital Market and then she worked with major legal firms in Italy, dealing with corporate and financial markets law. She worked for Borsa Italiana S.p.A. for 9 years, where she dealt with primary market and assisting, listed issuers on matters concerning extraordinary operations, price sensitive information, compliance and corporate governance.

Registered in Milan Bar Association, she gained a significative experience as member of the Boards of Directors of major listed and unlisted companies; she is also a member of Boards of Statutory Auditors, Committees and supervisory boards, as well as Chairman of Utilitalia.

Author of sector publications and lecturer on various continuous education courses on corporate and financial markets law; she participated in numerous conferences as a speaker.

Current relevant positions:

- Chairman of ACEA S.p.A. (listed on the Milan Stock Exchange);
- Chairman of Nexi S.p.A. (listed on the Milan Stock Exchange);
- Member of the Board of Directors of Recordati S.p.A. (listed on the Milan Stock Exchange);
- Member of the Board of Directors of La Doria S.p.A. (listed on the Milan Stock Exchange).

### Other positions:

- Chairman of Sea S.p.A.;
- Member of the Statutory Auditors of Autogrill Italia S.p.A.

### **Giorgio De Palma**

Born on 28 August 1974, he graduated summa cum laude in nuclear engineering from Politecnico di Milano, he also holds an engineering degree from the École Centrale de Paris. He began his career at Morgan Stanley, where he worked for more than four years in the M&A team.

In 2005, he joined the Italian team at CVC Capital Partners where today he is Partner.

Giorgio De Palma currently holds the following positions: (i) Chairman of the Board of Directors of Arzignanese S.r.l., (ii) member of the Board of Directors of Conceria Pasubio S.p.A., Sisal S.p.A. and Recordati S.p.A.; (iii) Sole Director of Donizetti Holdings S.r.l.

**Guido Guidi**

Born on 27 March 1953, he graduated in medicine, *cum laude*, in 1979 at the University of Milan, with a specialization, at the same university, first in immunology and allergology, achieved in 1984, and then in rheumatology, achieved in 1989.

Medical doctor since 1980, he was Medical Advisor first in Smith Kline & French Italia from 1981 to 1982 and then, from 1983 to 1985 in Roussel UCLAF Italia, then Medical Director from 1986 to 1989 in Sharper Italia (Roussel UCLAF Group).

In Sandoz Italy since 1990, until 1991 as head of the immunology and transplantation area and from 1992 to 2000 as head of the Specialty Products unit.

Since 2000 he has been in charge of the Southern Europe oncology unit at Novartis and from 2002 to 2012 he was head of the Head of Oncology, Europe at the Milan office where he led the marketing of several oncology products and played a key role in several partnership operations as a Novartis Deal Committee member. From December 2012 to February 2017, at the Swiss headquarters in Basel, he was appointed Head of Pharma, Europe, where he leads the marketing of several key products, coordinates operations and supervises a staff of over 7,000 employees working in more than 50 countries, including Russia and Israel.

Meanwhile he attended business courses in Lausanne in 2000 and from 2003 to 2015 in Boston (USA) at Harvard University.

Throughout his career, he has also been Chairman of the Board of Directors of Novartis Italy, Novartis Spain, Novartis Nordics and Novartis UK, he was a member of the Novartis Pharma Executive Committee (PEC), and Chairman of the Novartis European Executive Committee (EEC), as well as a member of the Novartis Portfolio Management Board, R&D Oncology and Pharma and the EFPIA Executive Committee. He was awarded the Novartis CEO Excellence Award in 2006 and the Novartis CEO Talent Development Award in 2008.

Currently senior advisor at Boston Consulting Group and teaching professor & coordinator of *Medicina Farmaceutica* (organized by *Università degli Studi di Milano* and *Istituto Mario Negri*), he holds the positions of:

- founder and chairman of the board of directors of AuroraTT S.r.l.;
- member of the board of directors of Aurora Science S.r.l.;
- member of the board of directors of Philogen S.p.A.;
- member of the board of directors of Genenta Science S.r.l.;
- member of the board of directors and SAB member of Zambon S.p.A.;
- SAB member and consultant of Italfarmaco S.p.A.;
- vice President of the board of directors of Recordati S.p.A. (FTSE MIB listed company);
- Chairman of Cellestia Biotech AG.

**Joanna Le Couilliard**

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

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

She was previously Chief Operating Officer at the BMI group of private hospitals in the U.K. She was Non-Executive Director at Frimley Park NHS Foundation Trust in the UK and at the Duke NUS Medical School in Singapore and Cello Health PLC, listed on the London Stock Exchange.

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

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



**Giampiero Mazza**

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

He started his career as business strategy Advisor in Bain & Company (Dallas, Texas, USA).

