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This is an unofficial English Language courtesy translation of the original Italian report prepared and issued in Italian by the Board of Statutory Auditors of Recordati S.p.A ('The Company').
As such this courtesy translation is for information purposes only and should not be relied upon. Only the original version in the Italian language has legal value and in case of any ambiguity, the Italian report (a copy of which is available on the Company's website) shall prevail. The Company and the Board of Statutory Auditors make no representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of this English Language Courtesy Translation.

Courtesy copy follows:

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

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

1. Supervision carried out and information received

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

During the year ended on 31st December 2021, the Board of Statutory Auditors carried out the supervisory activities required by law. To this end, during the financial year, the Board has:

- held 11 statutory auditors' board meetings, which were always attended by all members in office;
- attended 16 Board of Directors' meetings;
- attended 8 Risk, Control and CSR Committee's meetings;
- attended 15 Remuneration and Nominations Committee;
- attended the meetings of the Independent Directors;
- attended the Shareholders' Meeting;
- held meetings with the managers of the auditing firm, EY S.p.A. hereinafter also referred to as the '**Auditing Firm**') pursuant to article 150, paragraph 3, of Italian Legislative Decree no. 58/1998, during which the appropriate information was exchanged and no other events or situations that were worth highlighting were detected;
- met regularly with the Chief of the Internal Audit Function;
- met regularly with the ODV (231 Compliance Body) appointed pursuant to Italian Legislative Decree no. 231/2001;
- obtained the documents and information deemed relevant by the executive Directors and other company functions;

- exchanged information with the boards of statutory auditors of the subsidiaries regarding the management and control systems and the general performance of the companies' operations.

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

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

It should be noted that during 2021 there was an important change in the corporate governance of Recordati S.p.A., since, on 1st December 2021, the Board of Directors of Recordati appointed Mr Andrea Recordati as Chair of the Board of Directors and Mr Robert Koremans – upon co-option by the Board – as Chief Executive Officer, following what had already been approved at the Board of Directors' meeting held on 16th July 2021. As of 1st December 2021, the resignations submitted by Mr Alfredo Altavilla – in light of other important appointments conferred on him by the Italian Government and the completion of the transition process towards the Company's new Governance system – as Chair and Director of Recordati and by Mr Andrea Recordati as Chief Executive Officer became effective.

Furthermore, on 29th October 2020, Recordati's Board of Directors resolved to adhere to the new 2020 Corporate Governance Code (hereinafter also referred to as the '**2020 CG Code**'), whose recommendations are applicable as from 1st January 2021.

Further to the information contained in the Report of the Board of Statutory Auditors for the 2020 financial year on the reverse merger of Fimei S.p.A. and Rossini Investimenti S.p.A. into Recordati S.p.A., it should be noted in this regard that on 1st October 2020, the Board of Directors of Recordati S.p.A. (the '**Acquiring Company'**) examined and approved, by unanimous vote of those present, the reverse merger by incorporation of Rossini Investimenti S.p.A. ('**Rossini Investimenti'**) and Fimei S.p.A. ('**Fimei'**) (Rossini Investimenti and Fimei also jointly referred to as the 'Merging Companies') into Recordati (the '**Transaction'** or the '**Merger'**) and the documentation required for the implementation of the Merger itself, including the relevant merger project (the '**Merger Project'**). On 17th December 2020, the extraordinary shareholders' meetings of Rossini Investimenti, Fimei and Recordati examined and approved, without amendments or supplements, the merger project by incorporation of Rossini Investimenti and Fimei into Recordati. It should be noted that, as planned, the Merger was completed during the first half of the 2021 financial year, following the date of approval of the Merging Companies' financial statements for the financial year ending on 31st December 2020 and of their balance sheet as at 31st March 2021.

As illustrated by the Directors in the Report on Corporate Governance and Ownership Structure, on 22nd April 2021 the last of the registrations of the merger deed relating to the Merger with the competent Companies' Register of Milan, Monza, Brianza and Lodi was completed.

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

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

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

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

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

It should be noted that in the context of the Board of Statutory Auditors' activities:
- no charges have been received pursuant to article 2408 of the Italian Civil Code;
- no complaints have been received.

In 2021, the Company is subject to the management and coordination activities of Rossini Luxembourg S.àr.l, pursuant to article 2497 *et seq.* of the Italian Civil Code.

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

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

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

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

In December 2021 Recordati announced the signing of an agreement with an enterprise value of € 750 million for the acquisition of EUSA Pharma (UK) Ltd, a global specialty pharmaceutical company with headquarters in the United Kingdom, specialising in niche rare and oncological

diseases. Following approval by the regulatory authorities, the transaction was completed on 16th March 2022 and will be consolidated in the Group's results as from 31st March 2022 (it will be consolidated in the profit and loss account as from 1st April 2022).

