

**DIRECTORS' REPORTS ON THE PROPOSALS ON THE AGENDA OF THE ORDINARY GENERAL MEETINGS OF THE SHAREHOLDERS****(29<sup>TH</sup> APRIL 2022 SINGLE CALL)****Report on item 3 on the agenda of the Ordinary Shareholders' Meeting:****Report on the remuneration policy and the remuneration paid pursuant to article 123-ter, paragraphs 3-bis and 6, of Legislative Decree no. 58 of 24<sup>th</sup> February 1998:**

- a) binding resolution on the first section regarding the remuneration policy;
- b) non-binding resolution on the second section on the remuneration paid for 2021.

To Our Shareholders,

In compliance with article 123-ter of Legislative Decree No. 58/1998 (hereinafter TUF) and article 84-*quater* of the Regulation issued by Consob with resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments (hereinafter the "Issuer's Regulations"), the Report on the remuneration policy and the remuneration paid (hereinafter the "Remuneration Report") is given below, approved by the Board of Directors on 17<sup>th</sup> March 2022, on the proposal of the Remuneration and Nominations Committee.

The Shareholders are invited to adopt:

- a) a binding vote regarding the Remuneration Policy included in Section I of the Remuneration Report pursuant to art. 123-ter, paragraph 3-ter, of Legislative Decree No. 58/1998;
- b) a non-binding vote on the section on the remuneration paid for 2021 (Section II of the Remuneration Report), as provided for by art. 123-ter, paragraph 6, of Legislative Decree No. 58/1998.

The result of the vote will be disclosed to the public in accordance with Art. 125-*quater*, paragraph 2 of Legislative Decree No. 58/1998.

The Remuneration Report may also be consulted on the company website at [www.recordati.it](http://www.recordati.it) in the Corporate Governance Section.

\*

Milan, 17<sup>th</sup> March 2022

For the Board of Directors  
The Chief Executive Officer  
Robert Koremans

# Report on the Remuneration Policy and the remuneration paid

in accordance with articles 123-*ter* of the Italian  
Consolidated Law on Finance and 84-*quater* of the  
Consob Issuers' Regulations

Approved by the Board of Directors on 17<sup>th</sup> March  
2022

Issuer: Recordati Industria Chimica e Farmaceutica S.p.A.

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

Financial year to which the Report refers: 2021

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# Letter from the Chair

## of the Committee for the Remuneration and the Nominations



Dear Shareholders,

Together with the other members of the Remuneration and Nominations Committee, I hereby present to you the Report on the 2022 Remuneration Policy and compensation paid for 2021, structured as required by article 123-ter of the Consolidated Law on Finance and approved by the Board of Directors on March 17<sup>th</sup>, 2022.

2021 continued to be characterized by events of significant and extraordinary nature, with relevant effects on the economic and social context. The health emergency connected to COVID-19 continues to have consequences on the global and national economic and social context, further confirming the need for increasing attention to sustainability as a solution for resilience and value creation. Despite the scenario difficulties, the Company was able to achieve important results, also through some extraordinary operations, thanks to the commitment of the human resources working in this Group.

In this context, we believe that the remuneration policy represents a strategic element to sustain results, guiding Company's behaviours and remunerating the great contribution of our people to Recordati.

Despite the pandemic, the Committee has continued its work on key remuneration topics, also through more in-depth analysis on the vote implemented at the last Shareholders' Meeting. This analysis reflected in some improvements in the Policy to further align the interests of Shareholders and Stakeholders. In addition, the Policy is, increasingly, a governance lever supporting the Company's strategic plan, acting in full compliance with the Italian and European reference legislation and introducing market best practices.

In order to develop and guarantee a constant and direct connection with our investors and proxy advisors, at Recordati the Committee's agenda is also permeated by the engagement plan. This plan aims to create a communication channel with those who have an interest in our Company. All the feedback collected during the engagement meetings, and the analyses we performed, provided us with important inputs for the amendments we have included in this Report and, in general, in Recordati's 2022 Remuneration Policy.

Continuous improvement is a Recordati value which also impacts our behaviour. For the purpose of further aligning to the current legislation and improving the transparency and usability of this Policy, Recordati has decided:

- To provide evidence on the new Governance that Recordati has decided to adopt;
- To provide more information about the engagement activities carried out;
- To better qualify how the Policy intends to increase the pursuit of long-term interests, with increasing and non-formal attention to sustainability issues and the connection with Recordati's new Sustainability Plan;
- To review the incentive curve of the short-term system in order to bring it in line with market practices;
- To continue providing transparency and valuable information to the market, describing the market references and the peer groups used in carrying out the analyses on the competitiveness of the remuneration packages;
- To gradually overcome some elements of attention regarding severance.

During 2021, the Remuneration and Nominations Committee has reviewed the short-term variable incentive scheme aimed at ensuring greater alignment with market best practices and with investors' and proxy advisors' recommendations. This intervention comes after the important work carried out in 2020 on long-term incentives, that led to the introduction of the new 2021-2023 Stock Option plan aligned with best market practices.

In this context of strong transformation and strategic innovation, we believe that these Guidelines on Remuneration Policy are consistent with the Group's clear and distinctive vision and confirm our people's value as a fundamental competitive advantage with a view to achieving long-term sustainable results for Investors and other stakeholders.

Finally, I would like to thank you for the attention paid to this Report, wishing the new Committee, that will be appointed after the work of the Assembly approving the balance sheet as of 31.12.2021, a good job and I hope that they will find in the principles already defined some solid basis for defining future remuneration.

Best regards,

Joanna Le Couilliard  
**Chair of the Remuneration and Nominations Committee**

# Introduction

This Report on the Remuneration Policy and the remuneration paid (hereinafter the '**Report**') has been prepared by Recordati S.p.A. (hereinafter '**Recordati**' or the '**Company**') in compliance with the provisions of article 123-ter of Italian Legislative Decree no. 58 of 24<sup>th</sup> February 1998 (hereinafter '**Consolidated Law on Finance**') and the amendments made by Italian Legislative Decree no. 49 of 10<sup>th</sup> May 2019<sup>1</sup>, by article 84-quater of the Consob Issuers' Regulations issued by Consob with resolution no. 11971 of 1999, as subsequently amended (hereinafter the '**Issuers' Regulations**'), and on a voluntary basis in accordance with the new Corporate Governance Code for Listed Companies (hereinafter the '**Corporate Governance Code**'), to which Recordati largely adheres.

In accordance with the requirements of article 123-ter of the Consolidated Law on Finance, the Report consists of two sections.

Section I illustrates the Remuneration Policy adopted by the Company for the 2022 financial year (hereinafter the '**Remuneration Policy**'), with reference to the following persons:

- i) Members of the Company's Board of Directors, distinguishing between executive and non-executive Directors;
- ii) General Managers of the Company;
- iii) Other Key Management Personnel of Recordati or of its subsidiaries. It should be noted that the Regulations for Related Party Transactions approved by the Board of Directors of Recordati on 24<sup>th</sup> November 2010 (and further confirmed on 9<sup>th</sup> February 2017) in compliance with Consob regulations on related party transactions approved with Resolution no. 17221 of 12<sup>th</sup> March 2010<sup>2</sup> as subsequently amended (hereinafter the '**Related Party Transaction Procedure**') defines key management personnel as those persons defined as such by the legislation and regulations in force from time to time. At the date hereof: those persons who have power over and responsibility, either directly or indirectly, for the planning, management and control of the activities of the Company, including the Directors (executive and non-executive) of the Company itself;
- iv) Members of the Board of Statutory Auditors.

Section I of the Report also illustrates the general purposes and procedures used to formulate and adopt the Remuneration Policy as well as the bodies and persons responsible for the proper implementation of such Policy.

The Remuneration Policy guidelines for 2022 - first year of the new mandate 2022-2024 - were approved by Company's Board of Directors on March 17<sup>th</sup>, 2022, on the proposal of the Remuneration and Nominations Committee and provide the definition of remuneration consistent with the complexity of the role and the commitment required, in line with market benchmarks. They may be further detailed within the scope of the prerogatives of the General Assembly and the new Board of Directors on proposals from the Remuneration and Nominations Committee. It may be updated by Board of Directors, on the proposal of the Remuneration and Nominations Committee, which is responsible for the periodic assessment of its adequacy, overall consistency and effective application.

Section II of the Report provides information, with reference to the 2021 financial year, on each of the items that compose the remuneration of the persons indicated above in points i) to iv), including the members of the Board of Statutory Auditors, as well as the details, in an appropriate table, of the remuneration paid to those persons for any reason and in any form by the Company or its subsidiaries during the 2021 financial year, in addition to remuneration not yet paid on the date of the approval of the Report but relating to the 2021 financial year. In accordance with the provisions of the Issuers' Regulations, information is also provided on the annual variations in the remuneration of the persons whose remuneration is provided on an individual basis, the Company's performance and the average

<sup>1</sup> Article 123-ter of Italian Legislative Decree no. 58 of 24<sup>th</sup> February 1998, (the '**Consolidated Law on Finance**' updated on the basis of Italian Legislative Decree no. 49 of 10<sup>th</sup> May 2019) provides, in paragraph 3-bis, that '*companies shall submit the remuneration policy [...] to a shareholder vote, in any case at least every three years or at the time of making amendments to this Policy*'. Paragraph 3-ter also states that '*the resolution provided for by paragraph 3-bis is binding*' (i.e. on Section 1 of this document) adding '*if the shareholders' meeting does not approve the Remuneration Policy subject to a vote pursuant to paragraph 3-bis the company shall continue to pay remuneration compliant with the Remuneration Policy most recently approved by the shareholders' meeting or, in the absence of this, may continue to pay remuneration compliant with existing practice*'. Finally, paragraph 6 provides for '*[...] the shareholders' meeting [...] resolves in favour or against the second section of the report established by paragraph 4. The resolution is not binding*'.

<sup>2</sup> It should be noted that an update of the document was published in December 2020 and became effective as of 1<sup>st</sup> July 2021.



remuneration of employees starting from 2019.

Data on stock options granted to the said persons in implementation of the current Stock Option Plans is also reported in another table pursuant to article 84-*bis* paragraph 5, of the Issuers' Regulations. Finally, another table illustrates the shares held in the Company or its subsidiaries by the above persons (and by persons related to them) pursuant to article 84-*quater*, paragraph 4, of the Issuers' Regulations.

In light of the amendments made to article 123-*ter* of the Consolidated Law on Finance by Italian Legislative Decree no. 49 of 10<sup>th</sup> May 2019, Section I, *i.e.* the '*Report on Remuneration Policy*', is subject to a binding vote by the Shareholders' Meeting called to approve the Financial Statements for the financial year ended as at 31<sup>st</sup> December 2021, while Section II, *i.e.* the '*Report on remuneration paid*', which provides detailed information on the remuneration for the 2021 Financial Year, is subject to a consultative vote by the same Shareholders' Meeting.

The text of this Report is disclosed to the market by the twenty-first day prior to the date of the Shareholders' Meeting called to approve the 2021 Financial Statements, in accordance with current regulations, and can be viewed in the Corporate Governance section of the Company's website [www.recordati.it](http://www.recordati.it).

The Information Documents relating to the existing remuneration plans based on financial instruments can be found in the Corporate Governance section of the Company's website ([https://www.recordati.com/en/corporate\\_governance/remuneration/stock\\_option\\_plans/](https://www.recordati.com/en/corporate_governance/remuneration/stock_option_plans/)).


# Executive Summary


The main elements of the 2022 Remuneration Policy Guidelines of Recordati are set out below, defined in compliance with the prerogatives of the Assembly and the Board of Directors that will be appointed for the 2022-2024 mandate.


Purpose of the Policy and link with corporate strategy


Recordati's Remuneration Policy Guidelines aim at **attracting, retaining and motivating managers with the professional requirements and experiences needed to manage and develop the Group successfully, ensuring that the interests of the management and those of the shareholders and the other stakeholders are aligned and promoting the constant creation of sustainable value in the medium- and long-term.**

The Remuneration Policy Guidelines are also defined in coherence with the corporate strategy, providing that each of the remuneration components offered to the management responds to precise goals for the pursuit of the strategic vision of the Group. This consistency is ensured by the objectives of the short-term and long-term incentive schemes, which are designed **to focus the management on the following objectives:**

  
**Economic and financial results**

  
**Value creation for shareholders**

  
**Growth through strategic acquisitions**

  
**Environmental, Social and Governance (ESG)**

In the field of sustainability, Recordati also adopted a **Sustainability Plan**, focused on four priority areas, underpinned by a fifth fundamental pillar - ethics and integrity - which includes the principles that transversely guide the Group's daily operations:

Patient care

People care

Environmental protection

Responsible sourcing

Ethics and integrity

The Company's Remuneration Policy Guidelines promote the achievement of all the milestones of the ESG roadmap.

	Purposes	Modes of operation	Components												
Fixed component	To enhance the skills, experiences and support required for the assigned role.	The fixed remuneration is defined in such a way as to be consistent with the characteristics, responsibilities and any proxies associated with the role.	<p>The following table summarizes the fixed remunerations provided for the actual Chair, the CEO, and the Group General Manager<sup>3</sup>:</p> <table border="1"> <thead> <tr> <th></th><th>Director's Fee</th><th>Fixed Rem.</th><th>Total</th></tr> </thead> <tbody> <tr> <td>Chair</td><td>60,000 €</td><td>240,000 €</td><td><b>300,000 €</b></td></tr> <tr> <td>CEO</td><td>60,000 €</td><td>890,000 €</td><td><b>950,000 €</b></td></tr> </tbody> </table> <p><b>Other Executive Directors:</b> they have waived the receipt of any remuneration for the position as Director<sup>4</sup>.</p> <p><b>Other Non-Executive Directors:</b> 60,000 €.</p> <p><b>Key Management Personnel:</b> gross annual remuneration defined in line with the role and areas of responsibility.</p>		Director's Fee	Fixed Rem.	Total	Chair	60,000 €	240,000 €	<b>300,000 €</b>	CEO	60,000 €	890,000 €	<b>950,000 €</b>
	Director's Fee	Fixed Rem.	Total												
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<sup>3</sup> Mr. Squindo, current Group General Manager, has agreed with Recordati that, as of the AGM of 29 April 2022, he will cease to play the role of Group General Manager, assuming the new role of Senior Advisor, until 30 April 2023, the date on which the employment relationship with the Company will be terminated by consensus. With regard to the economic terms of this agreement, replacing the one signed on 14 February 2019, see the provisions sub. Par. 3.8.3. The fixed annual remuneration provided for the role of Group General Manager is € 60,000 as remuneration as Director, € 450,000 as compensation as an employee. The Director compensation will be disbursed in accordance with a pro-rata temporis principle in the course of 2022.

<sup>4</sup> These directors are identified as Executive Directors in accordance with the provisions of the Corporate Governance Code as they hold managerial positions in the parent companies and/or companies of the CVC Group (including the positions also held at the Company).

Short-term variable component (MBO)	<p>Incentivize management – in line with the culture of performance that characterizes Recordati- to pursue expected objectives by creating a strong correlation between remuneration and performance achieved during the year.</p>	<p>The payment of the annual variable remuneration, identified in the MBO scheme, is directly linked to the achievement of performance objectives, assigned to each beneficiary in line with the role held.</p> <p>For the beneficiaries of the MBO system, in addition to corporate objectives, indicators linked to the specific nature of the role covered and the areas of responsibility are provided.</p> <p>The MBO system is based on a circuit breaker, linked to the Group Operating Income result, which determines the activation of the system itself. If the Group Operating Income result is lower than 95% of the target result, no bonus will be paid out.</p>	<p>The following table summarizes the KPIs for the current CEO:</p> <table><tr><th colspan="2">CEO KPIs</th></tr><tr><th>KPI</th><th>Weight</th></tr><tr><td colspan="2"><b>Economic-Financial KPIs</b></td></tr><tr><td>Group Operating Income</td><td>32.5%</td></tr><tr><td>Group Net Revenues</td><td>19.5%</td></tr><tr><td>Group Net Profit</td><td>13%</td></tr><tr><td colspan="2"><b>Strategic KPI</b></td></tr><tr><td>Strategic KPI linked to the signing of M&amp;A/Licensing transactions</td><td>20%</td></tr><tr><td>Strategic objective linked to the integration of EUSA Pharma</td><td>10%</td></tr><tr><td>Strategic objective linked to the ESG initiatives for 2022 defined by the ESG Plan</td><td>5%</td></tr></table> <p>The following table summarizes the MBO opportunity in % of the total fixed remuneration for the actual CEO:</p> <table><tr><th></th><th>Threshold</th><th>Target</th><th>Maximum</th></tr><tr><td>CEO</td><td>40%</td><td>67,5%</td><td>100%</td></tr></table> <p><b>Chair:</b> not included in the beneficiaries of the Plan.</p> <p><b>Key Management Personnel:</b> maximum variable opportunity depending on the role held, between 42% and 75% of the fixed remuneration.</p>	CEO KPIs		KPI	Weight	<b>Economic-Financial KPIs</b>		Group Operating Income	32.5%	Group Net Revenues	19.5%	Group Net Profit	13%	<b>Strategic KPI</b>		Strategic KPI linked to the signing of M&A/Licensing transactions	20%	Strategic objective linked to the integration of EUSA Pharma	10%	Strategic objective linked to the ESG initiatives for 2022 defined by the ESG Plan	5%		Threshold	Target	Maximum	CEO	40%	67,5%	100%
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Long-term variable component (Stock Option)	<p>To promote the creation of value for Shareholders and Stakeholders by also fostering the loyalty and engagement of resources.</p>	<p><b>2021-2023 Stock Option Plan</b></p> <p>The plan provides for the assignment to beneficiaries of the right to purchase a certain number of shares of the Company at a predetermined price (strike price or exercise price) at the end of a certain time period (vesting period) and upon achievement of the performance condition identified by the Adjusted Net Income.</p> <p>The decision to adopt a rolling plan resulted will allow an easier alignment in terms of motivation and retention.</p> <p>In addition, a 24 month lockup period following the vesting date is envisaged for the DIRS. There is, however, a cap to the maximum number of options available, equal to 10,400,000 options in total and 400,000 options per individual</p>	<p><b>Chair:</b> is not included in the beneficiaries of the Plans.</p> <p><b>CEO:</b></p> <ul style="list-style-type: none"><li>Stock Option Plan: number of options granted in line with the position held and based on best market practices.</li></ul> <p><b>Key Management Personnel:</b></p> <ul style="list-style-type: none"><li>Stock Options Plan: number of options granted in line with the position held and based on best market practices.</li></ul>																												

## Pay Mix

To balance the fixed component aimed at remunerating the position held and the variable component, short and long term, aimed at ensuring a deep link between the remuneration of the Management, the performance of the Company and the creation of value for the Shareholders.