He joined James D. Wolfensohn Inc (New York, NY, USA), a firm specialized in M&A transactions.

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

In 2010 he joined CVC Capital Partners, a private equity fund, where he currently is Managing Partner, and Head of the Milan office, responsible for the Italian business.

Giampiero Mazza also holds the following positions: (i) CEO of CVC Advisers (Italia) S.r.l., (ii) member of the board of directors in Conceria Pasubio S.p.A., Sisal Group S.p.A., Sisal S.p.A., SisalPay S.p.A., SisalPay Servizi S.p.A., SisalPay Group S.p.A., Recordati S.p.A. (listed on the Milan Stock Exchange), Multiversity S.r.l., Pegaso Management S.r.l., Università Telematica Pegaso S.p.A., Università Telematica Pegaso S.r.l. (iii) Chairman of the board with delegated powers in Rossini Investimenti S.p.A. and in FIMEI S.p.A., (iv) Sole Director of Akoa Place S.r.l.

**Piergiorgio Peluso**

Diploma in humanities, degree in 'Economics and Social Sciences (D.E.S.)' from Università Commerciale L. Bocconi, with a specialization in Finance, obtained in 1992, and an experience in Arthur Andersen, he joined Mediobanca S.p.A. in the Participations and Special Affairs Service, dealing with mergers, acquisitions and financial restructuring.

In 1998 he worked at Credit Suisse First Boston in London on mergers, acquisitions and capital market transactions in the financial institutions (banking and insurance) and utilities area.

In 2002 he joined Medio Credito Centrale S.p.A. (Capitalia Group), as Central Director of the Advisory Area, and subsequently assumed direct responsibility for the Corporate Division of the Capitalia Group with the title of Central Director and member of the Executive Committee of the banking group. During the years of his management, he was actively involved in the Capitalia Group's recovery plan. In 2007, following the merger between Capitalia S.p.A. and UniCredit Group S.p.A., he was confirmed as Head of Investment Banking in Italy and, subsequently, Managing Director of the corporate bank of the UniCredit Group (UniCredit Corporate Banking S.p.A.) and Head for Italy of the Corporate & Investment Banking Division of the banking group.

From 2011 to September 2012, he was General Manager of Fondiaria-SAI S.p.A., working on the relaunch plan of the insurance group and the subsequent integration with the Unipol group.

From September 2012 to June 2019, he was Telecom Italia's CFO, with responsibilities of various kinds in the areas of: planning and control, transformation office, purchasing, real estate and logistics, finance and investments, accounting and financial, tax, mergers and acquisitions and risk management; participation in road shows and meetings with investors; regular attendance in Telecom Italia's Board of Directors and the Internal Control Committee.

During his career, he has also held the position of Director in several companies, including Banco di Sicilia S.p.A., Edison S.p.A., Gemina S.p.A., Aeroporti di Roma S.p.A., Milano Assicurazioni S.p.A., Fondazione Telecom Italia, Telecom Italia Media S.p.A. and Telecom Argentina S.A. (Argentina).

Since January 2020 he holds the position of member of the Board of Directors of Sacertis S.r.l., a start-up that deals with the monitoring of infrastructures and diagnostics for risk assessment.



**Cathrin Petty**

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

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

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

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

Cathrin is currently member of the board of directors in the following companies: Theramex HQ UK Limited, IWH UK Investco Limited, IWH UK Finco Limited, IWH UK Holdco Limited, IWH UK Midco Limited, Sphinx Reserve Co., and Recordati S.p.A. (listed on the Milan Stock Exchange). Since February 2021 Cathrin Petty is also member of the board of directors in the following companies: Graphnet Health Limited and System C Holdings Limited.

**Fritz Squindo**

Fritz Squindo graduated 'cum laude' in Economics at the Bocconi University in Milan, Italy. He started his career in 1981 in Telettra S.p.A., a telecommunications company within the Fiat Group, where he was employed in the finance department. In 1986 he joined Sanofi S.p.A., the Italian subsidiary of the French pharmaceutical group Sanofi, where he was first Head of Finance and, as from 1990, Head of Management Accounting. In 1992 he joined Recordati S.p.A. as Head of the Management Accounting department. In 1995 he was appointed Chief Financial Officer and as from 2008 to 31<sup>st</sup> October 2019 also Managing Director.

Since November 2019 he is appointed Group General Manager.

Since 2013 Mr. Squindo is a member of the Board of Directors of Recordati S.p.A. and is also part of the managing bodies of several Recordati Group companies.

## **MEMBERS OF THE BOARD OF STATUTORY AUDITORS**

### **EFFECTIVE AUDITORS**

#### **ANTONIO SANTI**

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

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

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

He is member of the Board of Directors of Enav S.p.A. – listed company (where he carries out the role of president of the CRPC Committee and member of the CRN) and member of the Board of Directors of Adué Consulting S.r.l.

