

# **RECORDATI S.P.A.**

## **CORPORATE GOVERNANCE REPORT**

### **FINANCIAL YEAR 2008**

pursuant to article 124 *bis* of the Consolidated Financial Act, article 89 *bis* of Consob Issuers' Regulations and article IA.2.6 of Borsa Instructions

Approved 3 March 2009 by the Board of Directors

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

## DEFINITIONS

**CG Code:** the Corporate Governance Code for listed companies approved by the Corporate Governance Committee in March 2006 and promoted by Borsa Italiana S.p.A.

**CC:** the Italian Civil Code.

**Board:** the Board of Directors of the Company.

**Year:** the financial year that ended 31 December 2008.

**Borsa Instructions:** instructions for the Borsa Regulations governing the markets organized and managed by Borsa Italiana S.p.A..

**Borsa Regulations:** regulations governing the markets organized and managed by Borsa Italiana S.p.A..

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

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

**Report:** this corporate governance report compiled pursuant to article 124 *bis* of the Consolidated Financial Act, article 89 *bis* of Consob Issuers' Regulations and article IA.2.6 of Borsa Instructions.

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

**By-Laws:** the By-Laws of the Company.

**TUF:** Legislative Decree no. 58 dated 24 February 1998, (*Testo Unico della Finanza*) the Consolidated Financial Act.

## 1. OVERVIEW

The Company and the Group that it leads perform research and development, production, marketing and sales of pharmaceuticals and pharmaceutical chemicals. They perform their activities in the principal European countries. The primary objective of the corporate governance system is the creation of value for shareholders, without, however, losing sight of the social importance of the activity performed and of all the stakeholders involved.

The corporate governance structure of the Company is based on a conventional organisational model and therefore consists of the following corporate bodies: (i) the Shareholders' Meeting, (ii) the Board of Directors, (iii) the Board of Statutory Auditors. Accounting control is delegated, in compliance with the relative legislation in force, to a firm of auditors registered in the special roll maintained by the Consob.

The Board of Directors has formed two committees from among its members with consultative and proposal-making functions: the Remuneration Committee and the Internal Audit Committee

The Company observes the CG Code, in accordance with the procedures contained in this report.

Unless otherwise indicated, the information contained in this report relates to the date of its approval by the Board of Directors (3 March 2009).

## 2. DISTRIBUTION OF SHARES (at 3 March 2009)

### a) Structure of share capital

The subscribed and paid in share capital amounts to Euro 26,063,457.00 and is represented by 208,507,656 ordinary shares each with a par value of . Each share entitles the holder to a proportional part of the profits allocated for distribution; art. 29 of the By-Laws provides that the net profits on the balance sheet are to be distributed as follows: (a) 5% (five percent) to the legal reserve fund up to the amount established by the law; (b) the remainder, unless the Shareholders' Meeting, as proposed by the Board, resolves to allocate funds for extraordinary reserves or for other purposes, or to postpone part or all of the distribution to all shares to successive years, to be distributed to all shares.

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

The document entitled "Information on Recordati S.p.A.'s stock option plans" distributed to the market on 17 September 2007 and available on the Company website ( at address [http://www.recordati.it/rec\\_it/investors/releases/2007/2007-09-17/](http://www.recordati.it/rec_it/investors/releases/2007/2007-09-17/)) may be consulted for information on existing stock option plans and increases in the share capital at the service of those plans, as may page 135 of the draft separate company annual report.

### b) Restrictions on transfer of securities

The shares of the Company are freely transferable.

**c) Significant holdings in share capital**

The significant holdings, both direct and indirect, in share capital are indicated below, as results from the communications in accordance with TUF art. 120, updated in accordance with the information available to the Company.

Declarant	Shareholder	Percentage (%) of ordinary share capital	Percentage (%) of voting share capital
<b>FIMEI S.p.A.</b>	<b>FIMEI S.p.A</b>	51,269%	51,269%
	<b>RECORDATI S.P.A.*</b>	5,502%	5,502%
	<b>Total</b>	56,771%	56,771%
<b>TORRE S.S</b>	<b>TORRE S.S</b>	3,355%	3,355%
<b>JP MORGAN ASSET MANAGEMENT (UK) LIMITED</b>	<b>JP MORGAN ASSET MANAGEMENT (UK) LIMITED</b>	2,001%	2,001%

\* Treasury stock, without voting rights in accordance with the law

**d) Securities with special rights**

No securities with special rights of control have been issued.

**e) Share holding by employees: exercise of voting rights**

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

**f) Restrictions on voting rights**

There are no restrictions on voting rights.

**g) Shareholders' agreements**

The Company has no knowledge of the existence of shareholders' agreements pursuant to TUF art. 122.

**h) Appointment and substitution of Directors and amendments to the By-laws**

The appointment and replacement of directors is regulated by articles 15, 16 and 18 of the By-Laws which are reproduced in full below:

*“Art. 15) – The Company is governed by a Board of Directors composed of six to sixteen members; the Shareholders' Meeting shall establish the number, pursuant to CC art. 2380 bis.*

*The directors may be appointed for a term of no more than three years, and they may be re-elected. They step down, are re-elected or substituted in accordance with the law and the By-laws.*

*The directors must have the qualifications established by provisions in force at the time; among them, a minimum number of Directors, corresponding to the minimum number established by the same provisions, must be qualified as independent, pursuant to TUF art. 148, third paragraph.*

*A director who loses the mandatory qualifications must step down. A Director who loses the characteristics of independence as defined above may remain in office if the same qualifications are still possessed by the minimum number of directors established by applicable laws and regulations.*

*Art. 16) The Board of Directors shall be appointed from lists of candidates presented by shareholders, according to the procedures as indicated below, in which the candidates are identified by progressive numbers.*

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

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

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

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

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

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

- a) all of the Directors to be appointed, except one, will be selected from the list that obtained the greatest number of shareholders' votes, following the progressive order in which they are listed on the list;*
- b) the remaining director shall be the candidate placed at the number one position on the minority list, which shall not be connected in any way, even indirectly, with the shareholders who submitted or voted for the list indicated in letter a) above, which obtains*

*the second-highest number of votes registered by shareholders. For this purpose, lists that did not obtain a percentage of votes equal to at least half of that required for presentation of the lists as at the fourth paragraph of this article will not be considered.*

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

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

*If only one list is presented, all of the Directors will be selected from the same list. If no list is presented the Shareholders' Meeting will decide by legal majority, without following the procedure as above.*

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

*Art. 18) If, during the course of the year one or more directors is no longer available, and the majority of the Directors was designated by the Shareholders' Meeting, the following procedure will be followed pursuant to CC art. 2386:*

*a) the Board of Directors will proceed to select a director among the candidates of the same list as the Director to be substituted, without being conditioned by the progressive numbering of the list, and the Shareholders' Meeting will decide the designation by legal majority, following the same criteria;*

*b) if there are no non-elected candidates on the aforementioned list or no candidates with the necessary qualifications, or it is not possible to follow the provisions as at letter a) for any reason, the Board of Directors will proceed with the substitution, and successively the Shareholders' Meeting shall do likewise, by legal majority without voting lists.*

*In any case, the Board and the Shareholders' Meeting will proceed with the appointment in such a way as to ensure the presence of at least the minimum number of independent directors, as required by the law and regulations in force at the time".*

It is important to note that in applying the CG Code, art. 16 of the By-laws, as reproduced above, requires the lists of candidates for the office of Director to be deposited at the registered office of the Company and made available to anyone who so requests for at least fifteen days prior to the date of the first call of the Shareholders' Meeting. It is also important to emphasize that only shareholders or groups of shareholders who singly or jointly hold shares with voting rights representing at least 2.5% of share capital with

voting rights at ordinary sessions of the Shareholders' Meeting will be entitled to present a list of candidates, or a lesser percentage established by compulsory provisions of laws or regulations. At present, in accordance with articles 144-quater and 144-septies of the Consob Issuers' Regulations no. 11971 of 14.4.1999, and Consob Regulation no. 16779 of 29 January 2008, the percentage continues to be 5% as specified in the By-laws. Minority lists are entitled to appoint one Director. With reference to the election mechanism adopted to select candidates from the various lists presented, art. 16 of the By-Laws establishes that all Directors except one are to be selected from the list that obtains the most votes from shareholders; the other Director will be the no. 1 candidate of the minority list that is not connected in any way, not even indirectly, with the list that obtained the most votes, nor with the shareholders who presented or voted the same, and obtained the second number of shareholders' votes. For this purpose, lists that did not obtain a percentage of votes equal to at least half of that required for presentation of the lists will not be considered.

\*

Amendments to By-Laws shall be made in accordance with the legislation in force. In accordance with Art. 23 of the By-Laws, the Board of Directors is responsible for compliance of the By-Laws with legislation and regulations in force.

**i) Authorisation for increase of share capital and acquisition of treasury shares**

The Board of Directors was authorized to increase share capital, pursuant to CC art. 2443, by a Shareholders' Meeting of 11 April 2007.

The increase in the share capital may be performed in one or more tranches, gratuitously or by payment, for a total maximum amount of € 50,000,000 within a period of no more than five years from the date of the resolution, by issuing ordinary shares and/or warrants for the subscription to such shares, to assign or to offer as an option to shareholders, with the right pursuant to the joint provisions of CC art. 2441, last paragraph and TUF art. 134, second paragraph, to offer subscription to the shares to Recordati S.p.A. employees or to subsidiaries of the Company in relation to the stock option plans decided by the Shareholders' Meeting (and therefore with the possibility to exclude the option rights to one fourth of the new issue).

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

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

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

In partial implementation of the authorization conferred on the Board of Directors by the Shareholders' Meetings held on 10 April 2002, (expired on 10 April 2007), on 14 May 2003, 7 April 2004 and 27 October 2004, the Board decided some increases in the capital by payment (to date only partially performed and which, with regard to those decided on 7 April 2004 and 27 October 2004 are still valid) at the service of the stock option plans adopted by the Company at the same time as it granted options as part of those same plans.