In order to determine the pay mix, the following elements have been considered:

- fixed remuneration;
- target performances in relation to the short-term incentive scheme;
- an estimate of the fair value of the options assigned by the Board of Directors on 24 February 2022, based on the 2021-2023 Stock Option Plan<sup>5</sup>

For key management personnel, the average values of the individual elements mentioned above are considered.

The Company guarantees internal and external fairness and adequacy in order to ensure the consistency and competitiveness of the total remuneration granted to its top management roles. For this reason, it also takes into account the results of the salary surveys each year.

### CHIEF EXECUTIVE OFFICER



### KEY MANAGEMENT PERSONNEL



■ Fixed pay ■ Short term incentive ■ Long term incentive

<sup>5</sup> The weight of the medium-long term component reflects the fair value of the 2022 assignment influenced by the strike price and by past volatility.

# 2022 New Features

Taking into account the important governance and business evolutions that took place during 2021, the 2022 Remuneration Policy Guidelines - within the remit of the Shareholders' Meeting for the renewal of the Board of Directors that will define the related remuneration and the decisions that will be taken by the new Board of Directors - provide for the following changes in order to further align Recordati's Policy with best practices and to incorporate the valuable information collected during the *engagement* season:

- A revision of the curve of the MBO system in order to improve alignment it with market practices;
- A remodelling within the MBO system for the CEO of the maximum opportunity limiting it to a value equal to 100% of the fixed remuneration;
- the inclusion of a specific ESG objective for the CEO as part of the MBO program;
- a remodelling of the relative importance of the Acquisition / licensing objectives and the achievement of some milestones relating to the sustainable integration with EUSA Pharma in Recordati Group;
- The gradual alignment of severance agreements to the limits of 24 months.

Finally, it seems worth mentioning the 2021-2023 Stock Option Plan approved by the Shareholders' Meeting of 20 April 2021 which is fully aligned with the best market practices by preventing a strong alignment between the interests of Management and shareholders thanks to:

- Three-year vesting period;
- Presence of a lockup period of further 24 months after the maturation of the Options in order to further incentivize the top management's work towards sustainable long-term growth and act as an additional retention lever;
- Quantification of the reward component in consideration of the appreciation of the Company's value;
- Presence of a performance condition at the end of the vesting period.

## Section I: 2022 Remuneration Policy Report

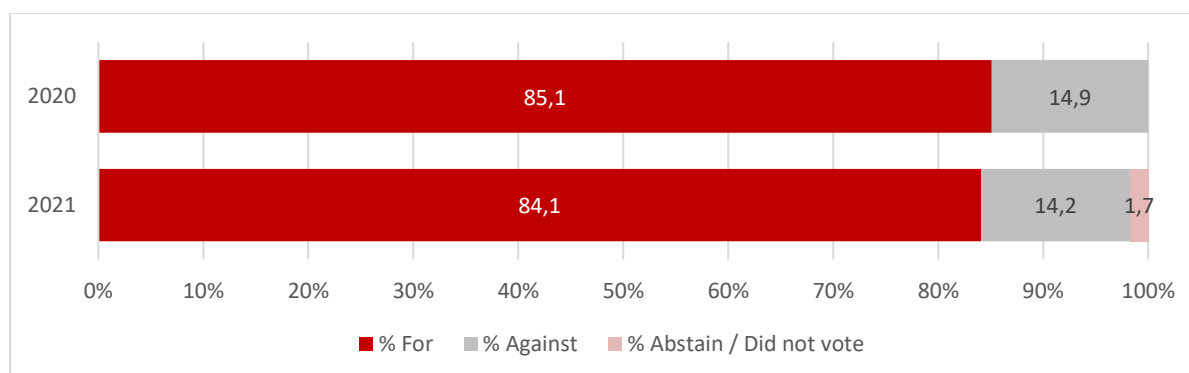
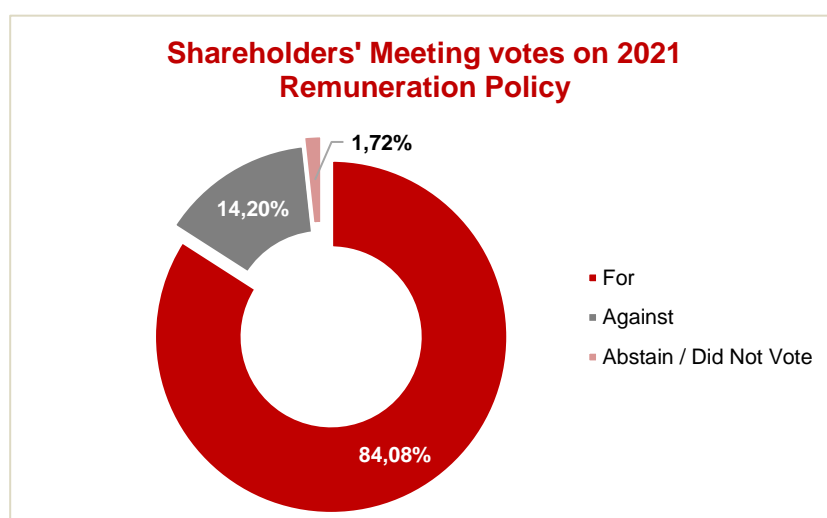
# 1. Engagement

## and remuneration policies

### 1.1 Voting results and investor feedback

Recordati attaches great importance to the annual analysis of the results of shareholders' meeting votes, as well as to the opinion of the main recipients and users of its Remuneration Policy, in order to ensure a constant improvement in adopting market best practices, taking into account some of the indications for improvement coming in particular from shareholders and proxy advisors.

The Annual General Shareholders' Meeting on 20<sup>th</sup> April 2021 voted in favour of Section I of the Report on the Remuneration Policy and the Remuneration Paid published in 2021. The chart below illustrates the result of the binding vote, which highlighted a substantial confirmation of the votes in favor compared to the previous Annual General Meeting.



The voting result of the Shareholders' Meeting of 20<sup>th</sup> April 2021 was analysed within the overall governance framework that characterises the Company's remuneration and incentive policies and schemes. The main reasons to the against votes mainly concerned the termination payments for selected employees which can exceed 24 months' pay; this issue was addressed during 2021.

Further to this analysis process, Recordati has therefore implemented the activities necessary to ensure an improvement in the Remuneration Policy and in this Report, performing in-depth analyses of the indications received from Institutional Investors and Proxy Advisors at the last Shareholders' Meeting, with the objective of

developing the considerations expressed by them with regard to the main areas of improvement in the Report on the Remuneration Policy and the Remuneration Paid. As a result, the new Chief Executive Officer, Mr. Robert Koremans, appointed by the Board of Directors of 1<sup>st</sup> December 2021, is not entitled to receive a severance pay outside the provisions of the Civil Code.

Furthermore, with this Report, Recordati continues to guarantee a high level of transparency, an element which it considers to be fundamental for proper relations with its shareholders.

## 1.2 Engagement activities carried out by Recordati

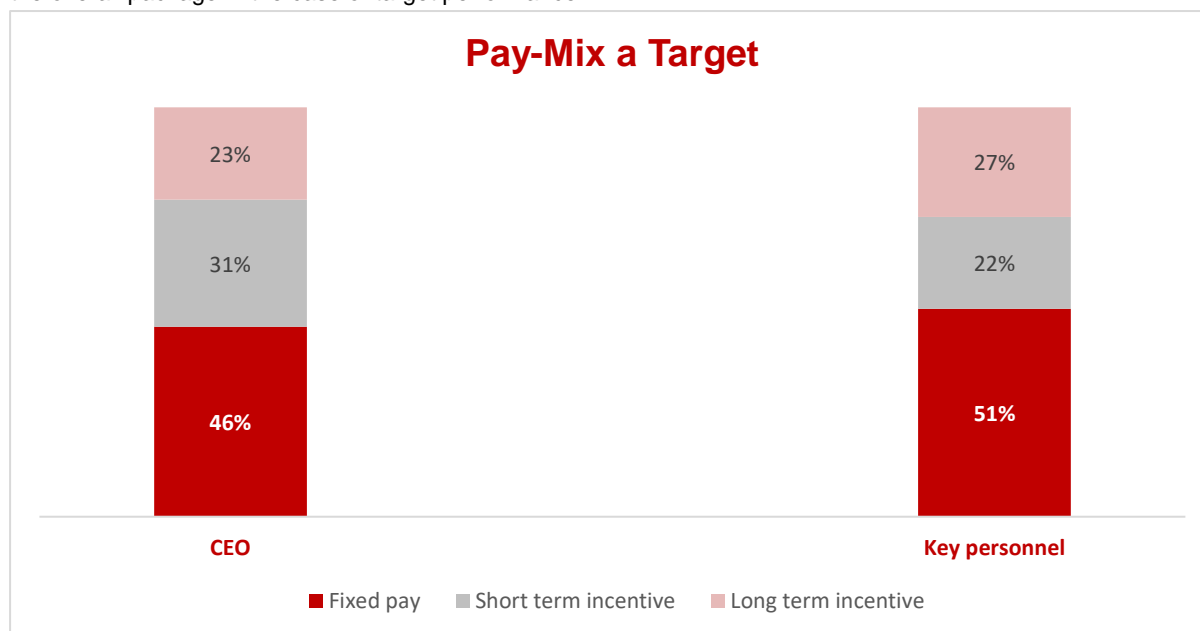
Recordati promotes dialogue with its shareholders and institutional investors as an essential element to positively influence the Company's behaviour and increase the degree of transparency. In this context, the Company has established a constant and continuous relationship with proxy advisors and the main institutional investors in order to encourage their involvement in the process of defining and verifying the actual methods of implementing the Remuneration Policy for Directors and Managers with Strategic Responsibilities.

This activity is carried out through the development of an engagement plan carried out on an annual basis that provides for the participation of the corporate functions of Human Resources, Investor Relations and Legal Affairs supported by the Chairman of the Remuneration Committee to highlight the commitment of the Committee itself on matters within their competence.

The results, indications and feedback that emerged during the engagement activity, once reported, are examined and evaluated by the Remuneration Committee in order to provide any clarifications and verify the overcoming of potential critical issues. Finally, the Committee reports to the Board of Directors on the relevant developments and significant content arising from these engagement activities, through the Chairman or other member designated by the Chairman

## 1.3 Pay mix of the Chief Executive Officer and Key Management Personnel

Below evidence is provided regarding the estimation of the pay mix for 2022 of the current Chief Executive Officer and Key Management Personnel, i.e. the percentage breakdown of the individual remunerative components within the overall package in the case of target performance.



<sup>6</sup> For the purpose of determining the pay mix, target performance is assumed with regard to the short-term incentive system, while for the long-term incentive system an estimate of the fair value of the options relating to the 2021-2023 Stock Option Plan assigned on 24 February 2022 is considered. The weight of the medium-long term component reflects the fair value of the 2022 assignment influenced by the strike price and by past volatility of the stock. For Key Personnel, the average values of the individual elements of the compensation package are considered



# 2. Governance

## of the remuneration process

### 2.1 Bodies and persons involved

The definition of the Remuneration Policy for the members of Recordati's Board of Directors (hereinafter also referred to as the 'BoD') involves a number of individuals and corporate bodies in accordance with the provisions of the Company's By-Laws and current legislation. According to these regulatory and statutory provisions:

- the Shareholders' Meeting determines the remuneration of the members of the Board of Directors, at the time of appointment and for the entire term of office;
- the Board of Directors determines the remuneration of the Chair, of the Directors with delegated powers and for participation in the Board Committees, following consultation of the Board of Statutory Auditors.

In accordance with Recordati's governance model, the Board of Directors is also responsible for defining the objectives and approving the company results referred to in the performance plans, to which the determination of the variable remuneration of the Chief Executive Officer and of the Group General Manager is linked, as well as defining the general criteria for the remuneration of other Key Management Personnel.

Finally, in line with the recommendations contained in the Corporate Governance Code, the Board of Directors is supported, with regard to remuneration issues, by a Remuneration and Nominations Committee composed of independent non-executive Directors with advisory and consultative functions on the matter.

#### 2.1.1 Shareholders' Meeting

The duties of the Shareholders' Meeting pursuant to law and the By-Laws, limited to the issues covered by this Report, are:

- to appoint and dismiss Directors, appoint Statutory Auditors and the Chair of the Board of Statutory Auditors;
- to determine the remuneration of Directors and Statutory Auditors;
- to approve the Incentive Plans based on financial instruments or on performance objectives linked to the Company's share price performance;
- to express a binding vote on the approval of the first section of the Company's Remuneration Report, pursuant to article 123-ter of the Consolidated Law on Finance;
- to express a non-binding vote on the approval of the second section of the Company's Remuneration Report, pursuant to article 123-ter of the Consolidated Law on Finance.

#### 2.1.2 Board of Directors

##### *Composition*

On 5<sup>th</sup> February 2019 the Annual General Meeting ("AGM") appointed a Board of Directors composed of eleven members, increased to twelve by the Shareholders' Meeting of 29<sup>th</sup> April 2020.

During 2021, Mr. Francesco Balestrieri, a non-executive Director who was appointed by the Shareholders' Meeting on 29<sup>th</sup> April 2020, resigned from his office effective as from 15<sup>th</sup> October 2021, and, on December 16<sup>th</sup>, 2021, the Board co-opted Ms. Kim Stratton as the new non-executive and non-independent director, replacing Mr. Francesco Balestrieri.

Following the resignation of Mr. Alfredo Altavilla – from his offices as Chairman and non-executive Director - and of

Mr Andrea Recordati - from his office as Chief Executive Officer – the Board of Directors of Recordati S.p.A. has approved the appointment of Mr. Robert Koremans as new Chief Executive Officer (following his co-option into the Board) and of Mr. Andrea Recordati as new Chairman (non-executive) of the Board of Directors, both effective as from 1<sup>st</sup> December 2021.

The current Board of Directors is in office until the Shareholders' Meeting called to approve the financial statements for the year ended as at December 31<sup>st</sup>, 2021. Four Directors are qualified as independent.

The Board for the 2022-2024 mandate will be renewed by next AGM called to approve the financial statements as at 31.12.2021.

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:

Andrea Recordati (Chair)	Non-Executive
Guido Guidi (Vice-Chair)	Non-Executive
Robert Koremans (Chief Executive Officer)	Executive
Kim Stratton (Director)	Non-Executive
Silvia Candini (Director)	Non-Executive, Independent
Michaela Castelli (Director and Lead Independent Director)	Non-Executive, Independent
Giorgio De Palma (Director)	Executive*
Joanna Le Couilliard (Director)	Non-Executive, Independent
Giampiero Mazza (Director)	Executive*
Piergiorgio Peluso (Director)	Non-Executive, Independent
Cathrin Petty (Director)	Executive*
Fritz Squindo (Director)	Executive

(\*) Directors identified as Executive Directors in accordance with the definition of the Corporate Governance Code as they hold executive positions in the parent companies and/or companies of the CVC Group (including the positions held also at the Company).

### Functions assigned

The Board of Directors complies with the Remuneration Policy, which takes into account market conditions and practices for similar positions, when defining the remuneration of the Chair and the Chief Executive Officer and that of the other directors vested with special duties pursuant to article 2389, paragraph 3, of the Italian Civil Code and of non-executive directors.

Without prejudice to the powers of the Remuneration and Nominations Committee, the Board of Directors has the following responsibilities:

- to determine the remuneration of the Directors vested with special duties, following consultation of the Board of Statutory Auditors. This remuneration is determined in line with the decisions of the Shareholders' Meeting which can determine a total amount for the remuneration of all Directors, including those vested with special duties;
- to define the objectives and approve the Company's results for the performance plans to which the determination of the variable remuneration of Executive Directors is linked;
- to approve the general criteria for the remuneration of the Key Management Personnel;
- to approve the Remuneration Report, to be submitted to the vote of the Shareholders' Meeting.

Moreover, the Board of Directors, supported by the Remuneration and Nominations Committee, monitors the correct implementation of the Remuneration Policy.

## 2.1.3 Remuneration and Nominations Committee

### *Composition*

On 29<sup>th</sup> October 2020, the Board of Directors resolved to integrate the functions conferred on the Remuneration Committee - set up in 2001, in compliance with the recommendations of the Corporate Governance Code in force at the time - with the functions assigned by the new Corporate Governance Code to the Nominations Committee, and consequently to change the name of the Remuneration Committee to the Remuneration and Nominations Committee.

The Committee currently in office was appointed by the Board on 5<sup>th</sup> February 2019 (further to the Ordinary Shareholders' Meeting that appointed the new Board of Directors on the same date), and is entirely composed of non-executive, independent Directors with specific financial expertise:

Ms. Joanna Le Couilliard  
(Chair)

Ms. Silvia Candini  
(Member)

Ms. Michaela Castelli, lawyer  
(Member)

The Board of Directors nominated by 29<sup>th</sup> April 2022 AGM will appoint the new Remuneration Committee for the 2022-2024 term of office.