It should also be noted, with reference to the crisis in Ukraine, that the Company – as, moreover, recommended by Consob in a recent warning to supervised issuers on this very subject, concerning inside information and financial reporting – has also informed the Board of Statutory Auditors that the Recordati Group has identified the immediate safety of its personnel as a priority and is implementing all possible measures and initiatives in order to guarantee the supply of medical products to patients in the areas affected by the conflict. Despite the natural resilience of the pharmaceuticals industry, the recent operating performance and the diversification of the Group, the Company believes that it is difficult to quantify at present the potential future impact of the crisis in Ukraine, given the complexity of the situation and its constant evolution.

It should be noted that, taking into account the above and given the fact that the forecasts on the evolution of operations already made by the Company, especially with reference to the acquisition of EUSA, were established prior to the escalation of the conflict in Ukraine (with the consequences that this has brought, for example, on the value of the ruble), the Company has stated that – where appropriate – the 2022 targets will be updated on the basis of the actual date of completion of the acquisition of EUSA Pharma and the evolution of the conflict between Russia and Ukraine.

It should be noted, moreover, that Italy and all the other main countries in which the Company operates continue to be affected by restrictive measures on the movement of people and measures to support the economic activity of companies put in place following the epidemiological emergency resulting from the COVID-19 virus, that was declared a pandemic by the WHO (World Health Organisation) in March 2020. The Board of Statutory Auditors was informed by the Chief Executive Officer about the measures taken, noting that the Company, in order to deal with the emergency in Italy and subsequently in other countries, had taken action by implementing all possible measures and initiatives in order to guarantee the supply of medicines to its patients and the safety of its employees. As shown in the Company's financial statements for the year ended on 31st December 2021, the 2021 results show that the impact on the Company's revenues is more than offset by the containment of operating expenses resulting from the reduction in business, with operating income and net profit remaining in line with forecasts.

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

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

- commercial and financial intra-group transactions referring to subsidiaries and the parent company are regulated on an equivalent basis to those prevailing in transactions between independent parties;
- the most significant related-party transaction items are:
  a) receivables for loans granted to Group companies;
  b) payables for loans received from Group companies;
  c) trade receivables from subsidiaries;
  d) trade payables to subsidiaries;
  e) receivables from subsidiaries for the management of the centralised treasury;
  f) payables to subsidiaries for the management of the centralised treasury;
- it should be noted that related-party transactions do not include any non-standard or unusual transactions and that during 2021 there were no transactions or contracts with related-parties that, with reference to materiality of effects on the financial statements, could be considered significant in terms of value or conditions. The only exception to the above - which is indicated in the 2021 consolidated financial statements - is linked to the fact that on 1st October 2020 the Board of Directors of the Parent Company approved the reverse merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into

Recordati S.p.A. (the Merger). In particular, it should be noted that the consolidated financial statements of the Recordati Group for the year ended on 31st December 2021 show that - taking into account the drafting, in April 2021, of the merger deed for the merger by incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A., the subsequent filing of which with the Companies' Register resulted in the completion of the Transaction, with effect, for accounting and tax purposes, as from 1st April 2021 - the Merger did not entail any change in the share capital of the Acquiring Company, nor any payment of cash adjustments. Furthermore, the said consolidated financial statements show that the post-merger balance sheet and profit and loss account of Recordati S.p.A. was substantially in line with the current ones and, in particular, the Merger did not alter the net financial position and therefore Recordati's investment capacity, its capital allocation strategy and policy. The consolidated financial statements of the Recordati Group for the year ended as at 31st December 2021 also state that, as provided for in the merger plan, Recordati S.p.A. inherited both the ACE (*Aiuto alla Crescita Economica* [Aid for Economic Growth] - a tax relief for companies governed by article 1 of Italian Decree Law no. 201/2011 and by Italian Ministerial Decree of 3.8.2017 and consisting in the detaxation of a portion of taxable income proportional to increases in equity) and the ACE surplus of Rossini Investimenti S.p.A. with a non-recurring positive tax effect in 2021 of € 12.9 million and a recurring tax benefit of approximately € 1.2 million per year. The Merger also entailed the elimination of group taxation between Recordati S.p.A. and FIMEI S.p.A. and its continuation by Recordati S.p.A. as the consolidating company with respect to Italchimici S.p.A.;

- in compliance with the requirements of article 4, paragraph 7, of the Regulations for related-party transactions adopted by CONSOB, resolution no. 17221 of 12th March 2010 as subsequently amended, as well as by article *2391-bis,* paragraph 1, of the Italian Civil Code, the Company adopted the '*Procedure for regulating related-party transactions*' available on the Company's website.