The By-Laws do not authorize the Board to issue financial instruments of participation.

\*

In ordinary session on 11 April 2008 the Shareholders' Meeting authorised the purchase of treasury shares, pursuant to CC articles 2357 and following, until approval of the financial statements at 31 December 2008, scheduled for 11 April 2009. In particular, the maximum number of shares that may be acquired, after accounting for the number of treasury shares already held in the Company's portfolio, is 20,000,000, which corresponds to a total potential payment of not more than € 120,000,000, at a minimum price not less than the nominal value of Recordati shares (€ 0,125) and a maximum price not greater than the average of official Borsa prices during the five sessions prior to the acquisition, increased by 5%. Acquisitions were made on regulated markets, in observance of art. 144*bis*, first paragraph, letter b), of the Consob Issuers' Regulations.

From 11 April 2007 to date, the Company has not acquired any treasury shares.

At the closing date of the Year, the Company held no. 11,472,355 treasury shares in portfolio, which represent 5,508% of the share capital.

**l) Change of control clauses**

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

In addition, a bond issue by the Luxembourg subsidiary, Recordati S.A. Chemical and Pharmaceutical Company, privately placed with international institutional investors and guaranteed by the Company, includes a clause, as is normal in financial operations of this type, which authorises the creditors to obtain an immediate refund if the control of the Company changes.

**m) Indemnity for Directors in the case of resignation, dismissal or termination of the relation following a takeover bid**

No agreements have been stipulated between the Company and the Directors that provide for payment of indemnities in the event of resignation, dismissal without just cause or interruption of the relation following a public takeover bid.



### 3. COMPLIANCE

The Company observes the CG Code, in accordance with the procedures contained in this report. Reasons are given where it has decided not to follow those principles or operating criteria.

Neither the Company nor its strategic subsidiaries are subject to foreign laws that influence the corporate governance structure of the Company itself.

### 4. MANAGEMENT AND COORDINATION

Although controlled by Fimef Finanziaria Industriale Mobiliare ed Immobiliare S.p.A., the Company is not subject to management and coordination by the same, pursuant to CC articles 2497 and following.

Fimef Finanziaria Industriale Mobiliare ed Immobiliare S.p.A. is a mere financial holding company with no operations of any kind; no procedures exist to furnish authorizations or instructions to the Company in its relations with the Parent Company.

The fully controlled Italian subsidiaries have acknowledged management and coordination by the Company and have fulfilled legal disclosure requirements in this respect.

### 5. BOARD OF DIRECTORS

#### 5.1. COMPOSITION

The members of the Board of Directors at the closing date of the Year are indicated below. They were elected by a Shareholders' Meeting on 11 April 2009. The term of the Board will expire at the Shareholders' Meeting convened to approve the financial statements at 31 December 2010.

The personal and professional characteristics of each Director are documented in Attachment 1 to this Report.

The list of offices held by each Director in other companies listed on regulated markets (even outside of Italy), and in financial, banking, insurance or large scale companies, is documented in Attachment 2 to this Report.

Name	Office	In office since	List	Executive	Non executive	Indep.	Indep. TUF	% BoD	Other offices
GIOVANNI RECORDATI	Chairman Man. Dir. and Gen Manager	11.4.2008	M	X				100%	0
ALBERTO RECORDATI	Dep. Chairman	11.4.2008	M	X				100%	0
MARIO GARRAFFO	Director	11.4.2008	M		X	X	X	86%	2

FEDERICO NAZZARI	Director	11.4.2008	M	X		X	100%	0
CARLO PEDERSOLI	Director	11.4.2008	M		X	X	100%	1
ANDREA RECORDATI	Director	11.4.2008	M	X			100%	0
MARCO VITALE	Director	11.4.2008	M		X	X (*)	86%	10
WILLIAM GUNNARSSON	Director	11.4.2008	M		X	X	100%	0
WALTER WENNINGER	Director	11.4.2008	M		X	X	80%	4

**M** = Director elected on the list voted by the majority.

**Indep.** = Director qualified as independent by the criteria established in the CG Code.

**Indep. TUF** = Director qualified as independent by the criteria established in TUF art. 148, paragraph 3.

**% BoD** = presence at Board meetings calculated as a percentage from the beginning of the year or from the date of entry into office.

**Other offices** = the total number of offices held in other companies listed on regulated markets (even outside of Italy), and in financial, banking, insurance or large scale companies.

(\*) The Board has qualified Prof. Marco Vitale as independent, even though he has been a Director of the Company for more than nine years during the past twelve and even though he provides professional services worth € 100,000.00 annually, considering that by his specific competence and professional commitment to constant control and stimulation of the Board, he has demonstrated to maintain his characteristics of independence and freedom of judgement in evaluating the operations carried out by management.

### Committee Membership

Name	Office	Remuneration Committee	% C.R.	Internal Control Committee	% ICC
MARIO GARRAFFO	Director			M	86%
FEDERICO NAZZARI	Director	M	100%		

CARLO PEDERSOLI	Director			M	100%
MARCO VITALE	Director			P	86%
WILLIAM GUNNARSSON	Director	M	100%		
WALTER WENNINGER	Director	P	100%		

**P** = Chairman.

**M** = Member.

**% RC** = presence at Remuneration Committee meetings calculated as a percentage from the beginning of the year or from the date of entry into office.

**% CCI** = presence at Internal Audit Committee meetings calculated as a percentage from the beginning of the year or from the date of entry into office.

The Director indicated below stepped down from office during the Year:

Name	Office	In office from/to	List	Executive	Non executive	Indep.	Indep TUF	% BoD	Other offices
ROMILDA BOLLATI DI ST. PIERRE	Director	6.4.2005 - 11.4.2008	M		X	X	X	100 %	0

**List M** = Director elected on the list voted by the majority.

**Indep.** = Director qualified as independent by the criteria established in the CG Code.

**Indep. TUF** = Director qualified as independent by the criteria established in TUF art. 148, paragraph 3.

**% BoD** = presence at Board meetings calculated as a percentage from the beginning of the year or from the date of entry into office.

**Other offices** = the total number of offices held in other companies listed on regulated markets (even outside of Italy), and in financial, banking, insurance or large scale companies.

### Maximum number of offices held in other companies

The Board of Directors has not set any general criterion for the maximum number of positions a director may hold as director or statutory auditor in other companies that are considered compatible with performing duties as a director of the Company. It has done this because it feels that it is best to allow individual directors to assess this compatibility themselves.

## 5.2. ROLE OF THE BOARD OF DIRECTORS

During the Year the Board of Directors met seven times, with sessions that lasted an average of approximately two hours, on the following dates: 7 February 2008; 5 March

2008; 11 April 2008; 6 May 2008; 30 July 2008; 29 October 2008 and 17 December 2008. For the current year nine meetings are planned, and the Board has already met on 11 February 2009 and 3 March 2009.

In accordance with article 23 of the By-laws, the Board is the corporate body endowed with the broadest powers to handle ordinary and extraordinary management of the Company and it has the right to conclude all acts that it deems appropriate in order to conduct business and to achieve the corporate purposes, excluding only those reserved by the law exclusively for the Shareholders' Meeting. In accordance with CC. Art. 2365, paragraph 2, the Board of Directors is also authorized to decide on the following matters:

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

The Board is also entitled to appoint and dismiss, following an obligatory opinion from the Board of Statutory Auditors, the Manager responsible for keeping the company books, pursuant to TUF art. 154-*bis*.

The Board is also competent in the following matters:

- examination and approval of strategic, industrial and financial plans of the Company and the Recordati Group, the corporate governance system and the structure of the Group;
- evaluation of whether the organisational, administrative and financial structures of the Company and its strategic subsidiaries, as defined below and as configured by the responsible organs, are adequate, with particular reference to the system of internal control and management of conflicts of interest;
- attribution and cancellation of mandates to CEOs and the Executive Committee, defining the extent, means and intervals (at least quarterly), with which the delegates must refer to the Board about the activities carried out in exercising their mandates;
- establishment, after examination of the proposals from the Remuneration Committee, and heard the opinion of the Board of Statutory Auditors, of the remuneration of CEOs and other Directors with special mandates, as well as the division, for the individual members, of the total allotment for compensation of the Board, if the Shareholders' Meeting has not already decided the matter;
- evaluation of business trends, especially in the light of information provided by the delegated bodies and periodic comparison of results with budget provisions;
- study and approval prior to strategic economic or financial operations of the Company and its subsidiaries, with particular attention to situations in which one or more Directors have an interest, whether personal or on behalf of third parties, and in general, to operations with related parties; establish guidelines to identify significant operations;
- conduct, once a year, an evaluation of the size and functionality of the Board of Directors and its committees and possibly indicate the type of professional figures whose presence on the Board would be useful;
- communication, in the corporate governance report, of the means of application of the CG Code and in particular, of the number of Board and Executive Committee meetings held during the year and the relative percentage of participation of each Director.