### *Functions assigned*

The functions currently assigned to the Committee with regard to remunerations are the follows:

- to support the Board of Directors – by formulating specific proposals or expressing opinions – in the definition, through a transparent procedure, of the remuneration policy for Directors, members of the Board of Statutory Auditors and of top management, ensuring that it contributes to the pursuit of the Company's sustainable success and that it take into account the need to have, retain and motivate people with the competence and professionalism deemed adequate for their role within the Company; in particular, to formulate proposals to the Board of Directors or to express opinions on the remuneration of executive directors and other directors holding particular offices, as well as on the setting of performance objectives related to the variable component of such remuneration;
- to assess periodically the adequacy and overall consistency of the remuneration policy for directors and Top Management, as well as the concrete application of the remuneration policy, ensuring that the remuneration paid and accrued is consistent with the principles and criteria defined in the policy, in light of the results achieved and other circumstances relevant to its implementation; in particular, to verify the actual achievement of the performance objectives; to this end, it makes use of information supplied by the Chief Executive Officer;
- within the scope of its tasks, to prepare, submit to the Board of Directors and monitor the application of incentive schemes for *Management* (including any share-based remuneration plans); in particular, to perform the functions assigned by the Board of Directors in relation to the administration of plans for the grant to employees and/or directors of the Company and its subsidiaries of shares of the Company itself or options (stock options) on them, without prejudice to the general responsibility of the Board of Directors for the supervision also of this matter;
- to express an opinion, either binding or non-binding, on related-party transactions of major importance

and on related-party transactions of minor importance regarding remuneration, in compliance with the 'Regulations for related-party transactions' adopted by the Company in force;

- to examine in advance the report on the remuneration policy and on remuneration paid, to be made available to the public in accordance with current legislation.

For information on the functions assigned to the Committee with regard to nominations, please refer to the Report on Corporate Governance and Ownership Structure.

### *Organisational rules*

The proceedings of meetings of the Remuneration and Nominations Committee are governed by the following organisational rules (contained in the Committee Regulations approved by the Board of Directors):

- Committee meetings shall be chaired by the Committee Chair or, in the event of his/her absence or impediment, by the most senior member of the Committee in terms of length of service on the Board of Directors, or in the case of equality, the most senior by age;
- the Committee shall meet, upon written notice from the Committee Chair (or in the event of his/her absence or impediment, by the most senior member of the Committee in terms of length of service on the Board of Directors or, in the case of equality, the most senior by age), indicating the place, date, time and agenda of the meeting to be held at least three days prior to the one set for the meeting; in urgent cases the notice period can be shorter, but must in any case be of a minimum of 24 hours, to be held either at the registered offices of the Company or elsewhere in Italy, as indicated in the notice to convene the meeting. The notice to convene shall be sent to Committee members by the Secretary, in accordance with instructions given by the Committee's Chair. The notice shall also be sent by the Secretary to the effective members of the Board of Statutory Auditors and any other persons invited by the Chair of the Committee to take part in the meeting;
- remote participation in meetings of the Committee shall also be admissible by means of audio-visual connection, teleconference or telephone links, on condition that all participants can be identified and that they are able to speak and at the same time examine the agenda and the related documents and pass resolutions on them. In this case the meeting is considered as held in the place where the secretary is present; in exceptional circumstances, attendance at the meeting by telecommunication means as indicated above may also involve all participants, including the Chair and the Secretary;
- the Committee meeting is validly held and validly decides with, respectively, the presence and the favourable vote of the majority of the members in office; in case of any tie votes, a new meeting, having the attendance of all members of the Committee, will be convened timely;
- the Board of Statutory Auditors shall attend the meetings of the Committee;
- the Chief Executive Officer and other corporate functions whose participation in the meetings is necessary or appropriate in relation to the duties of the Committee may also be invited to participate from time to time on invitation of the Committee and with reference to individual items on the agenda; the Head of the Group Human Resources Department attends, as a general rule, the meetings on remuneration issues.

The Chair, with the assistance of the Secretary, ensures that the information provided prior to the Committee's meeting and the additional information provided during the meetings are suitable to enable the members of the Committee to act in an informed manner in performing their role. Following the meeting, minutes shall be drawn up and the Chair shall make a report to the Board of Directors, at the first appropriate meeting, on the matters addressed and on remarks, recommendations and opinions made during the said meetings.

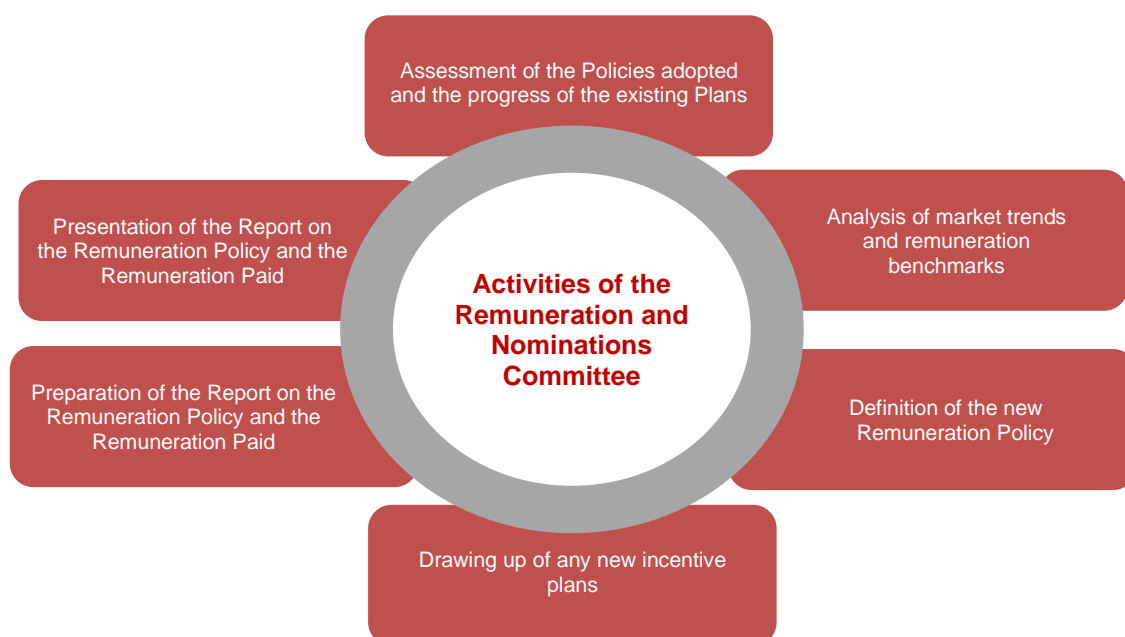
In performing its duties, the Remuneration and Nominations Committee has the right to access the Company and functions needed to perform its duties and also to make use of external consultants, under the terms and conditions laid down by the Board of Directors. The Committee shall have the right to ask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

If the Committee intends to make use of the services of a consultant in order to acquire information on market practices regarding remuneration policies, the Committee shall first verify that the said consultant is not in situations that would compromise the independence of its judgement.

In order to limit the occurrence of conflicts of interest, in accordance with Article 5, Recommendation 26 of the Corporate Governance Code, no Director shall take part in the meetings of the Committee in which proposals relating to his or her own remuneration are formulated, except in the case of proposals concerning all the members of the Committees established within the Board of Directors.

## Activities

The Remuneration and Nominations Committee meets periodically and as often as necessary to carry out its functions according to an annual calendar that typically follows the below activity cycle:

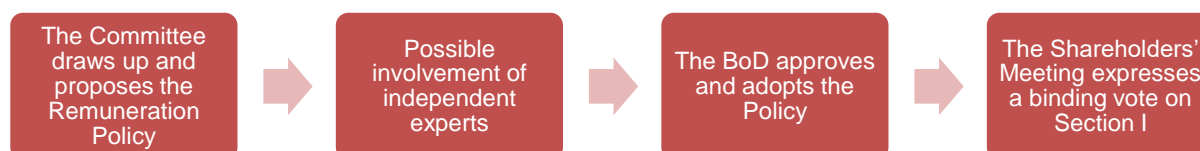


### 2.1.4 Other intra-board Committees

It should be noted that, where provided for by internal regulations and corporate governance processes, specific remuneration and incentive issues are also discussed in the Risk, Control and CSR Committee, which formulates its opinion, making use, where deemed necessary, of the relevant internal functions.

## 2.2 Policy approval process

In line with the relevant laws and regulations in force and with the recommendations of the Corporate Governance Code, the decision-making process leading to the implementation of the Remuneration Policy and the responsibility for its correct application takes place in the following phases in which many parties are involved:



1. The Remuneration and Nominations Committee, supported by the Group's Human Resources Department, draws up the Company's Remuneration Policy for Directors, the General Manager<sup>7</sup> and the Key Management Personnel;
2. The Remuneration and Nominations Committee may avail itself of the assistance of independent experts on the matter;
3. The Remuneration and Nominations Committee submits the Policy for the Board of Directors' approval which adopts its contents regarding the remuneration policy of Directors and the Key Management Personnel and the short and long-term incentive plans. Moreover, with regard to the determination of the remuneration of the Chief Executive Officer and of the other Directors vested with special duties, the Board

<sup>7</sup> At the date of this Report there is no General Manager in place

takes into account the opinion of the Board of Statutory Auditors;

4. The Board of Directors, having examined and approved the Policy, submits it to the vote of the Shareholders' Meeting.

## 2.3 Independent experts and other persons involved

Recordati regularly monitors market performance, including through the use of remuneration benchmarks which detect the practices adopted by the main market and industry players. In carrying out these analyses, Recordati made use of independent consultancy firms, which, through benchmarking remuneration surveys and reports on Executive Compensation and Corporate Governance, provided useful information in order to verify the competitiveness of the Company's remuneration offer.

In addition, the Company decided to avail itself of the support of the consultancy firm Willis Towers Watson also in relation to the preparation of this Report, as well as the identification of market practices in terms of remuneration of the CEO, the Key Management Personnel and the Non-Executive Directors.

For the purposes of defining the Company's Remuneration Policy, the Group Human Resources Department prepares the guidelines. This function also acts as an internal technical support body for the Remuneration and Nominations Committee, for which it prepares the preparatory material for the Committee's activities. The Administration, Finance and Control Department assists in identifying and assessing the economic and financial objectives underlying the short and long-term incentive systems. The heads of the other company departments are also consulted in order to define the project objectives or objectives relating to specific issues regarding short-term incentive systems.

The Remuneration Policy may, if necessary or appropriate, be updated by the Board of Directors, on the proposal of the Remuneration and Nominations Committee, which is responsible for periodically assessing, as better described below, its adequacy, overall consistency and effective application.

## 2.4 Derogation procedure in exceptional circumstances

As provided for by Article 123-ter, paragraph 3-bis of the TUF (Testo Unico della Finanza) updated in 2019 and by Article 84-quater of the Issuers' Regulations updated in 2020, Recordati may temporarily derogate its remuneration policies in the presence of exceptional circumstances. Exceptional circumstances are defined as only situations in which a derogation of the remuneration policy is necessary in order to pursue the long-term interests and sustainability of the Company as a whole or to ensure its ability to stay in the market.

If the conditions are met, the Board of Directors, on the advice of the Remuneration and Nominations Committee as the Committee responsible for Related Party Transactions as provided for in the relevant Group Procedure, may temporarily<sup>8</sup> derogate the remuneration policy in the circumstances identified above, limited to the following elements set out in Chapter 3 of Section I of this document:

- Fixed component of remuneration;
- Short-term variable component (STI);
- Long-term variable component (LTI);
- Non-monetary benefits;
- Severance pay;
- Additional insurance, social security and pension coverage.

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<sup>8</sup> The Board resolution will determine the duration of this derogation and the specific elements of the Policy that are derogated

# 3. The Company's

## Remuneration Policy

### 3.1 Purposes of the Policy and its link with corporate strategy

The purposes pursued with the Remuneration Policy, which has a yearly duration, are to meet the objective of establishing a remuneration that meets the requirements to:

- be sufficient to attract, retain and motivate *Managers* with the professional qualifications required to successfully manage the organisational and managerial complexity of the Company and of the Group;
- align *Managers'* interests with the pursuit of the priority objective of creating value for shareholders in the medium to long-term horizon;
- leave a significant part of the total remuneration linked to the achievement of specific performance objectives, both qualitative and quantitative, determined in advance and in line with the development lines of the Company and of the Group.

The Remuneration Policy is also defined in line with the strategy of the Company and of the Group.

Recordati's strategic vision is to continue with the profitable growth that the Company has been sustaining since the early nineties, focusing on both organic growth and development through strategic acquisitions in both the Rare Diseases business and in the Specialty and Primary Care business, with the objective of strengthening its presence in selected markets worldwide. In fact, over the last few decades, the Group has grown steadily, thanks to the success of its products and its growth model based on internalisation and diversification, implemented precisely through an acquisition strategy that is still underway. All of this takes place in a context of searching for new opportunities and continuous market evolution.

In addition, starting in 2018, the Company has also undertaken several initiatives in the field of sustainability. In fact, given the nature of the Company, sustainability is an integral part of the Group's strategy, aimed at bringing benefits not only to patients but also to all the stakeholders with whom the Company interacts, including shareholders, customers, scientific and business partners, collaborators and local communities.

To this end, each of the remuneration components offered to the Company's Management responds to a precise purpose for the pursuit of this strategic vision and, thanks to an adequate balance between fixed and variable components, contributes to the structuring of a remuneration package that, overall, ensures an effective alignment between Management remuneration and shareholders' interests, expressed primarily by the proportionality between the value of the variable components accrued and the results achieved, both in the short and long-term.

Below are the features of Recordati's Remuneration Policy, confirming its alignment to the interests of its shareholders:



## Remuneration component

## Features and Purposes

<b>Fixed remuneration</b>	<ul style="list-style-type: none"> <li>It includes all the fixed annual remuneration (i.e. gross annual salary from employment, remuneration for directors, remuneration for special positions).</li> <li>It is defined in such a way as to be adequately balanced with respect to the variable component and consistent with the Company's strategic objectives and risk management policy, also taking into account the characteristics of the industry in which the Company operates.</li> </ul>
<b>STI</b> (Short-term variable incentive)	<ul style="list-style-type: none"> <li>It is commensurate with the role held, as well as on the nature of the impact on the Company's overall results in the short-term.</li> <li>It is linked to the achievement of annual, quantitative and/or qualitative performance objectives that are objectively measurable and consistent with the objectives set out in the Company's strategic plan and sustainability policy.</li> <li>It is designed – in line with market practice - to be reduced or increased in proportion to the level of performance generated with respect to the objectives assigned.</li> </ul>
<b>LTI</b> (Stock Option)	<ul style="list-style-type: none"> <li>It is commensurate with the role held, as well as on the nature of the impact on the Company's overall results in the long-term.</li> <li>It is linked to the primary objective of creating value for shareholders, consistent with the objectives of the strategic plan.</li> </ul>

The objectives of the variable incentive systems themselves have been identified to support the Company's strategy, as illustrated below:



### Economic and financial objectives:

These are the main objectives. Operating Income, Revenues and Net Profit are objectives that represent measures capable of summarizing Recordati's many businesses and thus to fully assess the Group's results.



### Value creation for Shareholders:

The natural connection of the Stock Option plan with the value of the Recordati's share price determines a strong alignment between the interests of the Shareholders and those of the Top Management further strengthened by the total of 5 years time horizon (of which 2 refer to lockup period).



### Growth through strategic acquisitions:

Among the objectives of the MBO scheme, the Acquisition/Licensing objective, assigned to the Chief Executive Officer in addition to the EUSA Pharma plan integration and certain Key Management Personnel, supports the Group's acquisition strategy, which has always been a key element for the growth of the Company.



### Environmental, Social, and Governance (ESG):

The implementation of a new style of work more oriented towards work-life balance, a growing attention to gender diversity, the adoption of production methods more oriented towards environmental sustainability are elements present in the remuneration policy to strengthen the link with the strategy regarding environmental, social and governance issues

Recordati's Remuneration Policy is also consistent for all employees. In fact, the Company monitors the remuneration and working conditions of its employees annually. The definition of transparent remuneration policies and based on merit, the training activities designed to develop new skills, the offer of additional benefits for all employees are fundamental in this respect.



### 3.1.1 Recordati's Sustainability Plan

In 2020 Recordati has formalized the first Group Sustainability Plan, a fundamental tool for sharing with stakeholders the Company's future path.

The Plan represents the Group's ambitions to contribute to sustainable and responsible development. In 2021, in a logic of continuous improvement, Recordati worked on updating the objectives included in the Plan, after revisiting the Materiality Matrix.

The Plan, defined in accordance with the Materiality Matrix of the Recordati group, focuses on five priority areas: ethics and integrity, responsibility towards patients, attention to people, environmental protection, responsible procurement. Such principles guide the Group's daily operations in a transdisciplinary manner.

The Plan provides for periodic monitoring and updating, in order to report on the status of project implementation and to set new future objectives in the field of ESG sustainability.



More information on Recordati's Sustainability Plan are available in the 2021 Consolidated Non-Financial Statement published on the Company's website.

Recordati's Remuneration Policy is closely linked to its Sustainability Plan. Among the objectives of the CEO's

MBO system, there are the main social and environmental objectives of the Sustainability Plan. In addition, social and environmental objectives, linked to the implementation of the Plan itself, are attributed to a manager with strategic responsibility, the Executive VP Group Industrial Operations. ESG objectives are also attributed to other Managers of the Group, among the objectives of the STI (MBO) system. The assignment of these objectives supports the strategy on environmental, social and governance issues, focusing the attention of Top Management on the implementation of the Plan.

### 3.1.2 Compensation and working conditions of employees

The Company monitors working conditions and remuneration annually, in order to promote a consistent remuneration policy for all employees, both at Headquarter and Subsidiary level, in line with the Principles of the Sustainability Policy, the latest version of which was made public in 2021. Among the most significant commitments in the Human Resources area, there are initiatives relating to the area of:

- Health & Safety
- Training
- Engagement activities
- Diversity & Inclusion also with a focus on the gender gap and gender representation in the companies of the Group
- Benefits and welfare policies

## 3.2 Principles and criteria underlying the Policy

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

- to facilitate the pursuit of the sustainable success of the Company;
- to provide for a balance between the fixed and variable components - depending on the role performed, i.e. the nature of the impact on the Company's overall results - that is appropriate and consistent with the Company's strategic objectives and risk management policy, taking into account the business' characteristics and the industry in which it operates, providing that the variable component represents in any case a significant part of the overall remuneration;
- to provide for maximum limits for variable components - in line with the objectives of the strategic plan -, linking them to predetermined, measurable, qualitative and quantitative performance objectives linked to the creation of value for shareholders in both the short and medium to long-term horizon;
- to encourage the retention and protection of the Group's key resources by encouraging them to remain within the Group.