He is member of the Board of Statutory Auditors and accounting auditor of companies operating in different sectors: he is CONI's Accounting Auditor; Chairman of the Board of Statutory auditors of F.A.I. Service S. COOP., C-Zone S.p.A. in liquidation; CQS Holding S.r.l. in liquidation, Ktesios Holding S.p.A. in liquidation; LKTS S.p.A. in liquidation and member of the Board of Statutory Auditors of Acea Liquidation and Litigation S.r.l.

#### **LIVIA AMIDANI ALIBERTI**

Livia Amidani Aliberti graduated in Economics and Commerce at LUISS (Rome, Italy) and holds a Post Graduate Diploma from FT-Pearson (UK). She has completed the INSEAD International Corporate Directors programme. She holds FCA status of authorised Person - Financial Conduct Authority - she is a Dottore Commercialista (Chartered Accountant) and a member of the Reflection Group of NedCommunity on Internal Controls and Risk Management. She serves as Compliance Officer in FCA regulated entities. With more than ten years of consulting and research in corporate governance, her specialties include AIM Listings, Corporate Governance Assessment and Redesign, Strategic Evaluation of Boards; she is also engaged in gender diversity research, area where she authored several publications on gender diversity and directors.

Livia Amidani Aliberti occupies the following positions as corporate director:

- Unicredit Bank Austria A.G., part of the Unicredit Group: independent director, chair of the strategy and nomination committee and the remuneration committee;
- Credito Valtellinese, bank listed on the MTA: independent director, member of the Related Party transactions committee, member of the risk committee;
- Centre for European social research, limited by guarantee - UK – director.

#### **EZIO SIMONELLI**

Ezio Simonelli graduated in Economics at University of Perugia (Italy) on 1980 (Grade: 110/110 cum laude). On 1982 he has been registered Italian qualified Chartered Accountant and Tax Adviser (District of Milan) and on 1995 Italian qualified Chartered Statutory Auditor.

On 1997: Journalist and Publicist.

On 2013 he has been Appointed Honorary Consul of Canada in Milan by the Government of Canada, admitted by a decision issued on 06.03.2013 by the Ministry of Foreign Affairs.

Ezio Simonelli is currently a Managing Partner of Studio Legale Tributario Simonelli Associati, with offices in Milan and more than 20 professionals.

Previous Work Experience: Member of the Board of Directors of Banca Nazionale dell'agricoltura and Interbanca; Member of the Supervisory Board of Banca Popolare di Milano SCARL; Chairman of Statutory Auditors of UBS Italia, ING Group Italia, Dexia Crediop, Alba Leasing, Mediolanum, Cremonini, Meridiana, Arexpo e Lega Nazionale Professionisti Serie A e Serie B; Member of the Statutory Auditors of Cerved, Banca Akros, Abaxbank, Montetitoli, E-Mid.

As Author or Co-author of the following books:

- 'L'impresa e il nuovo testo unico delle imposte dirette' (IPSOA Editore 1988);
- 'L'attuazione della IV direttiva CEE' (Giuffr  Editore 1992);
- 'Oneri deducibili' (Giuffr  Editore 1993);
- 'Il revisore contabile' (Editore Il Sole 24 Ore 1996);
- 'Tassazione dell'utile e politiche fiscali sui dividendi' (Maggioli Editore 1997);
- 'Finanza straordinaria d'impresa' (Editore Il Sole 24 Ore 1999);
- 'Economia e gestione della banca' (Editore Mc Grow-Hill 2010).

Holding positions as Chairman or member of Supervisory Boards pursuant to Legislative Decree 231/01 in the following companies:

- LA VILLATA S.p.A. (Esselunga) (Chairman of the Supervisory Board);
- Aprilia Racing S.r.l. (Member of the Supervisory Board).

List of Administration and Control offices held by Mr Simonelli in other companies:

Chairman of Statutory Auditors:

- Chairman of Statutory Auditors of Aprilia Racing S.r.l.;
- Chairman of Statutory Auditors of ATEX S.p.A.;
- Chairman of Statutory Auditors of Branchini Associati S.p.A.;
- Chairman of Statutory Auditors of Intraco S.p.A.;
- Chairman of Statutory Auditors of La Villata S.p.A.;
- Chairman of Statutory Auditors of Mediaset Italia S.p.A.;
- Chairman of Statutory Auditors of Sisal Entertainment S.p.A.;
- Chairman of Statutory Auditors of Sisal Group S.p.A.;
- Presidente del Collegio sindacale di Sisal Point S.p.A.;
- Chairman of Statutory Auditors of Sisal S.p.A.;
- Chairman of Statutory Auditors of Vortice S.p.A.