The Board took the following actions in relation to the above:

- it studied and approved the 2009 budget of the Group;
- it studied and approved the 2009-2011 Business Plan;
- it approved the most significant corporate provisions including update of the Organisational, management and control structures pursuant to Legislative Decree 231/01;
- it identified the subsidiaries with strategic characteristics, based principally on dimensional criteria (revenues) or evaluation of the special characteristics of the market on which the subsidiary operates (such as the orphan drugs market). The following companies are qualified as strategic subsidiaries: Laboratoires Bouchara Recordati s.a.s, Recordati Ireland Ltd., Jaba - Recordati S.A., Merckle Recordati GmbH, Innova Pharma S.p.A and Orphan Europe SARL;
- it issued a positive evaluation of the adequacy of organisational, administrative and accounting structures, with particular reference to the internal control system and management of conflicts of interest, on the basis of the information provided to the Board in specific reports and other documentation (such as organisational diagrams) presented by the manager responsible for internal control, the Internal Audit Committee, the Supervisory Authority pursuant to Legislative Decree no. 231/2001 and by the Chairman and CEO himself;
- when the Board was renewed it attributed mandates to the Chairman and CEO Eng. Giovanni Recordati, establishing the extent and means of exercising their power, and also to the Director Dr. Federico Nazzari;
- as proposed by the Remuneration Committee and following consultation with the Board of Statutory Auditors, it decided the distribution of the total allotment for the compensation due to the members of the Board decided by the shareholders. It also decided the compensation for directors assigned specific duties in accordance with the last paragraph of CC Art. 2389 and article 22 of the By-laws;
- it evaluated management trends, with particular attention to the information provided by the Chairman and CEO, at the same time it compared the results with the budget provisions;
- it studied and approved strategic operations of the Company and its subsidiaries in advance, when such operations were strategically significant in relation to the economic and financial welfare of the Company (with particular reference to participation in other undertakings and special drugs). In fact, the Board adopted a "Procedure for significant operations with related parties or when a Director has an interest in the operation", to substitute the "Guidelines for operations with related parties" adopted in 2003 in accordance with the previous code of conduct. Under this procedure, the following types of operations are considered to be strategic economic or financial operations of the Company, and therefore subject to the exclusive competence of the Board, excepting operations with or between other companies of the Recordati Group (unless atypical or unusual and/or to be concluded at other than standard conditions):
  - a) assumption of financial liability of more than Euro 50 million for any single operation;
  - b) transfer of real estate for amounts of more than Euro 25 million, where the industrial operations of the Company or its subsidiaries are conducted at the time of the transfer;
  - c) acquisition or transfer of industrial property rights of the Company or its subsidiaries for amounts of more than Euro 25 million for any single operation;

- d) acquisition, transfer or any other provision in relation to holdings in other companies, likewise the acquisition or transfer of companies or company branches, for amounts of more than Euro 25 million for any single operation;
- e) acquisition or transfer of special drugs or products in general, for amounts of more than Euro 25 million for any single operation;
- f) granting of real or personal guarantees for amounts of more than Euro 25 million for any single operation;
- g) investments and disinvestment, other than those specified at the letters above, for amounts of more than Euro 15 million for any single operation.

On the basis of the procedure as above, the Board is also responsible to study and approve particularly significant operations with related parties, and operations in which one or more Directors have an interest, whether personal or on behalf of third parties, as specified under section 13 of this Report.

The Board of Directors whose mandate expired on 11 April 2008 conducted a preliminary evaluation of the size, composition and functioning of the Board and its committees. This preliminary evaluation was conducted by asking each Director to compile a questionnaire prepared by the Legal Office of the Company. The Board discussed the results of the compilation of this questionnaire. The outcome of this preliminary evaluation was substantially positive.

The Board of Directors in office decided to postpone the self assessment of the Board itself until the 2009 financial year, because the current Board had only been in office for a short period, having taken up office in April 2008.

The Shareholders' Meeting has not authorized any general or advance exception to the ban on competition as at CC art. 2390.

### **5.3. DELEGATES**

#### **Chairman and Chief Executive Officer**

In accordance with article 24 of the By-Laws, representation of the Company shall be attributed to the Chairman of the Board of Directors or, in the event of his absence or inability to attend for any reason, to the Vice-Chairman, with sole signing authority for implementation of all resolutions of the Board unless otherwise resolved. The Chairman or, in the event of his absence or impediment for any reason, the Vice-Chairman, shall represent the Company before the law, with the power to take legal action and institute judicial and administrative proceedings at all levels of jurisdiction, including with respect to revocation and cassation proceedings, and appointing lawyers and attorneys for lawsuits.

In accordance with article 25 of the By-Laws, the Board of Directors may delegate all or part of its powers and functions not only to the Chairman, but also to the Vice-Chairman and one or more executive directors and it may grant special mandates to individual Directors or managers of the Company, including the power of attorney, determining their functions and powers under the law. In accordance with article 26 of the By-Laws, the Board may also delegate all or part of its powers to an Executive Committee.

On 11 April 2008 the Board of Directors appointed Eng. Giovanni Recordati not only to the position of Chairman of the Board of Directors but also to that of Chief Executive Officer with the purpose of improving the efficiency of the management of the Company.

In his role as Chief Executive Officer, Eng. Giovanni Recordati has been authorised, within the limits permitted by Law, to exercise the broadest powers for the ordinary and extraordinary management of the Company, expressly including the power to appoint directors and his agents, persons with specific duties, experts and agents of the Company in general for specific actions or types of action, with the sole, exclusive and mandatory exclusion of the following operations reserved to the Board of Directors, except for operations performed with or between other companies of the Recordati Group:

- a) assumption of financial liability of more than € 50 million for any single operation;
- b) transfer of real estate for amounts of more than € 25 million, where the industrial operations of the Company or its subsidiaries are conducted at the time of the transfer;
- c) the purchase or sale of intellectual property of the Company or its subsidiaries for amounts exceeding € 5 million for each transaction;
- d) acquisition, transfer or any other provision in relation to holdings in other companies, likewise the acquisition or transfer of companies or company branches, for amounts of more than € 25 million for any single operation;
- e) the purchase and sale of proprietary medicinal products and generic products, for amounts exceeding € 25 million each;
- f) the grant of real or personal guarantees for amounts of more than € 25 million for any single operation;
- g) investments and disinvestment, other than those specified at the letters above, for amounts of more than € 15 million for any single operation.

The Chairman and Chief Executive Officer also: (i) convenes the Board meetings and ensures that the members of the Board and the Board of Statutory Auditors are provided, with reasonable advance notice, excepting situations of necessity or urgency, with the documentation and information necessary to enable them to express an informed opinion about the matters submitted to their examination and approval, (ii) coordinates the activities of the Board and conducts the proceedings of Board meetings; (iii) continuously provides information about the frequent variations of the law and the regulations that govern the sector and their impact on the Company, in order to develop the awareness of all Directors in relation to the situation and dynamics of the Company.

On 11 April 2008, the Board of Directors conferred powers on the director Dr. Federico Nazzari, until the date of the approval of the annual report for the year ended 31.12.2008, necessary for performing the following activities both in the interest of the Parent Company and in the interest of subsidiaries:

- a) supervision, development, co-ordination and management of activities and relations with institutions, such as, for example, external relations and public relations in general, participation in congresses and cultural and scientific activities and publications of a general and institutional nature;
- b) management of relations with Farindustria and the co-ordination, in general, of all activities with sector associations in which the Group is present;
- c) management of relations with persons and institutions in the business, scientific, academic and political spheres;
- d) management of relations with public administrations and central, peripheral and local government institutions with particular reference to those with responsibilities for



- health, the environment and economics;
- e) assisting the Chairman and Chief Executive Office with other projects and special assignments as required;

These are activities of an institutional nature, which, as such, are not strictly management functions.

### **Executive Committee**

No executive committee has been formed.

### **Reporting to the Board**

The Chairman and Chief Executive Office reported to the Board in individual board meetings on the activities performed in exercising the powers conferred on him by the Board.

## **5.4. OTHER EXECUTIVE DIRECTORS**

In addition to the Chairman and CEO, the other Directors that qualify as executives are Dr. Alberto Recordati, Mr. Andrea Recordati and Dr. Federico Nazzari. Dr. Alberto Recordati, Vice-Chairman of the Board of Directors, co-ordinates the activities of the Drug Discovery and Drug Development departments of the Company. Mr. Andrea Recordati holds the position of chief executive officer in some of the strategic subsidiaries. The Board has delegated Dr. Federico Nazzari to conduct activities of an institutional nature, (which as such are not strictly management functions).

No particular initiatives have been undertaken to increase the directors' knowledge of the company and its dynamics, considering that they all already have a deep knowledge of Company and the Group, either because of many years spent in the Company or great experience acquired working in the sector. Nevertheless in the course of meetings of the Board of Directors, the Chairman and Chief Executive Officer gives necessary information on the affairs of the Company and the Group, which includes information on the frequent changes in legislation and regulations in the sector and their impact on the Company.

## **5.5. INDEPENDENT DIRECTORS**

Five Directors, *Dr. Mario Garraffo, Avv. Carlo Pedersoli, Prof. Marco Vitale, Dr. William R. Gunnarsson and Dr. Walter Wenninger* qualify as independent according to the CG Code, with the exception of the specifications made below.

On 11 April 2008, in its first meeting following the appointment of the new directors, the Board of Directors assessed the existence of the conditions governing independence in accordance with the CG Code and with Art. 148, paragraph 3 of the TUF, for each of the non executive directors. That assessment is repeated annually.

The Board made two exceptions to the criteria of independence contained in the CG Code in evaluating the independence of Prof. Vitale, qualifying him as an independent Director even though he has been a Director of the Company for more than nine years during the past twelve and even though he provides professional services worth € 100,000.00 annually, considering that by his specific competence and professional commitment to

constant control and stimulation of the Board, he has demonstrated to have maintained his characteristics of independence and freedom of judgement in evaluating the operations carried out by management.

The Board of Statutory Auditors verified that the criteria and procedures of evaluation adopted by the Board to evaluate the independence of its members were implemented correctly.

The independent directors, at and before the beginning of meetings of the Board of Directors, verified each time the absence of any specific matters that might be significant in relation to their roles as independent Directors.

### **5.6. LEAD INDEPENDENT DIRECTOR**

Considering the existence of the situation in which the same person holds the offices of Chairman and CEO, in compliance with the CG Code, the Board has designated independent Director Prof. Vitale to be the lead independent director, to guide the independent Directors, with particular reference to the independent Directors, in order to improve the activities and functioning of the Board. The lead independent director collaborates with the Chairman in order to ensure that the Directors receive complete and timely information, and is also authorised to convene special meetings of the independent Directors only, at his own discretion or at the request of other Directors.