## 3.3 Implementation of the 2022 Remuneration Policy

For Directors, the Remuneration Policy Guidelines for the new 2022-2024 mandate approved by the Board of Directors on March 17<sup>th</sup>, 2022 provide - in continuity with the current Policy - the set of remuneration consistent with the role complexity and the required commitment, in line with market benchmarks.

The Ordinary Shareholders' Meeting scheduled for April 29<sup>th</sup>, 2022 will define the relative remuneration as far as it is concerned

In implementing the aforementioned principles, it should be noted that:

- the remuneration of Directors not vested with special duties is determined in order to ensure full alignment with the activities required by participation in the Board of Directors and the Board Committees, with a differentiation in the Chair's remuneration with respect to the members of each Committee;
- the remuneration of the Chair of the Board of Directors consists of a fixed remuneration commensurate with the position held;
- the remuneration of the Chief Executive Officer is adequately balanced between:
  - a fixed component, commensurate with the powers and/or responsibilities assigned;
  - a variable component linked to the achievement of predetermined, measurable and defined objectives so as to ensure the remuneration of the performance in both the short and the long-term timeline, in line with the economic and financial targets of the Group's Strategic Plan.

There is an end-of-service allowance in excess of the limit of 24 months (36 months) for a Manager with Strategic Responsibilities (see below sub. par. 3.8.3). In 2021, the Company and the aforementioned Manager with Strategic Responsibilities have agreed that the relative employment contract will end by consensus on June 30, 2022.

## 3.4 Remuneration of the Board of Directors and of the Board of Statutory Auditors

This section highlights the main features of the remuneration policy for the members of the Board of Directors and of the Board of Statutory Auditors.

The ordinary Shareholders' Meeting scheduled for April 29<sup>th</sup>, 2022 will appoint the new Board of Directors and define the related remuneration

### 3.4.1 Remuneration of the Board of Directors

#### *Remuneration by the Shareholders' Meeting*

Recordati's Board of Directors is composed of Executive and Non-Executive Directors. With reference to the former, indication is provided in the following paragraphs.

With regard to Non-Executive Directors, for which article 5 of the Corporate Governance Code provides that the remuneration shall not be – other than for an insignificant portion – linked to the financial performance objectives achieved by the Company. Recordati has established a single fixed annual remuneration, thus fully falling within the provisions of the article. For the 2019-2021 term of office, this remuneration was determined by the Shareholders' Meeting of 5<sup>th</sup> February 2019 and subsequently confirmed by the Shareholders' Meeting of 29<sup>th</sup> April 2020 for the new directors appointed by the latter, on the basis of the proposal made by the reference shareholder, and is equal to:

Non-Executive Directors	
Remuneration pursuant to article 2389, paragraph 1, of the Italian Civil Code	€ 60,000

These Directors are also entitled to reimbursement of expenses incurred in the performance of their duties as well as third party liability insurance coverage.

The Shareholders' Meeting of 29<sup>th</sup> April 2022 will determine the remuneration of Non-Executive Directors of the newly appointed Board of Directors for the 2022-2024 term of office.

#### *Remuneration for participation in Board Committees*

The Board of Directors has set up an internal Remuneration and Nominations Committee and a Risk, Control and CSR Committee, both of which have proposal and advisory functions and consist solely of independent Directors.

For the 2019-2021 term of office, the annual remuneration of the Directors for participation in the Board Committees was determined by the Board of Directors on February 11<sup>th</sup>, 2019, following the consultation of the Board of Statutory Auditors, and is made up as follows:

Remuneration and Nominations Committee		Risk, Control and CSR Committee	
Chair	€ 15,000	Chair	€ 20,000
Member	€ 10,000	Member	€ 10,000

The Ordinary Shareholders' Meeting scheduled for April 29<sup>th</sup>, 2022 will appoint the new Board of Directors and – as far as it is competent – will be able to define the related remuneration.

### 3.4.2 Remuneration of the Board of Statutory Auditors

The annual remuneration of the Members of the Board of Statutory Auditors consists of only the fixed component, commensurate with the commitment required of each of them. The remuneration of the current Board of Statutory

Auditors, appointed at the Annual General Meeting of 29<sup>th</sup> April 2020 and in office until the Shareholders' Meeting called to approve the 2022 Financial Statements, was determined by the same Annual General Meeting, based on the benchmarking analysis conducted by Willis Towers Watson on the remuneration practices in industrial and services companies belonging to FTSE MIB Italia index, and is equal to:

<b>Board of Statutory Auditors</b>	
Chair	€ 62,000
Statutory Auditor	€ 45,000

### 3.5 Remuneration of the Chair of the Board of Directors

For the 2019-2021 term of office, the total remuneration for the position as Chair of the Board of Directors consists exclusively of the fixed component.

The annual remuneration of the Chair of the Board of Directors, in office until the Shareholders' Meeting called to approve the Financial Statements as of December 31<sup>st</sup>, 2021, was updated by the Board of Directors on December 1<sup>st</sup>, 2021 accordance with the nomination of Mr. Andrea Recordati as new Chairman due to Mr. Alfredo Altavilla resignation and is equal to:

<b>Chair of the Board of Directors</b>	
Remuneration pursuant to article 2389, paragraph 1, of the Italian Civil Code	€ 60,000
Remuneration for special positions pursuant to article 2389, paragraph 3, of the Italian Civil Code	€ 240,000
<b>Total Remuneration</b>	<b>€ 300,000</b>

The Ordinary Shareholders' Meeting scheduled for 29 April 2022 will appoint the new Board of Directors and – as far as it is competent – will be able to define the related remuneration.

### 3.6 Remuneration of the Chief Executive Officer and of Executive Directors

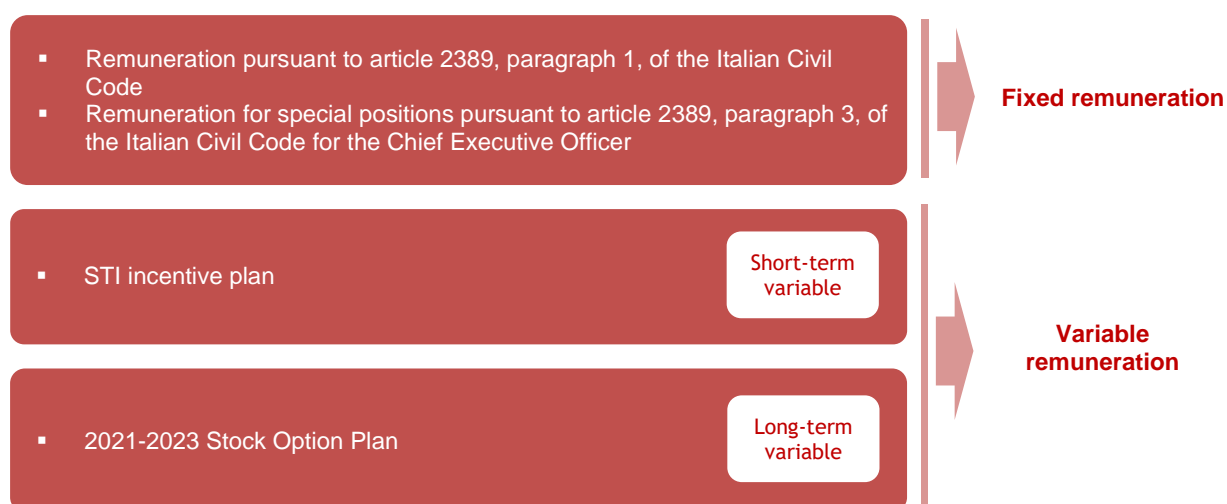
The Remuneration Policy for Recordati's actual Chief Executive Officer as executive Directors is defined in accordance with the specific powers granted to the role, the purposes on which the Company's Remuneration Policy is based, as well as the remuneration levels and best market practices.

With respect to the other Executive Directors, defined as such in accordance with the provisions of the Code, namely, at the date of this report,

- Giampiero Mazza;
- Cathrin Petty;
- Giorgio De Palma;

it is stressed that the Shareholders' Meeting of 5<sup>th</sup> February 2019 and, as for Mr. Giorgio De Palma, the Shareholders' Meeting of 29<sup>th</sup> April 2020, on the basis of the proposal made by the shareholder FIMEI S.p.A., did not resolve upon any remuneration pursuant to article 2389, paragraph 1, of the Italian Civil Code, in favour of these persons (without prejudice to the right of reimbursement of expenses incurred in the performance of their duties) as they had previously declared that they did not wish to receive any remuneration. Therefore, the details of only the two aforementioned positions are shown below.

The overall remuneration of the Chief Executive Officer is structured into a fixed component of a short-term variable and a long-term variable, identified as follows:



### 3.6.1 Market references and peer groups

During 2021, Recordati performed a benchmark analysis to verify that the remuneration packages of the Chairman and Chief Executive Officer were aligned to best market practices.

#### *Remuneration benchmark for the Chairman of the Board of Directors*

For the Chairman of the Board of Directors, the assessment of the remuneration position was carried out with reference to the role of non-executive Chairman of listed Italian companies in the industrial sector. For the purposes of identifying the reference cluster for Recordati, companies comparable to Recordati in terms of market capitalization and share structure were considered.

Peer group	
A2a	Italgas
Amplifon	Leonardo
Atlantia	Moncler
Buzzi Unicem	Pirelli & C.
Diasorin	Prysmian
Enel	Saipem
Eni	Snam
Hera	Telecom Italia
Interpump Group	Terna - Rete Elettrica Nazionale
Inwit	

#### *Remuneration benchmark for the Chief Executive Officer*

For the Chief Executive Officer, the assessment of remuneration positioning was carried out in comparison with the remuneration value of Chief Executive Officers of both Italian and European companies, as illustrated below. The remuneration comparison was performed with the support of the consulting firm Willis Towers Watson. Another benchmarking analysis (carried out by Russell Reynolds) was also adopted.

## PEER GROUP - ITALIAN COMPANIES

In continuity with the past year, the peer group identified is characterised by Italian companies belonging to the FTSE MIB Italia index, comparable to Recordati in terms of market capitalisation at June 1<sup>st</sup>, 2021.

Peer group - Italian companies

Amplifon	Pirelli & C.
Atlantia	Prysmian
DiaSorin	Saipem
Interpump Group	Snam
Italgas	Telecom Italia
Leonardo	Terna

## PEER GROUP - PHARMACEUTICAL COMPANIES

In continuity with the past year, the peer group identified is characterised by Italian and European companies operating in the pharmaceutical sector, both listed in the STOXX Europe TMI Pharmaceuticals index and privately held.

Peer group – Pharmaceutical companies

AstraZeneca	Ipsen
Bayer	Merck
Chiesi Farmaceutici	Novartis
Dechra Pharmaceuticals	Recipharm
DiaSorin	Roche
GlaxoSmithKline	Sanofi
Grifols	UCB
Hikma Pharmaceuticals	Zambon
Indivior	

### 3.6.2 Fixed component of remuneration

The fixed component of the remuneration of the Chief Executive Officer is commensurate with the duties and responsibilities assigned. Moreover, in line with the Corporate Governance Code, this component is determined in such a way as to be adequately balanced with respect to the variable component and consistent with the company's strategic objectives and risk management policy, also taking into account the characteristics of the industry in which the Company operates and which is listed. However, the variable component is expected to represent a significant part of the total remuneration.

The Remuneration Policy of the current CEO is defined in accordance with the specific powers conferred, as well as with the remuneration levels and market best practices.

Below are the elements that make up the fixed remuneration of the Chief Executive Officer:

<b>Chief Executive Officer</b>	
Remuneration pursuant to article 2389, paragraph 1, of the Italian Civil Code	€ 60,000
Remuneration for special positions pursuant to article 2389, paragraph 3, of the Italian Civil Code <sup>9</sup>	€ 890,000
<b>Total Remuneration</b>	<b>€ 950,000</b>

For the CEO, the Remuneration Policy Guidelines for the new 2022-2024 mandate approved by the Board of Directors on March 17<sup>th</sup>, 2022 provide - in continuity with the current Policy - the definition of remuneration consistent with the complexity of the role and the commitment required, in line with market benchmarks.

The Shareholder' meeting and Board of Directors of April 29<sup>th</sup>, 2022 will determine - as far as it is competent - the related remuneration.

### 3.6.3 Short-term variable component (STI)

The short-term variable component of the remuneration package for the Chief Executive Officer is linked to an incentive scheme by objectives (MBO, Management by Objectives). On the basis of this scheme, a bonus is paid in cash on the achievement of the annual results defined by the Board of Directors, on the proposal of the Remuneration and Nominations Committee, and measured according to pre-established management parameters and weights.

Specifically, the MBO system provides for the assignment to each beneficiary of economic-financial objectives (Group Operating Margin, Group Net Revenues and Group Net Profit) and individual strategic objectives. There is also a circuit breaker identified in the Group's Operating Margin indicator, which if not achieved will result in the zeroing of the entire bonus.

Through the inclusion among the individual objectives of each beneficiary of an important Group objective such as the Operating Income, Recordati's MBO system tends not so much to reward individual performance in itself, but rather individual performance in a context of operating results such as to allow the payment of bonuses, in line therefore with the principle of aligning the interests of Management and Shareholders and with a view to pursuing the Company's long-term interests in line with Strategic Plan.

The following tables show the performance objectives defined for 2022 for the Chief Executive Officer:

#### 2022 MBO OBJECTIVES - CHIEF EXECUTIVE OFFICER

CIRCUIT BREAKER	ON/OFF CONDITION
Group Operating Income	Activation of the scheme only if at least 95% of the budget objective is achieved

OBJECTIVES	FEATURES
<b>ECONOMIC AND FINANCIAL OBJECTIVES (65%)</b> set excluding new M&A/licensing transactions related to products already on the market, performed during the reference financial year	<b>Threshold: 20% of the Fixed Remuneration</b> <b>Target: 42.5% of the Fixed Remuneration</b> <b>Maximum: 65% of the Fixed Remuneration</b>

<sup>9</sup> The amount includes the non-compete and non-solicitation agreement recognized by the Company to the Chief Executive Officer



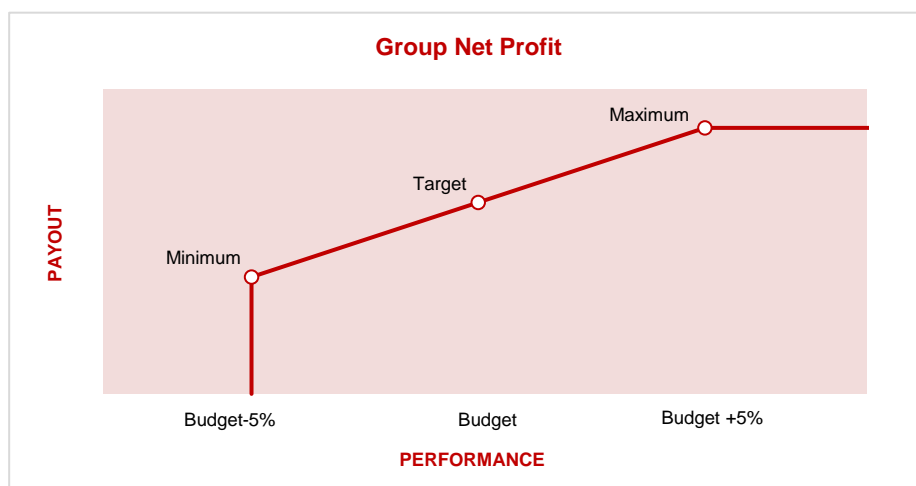
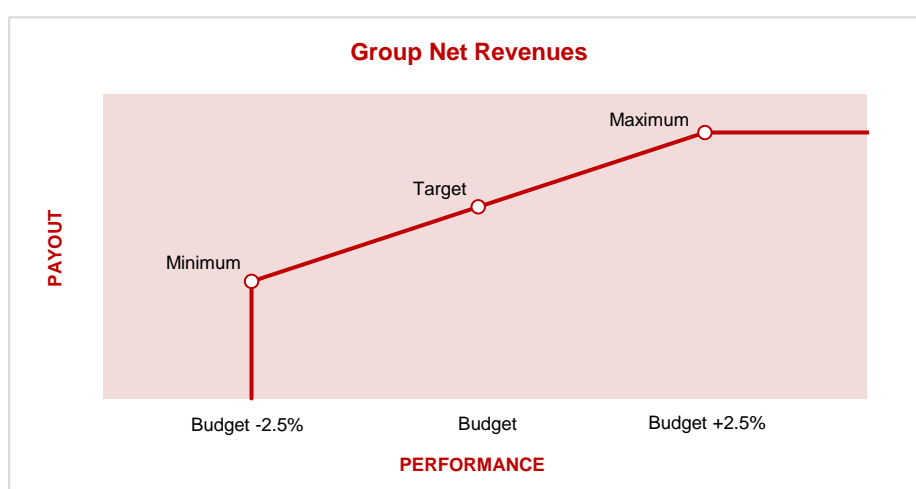
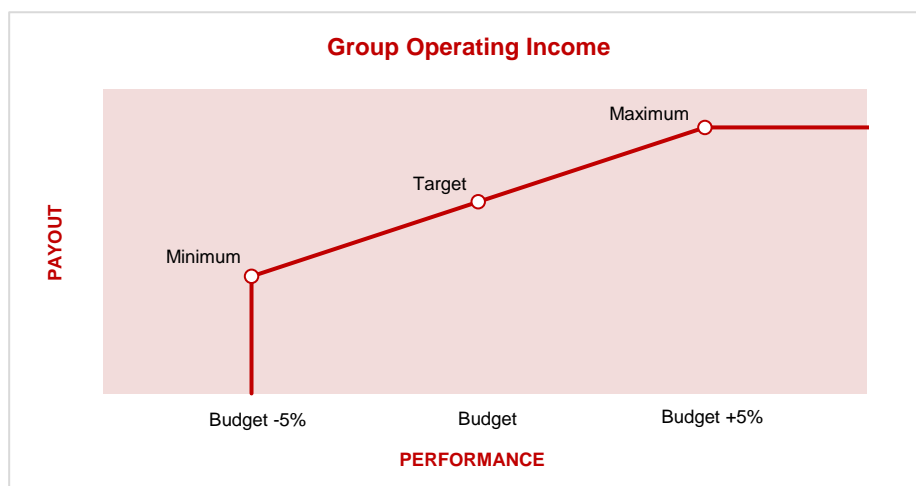
1. Group Operating Income (32.5%)	<p>The result is measured in relation to the predefined budget. The following performance levels are provided:</p> <ul style="list-style-type: none"> <li>• Threshold: budget – 5%</li> <li>• Target: budget</li> <li>• Maximum: budget +5%</li> </ul>
2. Group Net Revenues (19.5%)	<p>The result is measured in relation to the predefined budget. The following performance levels are provided:</p> <ul style="list-style-type: none"> <li>• Threshold: budget – 2.5%</li> <li>• Target: budget</li> <li>• Maximum: budget +2.5%</li> </ul>
3. Group Net Profit (13%)	<p>The result is measured in relation to the predefined budget. The following performance levels are provided:</p> <ul style="list-style-type: none"> <li>• Threshold: budget -5%</li> <li>• Target: budget</li> <li>• Maximum: budget +5%</li> </ul>
<b>STRATEGIC OBJECTIVES (35%)</b>	<p><b>Threshold: 20% of the Fixed Remuneration</b>  <b>Target: 25% of the Fixed Remuneration</b>  <b>Maximum: 35% of the Fixed Remuneration</b></p>
1. Acquisition/Licensing (20%)	<p>The objective is linked to the signing of M&amp;A/Licensing transactions. The result is measured in relation to value in € Mil current/peak sales achieved. Three different performance levels are provided.</p>
2. Achievement of the main objectives of the integration with EUSA Pharma (10%)	<p>The objective is linked to the achievement of some relevant objectives (milestones) relating to the integration plan with EUSA Pharma.</p>
3. Achievement of ESG initiatives for 2022, as per the ESG Plan (5%)	<p>The objective is linked to the achievement of some relevant objectives (milestones) related to People Care - Employees, the production of energy from sustainable sources and the adoption of a responsible supply chain related to the Sustainability plan.</p>

The Company reserves the right not to provide the annual value of the parameters as it considers this information to be sensitive. More detailed information regarding the level of achievement of the objectives will only be communicated at the end of the performance period.