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

With specific regard to the examination of the financial statements for the year ended on 31st December 2021, the consolidated financial statements for the year ended on 31st December 2021 (prepared in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as in accordance with the provisions issued by Consob in implementation of paragraph 3 of article 9 of Italian Legislative Decree no. 38/2005 and, for the first time, in the European Single Electronic Format ('ESEF') as required by the applicable regulations) and the Report on Operations, the Board of Statutory Auditors reports the following:

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

The Board of Statutory Auditors points out that the Transparency Directive (2004/109/EC) requires the annual financial report prepared by listed companies to be published in a single electronic reporting format. EU Regulation 2019/815 ('ESEF Regulation') imposes that the aforementioned annual financial report is to be prepared in the XHTML format, marking certain information in the consolidated financial statements with the Inline XBRL specifics. At the national level, the Italian Law converting the '*Decreto Milleproroghe*' (Italian Decree-Law no. 183 of 31st December 2020), in the text finally approved by the Italian Chamber of Deputies and by the Italian Senate of the Republic, in order to benefit from the aforementioned extension, provided, in Article 3, paragraph 11-*sexies*, that the provisions of the ESEF Regulation would apply to financial reports relating to financial years starting as from 1st January 2021. Therefore, with respect to financial reports starting from

with financial year ending 31st December 2021, the obligation to prepare and publish them in accordance with the provisions of the ESEF Regulation shall apply.

It should also be noted that the auditing firm is required to carry out audit procedures also in this respect and, to this end, the Italian Ministry of Economy and Finance has approved the auditing standard SA Italy 700B '*The responsibilities of the entity entrusted with the statutory audit with reference to the financial statements prepared in accordance with the single electronic reporting format*'.

The Board of Statutory Auditors reports that the Company has proceeded – also with the support of the company KPMG – to prepare the activities and processes aimed at preparing the annual financial report in accordance with the single electronic reporting format (ESEF), specifically with XHTML IT language supplemented by appropriate markings in XBRL, in order to facilitate its accessibility, analysis and comparability of the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS).

The Board of Statutory Auditors points out that the Auditing Firm has stated that it has audited, with the support of a team of specialists, Recordati's annual financial report on the issue in question, the outcome of which is finalised with the opinion on compliance included in the audit report.

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

In relation to the most significant transactions under an economic, financial and asset point of view carried out by the Company and the Group during the 2021 financial year, and, more generally, with regard to the most significant events, the Board reports the following:

- several initiatives were undertaken in line with the Group's strategy of continuous development and growth;
- initiatives were undertaken in the field of sustainability. In particular, the Group has decided to continue the structured and organic process to sustainability through which the stakeholders' expectations in relation to social, environmental and economic objectives are also taken into account. This process – which in previous years had already led to the preparation of non-financial information, through which to highlight the objectives that the Group has set itself and the results achieved in the environmental, social and economic fields – led, in 2020, to the establishment of the Environmental, Social & Governance function, dedicated to supporting the integration of social and environmental aspects in the business processes, and the formalisation of the Group's first Sustainability Plan and, during 2021, with a view to continuous improvement, the updating of the goals included in the aforementioned Plan, also following up on the commitments made in that Plan, by achieving important social and environmental goals;
- in December 2021 Recordati announced – as previously reported – the signing of the agreement for the acquisition of EUSA Pharma (UK) Ltd. Following approval by the regulatory authorities, the transaction was completed on 16th March 2022 and will be consolidated in the Group's results as from 31st March 2022;
- in April 2021 the merger deed for the incorporation of Rossini Investimenti S.p.A. and FIMEI S.p.A. into Recordati S.p.A. was drawn up and subsequently filed with the Companies' Register thus entailing the completion of the transaction, which became effective for accounting and tax purposes as from 1st April 2021.

During 2021, the Board of Directors periodically monitored the operating performance, also by comparing the results achieved with those planned as per 2021 Budget. During the 2021 financial year, the Board of Directors also approved the 2021-2023 Three-Year Plan and, at the end of 2021, it approved the 2022 Group Budget.

In addition, during 20201 the Board of Directors examined, on several occasions, the updates of the corporate Risk Map of the Company.

It should be noted that in 2021 upon the proposal of the Remuneration and Nominations Committee, the Board of Directors approved the new 2021-2023 Stock Option Plan, to be submitted to the Shareholders' Meeting, also setting the targets for 2021 to which the possibility to exercise the individual tranches of the options granted and not yet vested on the basis of the Company's Stock Option Plans is subject.