## **6. CONFIDENTIALITY OF CORPORATE INFORMATION**

Following amendments to TUF introduced by Law no. 62/2005 (EC Law 2004) on matters of market abuse, in 2006 the Board of Directors approved the proposal of the Chairman and CEO for “Internal regulations for handling confidential information” (to substitute an internal procedure for the management and external communication of information and confidential documents, adopted in 2001 in accordance with the Corporate Governance Code in force at the time).

These regulations govern the internal management and external communication of information about Recordati S.p.A. and its subsidiaries, with particular reference to confidential and significant information (meaning information that could become confidential, but does not yet have the characteristics of specificity as defined at TUF art. 181), and the institution of a specific register of the persons who have access to the information as above, a “Register of persons who have access to confidential information”, in accordance with Art. 115 *bis* of the TUF. In particular these regulations establish the obligations of confidentiality of all persons who have access to significant and confidential information; identify the persons responsible for evaluating the significance of the same information; establishes the rules for access to the same information by persons outside of the Company; establishes some principles and rules for the management of documents and correspondence containing significant or confidential information; establishes the methods of communicating confidential information, and other information about the Company.

In implementing these regulations, a procedure for “Management of the register persons who have access to confidential information” has been adopted, which establishes the method of keeping and updating the same.

The Company also keeps the register in question on behalf of the other companies of the group (Group Register), having been authorised to do so by the subsidiaries and the holding company.

In 2006 the Board also decided the adoption of an “internal dealing” procedure to discipline communications about transactions in Recordati S.p.A. shares or other related financial instruments issued by “significant persons”, in order to implement the provisions at TUF art. 114, paragraph 7 (and the provisions of the regulations for application of the same).

Initially some executives holding management positions, insofar as they had regular access to confidential information, were considered (together with directors, statutory auditors, the general manager and the parent company FIMEI S.p.A.) “significant persons” for the purposes of this procedure, even if they did not hold the power to make management decisions which might affect the future development and prospects of the Company.

On 17 December 2008, the Board of Directors, having taken account of the organisational and decision-making structure of the Company and of the Group, and having considered in particular that every management decision that might affect the future development and prospects of the Group is always and in any event authorized either by the Board of Directors or by the Chairman and Chief Executive Office, in virtue of the powers conferred upon them, decided to review the list of “significant persons”, excluding all executives, with the sole exception of the Chief Financial Officer and General Manager of the Group.

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

The Board of Directors has formed a Remuneration Committee and an Internal Audit Committee from among its members both with consultative and proposal-making functions.

## **8. APPOINTMENTS COMMITTEE**

The Board has not found it necessary to form an Appointments Committee because, until the present time and in the presence of a shareholder with legal control of the Company, no difficulties have been encountered in preparing proposals of candidates.

## **9. REMUNERATION COMMITTEE**

The Board has formed an internal Remuneration Committee. During the year the Remuneration Committee met three times, with sessions on the following dates: 5 March 2008, 11 June 2008, 28 October 2008. During the current year the Committee met once, on 10 February 2009. The percentage of participation of the Committee members at the meetings is indicated in the table at paragraph 5.1 of this Report.

The Committee is composed of three Directors, two of which are non-executive and independent: Dr. Walter Wenninger, the Chairmant, and Dr. William Gunnerson, together with Dr. Nazzari, an executive director. The Board appointed Dr. Nazzari to the office of

Committee Member, despite his status, because the institutional activities he conducts as delegated by the Board, in relation to their nature, are not considered strictly executive functions.

Directors must abstain from participating at Committee meetings, which formulate proposals for the Board that relate to their own remuneration.

At the invitation of the Committee Chairman, with reference to specific points on the agenda, some persons who are not Committee members have participated at times at Committee meetings, specifically the Chairman of the Board and CEO, Chief Officer of Human Resources of the Group, the Chief Financial Officer and General Manager of the Group. The Legal and Corporate Affairs Service has been present to draw up the minutes of the meetings.

### **Role of the Remuneration Committee**

The Remuneration Committee has the following functions:

- to present proposals for the remuneration of Directors and Directors endowed with special mandates to the Board and to monitor application of the resolutions adopted by the Board;
- to periodically evaluate the criteria adopted in relation to the remuneration of Managers with strategic responsibilities, to monitor application of the same on the basis of information provided by the CEO and to provide the Board with general guidelines about these matters;
- to execute the functions assigned by the Board in relation to the administration of stock option plans to be offered to employees and/or Directors of the Company and of subsidiaries, for shares of the Company or options on the same, without any exception to the general competence of the Board itself to supervise this matter.

The activities of the committee in the meetings just mentioned were designed mainly to: formulate proposals for the grant of options for the Company stock option plans; assess the criteria adopted for the remuneration of executives with strategic responsibilities; to formulate proposals for amendments to the Group management by objectives system; assess the 2009 objectives for the Chairman and Chief Executive Officer.

Minutes of all meetings of the Remuneration Committee have been drawn up regularly.

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

The committee did not incur any expenses in the exercise of its duties during the Year.

## **10. DIRECTORS' REMUNERATION**

A significant part of the remuneration of the Chairman and CEO Eng. Recordati and of Director Andrea Recordati, both executive directors, depends on the economic results of the Company and the achievement of specific objectives, by means of an MBO (management by objectives) system. Both receive that remuneration not as directors, but as executives with strategic responsibilities.

Stock option plans are available to executive Directors (with the exception of Dr. Nazzari as an executive director in the sense already stated) and to managers with strategic responsibilities. In addition, stock option plans are also available to Eng. Giovanni Recordati (who also holds the office of General Manager), Dr. Alberto Recordati and Mr. Andrea Recordati, not in relation to being Directors but rather in their roles as managers with strategic responsibilities.

Remuneration of non-executive Directors is not linked to the profits of the Company, but rather is determined by considering the presence or not in the Committees as above. Non-executive Directors do not have access to the stock option plans.

The following table summarizes the payments received by Directors, the General Manager and by managers with strategic responsibilities (cumulative data) during the Year:

<b>Board of Directors</b>	<b>Description of Office</b>			<b>Remuneration</b>			
	<i>Name and Surname</i>	<i>Position occupied</i>	<i>Period in which the position was held</i>	<i>Expiry of term of office</i>	<i>Emoluments for the office</i>	<i>Non monetary benefits</i>	<i>Bonus and other incentives</i>
Giovanni Recordati	Chairman, CEO, General Manager	2008	Approval 2010 Annual Report	130,000.00 (*)	26,910.00		1,152,001.00 (1)
Alberto Recordati	Deputy Chairman	2008	Approval 2010 Annual Report	80,000.00 (**)			288,821.00 (1)
Donna Romilda Bollati di St. Pierre	Director	1.1.2008/11.4.2008	Approval 2007 Annual Report	4,150.68			
Mario Garraffo	Director	2008	Approval 2010 Annual Report	37,232.88			
William Gunnarsson	Director	from 11.4.2008	Approval 2010 Annual Report	28,931.51			
Federico Nazzari	Director	2008	Approval 2010 Annual Report	218,532.88 (***)			
Carlo Pedersoli	Director	2008	Approval 2010 Annual Report	37,232.88			
Andrea Recordati	Director	2008	Approval 2010 Annual Report	30,000.00			178,047.00 (1)
Marco Vitale	Director	2008	Approval 2010 Annual Report	44,465.75			100,000.00 (2)
Walter Wenninger	Director	from 11.4.2008	Approval 2010 Annual Report	36,164.38			

	<b>Description of Office</b>	<b>Remuneration</b>
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		<i>Period in which the position was held</i>	<i>Expiry of term of office</i>	<i>Emoluments for the office</i>	<i>Non monetary benefits</i>	<i>Bonus and other incentives</i>	<i>Other remuneration</i>
14 executives officers with strategic responsibilities							2,939,525.00 (1)

**LEGEND**

- (1) Income from employment contract.  
(2) Advisory services.  
(\*) Inclusive of € 100,000.00 in remuneration for special assignments.  
(\*\*) Inclusive of € 50,000.00 in remuneration for special assignments.  
(\*\*\*) Inclusive of € 181,300.00 in remuneration for special assignments.

**11. INTERNAL AUDIT COMMITTEE**

The Board has established an Internal Audit Committee, comprising the following non-executive and independent (within the meaning described above) directors: Marco Vitale, Mario Garraffo and Carlo Pedersoli.

This Committee is responsible for analysing problems and defining important policies for the auditing of company activities, providing consultancy and making proposals to the Board of Directors with regard to the preparation, analysis and functioning of the internal control system.

During the Year, the Committee met seven times: 7 February 2008, 20 February 2008, 5 March 2008, 6 May 2008, 30 July 2008 29 October 2008 and 17 December 2008. In the current year, the Committee met on 11 February 2008. The percentage attendance of Committee members at meetings is shown in the table contained in paragraph 5.1 of this Report.

Two of the three members of the Committee have experience in accounting and financial matters.

The Chairman of the Board of Statutory Auditors has constantly participated in the Committee's work.

At the invitation of the Chairman of the Committee and with regard to individual items on the agenda, various non-members have participated in meetings, in particular the Chairman and Chief Executive Officer, the Group Finance Director and General Manager, the Internal Control Officer, the Supervisory Board set up pursuant to Legislative Decree 231/01 and representatives of the Audit Firm. The legal and corporate affairs service is always involved for the minuting of meetings.

**Duties assigned to the Internal Audit Committee**

The Internal Audit Committee assists the Board of Directors in carrying out a number of tasks within the remit of the Board, namely:

- define the guidelines for the internal control system, so that the principal risks to which the Company and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored, and also determine criteria to assess whether such risks are compatible with a sound and proper management of the business;
- identify an Executive Director (generally one of the Chief Executive Officers) responsible for monitoring the functionality of the internal control system; - evaluate, at least once a year, the adequacy, efficiency and effectiveness of the internal control system;
- describe, in the Corporate Governance Report, the key components of the internal control system and express its evaluation of the overall adequacy of the system.

