

## **DIRECTORS' REPORT ON THE ITEMS ON THE AGENDA OF THE ORDINARY GENERAL MEETING OF THE SHAREHOLDERS**

**(29<sup>TH</sup> APRIL 2022 SINGLE CALL)**

### **Report on item 2 on the agenda and related resolution proposal**

2. Appointment of the Board of Directors:
  - a) determination of the number of the Board of Directors' members;
  - b) determination of the term of office of the Board of Directors;
  - c) appointment of the members of the Board of Directors; related and consequent resolutions;
  - d) determination of the remuneration of the members of the Board of Directors;
  - e) exemption of directors from the non-compete obligations pursuant to Article 2390 of the Italian Civil Code with reference to the offices held by them in other companies and disclosed as at the date of the Shareholders' Meeting, in accordance with what already provided for the Directors in office.

Dear Shareholders,

the term of office of the Board of Directors of Your Company – appointed by the Ordinary Shareholders' Meeting held on February 5, 2019, subsequently integrated by the Shareholders' Meeting held on April 29, 2020 and, pursuant to Article 2386, para. 1, of the Italian Civil Code, by the Board of Directors held on December 1, 2021 (following the Board held on July 16, 2021) and on December 16, 2021 – expires with the approval of the financial statements as of December 31, 2021; it is therefore necessary to appoint the new management body, after having determined the number of its members and its term of office.

The Shareholders' Meeting is called upon to appoint a Board of Directors, in accordance with the terms and conditions of Articles 14 and 15 of the Company by-laws (available on the Company's website [www.recordati.it](http://www.recordati.it), "*Corporate Governance*" section) and with the applicable provisions of laws and regulations. Please note that the appointment shall take place according to the slate voting mechanism and directors may be appointed for a period of no longer than three financial years and they may be re-elected.

Please also note that, in accordance with the Company by-laws, the Board of Directors shall be composed of a minimum of 6 members and a maximum of 16 members and the Shareholders shall determine the number. In this regard, it should be noted that the Board of Directors in office at the date of this Report is composed by 12 members.

Directors shall meet the requirements set forth by the applicable provisions of laws and regulations; furthermore, the composition of the Board of Directors must comply with the criteria set out in the provisions regarding the minimum number of independent directors and gender balance.

With particular reference to the independence requirements, it should be noted that the Company adheres to the Corporate Governance Code promoted by the Corporate Governance Committee (the "**CG Code**") (with the procedures illustrated in the Corporate Governance and Ownership Structure Report); therefore, being Recordati according to the CG Code a "large company"<sup>1</sup> with a

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<sup>1</sup> The CG Code defines as "large company", the company whose capitalisation was greater than €1 billion on the last Exchange business day of each of the previous three calendar years.

"concentrated ownership"<sup>2</sup>, the recommendation of the CG Code itself, which requires that independent directors account for at least one third of the Board<sup>3</sup>, applies. Furthermore, independent directors must declare that they meet both the independence requirements provided for by law (Art. 148, par. 3 of Legislative Decree No. 58/1998, the "**TUF**") and recommended by the CG Code. Please note that, in compliance with the recommendations of the CG Code, on October 28, 2021 the Board of Directors of Recordati approved the "*Policy on qualitative and quantitative criteria for the purposes of assessing independence requirements pursuant to recommendation 7, first period, points (c) and (d), in article 2 of the Corporate Governance Code*" (the "**Independence Criteria**") available on Recordati's website ([www.recordati.it](http://www.recordati.it), "*Corporate Governance / BoD*" Section).

Furthermore, the same Board, also in compliance with the recommendations of the CG Code, on May 6, 2021 approved, upon proposal of the Remuneration and Nominations Committee, general guidelines regarding the maximum number of management and control offices in other listed companies or significantly-size companies that can be considered compatible with an effective performance of the role of Director of Recordati (the "**Guidelines on the Offices' Number**"), available on Recordati's website ([www.recordati.it](http://www.recordati.it), "*Corporate Governance / BoD*" Section).

With regard to, and in accordance with, the applicable provisions of law on gender balance, at least two-fifths of the Directors must belong to the under-represented gender (rounded up to the next higher unit).

The Shareholders' Meeting shall also resolve upon the remuneration of the Board of Directors which, in accordance with Article 16 of the Company by-laws, may also be granted in the form of profit sharing. Please note that, with regard to the Board of Directors in office at the date of this Report, the Shareholders' Meeting held on February 9, 2019 (when appointing the Board) and on April 20, 2020 (when integrating the Board) resolved to grant to each Director, with the exception of Giampiero Mazza, Cathrin Petty and Giorgio De Palma who have declared themselves not intended to receive any remuneration, a gross annual remuneration of Euro 60,000, without prejudice to additional remuneration granted by the Board of Directors, having consulted the Board of Statutory Auditors, for Directors holding particular offices (including those participating in committees set up within the Board of Directors) pursuant to Article 2389, para. 3, of the Italian Civil Code.