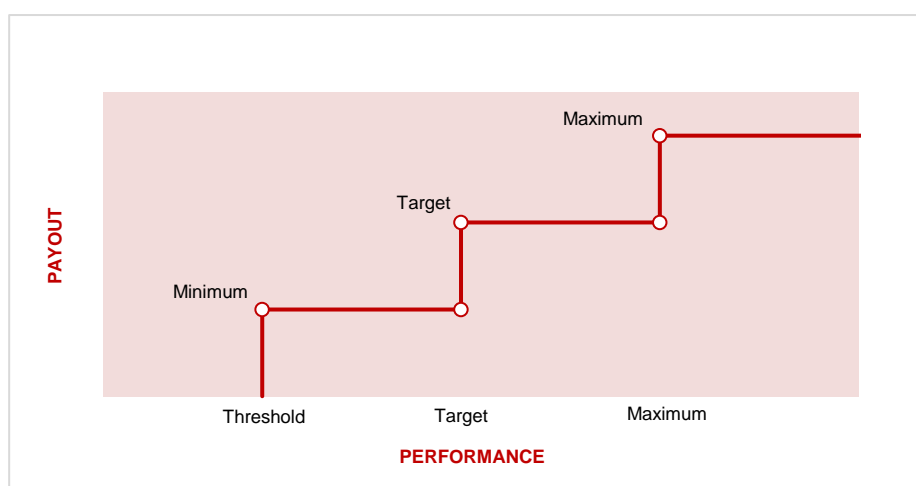
The right to payment of the bonus accruals upon approval by the Board of Directors of the consolidated financial statements, which show that at least 95% of the Group Operating Income objective that was set when the objective was determined has been achieved. The payment of the bonus is made during the financial year in which the aforementioned consolidated financial statements are approved.

The amount of the incentive actually paid varies according to the level of achievement of the targets assigned to the individual objectives. The following charts illustrate the bonus opportunities awarded to the Chief Executive Officer according to their financial objectives (Group Operating Income, Group Net Revenues and Group Net Profit):





For the Chief Executive Officer, the remaining 35% of the bonus is calculated on the basis of the Acquisition/Licensing objective and the achievement of objectives related to the integration of EUSA Pharma as well as the completion of the ESG initiatives for 2022 as part of the Sustainability Plan, whose incentive curve is illustrated in the following chart:



In the event of failure to achieve 95% of the Group Operating Income objective, nothing is due. In the event of over-performance, it is not possible to obtain a bonus higher than the maximum one set, which for the Chief Executive Officer is equal to 100% of his fixed remuneration.

The following table summarizes the potential bonus pay-outs for the Chief Executive Officer according to the different performance levels:

	CEO
Threshold	380.000 €
Target	641.250 €
Maximum	950.000 €

The short-term variable component to be paid to the Chief Executive Officer is equal to **€ 950,000** gross per year if the maximum overall performance is achieved.

In setting the MBO objectives of the Chief Executive Officer, the Board of Directors may, subject to the opinion of the Remuneration and Nominations Committee, assess the achievement of such objectives net of significant extraordinary items, where appropriate, on an equitable basis.

At present, there is no need to defer the payment of this bonus with respect to the time when the right to receive it is acquired, because it is part of a scheme that is already significantly challenging and which, with a view to continuity, favours the setting of the same objectives for each financial year; moreover, the circuit breaker of the scheme and its main objective, represented by the Group Operating Income, is a target that all the above persons contribute to achieving, without the individual person being able to influence this achievement exclusively. Finally, it should be noted that the deferral of part of the variable remuneration is in any case ensured by the long-term incentive scheme based on the assignment of Stock Options, as described below, further strengthened by the lockup mechanism bundle in the same plan for Key Management Personnel.

Without prejudice to the right to compensation for any further damages, the Company reserves the right, within 5 years from the payment and regardless of whether the relationship is still ongoing or terminated, to request the Chief Executive Officer to refund the bonus already paid (the so-called 'clawback'), if one of the following cases occurs:

- fraudulent and/or gross negligently behaviour by the beneficiary to the detriment of the Group;
- serious and intentional breaches of law and/or of the Code of Ethics and/or of company rules;
- payment of the bonus on the basis of data which subsequently result as manifestly inaccurate or fraudulently altered.

### 3.6.4 Long-term variable component (LTI)

A significant component of the variable remuneration of Recordati's Chief Executive Officer is oriented towards a long-term horizon in order to strengthen the interests of sustainable creation of value for Shareholders and Stakeholders and is based on the assignment of Stock Options.

The Recordati Group, as in previous years, deems that this scheme ensures the full and constant alignment between the interests of Top Management and that of Shareholders, as it is naturally linked to the growth in value of the Recordati Share.

During 2020, the Company defined the new 2021-2023 Stock Option Plan approved by the Shareholders' Meeting of 20 April 2021.

It should also be noted that the 2014-2018 Stock Option Plan and the 2018-2022 Stock Plan, approved by the Shareholders' Meeting respectively on 17<sup>th</sup> April 2014 and on 18<sup>th</sup> April 2018 respectively (and subsequently amended on 11<sup>th</sup> April 2019) continue to regulate the tranches of options allocated on the basis of those plans.

The Stock Option plan 2021-2023 provides for the grant to the beneficiaries of the right to purchase a certain number of the Company's Shares at a predetermined price (strike price or exercise price), after a certain period of time (vesting period) has elapsed, once the condition for the achievement of the performance objective indicated below has been met, a right to be exercised within a certain period of time (the end of the eighth financial year following the grant of the options).

The grant of options under the 2021-2023 Stock Option Plan occurs on annual basis (the so-called 'rolling approach') and takes place in three cycles starting from the 2021, 2022 and 2023 financial years. The number of options granted to each beneficiary is linked to the importance of the organisational role held by the various top positions. There is, however, a cap to the number of options available, equal to 10,400,000 options in total and 400,000 options per individual. The Executive Directors include the Company's Chief Executive Officer as beneficiary.

The exercise price of each new grant is established by using the fair market value calculation (the arithmetic average of the Company's share prices quoted on the market in the period running from the date of grant of the options and the same day of the previous calendar month).

Options granted to beneficiaries vest no less than 3 years after the grant date (so-called 'vesting period').

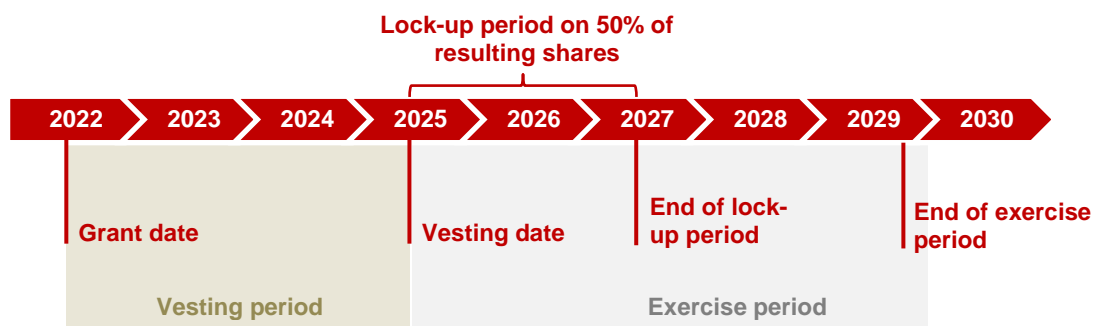
An essential condition for the exercise of each of the options granted is the achievement of a performance objective, which is based on the Adjusted Net Income cumulated over the three-year reference period. The existence of a performance clause in the 2021-2023 Stock Option Plan is also in line with the principle of consistency of the Remuneration Policy with the pursuit of the interests of the Company and its Shareholders to which the interests of management must be aligned.

The vested options may be exercised at any time during each financial year, provided that they must be exercised no later than the end of the eighth financial year following the financial year in which they were granted.

The beneficiaries will be entitled to exercise the options granted to them earlier than the relevant vesting date, upon the occurrence of a change of control of the Company resulting in the delisting of the Company's ordinary shares from a regulated market.

The Plan also requires beneficiaries who are members of Recordati's top management to continuously hold a number of shares - equal to 50% of the shares resulting after the sale of the shares necessary to cover the payment of the exercise price and the tax, social security and welfare charges connected with the exercise of the options - until the end of the 24<sup>th</sup> month following the relevant vesting date.

The following is a timeline of the 2021-2023 Stock Option Plan for the second allocation cycle pursuant to the resolution of the Board of Directors of 24 February 2022:



Without prejudice to the right to compensation for any further damages, the Company reserves the right (so-called 'clawback'), within 5 years from the vesting date and regardless of whether the relationship is still in existence or terminated, to obtain from the Beneficiary to revoke the Exercisable Options or to return the shares held by the Beneficiary (less a number of shares of a value corresponding to the exercise price of the Options and the tax, social security and welfare contributions connected with the exercise of the Options, possibly also by offsetting them against the remuneration and/or severance indemnity of the Beneficiary) if the shares of the Beneficiary have already been sold, should any of the following cases occur:

- fraudulent and/or grossly negligent behaviour of the beneficiary to the detriment of the Group;
- serious and intentional violations of laws and/or the Code of Ethics and/or company rules;
- payment of the bonus on the basis of data that is subsequently found to be manifestly inaccurate or intentionally altered.

For further information on the Plans, please refer to the information documents published in the Corporate Governance section of the Company's website:

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

### 3.7 Remuneration of Key Management Personnel

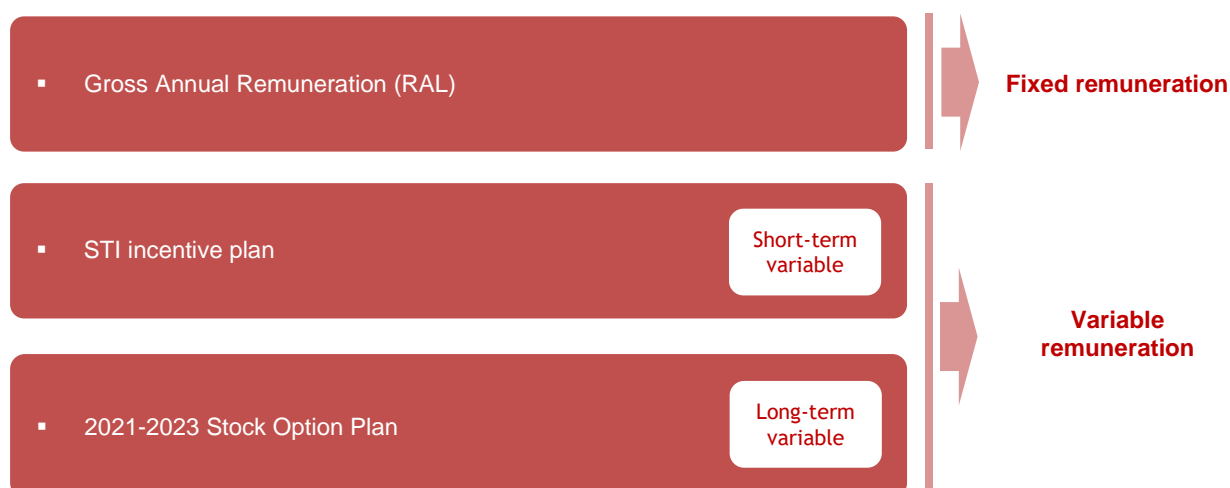
Key Management Personnel are those persons who have the power and responsibility, directly or indirectly, for planning, management and control of the Company's activities. At the date of this Report, the following persons are Key Management Personnel:

- Luigi La Corte – Group Chief Financial Officer;
- Alberto Martinez – Executive VP Specialty and Primary Care Business Unit;
- Scott Pescatore – Executive VP Rare Disease Business Unit;
- Gabriele Finzi – Executive VP Global Corporate Development & Licensing;
- Roberto Teruzzi – Executive VP Group Industrial Operations;
- Raffaele Sabia – Senior VP Pharmaceutical Research & Development.

In defining the Remuneration Policy for Key Management Personnel, it was taken into account that these were recipients of a Policy in which a part of the remuneration is linked to the achievement of specific performance objectives, non-financial objectives, predetermined, measurable and linked in significant part to a long-term horizon. They are consistent with the Company's strategic objectives and are aimed at promoting its sustainable success (Article 5, Recommendation 27 of the Corporate Governance Code).

The managerial employment relationship of Key Management Personnel in Italy is governed by the applicable National Collective Bargaining Agreement (CCNL) of companies producing goods and services in force. For other Key Management Personnel employed by the Group's foreign subsidiaries, the employment relationship is governed by the applicable local regulations and, where applicable, by the collective bargaining agreements provided where the subsidiary is located. In Italy the general treatments provided for Executives are applicable to Key Management Personnel in addition to those listed below.

The total remuneration of Key Management Personnel is structured into a fixed remuneration and a short and a long-term variable remuneration, identified as follows:



### 3.7.1 Fixed component of remuneration

The fixed component of the remuneration of the Key Management Personnel, the Gross Annual Remuneration (*Retribuzione Annua Lorda* - RAL), *i.e.* the contractually guaranteed annual remuneration, is monitored for all the top positions by the industry remuneration surveys and its value is positioned, in order to meet adequate retention and remuneration criteria, at a competitive level with respect to the market.

Changes over time in the fixed component of remuneration are implemented on the basis of growth rules that take into account the role, the level of performance over time and the pay gap with respect to the remuneration levels of the reference market.

### 3.7.2 Short-term variable component (STI)

Recordati's Key Management Personnel are beneficiaries of the same short-term incentive scheme (MBO, Management by Objectives) assigned to the Chief Executive Officer. Therefore, what has been described above is intended to be fully referred to herein, with the exception of the performance objectives assigned and the bonus opportunities of the beneficiaries.

The following table shows the type of objectives assigned to the Key Management Personnel:

#### 2022 MBO OBJECTIVES - KEY MANAGEMENT PERSONNEL

CIRCUIT BREAKER	ON/OFF CONDITION
Group Operating Income	Activation of the scheme only if at least 95% of the budget objective is achieved

All Key Management Personnel have the following Group objectives:

OBJECTIVES	FEATURES
<b>ECONOMIC AND FINANCIAL OBJECTIVES</b>	Set excluding new M&A/licensing transactions related to products already on the market, performed during the reference financial year
Group Operating Income	<p>The result is measured in relation to the predefined budget. The following performance levels are provided:</p> <ul style="list-style-type: none"> <li>• Threshold: budget -5%</li> <li>• Target: budget</li> <li>• Maximum: budget +5%</li> </ul>

The Key Management Personnel are also assigned, depending on the position held, other economic and financial objectives (set excluding M&A/licensing transactions related to products already on the market, performed during the reference financial year), and/or qualitative objectives, with different weights:

OBJECTIVES	FEATURES
Net Revenues of Business Unit/Division (for BU Heads)	<p>The result is measured in relation to the predefined budget. The following performance levels are provided:</p> <ul style="list-style-type: none"> <li>• Threshold: budget -2.5%</li> <li>• Target: budget</li> <li>• Maximum: budget +2.5%</li> </ul>
Group Operating Income of Business Unit/Division (for BU Heads)	<p>The result is measured in relation to the predefined budget. The following performance levels are provided:</p> <ul style="list-style-type: none"> <li>• Threshold: budget -5%</li> <li>• Target: budget</li> <li>• Maximum: budget +5%</li> </ul>
Management Objectives (for HQ Functions)	<p>There are two objectives linked to specific responsibility areas measured on a performance scale that provides for a Threshold, an intermediate and a maximum level which corresponds a predefined portion of the bonus, or, in some cases, on/off objectives.</p>

The Company reserves the right not to provide the annual value of the parameters as it considers this information to be sensitive.

More detailed information regarding the level of achievement of the objectives will only be communicated at the end of the performance period.

As mentioned in section 3.1.1, one Key Management Personnel member is also assigned ESG objectives.

In the event of over-performance, it is not possible to achieve a bonus higher than the maximum set, which, for Key Management Personnel, can vary from 42% to 75% of the annual base salary depending on the position held.

### 3.7.3 Long-term variable component (LTI)

A component of the variable remuneration of Recordati's Key Management Personnel is oriented towards a long-term horizon in order to strengthen the interests of sustainable creation of value for Shareholders and Stakeholders.