The Internal Audit Committee also:

- assesses, together with the manager appointed to prepare the corporate accounting documents and with the auditors, the correct use of accounting principles and their consistency in the preparation of the consolidated financial statements;
- at the request of the specially appointed Executive Director, expresses opinions on specific aspects concerning the identification of the principal business risks and concerning the design, construction and management of the internal control system;
- examines the work plan prepared by the Internal Control Officer and his periodic reports;
- evaluates the proposals submitted by the audit firm with a view to being awarded the contract, as well as the work plan prepared for the audit and the results set out in the report and in any management letter;
- reports to the Board on the activities undertaken and on the adequacy of the internal control system, at least once every six months, at the time of approval of the annual accounts and half-yearly report;
- makes proposals to the Board of Directors regarding changes to be made to the Organisational Model established pursuant to Legislative Decree 231/01 adopted by the Company;
- makes proposals to the Board of Directors regarding the appointment of members of the Supervisory Board set up pursuant to Legislative Decree 231/01 and regarding the allocation of the annual budget to that body;
- expresses an opinion on the appointment and dismissal of the internal control officer(s);
- expresses an opinion on the appointment of the manager appointed to prepare the corporate accounting documents;
- expresses an opinion on the procedures for the approval and performance of related party transactions conducted by the Company or by its subsidiaries, and expresses an opinion on individual related party transactions, where required by the procedure from time to time in force;
- performs any additional tasks that are assigned to it by the Board of Directors.

The monitoring of the effectiveness of the auditing process has been referred by the Board of Directors to the Board of Statutory Auditors, in so far as the latter is considered, by virtue of the powers granted to it by current legislation, is the most suitable body to carry out such supervisory activity.

The Committee's activities in the aforementioned meetings mainly concerned: an evaluation of the adequacy of the accounting principles; an examination of the reports of the Supervisory Board set up pursuant to Legislative Decree 231/01 and of the Internal Control Officer; an examination of the work plan prepared by the Internal Control Officer;



the submission of proposals to the Board regarding updates to the Model established pursuant to Legislative Decree 231/01; the submission of a proposal to the Board regarding the formalisation of the guidelines for the internal control system; the issuance of an opinion on the "procedure for significant transactions, with related parties or in which a Director holds an interest". The Committee also reported to the Board on the activities undertaken and on the adequacy of the internal control system, at the time of approval of the annual accounts and half-yearly report.

Meetings of the Internal Audit Committee were properly minuted.

The Committee had the opportunity to access company information and access the units necessary to perform its duties; it did not make use of external advisors.

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

## **12. INTERNAL CONTROL SYSTEM**

The Board has defined the guidelines for the internal control system, so that the principal risks to which the Company and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored, and has also determined the criteria to establish whether such risks are compatible with a sound and proper management of the business.

The key components of the Company's Internal Control System are the ethical principles and values embodied in the Company's Code of Ethics, the system of compliance procedures and models, the organisational structures, the current system of powers and delegations, the risk monitoring and reporting system and the information systems.

The Board has positively assessed the adequacy, efficiency and effectiveness of the internal control system, based on the information provided during meetings in the form of reports presented by the Internal Audit Committee (which made its assessments of the internal control system principally on the basis of those expressed by the Internal Control Officer in his reports) and by the Supervisory Board set up pursuant to Legislative Decree 231/01. The Board has also constantly approved the updates to the Organisational, Management and Control Model established pursuant to Legislative Decree 231/01.

### **12.1. EXECUTIVE DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL SYSTEM**

The Board of Directors has identified the Chairman and Chief Executive Officer, Giovanni Recordati, as the Executive Director responsible for monitoring the functionality of the internal control system.

The Executive Director responsible for monitoring the functionality of the internal control system:

- has identified, with the help of the Internal Control Officer, the principal business risks, taking account of the characteristics of the activities undertaken by the Company and by its subsidiaries and has regularly informed the Board of those risks;

- has implemented the guidelines defined by the Board and, with the help of the Internal Control Officer and other competent units within the Company, has designed, constructed and managed the internal control system while constantly checking its overall adequacy, efficiency and effectiveness;
- has brought the system, again with the help of the Internal Control Officer and other competent units within the Company, into line with changes in operating conditions and in the legislative and regulatory framework;
- has proposed to the Board the appointment of the Internal Control Officer and has given an assessment of the suitability of the latter's remuneration.

## 12.2. INTERNAL CONTROL OFFICER

The Board has appointed Giovanni Minora, Head of Group Auditing, as Internal Control Officer, at the proposal of the Executive Director responsible for monitoring the functionality of the internal control system and having consulted with the Internal Audit Committee.

Note that the Group Auditing Unit, of which Dr. Minora is the Head, reports hierarchically to the Chairman and Chief Executive Officer and has no connection with any operational area.

The Board, having consulted with the Internal Audit Committee, has assessed the suitability of the remuneration paid to the Internal Control Officer as an employee of the Company (defined at the time of recruitment) according to the Company's policies.

The Officer's duties are as follows:

- a) explain the proposed annual work programme to the Internal Audit Committee so that the Internal Audit Committee can make any suggestions;
- b) help the Executive Director responsible for monitoring the functionality of the Internal Control System with the design, management and monitoring of the Internal Control System and with the identification of the various risk factors;
- c) plan and carry out, in a manner consistent with the annual work plan, any direct and specific auditing tasks within Recordati S.p.A. and within all the subsidiaries, particularly in relation to companies having strategic importance, in order to identify any shortcomings in the Internal Control System in the various areas of risk;
- d) check that the rules and procedures for auditing processes are observed and that all individuals involved act in accordance with the predetermined objectives;
- e) carry out checks at his own initiative or at the request of the Board of Directors, the Internal Audit Committee, the Executive Director responsible for monitoring the functionality of the Internal Control System or the Board of Statutory Auditors;
- f) report on the results of his auditing activities to the Executive Director responsible for monitoring the functionality of the Internal Control System;
- g) prepare a half-yearly summary report on the activities undertaken during the period for the Internal Audit Committee and for the Board of Statutory Auditors;
- h) where critical aspects emerge requiring urgent intervention, immediately inform the Executive Director responsible for monitoring the functionality of the Internal Control System, the Internal Audit Committee and the Board of Statutory Auditors

in order to update them on the results of his actions.

In particular, during the Year, the Internal Control Officer:

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

The Internal Control Officer had access to an operating budget which was used to carry out the audits and checks performed in the Year.

### **12.3. ORGANISATIONAL MODEL established pursuant to Legislative Decree 231/2001.**

The Company has adopted and effectively implemented a model which represents an organisational and operational tool aimed at preventing the Company's employees and colleagues from committing the crimes specified in Legislative Decree 231/01.

The duties of monitoring the adequacy, updating and effectiveness of the Model have been transferred by the Company to a Supervisory Board having collective form, comprising two external members and one Company employee.

The organization, management and control model is constantly updated and monitored with particular attention paid to preventing crimes and to risk assessment, following the new regulatory changes.

The Model consists of a general part and a specific part, arranged into different sections. The general part includes, *inter alia*, the Code of Ethics, the Disciplinary System and the By-Laws of the Supervisory Board. The specific part includes, *inter alia*, a "map" of the areas where the risk of crime is more marked and a significant number of "protocols" through which measures are put in place to prevent the commission of offences in the areas identified in the map. A similar model has been adopted for the subsidiary Innova Pharma S.p.A.

A presentation of the Model adopted by the Company is available on the Company's website at [http://www.recordati.it/rec\\_it/cg/compliance/](http://www.recordati.it/rec_it/cg/compliance/)

For subsidiary companies having strategic importance and based abroad, it is currently being assessed whether to adopt measures having a similar purpose to that of the Organisational Model established pursuant to Legislative Decree 231/01 adopted by the Company.

### **12.4. AUDIT FIRM**

Deloitte & Touche S.p.A. is the Audit Firm appointed to audit the Company. The appointment was formally made by the Shareholders' Meeting on 6 April 2005 and extended for the years 2008-2009-2010 by the Shareholders' Meeting on 11 April 2007.

### **12.5. MANAGER APPOINTED TO PREPARE CORPORATE ACCOUNTING DOCUMENTS**

On 3 May 2007, the Board of Directors, having noted the favourable opinion of the Board of Statutory Auditors and of the Internal Audit Committee, appointed Fritz Squindo, Chief Financial Officer (and now also General Manager), as the Manager appointed to prepare the corporate accounting documents.

During that meeting, it was confirmed that he satisfied the requirements of respectability and professionalism laid down in the applicable legislation and in the Company's By-Laws, which stipulate, in art. 26, that the Manager appointed to prepare the corporate accounting documents must not only satisfy the requirements of respectability laid down by law for those performing administrative and managerial duties but also the requirements of professionalism characterised by specific competence in administrative and accounting matters. This competence, to be verified by the Board of Directors, must be acquired through working experience in a position of adequate responsibility over a suitable period of time.

The manager appointed to prepare the corporate accounting documents is given duties and powers to perform that assignment, which include the provisions of the operational guidelines for that manager approved by the Board of Directors on 3 May 2007.

### **13. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS**

The Board has established a procedure for the approval and execution of related party transactions performed by the Issuer, or by its subsidiaries, and has defined the criteria for identifying the transactions that require the approval of the Board after consulting with the Internal Audit Committee and/or after seeking the assistance of independent experts.

In particular, based on the aforementioned procedure, the following related party transactions carried out by the Company, including through its subsidiaries, are referred to the Company's Board for prior examination having sought the opinion of the Internal Audit Committee:

A) related party transactions which, by virtue of their object, consideration, conditions or timeframe, may have an effect on the protection of the Company's assets or on the

completeness and correctness of information, including accounting data, relating to the Company and/or to the subsidiaries, for which there exists an obligation of public disclosure in accordance with the terms and conditions identified by Consob regulations (art. 71-*bis* of the Issuers Regulations).