### **Procedures, deadline and requirements for the filing of slates**

In accordance with Article 15 of the Company by-laws, the appointment of the Board of Directors shall take place on the basis of slates filed by Shareholders in which the candidates are listed with a progressive number.

By means of Executive Determination of the Head of the Corporate Governance Division No. 60 of January 28, 2022, Consob determined that 1% of the share capital is the shareholding required for the filing of slates for the appointment of the Company's administrative body.

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<sup>2</sup> The CG Code defines as "companies with concentrated ownership", the companies in which a single shareholder (or a plurality of shareholders which participates in a shareholders' voting agreement) holds, directly or indirectly (through subsidiaries, trustees or third parties), the majority of the votes that can be exercised in the ordinary shareholders' meeting.

<sup>3</sup> If the number of independent directors amounts to a non-whole number, the latter shall be rounded off arithmetically: rounding shall be to the lower unit, where the decimal number is less than 5, on the other hand, rounding up is carried out to the next higher unit if the decimal place is equal to or greater than 5 (cfr. Q&A n. 5(1) functional to the application of the CG Code).

Each shareholder, shareholders party of a shareholders' agreement relevant pursuant to Article 122 of the TUF, the parent company, the subsidiaries and the companies subject to joint control, cannot individually or jointly file more than one slate or vote for different slates, neither through a third party nor a trust company and each candidate may be included in one slate only, otherwise he/she will be ineligible. Adhesions and votes expressed in breach of this prohibition shall not be attributed to any slate.

Slates must be filed at the Company's registered office or sent from a certified e-mail address to [recordati@pec.recordati.it](mailto:recordati@pec.recordati.it), at least 25 days prior to the date of the Shareholders' Meeting (i.e. by Monday, April 4, 2022, at 6:00 p.m. if hand delivered).

According to the applicable provisions of law and regulation and considering the corporate governance adopted by the Company, within the above-mentioned deadlines, the following documents must be filed together with each slate:

- a) declaration with which each candidate accepts his/her candidacy and declares, under his/her own responsibility, the non-existence of causes of ineligibility or incompatibility – including the non-existence of the causes of ineligibility set out in Article 2382 of the Italian Civil Code and the non-existence of disqualifications from holding the office of director adopted against him/her in a Member State of the European Union – as well as the existence of any specific requirements required for the respective offices;
- b) a *curriculum vitae* containing detailed information about the personal and professional characteristics of each candidate, indicating whether he/she may be considered independent (and, therefore, whether he/she meets the independence requirements set forth in Article 148, para. 3 of the TUF and in the CG Code, having taken into account the Independence Criteria). Shareholders are invited to submit also the list of management and control offices held by the candidates in other companies in compliance with the above-mentioned Guidelines on the Offices' Number;
- c) the identity of the Shareholders who have filed the slates and the total shareholding percentage.

Slates containing a number of candidates equal to or higher than three must be composed of candidates belonging to both genders, so that to the under-represented gender is reserved a quota of candidates equal to the one set out by the *pro tempore* regulation in force concerning the gender balance in the Board of Directors: at least two-fifths of the Directors (rounded up to the next higher unit) must belong to the under-represented gender.

Moreover, a specific certification issued by a legally authorised intermediary showing the ownership, as at the date the slate is filed with the Company, of the number of shares required for the filing of the slate itself, shall be deposited, even after the filing of the slate, provided that it is filed by the deadline set out by the applicable regulations for the publication of the slates by the Company - i.e. by Friday 8 April 2022 by 6.00 p.m.

Slates for which the above provisions are not observed are considered as not having been filed.

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Upon proposal of the Remuneration and Nomination Committee and taking into account the results of the self-assessment foreseen by the CG Code<sup>4</sup>, the Company's Board of Directors has

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<sup>4</sup> Pursuant to principle XIV of CG Code "The board of directors periodically evaluates, through formalised procedures, its effectiveness and the contribution made by individual directors. The implementation of the board evaluation procedures is supervised by the board itself."

approved guidelines recommending the appointment of a new Board in substantial continuity with the current one, identifying the managerial and professional profiles and the skills deemed necessary for the members of the Board of Directors, and has formulated the following recommendations also taking into account the Independence Criteria and the Guidelines on the Offices' Number.