Recordati's Key Management Personnel are beneficiaries of the same long-term incentive scheme (LTI) as that envisaged for the Chief Executive Officer, i.e. the 2021-2023 Stock Option Plan, approved by the Shareholders' Meeting of 20<sup>th</sup> April 2021, and, upon exhaustion, the 2014-2018 Stock Option Plan and the 2018-2022 Plan. Therefore, the contents of the preceding paragraphs are to be considered referred to here in full.

## 3.8 Further information on remuneration

### 3.8.1 Transaction Bonus and Integration Bonus

Recordati's Remuneration Policy provides for the possibility of paying a bonus linked to the achievement of significant results for the Group in the case of significant business development transactions (M&A/Licensing). This provision is linked to the strategic importance of such transactions as a growth mechanism for the Recordati Group, as well as an instrument to ensure the Group's continued success in the Primary & Specialty Care and Rare Diseases areas. The proven ability to achieve significant growth through external operations will continue to support the Recordati Group in identifying new partners and in implementing new acquisition or licensing agreements. Therefore, M&A/licensing transactions represent fundamental activities so as to enable the Company to offer an increasingly richer product portfolio, an increasingly wider geographical coverage and consequently ensure the sustainability of the business in the long-term. In addition, it should be noted that in the new MBO scheme, financial targets are set on a constant perimeter, i.e. excluding M&A/licensing transactions related to products already on the market, performed during the reference financial year. It is therefore important to provide for an additional bonus

scheme to reward the Top Management's activities in relation to such strategically significant transactions for the Group. It should be noted that the beneficiaries of any Transaction Bonus and Integration Bonus do not include the Chief Executive Officer, since the implementation of this type of transactions is already provided for at the short-term incentive scheme level.

In order to provide an incentive to other Key Management Personnel of the Company to carry out strategic M&A/licensing transactions, the following may be awarded:

- a transaction bonus aimed at rewarding the roles directly involved and having a significant impact on the success of an M&A/licensing transaction; the positive outcome, and therefore the possible awarding of this bonus, will be assessed by the Chief Executive Officer on the basis of an outlook linked to economic and financial indicators, effort and of the timing of the transaction itself. The value of the bonus awarded may vary between 15% and 30% of the Gross Annual Remuneration. 50% of the bonus will be paid at the time of the closing of the extraordinary transaction and 50% after around one year subject to the achievement of predefined economic and financial results relating to the transaction itself and/or defined integration plan milestones.
- an integration bonus, aimed at specifically rewarding roles with a significant impact on the positive outcome of the integration process following an M&A transaction. The positive outcome, and therefore the possible awarding of this bonus, will be assessed directly by the Chief Executive Officer on the basis of an outlook linked to economic-financial indicators and the timing of the integration itself. The value of the bonus awarded may vary between 15% and 30% of the Gross Annual Remuneration. 70% of the bonus will be paid at the time when predefined milestones have been reached in the integration plan, and 30% at the end of the integration plan and subject to the achievement of predefined integration objectives.

It should be noted that Transaction Bonuses and Integration Bonuses may also be awarded to other managers who, although not qualifying as Key Management Personnel, are directly involved and have a significant impact on the success, respectively, of an M&A/Licensing transaction, or of the integration process following an M&A transaction.

### 3.8.2 Non-monetary benefits

The Remuneration Policy does not provide for particular non-monetary benefits other than those that can be defined as standard for top positions (e.g. company car, the supplementary insurance to that provided for in the national employment contract and the D&O policy).

### 3.8.3 Severance indemnity

The Remuneration Policy does not provide for severance indemnities for non-executive Directors.

With regard to other Key Management Personnel, including executive Directors (excluding the Executive Directors qualified as such by the Board pursuant to the Corporate Governance Code, who, as noted above, have previously declared that they do not wish to receive any remuneration), if deemed appropriate in the best interests of the Company and in relation to the importance of the Manager's position within the company organisation, agreements may be entered into which involve the payment of special indemnities, in any case not exceeding 24 months of the fixed remuneration and the short-term variable remuneration calculated as the average of the annual bonuses paid in the 36 months previous to the date of termination of the employment relationship (without prejudice to the provisions of the applicable National Collective Agreement), in the event that the Company terminates the employment relationship for reasons other than just cause, also with reference to the market practices in force at the time; taking these practices into account, there is generally no provision for links between such treatments and the Company's performance. In particular, an agreement has been entered into that provide for a severance indemnity for a Key Management Person. In all other cases, in the event of early termination of the employment relationship for reasons other than just cause, Key Management Personnel will be paid the indemnities provided for, in Italy, by law and the current National Collective Bargaining Agreement for 'Executives of Companies Producing Goods and Services' (so-called Industrial Companies) or for employees of foreign subsidiaries, by locally applicable regulations/collective bargaining agreements and by market practices, in certain cases in addition to a further amount, determined on an equitable basis.

In the event of termination from office and/or termination of the relationship with an executive Director or a General Manager, as a result of internal processes leading to the granting or payment of indemnities and/or other benefits, the Company will disclose detailed information on the matter to the market.

During 2022 a new agreement was defined with Mr. Fritz Squindo, novative of the Supplementary Agreement previously in place, which provided for the recognition of a sum - with an important saving for the Company compared to the agreement previously in place - determined within the limits of the provisions of the CBA

Executives. With respect to another member of key manager personnel, prior to signing a permanent employment contract, a supplementary agreement to the contract subsequently entered into was signed, which provides for the payment to the senior manager of a 'golden handshake' remuneration of 36 month's salary consisting of the monthly payments provided for the indemnity in lieu of notice and the treatment provided for by art. 19 of the Managers' CCNL in the event of termination of employment contract by the Company, except for termination for 'just cause'. The senior manager shall have the right to that remuneration until the moment when there will be three years to obtaining the right to a pension, after which time the remuneration will diminish by one month for each month of employment. The notice period is that provided for by the Managers' CCNL. In 2021, the Company and the aforementioned Manager with Strategic Responsibilities have agreed that the related employment contract will end by consensus on June 30, 2022.

There are no agreements which involve the assignment or maintenance of non-monetary benefits or the stipulation of special consultancy contracts in the event of the termination of an employment relationship. There are no agreements which involve remuneration for non-competition commitments on termination of an employment relationship or end of office outside the one provided for the Chief Executive Officer.

As concerns the effects of the end of an employment relationship/other relationship equivalent to an employment relationship or an administrative relationship on LTI existing incentive plans based on current financial instruments approved by Recordati S.p.A., in accordance with Article 114-*bis* of TUF (*Testo Unico della Finanza*), please refer to the relevant Information Documents drawn up pursuant to art. 84-*bis* of the "Regolamento Emittenti".

### 3.8.4 Additional insurance, social security and pension coverage

No further coverage other than those required by law or by collective bargaining agreement is entered into by the Company, with the exception of supplementary insurance to the Italian Supplementary Health Care Fund (F.A.S.I.) for 'Executives of Companies Producing Goods and Services' (so-called Industrial Companies) to cover medical expenses (or similar forms of insurance for employees of foreign subsidiaries) and a D&O policy, as well as an insurance policy for the Chief Executive Officer to cover life risk, health risk (including family members), disability risk and accident risk, again for the Chief Executive Officer, the supplementary pension plan that continued seamlessly.



Section II:  
Report on the remuneration  
paid for 2021

# Introduction

This section is divided into two parts which illustrate respectively the following:

- **Part I** focuses on the different elements that make up the remuneration (including the treatments provided in the event of termination of office or termination of the employment relationship);
- **Part II**, through the annexed tables, focuses on the remuneration of the members of the management and supervisory bodies and the information relating to the shares held in the Company, as well as the remuneration provided for the Company's and for subsidiaries' Key Management Personnel.

This Section is subject to a non-binding vote by the Shareholders' Meeting as provided for by article 123-ter of Italian Legislative Decree no. 58 of 24<sup>th</sup> February 1998 (the 'Consolidated Law on Finance', updated on the basis of Italian Legislative Decree no. 49 of 10<sup>th</sup> May 2019) which provides in paragraph 6: *'Without prejudice to the provisions of [...] the Shareholders' Meeting called [...] resolves in favour or against the second section of the report established by paragraph 4. The resolution is not binding'*.

In addition, the person appointed to carry out the statutory audit of the financial statements verifies that the directors have appropriately prepared this Section, as required by article 123-ter of the Consolidated Law on Finance (as updated by Italian Legislative Decree of 10<sup>th</sup> May 2019).

The remuneration of the members of the management and supervisory bodies is illustrated by name; instead, the remuneration provided for the other Key Management Personnel members is represented in the aggregate.

The implementation of the Policy, as verified by the Remuneration and Nominations Committee during the periodic assessment provided for in the Corporate Governance Code, was substantially in line with the general principles approved by the Board of Directors.

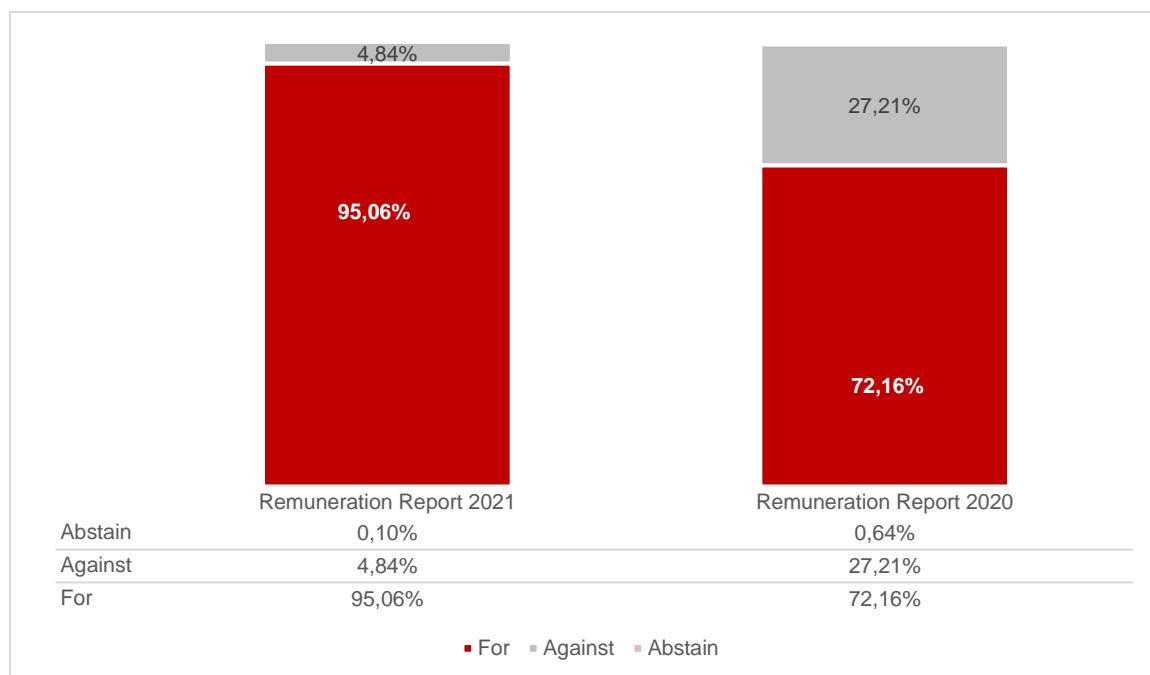
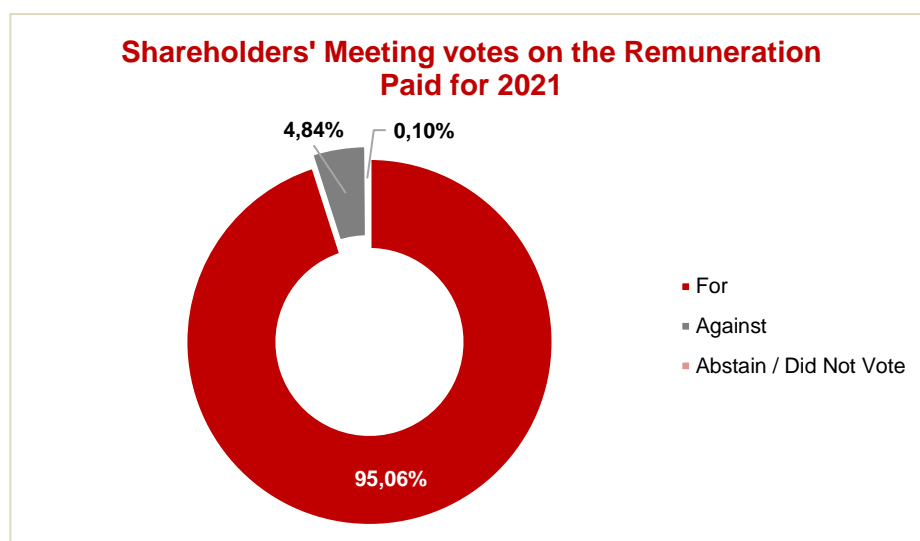
With reference to the representation of each of the items that make up remuneration, including the treatments provided in the event of termination from office or termination of the employment relationship, please refer to what has already been described in detail in Section I.

The remuneration items reported are consistent with the Policy approved in 2021 by the Board of Directors and submitted to the advisory and non-binding vote of the Shareholders' Meeting on 20<sup>th</sup> April 2021 pursuant to article 123-ter, paragraph 6, of the Consolidate Law on Finance, which voted in favour.

# Part I

## 1. Results of votes

The Shareholders' Meeting of 20<sup>th</sup> April 2021 voted in favour of Section II of the Report on Remuneration Policy and Remuneration Paid published in 2021. The chart below illustrates the result of the advisory vote.



The main considerations emerged at the Shareholders' Meeting of 20<sup>th</sup> April 2021 are mainly related to the increases in the fixed component, they were examined in order to identify potential areas for improvement and were considered in the definition of Recordati's Remuneration Policy for 2022.

## 2. Activities of the Remuneration and Nominations Committee

During 2021 the Remuneration and Nominations Committee convened 15 times. The percentage of attendance of Committee members at meetings is shown in the table at the end of paragraph 4.2 of the Report on Corporate Governance and the Ownership Structure.

Minutes of the Remuneration and Nominations Committee meetings have been duly taken.

The Committee had the opportunity to access the information and Company Functions necessary to carry out its duties.

During the Financial Year, the Committee did not incur any expenses in the performance of its duties.

During 2021 and up to the date of the approval of this report, the activity of the Committee has mainly concerned the following:

	Activities performed during 2021 and early 2022
Report on the Remuneration Policy and the Remuneration Paid	<ul style="list-style-type: none"> <li>• Assessment of the changes to be made to the Remuneration Report also following amendments to the Issuers' Regulations</li> <li>• Proposal to the Board of Directors in relation to the Report on the Remuneration Policy and the remuneration paid for the year 2020</li> <li>• Analysis of the 2021 shareholders' meeting votes</li> <li>• Preliminary analysis in relation to the Remuneration Policy Guidelines for 2022</li> <li>• Examination of the draft report on remuneration and remuneration paid for the year 2021</li> </ul>
Short-term incentive plan	<ul style="list-style-type: none"> <li>• Summary of the 2020 objectives</li> <li>• Setting the 2021 targets</li> <li>• Analysis of the MBO system in order to evaluate possible proposed changes for 2022</li> <li>• Consideration and proposal to the Council on the new MBO system for 2022</li> <li>• Preliminary examination of the structure of the MBO 2022 quantitative targets</li> <li>• Setting the 2022 targets</li> <li>•</li> <li>•</li> </ul>
Long-term incentive plan	<ul style="list-style-type: none"> <li>• Examination and proposal to the Board regarding the new Stock Option Plan 2021-2023</li> <li>• Setting the 2021 target of Stock Option Plans</li> <li>• Examination and proposal of new stock option allocations under the 2021/2023 Plan</li> </ul>
Other activities	<ul style="list-style-type: none"> <li>• Benchmarking analysis of the remuneration of the Chief Executive Officer and the Chairman as well as the non-executive directors</li> <li>• Review of the remuneration impacts of the new Governance</li> <li>• Examination and formulation of an opinion to the Board of Directors – also as a committee for transactions with related parties – in relation to the agreement to terminate the office of Andrea Recordati as CEO</li> <li>• Examination and formulation of an opinion to the Board of Directors on the remuneration of the new Chairman</li> <li>• Examination and formulation of an opinion – as far as necessary may also as a committee for transactions with related parties – to the Board of Directors on the remuneration of the new CEO</li> <li>• Examination and formulation of an opinion – also as a committee for transactions with related parties – on an end-of-relationship agreement with an executive with strategic responsibility</li> <li>• Engagement plan 2022</li> <li>• Remuneration and Appointments Committee Work Plan for 2022</li> </ul>

### 3. Fixed remuneration

The amounts relating to fixed remuneration are specified under the respective item in Table 1.

#### Non-Executive Directors

Non-executive Directors were paid - eventually on a *pro rata temporis* basis - the fixed remuneration for the office held during 2021, amounting to € 60,000.

#### Chair

The Chair, Alfredo Altavilla, in office until 30<sup>th</sup> November 2021, was paid:

	Pro-rata remuneration based on the coverage of the office from 1 January 2021 to 30 November 2021	Annual remuneration
the 'basic' <i>pro rata</i> remuneration as a director of Recordati S.p.A	55,000	60,000
<i>pro rata</i> remuneration for the special position as Chair, pursuant to article 2389, paragraph 3, of the Italian Civil Code	165,000	180,000
Overall economic treatment for the Chair	220,000	240,000

Therefore, the total annual financial treatment for the Chair in office until 30<sup>th</sup> November 2021, paid as fixed remuneration, was equal to € 220.000.

The current Chair, Andrea Recordati, appointed by the Board of Directors on 1<sup>st</sup> December 2021, were paid, in addition to the "basic" remuneration as a Director of Recordati S.p.A. equal to 60,000 annually, the following remuneration:

	pro-rata remuneration based on coverage of the office from 1 December 2021 to 31 December 2021	Annual remuneration
Remuneration for the special position as Chair, pursuant to article 2389, paragraph 3, of the Italian Civil Code	20.000	240,000

Therefore, the total annual financial treatment for the Chair currently in office, paid as fixed remuneration, was equal to € 20.000, net of the remuneration as Director indicated above..