B)

- the purchase or sale of intellectual property of the Company or its subsidiaries for amounts exceeding EUR 5 million for each transaction;
- the purchase, sale or other act of disposal of shareholdings in other companies, and the purchase and sale of businesses and branches, for amounts exceeding EUR 5 million each;
- the purchase and sale of proprietary medicinal products and generic products, for amounts exceeding EUR 5 million each;
- the granting of loans or guarantees for amounts exceeding EUR 5 million for each transaction;
- transactions involving the provision of works or services, partnership agreements to carry out or develop company activities for amounts exceeding EUR 5 million each;
- transactions of any kind for an amount exceeding EUR 1 million if the related party falls into certain categories, including principally the entity which controls the Company, those to whom powers and responsibilities are granted with regard to the performance of duties involving the administration, management and control of the Company, and the Company's managers with strategic responsibilities as well as the "close family members" of the individuals indicated above;
- with the exception of intragroup transactions which are not atypical or unusual or to be carried out under non-standard conditions.

C) transactions of any kind, including intragroup transactions, which are atypical or unusual and/or to be carried out under non-standard conditions.

The following transactions simply need to be reported to the Board by the Chairman and Chief Executive Officer:

- related party transactions that fall within the types described above, for amounts lower than those indicated above, but which remain significant;
- intragroup transactions which are particularly significant in terms of their amount or type.

In the case of related party transactions falling within the exclusive remit of the Board, the Chairman and Chief Executive Officer will ensure that supporting documents are made available in a timely manner to members of the Board and of the Internal Audit Committee for their assessment.

Where the nature, value or other characteristics of a related party transaction falling within the exclusive remit of the Board so require, in order to prevent the transaction from being carried out under different conditions from those which would probably have been negotiated between unrelated parties, the Board is assisted by independent experts, who express an opinion on the financial conditions and/or legitimacy and/or technical aspects of the transaction, as applicable. The experts chosen must have proven and recognised professionalism and expertise and must be independent from the Company, its subsidiaries

and Directors and must have no conflict of interests in relation to the transaction.

Transactions in which a Director holds an interest either on his own behalf or on behalf of third parties, even potential or indirect, are in any event reserved to the approval of the Board of Directors. In these cases that Director must promptly inform the Board and the Board of Statutory Auditors respectively of his interest in a timely and thorough manner - specifying the nature, terms, origin and extent of that interest - and must stay away from the meeting during the respective negotiations unless the Board considers his participation in the discussion and resolution to be necessary, depending on the specific circumstances, including, *inter alia*, the need to maintain the required quorums. A similar disclosure obligation exists for any Auditor who holds an interest, including a potential or indirect interest, in relation to the aforesaid matters or transactions.

#### 14. APPOINTMENT OF AUDITORS

The appointment of Auditors is governed by art. 27 of the By-Laws, transcribed below:

*"Art. 27) The Shareholders' Meeting shall appoint the Board of Statutory Auditors, comprising three statutory auditors and two alternate auditors, who may be re-elected, and shall determine their remuneration. Their powers, duties and term of office shall be as established by law.*

*Auditors shall satisfy the requirements laid down in current laws and regulations. As regards requirements of professionalism, the matters and sectors of activity strictly connected with that of the company are the research, production and sale of chemical and pharmaceutical products.*

*The minority shareholders shall elect one Statutory Auditor and one Alternate Auditor.*

*Unless otherwise provided for in laws or regulations, the Board of Statutory Auditors shall be appointed according to the procedures set out in the following paragraphs on the basis of lists submitted by Shareholders in which candidate are listed by means of a progressive number.*

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

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

*Each shareholder, including shareholders who have signed a shareholders' agreement pursuant to art. 122 of Legislative Decree no. 58/1998, the holding entity, subsidiaries, and jointly controlled entities are not permitted to submit or help to submit more than one list or vote for different lists, including through an intermediary or trust company. Each candidate may only be present on one list failing which he will be ineligible. Votes cast in violation of the above prohibition shall not be attributed to any list.*

*Submitted lists shall be deposited at the Company's registered office at least fifteen days before the date scheduled for the Shareholders' Meeting at first call without prejudice to any further forms of disclosure required by any rules or regulations from time to time in force.*

*The following documents shall be submitted together with each list by the deadline specified above:*



a) information on the identity of the shareholders who have submitted the lists, indicating the total percentage of capital stock held and certification attesting to the ownership of the said capital stock;

b) a declaration by shareholders other than those who hold, including jointly, a controlling interest or relative majority, attesting to the absence of any forms of association with such shareholders, as provided by applicable regulations;

c) a thorough report of the personal characteristics of candidates and a declaration from the said candidates attesting that they possess the requirements established by law, together with their acceptance of the candidature.

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

Auditors shall be elected as follows:

1. from the list which obtained the highest number of votes at the Shareholders' Meeting, two statutory auditors and one alternate auditor shall be elected, based on the progressive order with which they are listed in the sections of the list;

2. from the second list which obtained the highest number of votes at the Shareholders' Meeting and which, in accordance with regulations in force, has no connection, not even indirectly, with the shareholders who submitted and voted for the list which obtained the highest number of votes, one statutory auditor, who shall chair the Board of Statutory Auditors, and one alternate auditor shall be elected, based on the progressive order with which they are listed in the list.

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

Should a single list or no list be submitted, all candidates for the posts of Statutory and Alternate Auditors named on the list or respectively those voted for by the shareholders' meeting shall be elected provided that they obtain the respective majority of the votes cast in the Shareholders' Meeting.

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

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

It is understood that the board of statutory auditors shall continue to be chaired by the minority auditor.

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

Should the application of the above procedures not result in the replacement of the auditors designated by minority shareholders for whatever reason, the shareholders' meeting shall hold a relative majority vote, following the presentation of candidatures by shareholders that, individually or together with others, possess shareholdings with voting



*rights that represent at least the percentage indicated above in relation to the procedure for the presentation of lists. However, votes registered by shareholders who hold the relative majority of voting rights that may be exercised in the meeting as identified in disclosures made in accordance with applicable regulations, whether directly, indirectly, or jointly with other shareholders who have signed a shareholders' agreement as indicated in article 122 of Italian Legislative Decree No. 58/1998, shall not be considered in establishing the outcome of said vote.*

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

*In the above case:*

*- the following must always be established:*

*a) the identity of all members attending at each connection point shall be verified;*

*b) each member attending shall be permitted to express a personal opinion verbally, to view, receive or send any documentation and to participate simultaneously in the discussion of the points at issue and pass resolutions;*

*- meetings of the Board of Statutory Auditors shall be considered to be held at the place where both the Chairman and Secretary are located.*

*The Company's financial records shall be audited by the Audit Firm on the basis of applicable regulations".*

Note, in particular, that, in accordance with the recommendations of the CG Code, Art. 27 of the By-Laws, as transcribed above, stipulates that lists of candidates for the position of auditor must be deposited at the Company's registered office, available for consultation by any person so requesting, at least fifteen days before the scheduled date of the Shareholders' Meeting at first call. It is also underlined that the right to submit lists is only held by shareholders who, individually or together with other shareholders submitting lists, hold voting shares representing at least 2.5% of the voting capital in the Ordinary Meeting, or representing any lower percentage established by mandatory laws or regulations. Currently, the percentage specified in the By-Laws of 2% continues to apply, pursuant to arts. 144-quater and 144-septies of the Regulations adopted by CONSOB resolution no. 11971 of 14.4.1999 and CONSOB resolution no. 16779 of 27.01.2009. The minority lists shall elect one Statutory Auditor and one Alternate Auditor. As regards the appointment mechanism adopted for choosing the candidates on the various lists submitted, note that, again according to the above transcribed art. 27 of the By-Laws, two statutory auditors and one alternate auditor are elected from the list which obtained the highest number of votes in the Shareholders' Meeting, based on the progressive order with which they are listed in the sections of the list; from the second list which obtained the highest number of votes after the first list and which has no connection, not even indirectly, with the shareholders who submitted or voted for the list which obtained the highest number of votes, one statutory auditor, who will chair the Board of Statutory Auditors, and one alternate auditor are elected, based on the progressive order with which they are listed in the list.

## 15. AUDITORS

The composition of the Board of Statutory Auditors in office on the closing date of the Year is shown below. The Board was appointed by the Ordinary Shareholders' Meeting of 11 April 2008 and its term of office will expire at the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2010.

The personal and professional characteristics of each auditor are contained in appendix 1 of this Report.

Name	Office	In office since	List	Indep according to CG Code	% attendance at board meetings	Other positions
MARCO NAVA	Chairman	11.4.2008	M	YES	100%	27
MARCO RIGOTTI	Statutory Auditor	11.4.2008	M	YES	100%	4
ACHILLE SEVERGNINI	Statutory Auditor	11.4.2008	M	YES	80%	11
MARCO ANTONIO VIGANO'	Alternate auditor	11.4.2008	M	YES		21
VALERIO PIACENTINI	Alternate auditor	11.4.2008	M	YES		

**M list** = Auditor elected from the list voted for by the majority

**Indep** = Auditor qualified as independent on the basis of the criteria set down in the CG Code

**% Board meetings** = attendance of meetings of the Board of Statutory Auditors' calculated in percentage terms from the start of the year or from recruitment to the post.

**Other positions** = total number of positions held in the companies referred to in Book V, Title V, Chapters V, VI and VII of the Civil Code (see Appendix 3 to this Report).