Having taken into account the consolidated rules of corporate governance, according to which the number of members of the Board must be adequate to the size and complexity of the Company's organisational structure, and having taken into account the positive dynamics of the functioning of the management body recorded over the last three years, a number of Directors equal to the current number of 12 (twelve) Directors is deemed adequate.

The Board also recommends an appropriate appreciation of the members who meets the independence requirements pursuant to Article 148, para. 3, of the TUF and to the CG Code, to be evaluated taking into account the Independence Criteria approved by the Board; in this regard, it should be noted that, as stated above, also for the purpose of constituting the Board's internal committees and taking into account the provisions of Article 16 of Consob Regulation No. 21624/2020, the number of independent Directors must represent at least one third of the Board of Directors, in accordance with the provisions of the CG Code.

The Board also underlines the presence of at least two-fifths of the Directors belonging to the under-represented gender in accordance with current legislation on gender balance (rounded up to the next higher unit).

With regard to diversity policies pursuant to Article 123-*bis*, para 2, letter d-*bis* of the TUF, the Board recommends that the new composition, as already recommended by the CG Code and in continuity with the past, adequately represents, in relation to the activities carried out by the Company, the various components (executive, non-executive, independent) and the professional and managerial skills and experience necessary for a good corporate governance, also taking into account the international size of Recordati. In particular, also with a view to favouring the understanding of the organisation of the Company and its activities, the Board considers appropriate that – without prejudice to the legal requirement concerning gender balance – the training and professional career of the Directors should guarantee a balanced combination of profiles and experience suitable for ensuring the proper performance of the functions assigned to it, ensuring the presence on the Board of persons with skills and experience also in the pharmaceutical market and, in particular, in business relating to orphan products and to international OTC.

The Board also considers necessary for each candidate to comply with the Guidelines on the Offices' Number in order to ensure adequate time availability for the diligent performance of the office.

Finally, taking into account the opportunity to appoint to the Board Directors some members having experience and qualified skills in the pharmaceutical market, the Board proposes to the Shareholders' Meeting to resolve upon the exemption of the Directors from the non-compete obligations set out in Article 2390 of the Italian Civil Code with reference to the offices held by them in other companies and disclosed as at the date of the Shareholders' Meeting, in accordance with what already provided for the Directors in office.

In this regard, the Board confirms that it will in any case take care to assess the content of any potentially problematic cases that may arise in the future with reference to such offices.

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With reference to the above, the Shareholders submitting:

- their own slates of candidates for the appointment of the Board of Directors, are invited to ensure that such slates are accompanied by all the information necessary to enable shareholders to cast their votes in an informed manner, including an indication of whether the candidates qualify as independent;
- a slate containing a number of candidates higher than half of the members to be appointed, are invited to formulate - and send to the certified e-mail address [recordati@pec.recordati.it](mailto:recordati@pec.recordati.it) - the proposals related to the appointment process of the Board of Directors (determination of the number of members, as well as the term of office of the Board of Directors, as well as of the remuneration), **sufficiently in advance so that such proposals can be published by the Company together with the slates;**
- a minority slates, to take into account the recommendations contained in Consob Communication DEM/9017893 of February 26, 2009 and therefore to file, together with the slate, a declaration stating that there are no connections between minority shareholders and shareholders holding a controlling interest, as provided for in Article 144-*quinquies* of Consob Regulation no. 11971/1999.

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In consideration of the foregoing, the Shareholders' Meeting is invited to:

- determine the number of members of the Board of Directors;
- determine the term of the office of the Board of Directors;
- appoint a new Board of Directors, with account taken of the proposal submitted by shareholders;
- determine the remuneration due to Directors, without prejudice to any additional remuneration granted by the Board of Directors, after consulting the Board of Statutory Auditors, for Directors holding particular offices (including those participating in committees set up within the Board of Directors) pursuant to Article 2389, paragraph 3, of the Italian Civil Code;
- approve the exemption of the Directors from the non-compete obligations pursuant to Article 2390 of the Italian Civil Code with reference to the offices held by them in other companies and disclosed as at the date of the Shareholders' Meeting, in accordance with what already provided for the Directors in office.

The Company will make available to the public, at Recordati's registered office, on Recordati's website ([www.recordati.it](http://www.recordati.it)) and at the authorized storage mechanism 1Info ([www.1Info.it](http://www.1Info.it)) at least twenty-one days prior to the Shareholders' Meeting (by April 8, 2022), the slates of candidates filed by Shareholders together with the relevant documentation.

Milan, March 17, 2022

For the Board of Directors

The Chief Executive Officer  
Robert Koremans