In particular, it should be noted that on 20th April 2021 the ordinary Shareholders' Meeting passed a resolution renewing the authorisation to purchase and dispose of treasury shares pursuant to articles 2357 and following of the Italian Civil Code until the approval of the financial statements for the year ended on 31st December 2021. On the basis of the said shareholders' resolution, on 1st November 2021, a share buy-back program was launched to service the Recordati's Group management's stock option plans already adopted by the Company and those which may be adopted in the future, which was completed on 21st January 2022. For the sake of completeness, it is reported that the share buy-back program launched on 23rd February 2021, pursuant to the Shareholders' resolution of 29th April 2020, which was initially reported in the Report on Corporate Governance and Ownership Structure for the 2020 financial year, was completed on 19th April 2021.

As the current authorisation will expire with the Shareholders' Meeting called to approve the financial statements for the year ended on 31st December 2021, the Board of Directors, resolved to propose to the same meeting that the authorisation to purchase and dispose of treasury shares be renewed in order to maintain the necessary operational flexibility over an adequate time period.

Furthermore, during 2021, the Board of Directors fine-tuned the Company's new governance structure; this change, as anticipated, saw Mr Andrea Recordati, the previous Chief Executive Officer, being appointed as the new Chair of the Board of Directors as from 1st December 2021 and Mr Robert Koremans being appointed as the new Chief Executive Officer on the same date.

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

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

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

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

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

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

5. Performance of the year and economic and financial situation

The 2021 financial year closed with a consolidated net profit of €/000 385,966 compared to €/000 355,027 as at 31.12.2020.

The consolidated financial situation (Net financial position) as at 31.12.2021 is equal to €/000 (736,539) compared to €/000 (865,824) as at 31.12.2020. The reasons for the change are fully explained in the Report on Operations.

Consolidated shareholders' equity as of 31.12.2021 is equal to €/000 1,381,625 compared to €/000 1,276,260 as at 31.12.2020, with an increase of €/000 105,365 (against an increase of €/000 77,449 in 2020).

It should be noted that in 2011, the Company approved a change in the capital remuneration policy. As a consequence, an interim dividend of € 0.53 per share has been set for the 2021 financial year. The board of Directors proposes to the shareholders' meeting to distribute a further dividend of € 0.57 per share, as balance of the 2021 financial year, which would thus result in a total dividend of € 1.10 per share, compared to € 1.05 per share distributed from the 2020 financial year result.

On the basis of the above elements, considering the more general situation of the Company and the Group and, in particular, the forecasts of the Directors for the 2022 financial year, the Board of Statutory Auditors does not consider, at present, that there are events or circumstances that may give rise to significant doubts concerning the going concern assumptions.

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

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

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

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

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

During 2021, the Company continued to disseminate the Code of Ethics adopted as part of the Organisational Model pursuant to Italian Legislative Decree no. 231/2001; in addition, special training courses on the two aforementioned documents were also provided to all personnel.

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

In particular, it should be noted that all the Italian companies in the Recordati Group (Recordati S.p.A., Innova Pharma S.p.A., Recordati Rare Diseases Italy S.r.l., Italchimici S.p.A. and Natural Point S.r.l.) have adopted their own Organisational, Management and Control Model, as required by Italian Legislative Decree no. 231/2001 on the administrative liability of entities. During 2021, the Organisational Models of the following Italian companies were updated: Natural point S.r.l, Innova Pharma S.p.A. and Recordati Rare Disease Italy S.r.l.

Since 2009, the Company has drawn up a Group Anti-Bribery Manual which sets out the principles of conduct to avoid bribery in company areas that are potentially exposed to the risk of corruption. During 2019, the Group Anti-Bribery Manual was revised and updated with new focus areas, new explanatory examples and new behavioural guidelines and, during 2021, it was again distributed to all Group branches.

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

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

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

During the financial year, the Company continued the application of its risk control system.

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

With specific reference to the Risk Map of the Company, it should be noted that, as a rule, it is usually updated annually by the Board of Directors during the meeting that approves the budget for the following financial year; furthermore, the Company updates its Risk Map in conjunction

with the approval of extraordinary transactions such as acquisitions of new assets that are deemed to be significant.

In particular, during 2021, the Company updated its Risk Map on several occasions: in April 2021, in conjunction with the approval of the 2021-2023 Three-Year Plan, in November 2021 at the time of a project for the acquisition of a group of Companies, and finally, at the Board of Directors' meeting on 16th December 2021 that approved the 2022 Budget.

Moreover, at the meeting of 24th February 2022 the Board of Directors approved, with the favourable opinion of the Risk, Control and CSR Committee, the adjustment of the guidelines for the internal control and risk management system of the Company and the Recordati Group, on the basis of the resolutions of the Board of Directors itself in accordance with the 2020 Corporate Governance Code – as adopted by the Company at the end of the 2020 financial year – so that the main risks affecting the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored.