#### Executive Directors

##### Chief Executive Officer

The Chief Executive Officer, Andrea Recordati, in office until 30<sup>th</sup> November 2021, was paid:

	pro-quota remuneration based on the coverage of the office from 1 January 2021 to 30 November 2021	Annual remuneration
Remuneration for the special position of Chief Executive Officer, pursuant to article 2389, paragraph 3, of the Italian Civil Code	1.045.000	1.140.000

Therefore, the total annual economic treatment for the Chief Executive Officer in office until November 30<sup>th</sup>, 2021, paid as fixed remuneration, was equal to € 1.045.000 net of remuneration as a Director already included in that as Chairman. This fixed remuneration represents 48% of the total remuneration received by the Chief Executive Officer, calculated as the sum of fixed remuneration and short-term and long-term variable remuneration relating to 2021.

In addition, the Board convened on 11<sup>th</sup> February 2019 resolved upon:

- an insurance policy for the Chief Executive Officer to cover the risk of death, disability, illness that does not allow the continuation of the office and incapacity, which insure Mr. Andrea Recordati or his heirs for a coverage of an amount not lower than € 7,200,000.00 (EUR seven million two hundred thousand) for each of the aforementioned events. This coverage ceased to be effective on December 1<sup>st</sup>, 2021;
- an accident and illness policy, for himself and his immediate family, to insure for an adequate coverage with respect to the role and the remuneration. Accident coverage ceased to be effective on December 1<sup>st</sup>, 2021;
- a company car of an adequate level, also for personal use, with all costs borne by the Company. This benefit ceased to be effective on December 1<sup>st</sup>, 2021.

The Chief Executive Officer, Robert Koremans, appointed by the Board of Directors on 1<sup>st</sup> December 2021, was paid:

	pro-rata remuneration based on coverage of the office from 1 December 2021 to 31 December 2021	Annual remuneration
Basic remuneration as director of Recordati S.p.A	5,000	60,000
Remuneration for the special position of Chief Executive Officer, pursuant to article 2389, paragraph 3, of the Italian Civil Code	49.167	590.000
Fee for the obligations of non-competition and non-solicitation.	25.000	300.000
Overall economic treatment as Chief Executive Officer	79.167	950.000

Therefore, the total annual economic treatment for the Chief Executive Officer, paid as fixed remuneration, was equal to € 79,167. This fixed remuneration represents 80% of the total remuneration received by the current Chief Executive Officer, calculated as the sum of fixed remuneration and short-term and long-term variable remuneration relating to 2021.

In addition, the Board convened on December 1<sup>st</sup>, 2021 resolved upon:

- an insurance policy for the Chief Executive Officer to cover the risk of death, disability, illness that does not allow the continuation of the office and incapacity
- an accident and illness policy, for himself and his immediate family, to insure for an adequate coverage with respect to the role and the remuneration;
- contribution to the supplementary pension plan;
- a company car of an adequate level, also for personal use, with all costs borne by the Company.

## Group General Manager

The Group General Manager, Fritz Squindo, was paid:

- the 'basic' remuneration as a director of Recordati S.p.A., equal to € 60,000;
- the Remuneration as a company employee by virtue of the role of Group General Manager equal to € 450,000,32.

Therefore, the total annual economic treatment for the Group General Manager, paid as fixed remuneration, was equal to € 510.000,32. This fixed remuneration represents 62% of the total remuneration received by the Group General Manager, calculated as the sum of fixed remuneration and short-term and long-term variable remuneration relating to 2021.

The other Executive Directors, as already mentioned in Section 1, have waived in advance their remuneration as

Directors of the Company and therefore nothing was paid.

### *Key Management Personnel*

As at 31<sup>st</sup> December 2021, the following 6 Key Management Personnel members were in office at the Company:

- Luigi La Corte – Group Chief Financial Officer;
- Alberto Martinez – Executive VP Specialty and Primary Care Business Unit;
- Corrado Castellucci – Executive VP Rare Disease Business Unit;
- Gabriele Finzi – Executive VP Global Corporate Development & Licensing;
- Roberto Teruzzi – Executive VP Group Industrial Operations;
- Raffaele Sabia – Senior VP Pharmaceutical Research & Development

These Key Management Personnel members has received an overall gross annual remuneration equal to €3,155,493.14

## 4. Variable remuneration

The amounts relating to variable remuneration are specified under the respective item in Tables 1 and 3B.

### Short-term variable incentive

#### *Chief Executive Officer*

With reference to the short-term incentive scheme (STI), the level of achievement of the objectives approved by the Board of Directors with regard to the Chief Executive Officer in charge until December 1<sup>st</sup>, 2021 is shown below:

CIRCUIT BREAKER	ON/OFF CONDITION
Group Operating Income*	ON
OBJECTIVES	LEVEL OF ACHIEVEMENT
<b>ECONOMIC AND FINANCIAL OBJECTIVES (70%)</b> set excluding new M&A/licensing transactions related to products already on the market, performed during the reference financial year	
Group Operating Income* (35%)	Threshold level achieved
Group Net Revenues (21%)	Threshold level achieved
Group Net Profit* (14%)	Intermediate between threshold (Budget) and maximum achievement
<b>STRATEGIC OBJECTIVES (30%)</b>	
Acquisition/Licensing	Maximum achievement

\* Adjusted for the impact of exceptional, non-recurring costs related to extraordinary transactions as the costs of restructuring, costs deriving from the acquisition of the EUSA Pharma group, and for the impact of tax benefits induced by a different regulatory context. The Board of Directors, having heard the favourable opinion of the Remuneration and Nominations Committee, has approved this adjustment, being in line with the Policy which allows adjustments for exceptional items on an equitable basis.

On the basis of the performance achieved, the overall remuneration for the Chief Executive Officer in office until 1<sup>st</sup> December 2021, to be paid as short-term variable component relating to the 2021 performance period, is

therefore equal to € 957,240 gross, equal to 79,77% of the gross annual remuneration. The incentive accrued in 2021 as MBO will be paid in 2022 in accordance with the procedures set out in the MBO system. This short-term variable remuneration represents 44% of the total remuneration received by the Chief Executive Officer, calculated as the sum of fixed remuneration and short-term and long-term variable remuneration relating to 2021.

### Group General Manager

As regards the Group General Manager, the level of achievement of the objectives approved by the Board of Directors is shown below:

CIRCUIT BREAKER	ON/OFF CONDITION
Group Operating Income*	ON
OBJECTIVES	LEVEL OF ACHIEVEMENT
<b>ECONOMIC AND FINANCIAL OBJECTIVES (80%)</b> set excluding new M&A/licensing transactions related to products already on the market, performed during the reference financial year	
Group Operating Income* (40%)	Threshold level achieved
Group Net Revenues (24%)	Threshold level achieved
Group Net Profit* (16%)	Intermediate between threshold (Budget) and maximum achievement
<b>QUALITY OBJECTIVES (20%)</b>	
1. Presentation of the 'Recordati Group ESG Roadmap' 2. Support and participation in the evaluation of at least 2 Acquisition/ Licensing operations or other significant transactions signed in 2021	Maximum achievement

\* Adjusted for the impact of exceptional, non-recurring costs related to extraordinary transactions as mentioned before

On the basis of the performance achieved, the overall remuneration for the General Manager, to be paid as short-term variable component relating to the 2021 performance period, is therefore equal to € 198.900 gross, equal to 44,2% of the gross annual remuneration. The incentive accrued in 2021 as MBO will be paid in 2022 in accordance with the procedures set out in the MBO scheme. This short-term variable remuneration represents 24% of the total remuneration received by the Group General Manager, calculated as the sum of fixed remuneration and short-term and long-term variable remuneration relating to 2021.

### Key Management Personnel

The other Key Management Personnel<sup>10</sup> members have accrued - on the basis of the performance achieved in relation to the MBO system - an overall annual variable remuneration of € 822.970 gross.

Overall, the amount of variable remuneration granted to Key Management Personnel is on average equal to 25%

<sup>10</sup> In office as at 31.12.2021 there are 6 executives with strategic responsibilities who are employees of the Company, to which an executive with strategic responsibilities who are employees of the Company and two managers with strategic responsibilities of subsidiaries who ceased in the course of 2021 must be added for the purposes of representation in this Section



of the gross annual remuneration.

## Transaction Bonus

Based on the performance achieved in 2021, they have been disbursed (€ 75,000) or will be disbursed (€ 190,000) to some Key Personnel, as transaction bonuses. The bonus awarded to one of the key personnel in relation to the acquisition of EUSA Pharma is equal to 55.5% of the fixed pay, with deviation from the 30% cap set by the Policy and therefore has been specifically approved by the Board of Directors, subject to the opinion of the Remuneration and Nominations Committee as the Related-Party Committee Responsible. The deviation was justified by taking into account the fundamental role played by the manager in one of the most important transactions of the Recordati Group, both in terms of size and strategic importance, finalized in exceptionally tight timeframe, and the company's interest in encouraging the permanence within the group of this manager, fundamental for the achievement of the business plan and more generally for the pursuit of the long-term interests of the company.

## Long-term variable incentive

As at 31<sup>st</sup> December 2021, the following long-term incentive plans are in place:

- 2014-2018 Stock Option Plan;
- 2018-2022 Stock Option Plan.
- 2021-2023 Stock Option Plan

### *Chief Executive Officer*

For the Chief Executive Officer in office until 1<sup>st</sup> December 2021, with reference to the long-term incentive scheme, given that the performance condition relating to the Group's Consolidated Net Income has been met, the following options have matured:

- 27,000 options, assigned in 2016, in relation to the 2014-2018 Stock Option Plan;
- 50,000 options, assigned in 2018, in relation to the 2018-2022 Stock Option Plan.

During 2021, the Chief Executive Officer did not exercise option rights.

The remaining options, already assigned and not yet matured in 2021, will mature in the next years according to the timeframe set out in the Plan Regulations.

For the Chief Executive Officer in office from 1<sup>st</sup> December 2021, with reference to the long-term incentive scheme, he was entitled to receive:

- 130,000 options, assigned in 2021, in relation to the 2021-2023 Stock Option Plan.

The fair value of the options relating to 2021 assigned to the Chief Executive Officer is € 19,471. This value represents 13% of the total remuneration received by the Chief Executive Officer, calculated as the sum of fixed remuneration and short-term and long-term variable remuneration relating to 2021

It should be noted that in Table 1 column 7 (fair value of equity plans), the amount indicated therein does not include the fair value of an incentive plan, with a vesting period of 5 years, granted and fully financed by Rossini Luxembourg S.à r.l., indirect shareholder of Recordati SpA, in favour of the Chief Executive Officer (as well as, as illustrated in the following paragraph, in favour of key management personnel). For more details, please refer to the following paragraph on key management personnel.

### *Group General Manager*

For the Group General Manager, with reference to the long-term incentive scheme, given that the performance condition relating to the Group's Consolidated Net Income has been met, the following options have matured:

- 27,000 options, assigned in 2016, in relation to the 2014-2018 Stock Option Plan;
- 32,500 options, assigned in 2018, in relation to the 2018-2022 Stock Option Plan;

During 2021, the Group General Manager exercised the following options:

- 60,000 options of the 2014-2018 Stock Option Plan, matured in relation to the 2018 and 2019 assignment.

The remaining options, already assigned and not yet matured in 2021, will mature in the next years according to the timeframe set out in the Plan Regulations.

The fair value of the options relating to 2021 assigned to the Group General Manager is € 124.221. This value represents 15% of the total remuneration received by the Group General Manager, calculated as the sum of fixed remuneration and short-term and long-term variable remuneration relating to 2021.

### Key Management Personnel

Also, for the other Key Management Personnel members, with reference to the long-term incentive scheme, given that the performance condition relating to the Group's consolidated net income has been met, the following options have matured:

- a total of 83,250 options assigned to six (6) Managers of the Company with Strategic Responsibilities in 2016 in relation to the 2014-2018 Stock Option Plan;
- a total of 131,250 options assigned to six (6) Managers of the Company with Strategic Responsibilities in 2018 in relation to the 2018-2022 Stock Option Plan;
- a total of 17,000 options assigned to two (2) Managers of subsidiaries with Strategic Responsibilities in 2016 in relation to the 2014-2018 Stock Option Plan;
- a total of 37,500 options assigned to two (2) Managers of subsidiaries with Strategic Responsibilities in 2018 in relation to the 2018-2022 Stock Option Plan.

During 2021, the 6 Key Management Personnel exercised the following options:

- a total of 48,000 options of the 2014–2018 Stock Option Plan, matured in relation to the 2016 assignment;
- a total of 37,500 options of the 2018–2022 Stock Option Plan, matured in relation to the 2018 assignment.

During 2021, the 2 Managers of subsidiaries with Strategic Responsibilities, instead, exercised the following options:

- a total of 22,000 options of the 2014-2018 Stock Option Plan, matured in relation to the 2016 assignment;
- a total of 37,500 options of the 2014-2018 Stock Option Plan, matured in relation to the 2018 assignment.

The remaining options, already assigned and not yet matured in 2021, will mature in the next years according to the time scales provided for in the Plan Regulations.

It should be noted that in Table 1, column 7 (fair value of equity compensation), the amounts indicated do not include the fair value relating to the incentive plan, with a maturity period of 5 years, granted, starting from 2019, and fully financed by Rossini Luxembourg S.à.r.l., indirect shareholder of Recordati S.p.A., in favour of key management personnel, as well as, finally, the Chief Executive Officer. These subjects will benefit from a return at the end of the plan and when certain performance conditions are met. The recognition of this incentive plan in accordance with IFRS 2 resulted in a charge in the 2021 income statement of € 1.3 million, against a corresponding increase in equity.

## 5. Remuneration for participation in board committees and for members of the Board of Statutory Auditors

Remuneration paid for members of Committees was paid - eventually on a *pro rata temporis* basis - the following fixed fees:

Remuneration and Nominations Committee		Risk, Control and CSR Committee	
Chair	€ 15,000	Chair	€ 20,000
Member	€ 10,000	Member	€ 10,000

Below is the remuneration to the members of the Board of Statutory Auditors - eventually paid:

Board of Statutory Auditors	
Chair	€ 62,000

Statutory Auditor

€ 45,000

## 6. Non-monetary benefits

During 2021 benefits were awarded in line with the Policy, with regard to the Chief Executive Officer and the other Key Management Personnel members, the value of which is shown in Table 1.

## 7. Information on the consequences of termination of employment or management relationship

During 2021, an amount of € 350,768.46 was paid to Mr. Andrea Recordati as an end-of-term treatment received for each year of the term of office of the CEO.

No further severance payments were paid to Executive Directors and Executives with Strategic Responsibilities.

## 8. Annual variations in remuneration paid and corporate performance

In line with the requirements introduced by the updated version of the Issuers' Regulation published by Consob and in light of the remuneration paid described in this Section of the 2022 Report on the Remuneration Policy and the Remuneration Paid, the following is a comparison, considering the 2019, 2020 and 2021 Financial Years, of the annual variations:

- in the total remuneration paid to the members of the Board of Directors and the Board of Statutory Auditors in office in the entire period taken into consideration (from 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2021), calculated as the sum of fixed remuneration, including the remuneration for the Board and Committees membership, and variable short- and long-term remuneration;
- in the Company's results, expressed in terms of EBITDA;
- in the average gross annual remuneration of the Company's employees, excluding the Chief Executive Officer and the Group General Manager, calculated as the sum of the fixed annual remuneration, the MBO plan, the Product Bonus, the Participation Bonus and any one-off payments made during the year.

### BOARD OF DIRECTORS

NAME	POSITION	Δ 2021-2020	Δ 2021-2019
Andrea Recordati	Chief Executive Officer (until 30 November 2021) and after Chair	17%*	-3%*
Alfredo Altavilla	Chair until 30 November 2021	22%**	307%**
Michaela Castelli	Director	0%	2%
Giampiero Mazza	Director	0%***	0%***
Cathrin Petty	Director	0%***	0%***
Fritz Squindo	Director	13%	-16%
Guido Guidi	Director	0%****	N/D
Francesco Balestrieri	Director (until al 16 <sup>th</sup> December 2021)	0%	N/D
Silvia Candini	Director	0%	11%
Joanna Le Couilliar	Director	-4%	-3%
Piergiorgio Peluso	Director N/D Director from 29/04/2020	49%*****	N/D Director from 29/04/2020
Giorgio De Palma	Director	0%****	0%****

<b>Robert Koremans</b>	Chief Executive Officer from 1 <sup>st</sup> December 2021	N/D *****	N/D
<b>Kim Stratton</b>	Director (from 16 <sup>th</sup> December 2021)	0%****	0%****

\* Chief Executive Officer until 30 November 2021 and after Chair

\*\* Chair until November 30<sup>th</sup>, 2021

\*\*\* Director has waived any remuneration for the position of Director

\*\*\*\* Director from 29/04/2020

\*\*\*\*\* Director from 29/04/2020

\*\*\*\*\* Chief Executive Officer from 1st December 2021

## BOARD OF STATUTORY AUDITORS\*

NAME	POSITION	Δ 2021-2020	Δ 2021-2019
Antonio Santi	Chair	7%	24%
Ezio Simonelli	Statutory Auditor (from 29/04/2020)	50%**	N/D
Livia Amidani Alibert	Statutory Auditor	7%	29%

\* Please note that on 29<sup>th</sup> April 2020 the Shareholders' Meeting has appointed the new Board of Statutory Auditors and has established the remuneration for the new Statutory Auditors, on the basis of the benchmarking analysis conducted by Willis Towers Watson on the remuneration practices in industrial and services companies belonging to FTSE MIB index. The fixed remuneration for Statutory Auditors has been:

- For the Chair: € 50,000 on yearly basis until 29<sup>th</sup> April 2020 and € 62,000 on yearly basis from April 29<sup>th</sup>, 2020;
- For the Statutory Auditors: € 35,000 on yearly basis until 29<sup>th</sup> April 2020 and € 45,000 on yearly basis from April 29<sup>th</sup>, 2020.

\*\* Statutory Auditor from 29/04/2020

## CORPORATE PERFORMANCE

PARAMETER	Δ 2021-2020	Δ 2021-2019
EBITDA*	6%	11%

\* Net income before income taxes, financial income and expenses, depreciation and write down of both property, plant and equipment, intangible assets and goodwill, and non-recurring events.