The Board of Statutory Auditors reported below no longer exists having completed its mandate during the Year:

Name	Office	In office from/to	List	Indep. according to CG Code	% attendance at board meetings	Other positions
ALESSANDRO MANUSARDI	Chairman	6.4.2005/ 11.4.2008	M	NO	100%	8
ORESTE SEVERGNINI	Statutory Auditor	6.4.2005/ 11.04.2008	M	NO	100%	45
EMILIO AGUZZI DE VILLENEUVE	Statutory Auditor	6.4.2005/ 11.04.2008	M	NO	100%	33

CARLO SEVERGNINI	Alternate auditor	6.4.2005/ 11.04.2008	M	NO		56
ANGELO GASTALDI	Alternate auditor	6.4.2005/ 11.04.2008	M	NO		29

**M list** = Auditor elected from the list voted for by the majority

**Indep** = Auditor qualified as independent on the basis of the criteria set down in the CG Code

**% Board meetings** = attendance of meetings of the Board of Statutory Auditors' calculated in percentage terms from the start of the year or from recruitment to the post.

**Other positions** = total number of positions held in the companies referred to in Book V, Title V, Chapters V, VI and VII of the Civil Code.

During the Year, the Board of Statutory Auditors met seven times. In particular, the meetings took place on the following dates: 7 February 2008, 5 March 2008, 24 April 2008, 11 June 2008, 30 July 2008, 28 October 2008, 18 December 2008. As regards the current year, the Board of Statutory Auditors met on 11 February 2008. The percentage attendance of Auditors in these meetings is shown in the table above.

The Board of Statutory Auditors conducted an internal verification of its independence after its appointment. It was found from the outcome of that verification that all the Statutory Auditors in office possessed the requirements for independence according to Art. 148 of the TUF and also with regard to the criteria contained in the CG Code. That assessment is repeated annually.

In the procedure prepared by the Company governing significant transactions, with related parties or in which a Director holds an interest, it was specified that, as is the case for the Directors, any auditor who holds a personal or third party interest in a specific transaction of the Company must inform the other Auditors and the Board in a timely and thorough manner about the nature, terms, origin and extent of his interest.

The Board of Statutory Auditors has checked the independence of the audit firm Deloitte & Touche S.p.A., checking both compliance with legislative provisions and the nature and extent of services other than financial auditing provided to a number of subsidiaries by the same audit firm and by the entities belonging to the latter's network. As far as the Company is concerned, no services other than financial auditing were provided by the audit firm.

The Board of Statutory Auditors, in the performance of its activities, liaised with the Head of the Group Auditing Unit and with the Internal Audit Committee through the constant presence in Committee meetings, in which the Head of the Group Auditing Unit also usually participates.

## 16. RELATIONS WITH SHAREHOLDERS

The Company has created a specific section on its website called "Shareholder information", which is easily identifiable and accessible and which contains important information about the Company for its shareholders so that they can exercise their rights in an informed manner.

As part of the Company's organisational structure, Marianne Tatschke has been identified as investor relations manager. In addition, the tasks of the Legal and Corporate Service also include the task of looking after relations with shareholders in general.

## 17. SHAREHOLDERS' MEETINGS

On the basis of art. 10 of the By-Laws, Shareholders wishing to attend the Shareholders' Meeting must ensure that notifications from the intermediaries who hold their accounts are received at the registered office at least two working days before the scheduled date of the meeting.

The text of that article is given below for greater clarity:

*“Article 10) - In order to participate in the meeting, notification from brokers who hold shareholders' accounts must be received at least two non-holidays before the date of the meeting.”*

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

The Board does not perceive any current need, taking into account the holding of previous meetings, to draw up any regulations governing Shareholders' Meetings and believes that the powers granted to the Chairman of the Shareholders' Meeting by law and in the By-Laws are sufficient to ensure that Shareholders' Meetings can be held in an orderly and functional manner and to guarantee that each shareholder has the opportunity to discuss the items placed on the agenda.

The Board of Directors, through the Chairman and Chief Executive Officer, reported, in the Shareholders' Meeting held on 11 April 2008, on activities undertaken and those planned, and responded to questions posed by a number of shareholders. The bundle containing a copy of the draft financial statements and consolidated financial statements, with the accompanying reports and the Directors' reports on the proposals concerning items placed on the agenda was handed out at the entrance and also sent to shareholders who had taken part in recent meetings in order to ensure adequate disclosure of the necessary information so that they could take the decisions for which they are responsible with full knowledge of the facts.

During the Year, there were no changes in the market capitalisation of the Company's shares or in the composition of its corporate structure sufficient to require consideration of a proposal to the Shareholders' Meeting for changes to the By-Laws concerning the

percentages established for the exercise of the actions and prerogatives provided for the protection of minorities.

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

No changes in the structure of the corporate governance of the company have occurred since the end of the Year.

## **APPENDIX 1**

### **CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF DIRECTORS**

#### **GIOVANNI RECORDATI**

Giovanni Recordati holds a degree in chemical engineering from the Politecnico di Milano and a master's degree in Management Sciences from Imperial College London.

He joined Recordati in 1974 as a researcher. In 1980, he was appointed as central production manager and, in 1984, as deputy general manager for operations and research. In 1990, he was appointed chief executive officer with responsibility for managing the operational activities of the group's Italian and foreign companies. He has been a member of the Board of Directors since 1977. Presently he is Chairman, Chief Executive Officer and general manager of Recordati S.p.A. as well as holding positions in other group positions.

#### **ALBERTO RECORDATI**

Alberto Recordati graduated from University of London King's College in 1977 and, in 1984, successfully completed a research PhD within the biochemistry department of Charing Cross Hospital Medical School.

He joined Recordati in 1984 as a researcher in the biochemistry laboratories. In 1987, he was appointed head of the planning and product development office. From 1990 to 1992, he worked for the US subsidiary Pharmetrix Corp as research project coordinator. In 1992 he was appointed industrial manager for biochemicals with responsibility for biochemical/microbiological research and for the Cascina dè Pecchi biochemical/fermentation production site. In 1995, he became head of the chemical research and technologies division. In 1999, he was appointed director in charge of the fine chemicals sector and in 2004 Deputy Chairman of Recordati S.p.A.

#### **ANDREA RECORDATI**

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

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

In 1999, he was given responsibility for Pharmaceutical Business Development.

In March 2002, the Lercanidipine Business Unit was set up and he was appointed head of that unit. Since November 2002, he has been responsible for setting up the subsidiary Recordati Ireland and its industrial plant and, subsequently, for setting up the UK subsidiary. In September 2006, he was appointed director of the German subsidiary Merckle Recordati GmbH. In August 2007, the Northern and Central Europe Branches Division was set up and he was appointed head of that division.

**CARLO PEDERSOLI**

Carlo Pedersoli was admitted to the Milan bar in 1980.

A partner in the Pedersoli e Associati law firm, he is a civil lawyer who deals predominantly in company and commercial law for national and international clients operating both in the financial/banking sector and in the industrial sector. He has spoken at conferences on company and commercial law, analysing the topic of financial statements, validity of shareholders' resolutions and responsibility of auditors.

As well as sitting on the Board of Directors of the company Nextam Partners SGR S.p.A., he currently sits on the Board of Directors and is a member of the Internal Audit Committee of Recordati S.p.A.. He was also Chairman of the company Sistemi Tecnologici Holding S.p.A., the holding company of Sistemi Tecnologici S.p.A. and in turn the holding company of Sirti S.p.A..

**MARCO VITALE**

Marco Vitale, business economist, has carried out intense professional and educational work at the Universities of Pavia, Bocconi and Libera Università Carlo Cattaneo (of which he was one of the founders and vice-president) and at the Istaio and Istud (foundation for business and management culture) management schools of which he is the chairman. Formerly a partner in Arthur Andersen, he is the founding member and chairman of Vitale Novello & Co. S.r.l. (senior management consultancy firm) in which he is a consultant and director of major companies. He was chairman from 1984 to 2003 of A.I.F.I., national association of merchant banks. He is deputy chairman of Banca Popolare di Milano and chairman of Bipiemme Gestioni SGR. He is chairman of Rino Snaidero Scientific Foundation, chairman of the scientific committee of AIdAF (Italian Association of Family Businesses) and member of the management committee of the Olivetti Foundation.

He has held significant public offices. He has written numerous books including: *La lunga marcia verso il capitalismo democratico* (published by Il Sole-24 Ore); *Liberare l'economia: le privatizzazioni come terapia alla crisi italiana* (published by Marsilio); *Le Encicliche sociali, il rapporto fra la Chiesa e l'economia* (published by Il Sole-24 ore); *Sviluppo e Spirito d'Impresa* (published by Il Veltro); *America. Punto e a capo* (Scheiwiller); *Il Mito Alfa* (Egea editore, Bocconi). He is a contributor for major newspapers and magazines. He is an energetic polemic and renowned speaker.

**FEDERICO NAZZARI**

Federico Nazzari has been involved in various roles in the pharmaceutical sector for 38 years. For almost twenty years, he worked for multinationals and for the remainder has worked in various roles in Italian companies.

In 1969, he started his professional career at Upjohn S.p.A. where he remained until 1979. After a spell of three years (1979-1982) at Farindustria as head of the Technical/Scientific Area, he returned to the same company (1982-1988) to supplement his professional experience in various positions until taking on the role of Deputy General Manager. In 1988, he moved to Maggioni Winthrop as Chief Executive Officer. In 1991, he was recruited by the Istituto Luso Farmaco d'Italia S.p.A. where he was appointed Chairman and Chief Executive Officer until 2000. In the same period he also became Chairman of Lusochimica (company associated with Istituto Luso Farmaco d'Italia S.p.A. and manufacturer of active substances for the pharmaceutical industry). Between 2000 and 2007, he worked for Bracco as Group Vice President General Affairs. In February 2007, he joined the Board of Directors of Recordati S.p.A. with delegated authority for institutional relations.

Over these years, he has taken an interest in the problems of the entire pharmaceutical sector, becoming a member of the Board of Farindustria, the Italian pharmaceutical industry association of which he was elected Chairman in June 1995 and re-elected for a further two years in 1997 and subsequently in April 2003 for a third term. He is a member of the Technical / Health Committee of Confindustria, of the Board of Governors and Board of Federchimica,



national federation of chemical industries and of the Management Committees of Assobiotec and Aschimfarma.