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

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

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

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

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

In particular, since 2003, the Company has adopted a Control Model pursuant to Italian Law no. 262/2005 on financial reporting, in order to ensure the effectiveness of the internal control system, entrusting the Manager responsible for preparing the Company's financial reports (hereinafter, the 'Financial Reporting Officer') with the task of verifying its correct application, as well as monitoring the functioning and adequacy of the Internal Control System referred to in such model. In 2021, the Company introduced and implemented a periodic information flow on the activities and accounting areas forming part of the Control Model pursuant to Italian Law no. 262/2005. The information received through this information flow was analysed by the Group Audit & Compliance Department and discussed with the Financial Reporting Officer, without having

highlighted any significant weaknesses in the existing accounting processes, net of improvement and optimisation paths that are always possible.

On 18th March 2020, with the positive opinion of the Risk, Control and CSR Committee and of the Board of Statutory Auditors, the Board of Directors appointed Mr Luigi La Corte as the Financial Reporting Officer, who covers also the role of Group Chief Financial Officer effective as from 1st November 2019; therefore, during the 2021 financial year, the role of Financial Reporting Officer was performed by Mr Luigi La Corte.

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

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

A Group Accounting Manual has also been adopted, as well as protocols and administrative and accounting procedures concerning periodic accounting closures, the preparation of financial statements and reporting packages by subsidiaries.

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

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

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

In addition, on 30th March 2022, after having explained its content and provided a draft to the Board of Statutory Auditors during the meetings held prior to that date, the Auditing Firm submitted to the said Board the Additional Report required by article 11 of EU Regulation no. 537/2014, which shows the results of the mandatory audit carried out and includes the declaration of independence pursuant to article 6, paragraph 2 (a), of the Regulation, as well as the reporting required by article 11 of such Regulation, without having identified any significant shortcomings. In particular, the Additional Report does not reveal any significant shortcomings in the internal control system in relation to the financial reporting process that should be brought to the attention of those responsible for governance activities.

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

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

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

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

It should be noted that the rules on periodic financial reporting were amended by Italian Legislative Decree no. 25/2016, implementing Directive 2013/50/EU, which eliminated the obligation to publish the interim management statement, previously provided for by paragraph 5 of article 154-*ter* of Italian Legislative Decree no. 58/1998. On 26th October 2016, by means of resolution no. 19770, Consob made some regulatory changes, introducing the new article 82-*ter*, which were applied as from 2nd January 2017.

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

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

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

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

Auditing firm

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

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

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

Type of service	Entity providing the service	Recipient	Fees values in €
Accounting Auditing	Auditor of the Parent Company	Parent Company	162,790
Accounting Auditing	Auditor of the Parent Company	Subsidiaries	70,499
Accounting Auditing	Network of the auditor of the Parent Company	Subsidiaries	726,430
Tax compliance services	Network of the auditor of the Parent Company	Subsidiaries	48,600
Signing declarations and certificates	Auditor of the Parent Company	Parent Company	39,970
Signing declarations and certificates	Auditor of the Parent Company	Subsidiaries	3,701
Signing declarations and certificates	Network of the auditor of the Parent Company	Subsidiaries	25,168
Other services	Network of the auditor of the Parent Company	Subsidiaries	4,211

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

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

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

7. Current corporate governance

Detailed information on how the corporate governance principles approved by the Corporate Governance Committee (contained in the related Corporate Governance Code) have been implemented is provided by the directors in the annual Report on Corporate Governance and Ownership Structure attached to the reporting on the financial statements.

It should be noted that the Company adheres to and complies with the Corporate Governance Code (January 2020 version) as specified in the Report on Corporate Governance and Ownership Structure for the 2021 financial year, which the Board of Directors approved on 17th March 2022.

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

During 2020, the Company examined such code in order to assess its most appropriate application and, by resolution of 29th October 2020, the Board of Directors of Recordati S.p.A. resolved upon – and disclosed to the market – the adoption of the Corporate Governance Code (the '2020 CG Code'), as published in January 2020, adhering to it with a few exceptions, specifying that Recordati would have implemented the new Code as from the 2021 financial year (with the exception of some

recommendations that have already been implemented or are currently underway), and will disclose this to the market in the corporate governance report to be published in 2022.

The report prepared to accompany the financial statements for the 2021 financial year complies with the provisions of article 123-*bis* of the TUF and the relevant information referred to in paragraph 4 of such provision, and the auditing firm has expressed its opinion on the coherence as per article 14, paragraph 1e) of Italian Legislative Decree no. 39/2010.

As already mentioned, during 2021 there was an important change in the corporate governance of Recordati S.p.A.