## AVERAGE EMPLOYEE REMUNERATION

PERIMETER	Δ 2021-2020	Δ 2021-2019
Total number of employees as at 31 <sup>st</sup> December*	0.4%	2.1%

\* Excluding the Chief Executive Officer and the Group General Manager.

# Part II

**Table 1 - Remuneration paid to Directors, Statutory Auditors, General Managers and other Key Management Personnel**  
(€000)

Tab 1												
Remuneration paid to Directors (*)												
A  Name and Surname	B  Position	C  Period in which the office was held (A)	D  Date at which the office ends	1  Fixed remuneration	2  Remuneration for attendance on committees	3		4  Non-monetary benefits (C)	5  Other remuneration (D)	6  TOTAL	7  Fair Value of equity remuneration (E)	8  Severance indemnity for end of office or termination of employment
						Bonuses and other incentives (B)	Share in profits					
Board of Directors												
Andrea Recordati	CEO from 01.01.2021 to 30.11.2021 Chair from 01.12.2021 to 31.12.2021	01.01.2021 31.12.2021	Approval of the financial statements as at 31.12.2021									
(I) Fees in the company which draws up the financial statements				(i) 60 (ii) 20 (iii) 1.045		957				1.017 20 1.129	106	(iv) 351
(II) Fees from subsidiaries or affiliate companies												
(III) Total				1.125		957		84		2.167	106	351
Guido Angelo Giovanni Guidi	Vice-Chair	01.01.2021 31.12.2021	Approval of the financial statements as at 31.12.2021									
(I) Fees in the company which draws up the financial statements				(i) 60						60		
(II) Fees from subsidiaries or affiliate companies												
(III) Total				60						60		

<b>Robert Koremans</b>	CEO from 01.12.2021 to 31.12.2021	01.12.2021 31.12.2021	Approval of the financial statements as at 31.12.2021								
(I) Fees in the company which draws up the financial statements				(i)	5					5	19
				(iii)	49			2	(vi)	79	130
(II) Fees from subsidiaries or affiliate companies											
(III) Total					54			2		79	135
<b>Silvia Elisabetta Candini</b>	Director	01.01.2021 31.12.2021	Approval of the financial statements as at 31.12.2021								
(I) Fees in the company which draws up the financial statements				(i)	60	(vii)	10			70	
						(viii)	10			10	
(II) Fees from subsidiaries or affiliate companies											
(III) Total					60		20			80	
<b>Michaela Castelli</b>	Director	01.01.2021 31.12.2021	Approval of the financial statements as at 31.12.2021								
(I) Fees in the company which draws up the financial statements				(i)	60	(vii)	10			70	
						(viii)	10			10	
						(ix)	10			10	
(II) Fees from subsidiaries or affiliate companies											
(III) Total					60		30			90	
<b>Giorgio DE PALMA</b>	Director	01.01.2021 31.12.2021	Approval of the financial statements as at 31.12.2021								
(I) Fees in the company which draws up the financial statements				(x)	0					0	
(II) Fees from subsidiaries or affiliate companies											
(III) Total					0					0	
<b>Joanna Susan Le Couilliard</b>	Director	01.01.2021 31.12.2021	Approval of the financial statements as at 31.12.2021								
(I) Fees in the company which draws up the financial statements				(i)	60	(vii)	10			70	
						(xi)	5			5	
(II) Fees from subsidiaries or affiliate companies											
(III) Total					60		15			75	

Giampiero Mazza	Director	01.01.2021 31.12.2021	Approval of the financial statements as at 31.12.2021										
(I) Fees in the company which draws up the financial statements				(xii)	0						0		
(II) Fees from subsidiaries or affiliate companies													
(III) Total					0						0		
Piergiorgio Peluso	Director	01.01.2021 31.12.2021	Approval of the financial statements as at 31.12.2021										
(I) Fees in the company which draws up the financial statements				(i)	60	(viii)	10					70	
(II) Fees from subsidiaries or affiliate companies													
(III) Total					60		10					70	
Cathrin Petty	Director	01.01.2021 31.12.2021	Approval of the financial statements as at 31.12.2021										
(I) Fees in the company which draws up the financial statements				(xiii)	0							0	
(II) Fees from subsidiaries or affiliate companies													
(III) Total					0							0	
Fritz Squindo	Director	01.01.2021 31.12.2021	Approval of the financial statements as at 31.12.2021										
(I) Fees in the company which draws up the financial statements				(i)	60			199		3		262	124
				(xv)	450							450	
(II) Fees from subsidiaries or affiliate companies													
(III) Total					510					3		712	124
Kim Narelle Stratton	Director	16.12.2021 31.12.2021	Approval of the financial statements as at 31.12.2021										
(I) Fees in the company which draws up the financial statements				(i)	3							3	
(II) Fees from subsidiaries or affiliate companies													
(III) Total					3							3	
				Remuneration paid to Directors whose office ended during the 2021 Financial Year									
Alfredo Altavilla	Chair up to 30.11.2021	01.01.2021 30.11.2021	Office ends at 30.11.2021										
				(i)	55							55	
				(ii)	165							165	

(II) Fees from subsidiaries or affiliate companies											
(III) Total				220					220		
<b>Francesco Balestrieri</b>	Director up to 30.11.2021	01.01.2021 14.10.2021	Office ends at 30.11.2021								
(I) Fees in the company which draws up the financial statements				(i)	48				(xiv)	24	72
(II) Fees from subsidiaries or affiliate companies											
(III) Total					48					72	

				<b>Remuneration paid to Statutory Auditors</b>							
<b>Antonio Santi</b>	Chair	01.01.2021 31.12.2021	Approval of the financial statements as at 31.12.2021								
(I) Fees in the company which draws up the financial statements					62					62	
(II) Fees from subsidiaries or affiliate companies											
(III) Total					62					62	
<b>Livia Amidani Aliberti</b>	Statutory Auditor	01.01.2021 31.12.2021	Approval of the financial statements as at 31.12.2021								
(I) Fees in the company which draws up the financial statements					45					45	
(II) Fees from subsidiaries or affiliate companies											
(III) Total					45					45	
<b>Ezio Simonelli</b>	Statutory Auditor	01.01.2021 31.12.2021	Approval of the financial statements as at 31.12.2021								
(I) Fees in the company which draws up the financial statements					45					45	
(II) Fees from subsidiaries or affiliate companies											
(III) Total					45					45	
				<b>Remuneration paid to Key Management Personnel</b>							
Seven (7) Key Management Personnel members of the Company (*) Two (2) Key Management Personnel members of subsidiaries (*)											



(I) Fees in the company which draws up the financial statements	2.565		927		20		3.512	522	
(II) Fees from subsidiaries or affiliate companies	590		161		38		790	99	
(III) Total	3.155		1.088		59		4.302	621	

(B) This value corresponds to what is indicated in Table 3B with regard to the sum of: (i) payable bonus of the year; (ii) deferred bonus of the year; (iii) other bonuses.

(C) This item includes the taxable value of the non-monetary benefits for which the company offers a good and/or service by directly assuming payment of the same.

(D) The amounts shown include monetary benefits paid directly by the company to the employee.

(E) These values correspond to what is indicated in Table 3A with regard to the "Fair Value of the financial instruments attributable to the year".

*(i) Fees within the competence of the shareholders' meeting, even if not paid.*

*(ii) Remuneration for special offices pursuant to Article 2389 paragraph 3 cc as Chief Executive Officer from 01.01.2021 to 30.11.2021*

*(iii) Remuneration for special offices pursuant to Article 2389 paragraph 3 cc as Chairman from 01.12.2021*

*(iv) Due to the termination of the office of Chief Executive Officer on 30 November 2021, a sum of € 350,768.46 was paid (see Press Release of 16 December) as end-of-term treatment for the office of Chief Executive Officer*

*(v) Consulting agreement with Recordati SpA*

*(vi) Amount recognised as non-compete obligations*

*(vii) Amount recognized for participation in the Remuneration and Nomination Committee*

*(viii) Amount recognized participation in the Control, Risk and Sustainability Committee.*

*(ix) Amount recognized as Chairman of the Control, Risk and Sustainability Committee.*

*(x) Mr. Giorgio De Palma has waived any remuneration for the position of Director.*

*(xi) Amount recognised as Chairman of the Remuneration and Nomination Committee*

*(xii) Dr. Giampiero Mazza has waived any compensation for the position of Director*

*(xiii) Dr. Cathrin Petty has waived any compensation for the position of Director.*

*(xiv) Consulting contract*

*with Recordati SpA*

*(xv) Fixed salaries from employment gross of social security and tax charges borne by the employee, excluding the collective mandatory social security charges borne by the Company.*

(\*) Of which a key management personnel employed by the Company and two key management personnel of subsidiaries ceased during 2021. In office as of 31.12.2021 there are 6 key management personnel employed by the Company.

Table 2 - Stock Options assigned to Directors, General Managers and other Key Management Personnel members

Stock options granted to Directors, General Managers and other Key Management Personnel members																
		Options held as at 01.01.2021			Options assigned in 2021						Options exercised in 2021			Options expired in 2021	Options held as at 31.12.2021	Options related to 2021
A	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15= 2+5-11-14	16
Name and Surname and position held as at 31.12.2021	Plan - Resolution date	Number of options	Exercise price (€)	Exercise period (from - to)	Number of options	Exercise price (€)	Exercise period (from - to)	Fair value as at date of assignment (€)	Date of assignment	Market price of Recordati share as at date of assignment of options (€)	Number of options	Exercise price (€)	Market price of Recordati share as at exercise date (€)	Number of options	Number of options	Fair value (€)
Andrea Recordati Chair	Plan 2014-2018 - 17.04.2014	45.000	12,29	2018*-31.12.22										0	398.000	105.716
		45.000	12,29	2019*-31.12.22												
		27.000	21,93	2018*-31.12.24												
		27.000	21,93	2019*-31.12.24												
		27.000	21,93	2020*-31.12.24												
		27.000	21,93	2021*-31.12.24												
	Plan 2018-2022 - 18.04.2018	50.000	30,73	2020*-31.12.26												
		50.000	30,73	2021*-31.12.26												
		50.000	30,73	2022*-31.12.26												
		50.000	30,73	2023*-31.12.26												
Robert Koreman	Plan 2021-				130.000	56,01	2024*-31.12.29		1.12.2021	55,02				0	130.000	19.471

s CEO	2023 - 20.04.20 21															
Fritz Squindo Group General Manager	Plan 2014- 2018 - 17.04.20 14	45.000	12,29	2018*- 31.12.22							30.000	12,29	45,21	0	333.000	124.221
		45.000	12,29	2019*- 31.12.22							20.000	12,29	45,33			
											10.000	12,29	45,48			
		27.000	21,93	2018*- 31.12.24												
		27.000	21,93	2019*- 31.12.24												
		27.000	21,93	2020*- 31.12.24												
		27.000	21,93	2021*- 31.12.24												
	Plan 2018- 2022 - 18.04.20 18	32.500	30,73	2020*- 31.12.26												
		32.500	30,73	2021*- 31.12.26												
		32.500	30,73	2022*- 31.12.26												
		32.500	30,73	2023*- 31.12.26												
	Plan 2021- 2023 - 20.04.20 21				65.000	45,97	2023*- 31.12.29		06.05.20 21	44,47						
N. 7 Key Manage ment Personne l members of the Company (*) (B)	Plan 2014- 2018 - 17.04.20 14	117.250	12,29	2018*- 31.12.22							30.000	12,29	45,21	0	1.011.000	439.154
		121.250	12,29	2019*- 31.12.22							20.000	12,29	45,33			
											10.000	12,29	45,48			
		92.250	21,93	2018*- 31.12.24							13.000	21,93	44,33			
		107.250	21,93	2019*- 31.12.24							5.000	21,93	45,94			
			21,93	2020*- 31.12.24							10.000	21,93	46,04			
		107.250														

		152.250	21,93	2021*- 31.12.24							5.000	21,93	46,12			
											10.000	21,93	46,32			
											5.000	21,93	52,60			
	Plan 2018- 2022 - 18.04.20 18	191.250	30,73	2020*- 31.12.26		30,73	2020*- 31.12.26				10.000	30,73	45,32			
		191.250	30,73	2021*- 31.12.26		30,73	2021*- 31.12.26				10.000	30,73	45,94			
		191.250	30,73	2022*- 31.12.26		30,73	2022*- 31.12.26				2.500	30,73	46,32			
		191.250	30,73	2023*- 31.12.26		30,73	2023*- 31.12.26				5.000	30,73	46,96			
		191.250	30,73								5.000	30,73	47,34			
											5.000	30,73	47,37			
	Plan 2021- 2023 - 20.04.20 21				320.000	45,97	2023*- 31.12.29		06.05.20 21	44,47						
N. 2 Key Manage- ment Personne l members of subsidiari es (*)	Plan 2014- 2018 - 17.04.20 14	12.000	21,93	2018*- 31.12.24							10.000	21,93	48,17	0	173.500	99.431
		12.000	21,93	2019*- 31.12.24							12.000	21,93	49,19			
		17.000	21,93	2020*- 31.12.24												
		17.000	21,93	2021*- 31.12.24												
	Plan 2018- 2022 - 18.04.20 18	37.500	30,73	2020*- 31.12.26							12.500	30,73	56,72			
		37.500	30,73	2021*- 31.12.26							25.000	30,73	45,17			
		37.500	30,73	2022*- 31.12.26												
		37.500	30,73	2023*- 31.12.26												
	Plan 2021- 2023 - 20.04.20 21				25.000	45,97	2023*- 31.12.29		06.05.20 21	44,47						

\* 30 days after the Shareholders' Meeting approving the financial statements of the previous financial year.

(\*) As at 31st December 2021, 6 Key Management Personnel members were in office at the Company

**Table 3B - Monetary incentive plans for Directors, General Managers and other Key Management Personnel**

Cash plans granted to Directors, General Managers and other Key Management Personnel members									
A	B	1	2			3			4
Name and Surname	Position	Plan	Bonus for 2021			Bonuses for prior years			Other Bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / paid	Deferred	Deferment period	No longer payable	Payable / paid	Still deferred	
Andrea Recordati	Chief Executive Officer from 01.01.2021 to 30.11.2021 Chair from 01.12.2021 to 31.12.2021	2021 MBO	957.240						
Fritz Squindo	Group General Manager	2021 MBO	198.900						
Six (6) Key Management Personnel members of the Company (*)		2021 MBO	661.815						265.000(**)
Two (2) Key Management Personnel members of subsidiaries (*)		2021 MBO	161.155						
<b>Total</b>			1.979.110	0	0	0	0	0	265.000(**)

(\*) Of which a Key Management Personnel employed by the Company and two Key Management Personnel of subsidiaries ceased during 2021. In office as of 31.12.2021 there are 6 Key Management Personnel employed by the Company.

(\*\*) Transaction bonus

**Table 4 - Shares held by Directors, Statutory Auditors, General Managers and other Key Management Personnel**

Board of Directors (Name and Surname)	Position	Recordati S.p.A. type of shares	No. of shares held as at 31.12.2020	No. of shares purchased in 2021	No. of shares sold in 2021	No. of shares held as at 31.12.2021
<b>DIRECTORS IN OFFICE AS AT 31<sup>ST</sup> DECEMBER 2021</b>						
<i>Andrea Recordati (1)</i>	Chair	ordinary	0	0	0	0
<i>Guido Guidi</i>	Vice-Chair	ordinary	0	0	0	0
<i>Robert Koremans (2)</i>	Chief Executive Director	ordinary	0	0	0	0
<i>Silvia Candini</i>	Director	ordinary	0	0	0	0
<i>Michaela Castelli</i>	Director	ordinary	0	0	0	0
<i>Giorgio De Palma</i>	Director	ordinary	0	0	0	0
<i>Joanna Le Couilliard</i>	Director	ordinary	0	0	0	0
<i>Giampiero Mazza</i>	Director	ordinary	0	0	0	0
<i>Piergiorgio Peluso</i>	Director	ordinary	0	0	0	0
<i>Cathrin Petty</i>	Director	ordinary	0	0	0	0
<i>Fritz Squindo</i>	Director	ordinary	142.000	60.000*	60.000*	142.000
<i>Kim Stratton (3)</i>	Director	ordinary	0	0	0	0
<b>DIRECTORS NO LONGER IN OFFICE AT 31<sup>ST</sup> DECEMBER 2021</b>						
<i>Alfredo Altavilla (4)</i>	Chair	ordinary	0	0	0	0
<i>Francesco Balestrieri (5)</i>	Director	ordinary	0	0	0	0

\* Shares resulting from the exercise of stock options.

(1) Appointed Chairman of the Board of Directors on 01.12.2021. On the same date, the resignation given on 16.07.2021 relating to the office of Chief Executive Officer became effective.

- (2) Appointed on 01.12.2021.  
 (3) Appointed on 16.12.2021.  
 (4) Ceased due to resignation given on 16.07.2021 with effect from 01.12.2021.  
 (5) Ceased due to resignation on 11.10.2021 with effect from 15.10.2021.

	Recordati S.p.A. type of shares	No. of shares held as at 31.12.2020	No. of shares purchased in 2021	No. of shares sold in 2021	No. of shares held as at 31.12.2021
Nine (9) Key Management Personnel members (*)	ordinary	13.000	145.000*	149.000*	9.000

(\*) Of which a Key Management Personnel employed by the Company and two Key Management Personnel of subsidiaries ceased during 2021. In office as of 31.12.2021 there are 6 Key Management Personnel employed by the Company.

\* Shares resulting from the exercise of stock options.

Board of Statutory Auditors (Name and Surname)	Position	Recordati S.p.A. type of shares	No. of shares held as at 31.12.2020	No. of shares purchased in 2021	No. of shares sold in 2021	No. of shares held as at 31.12.2021
<b>BOARD OF STATUTORY AUDITORS IN OFFICE AS AT 31<sup>ST</sup> DECEMBER 2021</b>						
Antonio Santi	Chair	ordinary	0	0	0	0
Livia Amidani Aliberti	Statutory Auditor	ordinary	0	0	0	0
Ezio Simonelli	Statutory Auditor	ordinary	0	0	0	0