### **MARIO GARRAFFO**

Mario Garraffo graduated in 1960 with a degree in Economics and Commerce from the Università Bocconi di Milano.

Between 1960 and 1970, he was Controllor and Development Director of La Centrale Finanziaria Generale, a holding company principally involved in the area of public services (communications and energy). From 1970 to 1980, he was Investment Director at the IFI group; from 1980 to 1985 he was Chief Executive Officer of IFIL - Finanziaria di Partecipazioni and from 1985 to 1993 Chairman of IFINT (now NEXOR).

In 1993, he was asked by Lazard to start up the group's business in Italy. He was appointed Chief Executive Officer until the acquisition by Lazard Italy of the investment bank Vitale, Borghesi & Co. in 1998.

In 1998, he was appointed Chief Executive Officer of UNIM, a post which he held until 2000 and as Chairman of General Electric Italia from 2000 to 2004. Since 2004 he has been a Senior Advisor for General Electric Europe.

He is an independent director, member of the Internal Audit Committee of the Recordati S.p.A.. He has been a Trustee of the Johns Hopkins University of Baltimore and a Trustee of the Johns Hopkins School for Advanced International Studies (SAIS) in Bologna.

From 1995 to 2006 he was President of the Università Bocconi Alumni Association and member of the Board of Directors of the Donna Javotte Bocconi Foundation (founding entity of the Università Bocconi).

### **WILLIAM GUNNARSSON**

William Gunnarsson graduated from the Royal Swedish Naval Academy in 1967 and was awarded a degree in economics from the University of Göteborg in 1973.

He started his career in the pharmaceuticals sector at Bristol-Myers, initially as Sales Manager and then as Marketing Manager and Regional Manager for Denmark and Norway. In 1983 he became General Manager of the Pharmaceuticals Division of Bristol-Myers in Scandinavia.

In 1988 he was appointed Chairman of Nobel Pharma, Inc., Japan.

In 1990 he founded Orphan Europe in France, a company specialising in the production and distribution of pharmaceuticals for rare diseases. In April 2008 he was appointed to the Board of Directors of Recordati S.p.A..

### **WALTER WENNINGER**

After being awarded a research doctorate in veterinary medicine and a Master in Business Administration at the University of Munich, Walter Wenninger joined the Pharmaceuticals Division of Bayer Pharma AG, Germany, occupying various management positions in Germany, Europe and the United States of America.

He was Chairman of the Board of Directors of Bayer Corp. in the United States of America and a member of the Board of Management of Bayer Ag from 1994 to 2000 with responsibility for health care and life science.

He has been a member of the Board of Trustees of the German Cancer Research Centre of Heidelberg and of the German Cardiac Research Foundation of Frankfurt.

He currently occupies various positions on the boards of directors of European biopharmaceutical firms and he is a member of the executive committee of the Robert-Koch-Foundation in Germany.

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

### **STATUTORY AUDITORS**

#### **MARCO NAVA**

Marco Nava graduated in Economics and Commerce and in Jurisprudence at the *Università Cattolica del Sacro Cuore* of Milan. He started his career as an accountant in 1988. He has been registered as an auditor since the first publication of the register (1995).

He performs his principal activity as an accountant with his own offices in a partnership of accountants and lawyers.

He is a statutory auditor and external auditor for companies operating in various sectors.

#### **ACHILLE SEVERGNINI**

Achille Severgnini was born in Milan on 4 January 1972 and graduated in economics and commerce at the free *Istituto Universitario Carlo Cattaneo* of Castellanza in 1992.

He registered with the Milan *Ordine dei Dottori Commercialisti* (association of chartered accountants) in 2002 and has worked in Milan since then.

#### **MARCO RIGOTTI**

Marco Rigotti was born in Milan on 16 June 1967. He graduated in Corporate Economics at the Bocconi University of Milan in 1992, and registered with the *Albo dei Dottori Commercialisti* (association of chartered accountants) of Milan in 1993 and in the register of auditors in 1999.

He left the Consob in 1998 where he performed studies into insider trading and share price manipulation. He practices as an accountant in Milan and performs research at the A. Sraffa Department of Legal Studies at the Bocconi University where he is a lecturer in commercial law and financial reporting.

He is the author of numerous academic publications on company law and financial markets.

### **ALTERNATE AUDITORS**

#### **MARCO ANTONIO VIGANO'**

Marco Antonio Viganò graduated in Corporate Economics, specialising in freelance professionals, at the Bocconi University of Milan in 1984. He passed state examinations and qualified to practice as an accountant in 1986 when he registered with the *Albo dei Dottori Commercialisti* (association of chartered accountants) of Milan.

He has been registered as an auditor since the first publication of the register (1995). An expert in commercial and tax law, he practices as an accountant and advises companies, groups and organisations operating in a variety of economic sectors.

He has been a lecturer at the *Scuola di Formazione del Praticantato* for accounting students and accountant and auditor for the *Università Cattolica del Sacro Cuore* of Milano.

#### **VALERIO PIACENTINI**

Valerio Piacentini graduated in corporate economics at the Bocconi University of Milan in 1991. He registered with the *Albo dei Dottori Commercialisti* (association of chartered accountants) of Milan in 1993 and in the register of auditors in 1999. He practices as an accountant in Milan and performs research at the A. Sraffa Department of Legal Studies at the Bocconi University where he is a lecturer in commercial law.

He is the author of numerous academic publications on company law and financial markets.

**APPENDIX 2****LIST OF POSITIONS HELD BY DIRECTORS IN OTHER COMPANIES LISTED ON REGULATED MARKETS (INCLUDING FOREIGN MARKETS) IN FINANCIAL COMPANIES, BANKS, INSURANCE COMPANIES OR LARGE-SIZED COMPANIES.****Carlo Pedersoli**

- Director NEXTAM PARTNER SGR S.p.A.

**Dr. Mario Garraffo**

- Chairman METIS SpA
- Director GE REIM SGR SpA.

**Prof. Marco Vitale**

- Director ETICA SGR S.p.A.
- Deputy Chairman BANCA POPOLARE DI MILANO S.p.A.
- Member of the Supervisory Board DEUTZ AG. (Cologne)
- Director SAME DEUTZ FAHR S.p.A.
- Chairman SAME DEUTZ FAHR ITALIA S.p.A.
- Director ERMENEGILDO ZEGNA HOLDITALIA S.p.A.
- Chairman VINCENZO ZUCCHI S.p.A.
- Director Snaidero SpA
- Director LUVE
- Director SMEG

**Walter Wenninger**

- Paion AG, Aachen, Germany, Chairman of the Supervisory Board.
- Noxxon Pharma AG, Berlin, Germany, Chairman of the Supervisory Board.
- Santaris Pharma, Horsholm, Denmark, non-exec. Director of the Board.
- Axiogenesis AG, Cologne, Germany, Vice-Chairman of the Supervisory Board.

None of the companies listed above form part of the Group led by the Company.

**APPENDIX 3****LIST OF POSITIONS HELD BY AUDITORS IN OTHER CORPORATIONS****STATUTORY AUDITORS****Dr. Marco Nava**

- C.D.S. San Nicolò Srl
- Giuseppe & Fratelli Bonaiti SpA
- Emiflex SpA
- Vibro-mac Srl
- Dott. G. Cavenaghi SpA
- Junionfin SpA
- Pompetravaini SpA
- Fimeì SpA
- J Colors SpA
- Promunidi Srl
- Cavenaghi SpA
- Recofarma Srl
- Nava Viganò Revisori Associati Srl
- Twister Communications SpA
- C.A.D. Battaglino Srl
- Fondazione Sifo Srl
- Tazat Srl
- Prodotti naturali SpA
- Innova Pharma SpA
- QE Qualità Europa Srl
- Marionnaud Parfumeries Italia SpA
- Colombo Elio SpA in liquidazione
- Le Profumerie Srl
- Generale de Santé Italia SpA
- Generale de Santé Toscana Srl
- Tec.me Tecnologie Meccaniche Srl in liq.
- Digital Renew Srl

**Dr. Marco Rigotti**

- EUROFLY SpA
- GREY & GREY Srl in liq.
- TAS SpA
- BANCA SINTESI SpA

**Dr. Achille Severgnini**

- UBI Banca International SA
- Finsev SpA
- Giuliani SpA
- Bancamul SpA
- Colombo Immobiliare '81 SpA
- Stella Blu SpA
- Imm.re Valcas SpA
- II Loft SpA
- Diafin SpA
- Fazzini SpA
- Imolva SpA

**ALTERNATE AUDITORS****Dr. Marco Antonio Viganò**

- Emiflex SpA
- Fratelli Re SpA
- Junionfin SpA
- Pompetravaini SpA
- Giannazza Angelo SpA
- Max Moda SpA
- Codital Srl
- Xilografia Nuova Srl
- R.B.R. Valvole SpA
- Recofarma Srl
- Coeclerici coal and fuels SpA
- Nava Viganò Revisori Associati Srl
- QE Qualità Europa Srl
- Marionnaud Parfumeries Italia SpA
- Chem Investment Consultino Srl
- Colombo Elio SpA in liquidazione
- Le Profumerie Srl
- Generale de Santé Italia SpA
- Masseria Giancamisa soc. agr. Srl
- SF Foundry Service SpA
- PM Engineering Srl

**Valerio Piacentini**

- Itelco Clima Srl
- Itelco Industry Srl
- Itelco Marketing Srl
- Ventaclub Srl
- Faital SpA
- I Viaggi del Ventaglio SpA
- I.V.V. Holding SpA
- Lift Technologies Holding SpA
- Ventaglio Real Estate (ex ivv Resorts) Srl
- Advisory Srl in liquidazione
- Piarigo Srl in liquidazione