In this respect, it should be noted that the composition of the Board of Directors (prior to the occurrence of the aforementioned changes) was the result of a process that took place between the end of the 2019 and the beginning of the 2020 financial years, with the appointment of the Board of Directors by the Shareholders' Meeting of 5th February 2019 and, following the resignation of some members, was changed by means of a Shareholders' Meeting resolution on 29th April 2020.

In particular, the Shareholders' Meeting of 5th February 2019 had appointed a Board of Directors composed of eleven members, which was increased to twelve by the Shareholders' Meeting of 29th April 2020.

The non-executive Director, Mr Francesco Balestrieri, who had been appointed by the Shareholders' Meeting of 29th April 2020, resigned effective as from 15th October 2021.

With effect as from 1st December 2021, following the resignation of Mr Alfredo Altavilla – as Chair and non-executive Director - and Mr Andrea Recordati - as Chief Executive Officer - the Board of Directors of Recordati S.p.A. approved, also on the opinion of the Board of Statutory Auditors and the Remuneration and Nominations Committee, the appointment of Mr Robert Koremans as the new Chief Executive Officer (following his co-option to the Board of Directors) and Mr Andrea Recordati as the new Chair of the Board of Directors (non-executive).

On the same date, also on the opinion of the Board of Statutory Auditors and the Remuneration and Nominations Committee, the Board of Directors determined the remuneration of the new Chair and the new Chief Executive Officer.

On 16th December 2021, the Board of Directors, also on the opinion of the Board of Statutory Auditors and the Remuneration and Nominations Committee, co-opted Ms Kim Stratton as a new non-executive and non-independent director to replace Mr Balestrieri.

At present, the Board of Directors is therefore composed of twelve members, of whom seven members were appointed by the Shareholders' Meeting of 5th February 2019, three members were appointed by the Shareholders' Meeting of 29th April 2020 and two members were co-opted by the Board of Directors on 1st December 2021 and 16th December 2021, respectively.

The Board of Directors thus composed shall remain in office until the date of the Shareholders' Meeting for the approval of the Financial Statements for the financial year ended as at 31st December 2021.

It should be noted that the Board of Directors currently in office is composed of twelve directors, five of whom are female and four of whom are independent, in accordance with the criteria indicated by the applicable regulatory and self-regulatory provisions on gender balance (at least 1/3 of the members are of the least represented gender) and the minimum number of independent directors (at least 1/3 of the Board of Directors are to be independent in issuers belonging to the FTSE-Mib index, rounded down to the lowest whole number).

It should be noted that, in 2021, the following directors left office: the (former) Chair of the Board of Directors Mr Alfredo Altavilla (in office as a Director from 5th February 2019 to 30th November 2021 and as Chair from 29th April 2020 to 30th November 2021, and then replaced by Mr Andrea Recordati) and (non-executive) Director Mr Francesco Balestrieri (in office from 5th February 2019 to 14th October 2021, and then replaced by Ms Kim Stratton as from 16th December 2021).

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

Name	Role	Executive/Non-Executive	Independent	Date of First Appointment
Andrea Recordati	Chair	Non-Executive	-	Shareholders' Meeting 29.04.1998 and, as Chair, Board of Directors 01.12.2021
Guido Guidi	Vice-Chair	Non-Executive	-	Board of Directors 29.04.2020
Robert Koremans	Chief Executive Officer	Executive		Board of Directors 01.12.2021
Silvia Candini	Director	Non-Executive	Independent	Shareholders' Meeting 05.02.2019
Michaela Castelli	Director	Non-Executive	Independent	Shareholders' Meeting 17.04.2014
Joanna Le Couilliard	Director	Non-Executive	Independent	Shareholders' Meeting 05.02.2019
Piergiorgio Peluso	Director	Non-Executive	Independent	Shareholders' Meeting 29.04.2020
Giorgio De Palma	Director	Executive	-	Shareholders' Meeting 29.04.2020
Giampiero Mazza	Director	Executive	-	Board of Directors 06.12.2018
Cathrin Petty	Director	Executive	-	Board of Directors 06.12.2018
Kim Stratton	Director	Non-Executive	-	Board of Directors 16.12.2021
Fritz Squindo	Director	Executive	-	Shareholders' Meeting 17.04.2013

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

Furthermore, on 28th October 2021, the Board of Directors approved a regulation governing the role, activities, organisation and procedures for the functioning of the Company's governing body, in order to ensure compliance with the applicable provisions of law and Recordati's By-laws as well as with the principles and recommendations of the 2020 CG Code as applicable from time to time and as approved by the Company and, in particular, also in order to ensure effective management of board reporting.

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

In relation to the regulations on gender balance in corporate bodies, the Company has acknowledged the recommendations on diversity, including gender diversity, in the composition of corporate bodies that were first introduced in the 2018 CG Code and then confirmed by the 2020 CG Code, which indicates that at least one-third of the board of directors shall be composed of members of the least represented gender.

