

**DIRECTORS' REPORT ON THE PROPOSALS ON THE AGENDA OF THE ORDINARY GENERAL MEETING OF THE SHAREHOLDERS
(17TH APRIL 2014 SINGLE CALL)**

Report on item 3 on the agenda and the relative resolution submitted

Appointment of the Board of Statutory Auditors:

- a) **Appointment of the members of the Board of Statutory Auditors and the relative Chairman.**
- b) **Determination of their remuneration.**

To Our Shareholders,

The mandate of the Board of Statutory Auditors in office expires on the date of the Shareholders' Meeting for the approval of the Annual Report for the year ended 31st December 2013.

The Shareholders' Meeting is therefore called upon to appoint a Board of Statutory Auditors in accordance with the terms and conditions of articles 26 of the Corporate By-Laws (available on the website of the Company www.recordati.it, in the Corporate Governance section) and with the applicable laws and regulations in force. The election shall take place according to list voting procedures and members may be re-elected.

In accordance with the Corporate By-Laws, the Board of Statutory Auditors is composed of three Statutory Auditors and two Alternate Auditors, who must be in possession of the requirements set by the laws and regulations in force. The requirements in question include those of professionalism, integrity and independence and also those concerning the total number of positions held, without prejudice to situations of incompatibility pursuant to the law.

For the purposes of the provisions of Art. 1, paragraph two letters B) and C) of Ministry of Justice Decree No. 162 of 30th March 2000, research, production and the sale of chemical and pharmaceutical products are considered sectors of activity that are strictly connected with those of the Company.

The Board of Statutory Auditors appointed in this manner shall remain in office, in accordance with the law, for three years and therefore until the Shareholders' Meeting held to approve the Annual Report for the year ending 31st December 2016.

The Shareholders' Meeting shall also pass resolutions on the remuneration of the Board of Statutory Auditors. As already reported, with regard to the annual remuneration of the Board of Statutory Auditors currently in office, shareholders set their annual remuneration at €50,000 gross for the Chairman and at €35,000 gross for each of the other Statutory Auditors.

Procedures, time limits and requirements for the presentation of lists

The appointment of the Board of Statutory Auditors shall be performed on the basis of lists presented by shareholders on which the candidates are placed in numerical order. The list must specify whether each candidate is nominated for the position of Statutory Auditor or for the position of Alternate Auditor. The election of one full auditor, who is the Chairperson of that board, and one alternate auditor is reserved to the minority.

Only shareholders who, either singly or together with other shareholders presenting a list, own a total number of shares representing at least 1% of the share capital with voting rights shall be entitled to present lists in accordance with Consob Resolution No. 18775 of 29th January 2014.

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

The lists, signed by those presenting them, must be deposited at the registered offices of the Company or sent by email from a certified address to the address recordati@pec.recordati.it, at least 25 days prior to the date set for the shareholders' meeting (if this deadline ends on a non-business day, then it is extended to the following business day: not later than 6:00 p.m. on Monday 24th March 2014).

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.
- 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 connection with such shareholders, as provided for by the laws and regulations currently in force;
- c. a thorough report of the personal characteristics of candidates and a declaration from the said candidates attesting that they possess the requirements established by law, together with their acceptance of the candidature.

Lists containing a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that a percentage equal to that required by the legislation in force at the time concerning gender balance for the composition of the Board of Directors belongs to the least represented gender. Since this is the first application of these regulations a proportion equal to at least one fifth of the statutory auditors elected is reserved to the least represented gender (with the figure rounded up to the next whole number, if the number is a fraction).

The specific certification demonstrating title to the necessary number of shares for the presentation of the list, issued by a legally authorised intermediary, must also be deposited within the time limits set by the relative regulations – i.e. not later than 6:00 p.m. on 27th March 2014 – at the time when the list is deposited at the Company.

Lists which do not comply with these requirements are considered as not having been presented.

With respect to the above, shareholders are also invited to consider the following:

- the recommendations contained in Consob communication No. DEM/9017893 of 26th February 2009 (more specifically, in relation to the absence of connections, in accordance with Art. 144-*quinquies* of the Issuers' Regulations, between the minority shareholders and the shareholders who have presented or voted for the list which has received the largest number of votes);
- the provisions of the Corporate Governance Code for listed companies (which requires Statutory Auditors to be selected from among persons who qualify as independent according to

- the same criteria employed to qualify as an independent Director, established by the Board of Directors on the basis of the provisions of that Code);
- the provisions of the last paragraph of Art. 2400 of the Italian Civil Code with reference to the list of management and supervision positions held by the candidate in other companies which must be reported to shareholders at the time of nomination and first acceptance of the appointment: candidates are therefore invited to furnish a declaration in this respect in the information given on their personal and professional characteristics, with the recommendation that they maintain it up-to-date until the day on which the Shareholders' Meeting is actually held.

In the event of only one list or only lists presented by shareholders related to each other having been presented within the time limits just mentioned, the time limit for the presentation of lists shall be extended by three calendar days (i.e. not later than 6:00 p.m. on Thursday 27th March 2014) and the percentage for the presentation of lists shall be reduced by half (i.e. to 0.5%).

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In consideration of the foregoing, the shareholders are invited to:

- vote on the appointment of the Board of Statutory Auditors and its Chairman according to the aforementioned procedures;
- set the remuneration of the Board of Statutory Auditors.

The Company shall disclose the lists of candidates deposited by shareholders together with the relative documentation to the public on the Recordati website and the Borsa Italiana website (by means of SDIR-NIS - a regulated information transmission system) at least twenty-one days prior to the date set for the shareholders' meeting (within 27th March 2014).

Milano, 6th March 2014

On behalf of the Board of Directors

The Chairman and Chief Executive Officer

Giovanni Recordati