Member of the Board of Statutory Auditors:

- Member of Statutory Auditors of Arnoldo Mondadori Editore S.p.A. (listed on the Milan Stock Exchange);
- Member of Statutory Auditors of F2I SGR S.p.A.;
- Member of Statutory Auditors of Phs Group S.p.A.;
- Member of Statutory Auditors of Recordati S.p.A. (listed on the Milan Stock Exchange).

Member of the Board of Directors:

- Member of Board of Directors of Fondazione BPM;
- Member of Board of Directors of Transition Management Italia S.r.l.;

- Member of Board of Directors of Sintesy Pharma S.r.l.;
- Member of Board of Directors of Plusadvance S.r.l.

Sole Director:

- Sole Director of Gosen S.r.l.;
- Sole Director of Gosen Immobiliare S.r.l.;
- Sole Director of Immobiliare San Sebastiano S.p.A.;
- Sole Director of Nava S.r.l.;
- Sole Director of Wings of Hermes S.r.l.

Liquidator of National Professional Football League.

Chairman of Auditors' committee of Fondazione Altagamma.

## **ALTERNATE AUDITORS**

### **PATRIZIA PALEOLOGO ORIUNDI**

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

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

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

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

Foreign Languages: English, Spanish and French.

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

- Chairman of Auditors' committee of Associazione dei Componenti degli Organismi di Vigilanza ex D. Lgs. 231/2001;
- Chairman of Auditors' committee of Valore D - Donne al vertice per l'azienda di domani';
- Statutory Auditor of Centervue S.p.A.;
- Chairman of the Board of Statutory Auditors of Close Up Milano S.p.A.;
- Chairman of Auditors' committee of Consorzio Universitario per l'ingegneria nelle assicurazioni (CINEAS);
- Statutory Auditor of ESPRINET S.p.A. (listed on the Milan Stock Exchange);
- Auditor of Fondazione Giannino Grillo;
- Chairman of the Board of Statutory Auditors of Helvetia Vita S.p.A.;
- Chairman of the Board of Statutory Auditors of Helvetia Italia Assicurazioni S.p.A.;
- Shareholder Director of Quisi snc di Patrizia Paleologo & C.;
- Vice Chairman of the Board of Directors of Fondazione Biscozzi Rimbaud;
- Chairman of the Board of Statutory Auditors of Virgin Active Italia S.p.A.;
- Statutory Auditor of Banca Farmafactoring S.p.A. (listed on the Milan Stock Exchange);
- Alternate Auditor of Autogrill S.p.A. (listed on the Milan Stock Exchange);
- Statutory Auditor of Falck Renewables S.p.A. (listed on the Milan Stock Exchange);
- Alternate Auditor of LU-VE S.p.A. (listed on the Milan Stock Exchange);
- Alternate Auditor of CGT Logistica Sistemi S.p.A.;

- Alternate Auditor of ICIM S.p.A.;
- Alternate Auditor of Recordati S.p.A. (listed on the Milan Stock Exchange);
- Alternate Auditor of Siolo Nuova S.p.A.;
- Alternate Auditor of Silver Fir Capital SGR S.p.A.
- Statutory Auditor of Ford Credit Italia S.p.A.

**ANDREA BALELLI**

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

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

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

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

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

He occupies management and supervisory positions in the following companies:

- Sole Director of Fedaia Spv S.r.l.;
- Sole Director of Gardenia Spv S.r.l.;
- Sole Director of Italian Credit Recycle S.r.l.;
- Sole Director of Restart Spv S.r.l.;
- Sole Director of Rienza Spv S.r.l.;
- Sole Director of Re Vesta S.r.l.;
- Director of Leviticus ReoCo S.r.l.;
- Director of Ferroli S.p.A.;
- Chairman of the Board of Statutory Auditors of Salvatore Ferragamo S.p.A. (Company listed on the Milan Stock Exchange);
- Chairman of the Board of Statutory Auditors of Wellcomm Engineering S.p.A.;
- Chairman of Supervisory Body ex D.Lgs 231/2001 of Salvatore Ferragamo S.p.A. (Company listed on the Milan Stock Exchange);
- Statutory Auditor Airport Cleaning S.r.l.;
- Statutory Auditor Axis S.p.A.;
- Statutory Auditor Danesi Caffè S.p.A.;
- Statutory Auditor of Infoblu S.p.A.;
- Statutory Auditor of Leonardo Energia Scarl;
- Statutory Auditor of Pillarstone Italy S.p.A.;
- Statutory Auditor of Pillarstone Italy Holding S.p.A.; Statutory Auditor of PS Reti S.p.A.;
- Statutory Auditor of Sirti S.p.A.;
- Statutory Auditor of Tangenziale di Napoli S.p.A.;
- Statutory Auditor Autostrade Tech S.p.A.