In relation to the rules on the independence of directors, in view of the current composition of the Board of Directors, it is noted that one-third of the members are independent directors (four out of twelve directors in office), an approach that complies with the provisions of the TUF and the Corporate Governance Code itself, which the Company adheres to.

In this regard, it should be noted that in compliance with the 2020 Corporate Governance Code, during 2021 the Board of Directors adopted a '*Policy on qualitative and quantitative criteria for the purposes of assessing independence requirements*' which will be applied starting with the assessment of the independence of the Company's Directors who will be appointed by the Recordati Shareholders' Meeting called to approve the financial statements as at 31st December 2021.

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

With reference to the Board of Directors currently in office, with specific reference to the independent directors, (Silvia Candini, Michaela Castelli, Joanna Le Couilliard and Piergiorgio Peluso), the Board of Directors, taking into account their statements, ascertained that the independence requirements pursuant to article 148, paragraph 3, of the TUF and those pursuant to the 2020 CG Code were met; on 22nd February 2021, the Board of Directors also confirmed that these requirements were met following the annual renewal of the assessment. It should be noted that on 24th February 2022, the Board of Directors renewed this assessment positively.

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

It should be noted that the Board of Directors has set up the following internal committees:

a) Risk, Control and CSR Committee;
b) Remuneration and Nominations Committee;

and has identified a Lead Independent Director.

With reference to point a), it should be noted that the Risk, Control, Risk and Sustainability Committee is composed of the following non-executive and independent directors: Ms Michaela Castelli, lawyer (Chair), Ms Silvia Candini and Mr Piergiorgio Peluso.

With reference to point b), the Remuneration and Nominations Committee is composed of the following non-executive and independent directors: Ms Joanna Le Couilliard (Chair), Ms Michaela Castelli, lawyer, and Ms Silvia Candini.

With reference to the Lead Independent Director, it should be noted that, with effect as from 29th April 2020, the Board of Directors appointed the independent director, Ms Michaela Castelli, lawyer, as Lead Independent Director, assigning her the duties established by the CG Code.

It should be noted that, during 2021, the Board of Directors carried out an in-depth board review process, with the support of an external consultant (the consultancy firm Crisci & Partners). This

self-assessment process concerned the functioning of the Board of Directors itself and its committees, as well as their size and composition, and covered the following aspects:

- a benchmarking analysis with Recordati's peers and, in general, with the best practices on the issue performed by the above-mentioned consultant;
- also included, for the first time, the 'peer-to-peer review', *i.e.,* a focus on the content of the contribution made by each of the Board of Directors' members, including the Chair of this board;
- two questionnaires (one of which was dedicated to peer review) and an individual interview with each director as well as with the Chair of the Board of Statutory Auditors and the Secretary of the Board of Directors were performed;
- included a specific focus on supporting the Board of Directors in relation to its renewal activities, also for the purpose of possibly formulating some guidelines for the benefit of Shareholders, even though the Company is a large company with concentrated ownership.

It should be noted that the Remuneration and Nominations Committee played a proactive and investigative role in the process in question, in coordination with the Chair of the Board of Directors.

As also shown by the Report on Corporate Governance and Ownership Structures, the results of the board review process – analysed by the Remuneration and Nominations Committee and the Board of Directors – confirmed a positive picture in terms of the Board of Directors composition, particularly from the point of view of the mix of experience and skills.

It should be noted that during the process in question, particular attention was also paid in relation, on the one hand, to the change in governance expected by the end of the 2021 financial year, and on the other hand, to possible guidelines addressed to the Shareholders at the time of the appointment of the new Board of Directors which is expected with the approval of the financial statements as at 31st December 2021.

In particular, with reference to the first aspect, some recommendations were made concerning the induction activities to be carried out in favour of the new Chief Executive Officer (activities that have been carried out), in order to ensure an optimal handover; with reference to the second aspect, the Remuneration and Nominations Committee indicated to the Board of Directors that it could recommend the appointment of a new Board of Directors that would be in substantially in line with the current one, with some new elements (the increase in the number of members meeting the independence requirements, the female representation required by law for the renewal of the Board of Directors, and the strengthening of certain skills/experiences).

It should be noted that, on 30th July 2020, with respect to succession plans for executive directors who are granted with individual management powers, after receiving the opinion of the Remuneration and Nominations Committee, the Board of Directors adopted a plan relating to the Chief Executive Officer and the Director in charge of the internal control and risk management system containing, in the event of their early cessation from office or inability, even temporary, to perform their functions, guidelines for the succession process aimed at ensuring management continuity in the short to medium term. It is therefore a so-called 'contingency plan' that would allow the Company to immediately deal with any possible emergency situation.

In light of the major change in the Company's corporate governance in 2021, upon preliminary investigation and the favourable opinion of the Remuneration and Nominations Committee, on 1st December 2021 the Board of Directors updated the above-mentioned contingency plan, in order to manage the transition period between the appointment of the new Chief Executive Officer and the appointment of the new Board of Directors; however, it was specified that the text would subsequently have to be reviewed in light of the new Board of Directors composition to be resolved upon by the Shareholders' Meeting on 29th April 2022.

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

8. Consolidated non-financial statement

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

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

In compliance with the provisions of Italian Legislative Decree no. 254/2016, the Company has prepared the 2021 consolidated non-financial statement (hereinafter also referred to as '**NFS'**).
In fact, Recordati has decided to undertake a structured and organic path towards sustainability, taking into consideration the aspects of economic, social and environmental sustainability in a manner that is consistent with its own organisational characteristics. To the extent necessary to ensure an understanding of the company's activities, its performance, its results and its impact, with respect to the main sustainability issues, Recordati's commitment to sustainability was strengthened through preparing the NFS for the 2021 financial year for the purposes of complying with the obligations laid down in articles 3 and 4 of Italian Legislative Decree no. 254/16. The NFS sets out the main policies practiced by the company, the management models and the main activities carried out by the Group during 2021 in relation to the issues expressly referred to by Italian Legislative Decree no. 254/16 (environmental, social, personnel-related, respect for human rights, combatting corruption), as well as the main risks identified that are associated with those issues.

In order to ensure a structured management of sustainability aspects, the Company has set up a system of responsibilities that is defined both at the level of governance bodies and at the level of the organisational structure. In line with the new CG Code to which Recordati has decided to adhere, the Board of Directors has the duty of pursuing the Company's sustainable success, defined as the objective of creating long-term value to benefit shareholders while taking account of the interests of stakeholders that are relevant to its activities.
In turn, the Board of Directors has set up a Risk, Control and CSR Committee (made up only of non-executive and independent directors), which makes proposals and provides advice to the Board of Directors (supporting the Board of Directors' assessments of sustainability issues with an adequate investigative activity).
Furthermore, the Environmental, Social & Governance function was set up in 2020, which reports directly to the Group General Manager, who has the duty to manage and coordinate Group sustainability issues. Such function promotes and supports the various functions of the Group in adopting and integrating sustainability principles in corporate decision-making and business processes. In collaboration with the relevant functions, this function identifies risks related to sustainability issues, areas and projects for improvement; it proposes the strategy and objectives of the Sustainability Plan and drafts the NFS.

In particular, in 2021 the NFS was prepared by the Environmental, Social & Governance in accordance with the reporting standards '*GRI Sustainability Reporting Guidelines*', published in 2016 by the Global Reporting Initiative (GRI), according to the 'in accordance - core' option. With respect to data and information relating to health and safety in the workplace and the impact on water

resources, reference is made to GRI 403 and GRI 303 Standards, published by the Global Reporting Initiative (GRI) in 2018 to replace the versions published in 2016. For 2021, the reporting of data and information relating to waste management has been updated in accordance with the new GRI 306 Standards, published by the Global Reporting Initiative (GRI) in 2020 to replace the versions published in 2016.

The NFS was submitted for review and evaluation by the Risk, Control and CSR Committee on 10th March 2022 and was subsequently approved by the Board of Directors of Recordati S.p.A. on 17th March 2022.

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

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

It should be noted that the NFS was made public by the Company together with the documents relating to the 2021 annual financial statements.

9. Concluding assessments on supervisory activities and the financial statements

The auditing firm, in its report issued pursuant to article 14 of Italian Legislative Decree no. 39 of 27th January 2010, expressed an unmodified opinion on the 2021 financial statements and on the 2021 consolidated financial statements. The attestations of the Financial Reporting Officer and the delegated body pursuant to article 154-*bis* of the TUF are annexed to the financial statements and the consolidated financial statements.

The shareholders' meeting has been convened to approve the financial statements. The Directors' proposal to distribute dividends (€ 0.57 per share for the balance of the 2021 financial year), taking into account the advance on the 2021 profits (€ 0.53 per share), provides for the distribution of a total dividend of € 1.10 per share. In order to distribute the dividend, the Company will draw on the profit for the financial year and on the extraordinary reserve.

The Board of Statutory Auditors, on the basis of the activities carried out during the financial year, has not detected any reasons to prevent the approval of the financial statements for the year ended on 31st December 2021 and the related resolution proposals formulated by the Board of Directors.

Milan/Rome, 30th March 2022

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

Antonio Santi

Livia Amidani Aliberti

Ezio Simonelli