

**DIRECTORS' REPORTS ON THE PROPOSALS ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING  
(21<sup>st</sup> APRIL 2023 SINGLE CALL)**

**Report on item 4 on the agenda of the Ordinary Shareholders' Meeting and its proposed resolution.**

**Approval of the long-term incentive plan based on financial instruments called '2023-2025 Performance Share Plan', subject to the revocation of the '2021-2023 Stock Options Plan' for the stock options grant scheduled for 2023; relevant and consequent resolutions pursuant to article 114-bis of Italian Legislative Decree No. 58 of 24<sup>th</sup> February 1998.**

Dear Shareholders,

In relation to the fourth item on the agenda, you have been called to a Shareholders' Meeting in order to discuss and resolve on the approval, pursuant to article 114-bis of Italian Legislative Decree No. 58/1998, as subsequently amended and integrated (the *Testo Unico della Finanza*– 'TUF'), of an incentive and retention plan called the '2023-2025 Performance Share Plan' (hereinafter the '**Plan**') based on the granting (without a consideration) to the senior management<sup>1</sup> and middle management of Recordati S.p.A. (hereafter the '**Company**' or '**Recordati**') or of other companies directly or indirectly controlled by it (hereafter the '**Subsidiaries**'), of the right (hereafter the '**Rights**') to receive, again without a consideration, ordinary shares of the Company, subject to the occurrence of certain performance conditions, on the basis of the proposal formulated by the Board of Directors by means of the resolution dated 16<sup>th</sup> March 2023, taking into account the proposal of the Remuneration and Nominations Committee of 10<sup>th</sup> March 2023.

More specifically, the Plan is addressed to (i) the Chief Executive Officer of Recordati, (ii) the Directors of Recordati who have been granted with specific delegation of powers by the Board or internal organisational delegation of powers (for the sole purposes of these Rules, the '**Executive Directors**'); (iii) the Recordati key manager personnel; (iv) other selected employees and people with relationships equivalent to those of an employee or who are assigned permanently to roles of particular importance and contribute significantly to the achievement of the Group's results.

The reasons underlying the proposal for approval of the Plan can be summarised as follows: the objective of continuing to have a tool for building management retention and participation in the Recordati Group's results which allows to connect a part of the remuneration to the creation of value sustainable over time. The ratio underneath the change in approaching Recordati's long-term incentive plans, compared to the previous ones which were based on the instrument of options (stock options), is linked to the evaluation that, to date, an equity-based plan (performance shares) - such as the one proposed for adoption - allows not only to reward shareholder value growths that are sustainable over time, but also for greater alignment with market practices, principles and the recommendations of the Corporate Governance Code approved in January 2020 as well as with the objectives of Recordati's Three-

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<sup>1</sup> It is understood that the category of 'senior management' includes (i) the Chief Executive Officer of Recordati and the Executive Directors as well as (ii) Group executives identified by the Board or the Chief Executive Officer of Recordati as key manager personnel.

Year Plan. The proposal to approve a new Plan is therefore formulated with the aim of continuing to ensure an ever greater alignment between the interests of the management and those of the shareholders. More specifically, the Plan for which approval is proposed, is, as specified above, based on equity and of a recurring nature (so-called rolling); it is structured by providing for three annual cycles for the granting of Rights, the vesting of which is subject to a three-year vesting period and the achievement of specific performance targets, each with a weight of 1/3, accumulated over the three-year performance period, independent from one another and identified as the 'Relative Total Shareholders Returns' (aimed at creating value in respect to market peers), the Group's "Adjusted Net Income" and "Net Revenues" (aimed at long-term business growth, with a focus also on the ability to generate profits). With regard to those Beneficiaries who are the Chief Executive Officer of Recordati or members of Recordati's senior management, the Plan provides for a 24 month lock-up restriction on the shares. It is considered that the three year vesting period, together with the lock-up restriction, where applicable, and the expiry date of the Plan are appropriate for facilitating the achievement of the Plan's targets of long-term incentive and retention building for the Beneficiaries.

It should be noted that the targets that the Company proposes to achieve through adopting the Plan, as well as its elements, are in line with the 2023 Remuneration Policy that is submitted to the binding vote of the Shareholders' Meeting as the third item on the agenda.

The maximum number of Rights that can be granted under the Plan in each Cycle will be determined by the Board of Directors and will be disclosed pursuant to Article 84-bis, paragraph 5(a), of Issuers' Regulation No. 11971/1999 or otherwise pursuant to the laws and regulations applicable from time to time.

As of the date of this Report and taking into account the value of the Recordati's share as at the same date it is estimated that the maximum number of Rights that will be assignable in the first Cycle will be equal to around 450,000; in case of over performance with reference to each Plan Performance Conditions, such Rights will become a maximum number of Vested Rights equal to around 800,000 and will grant rights to receive an equal number of Shares (in the ratio 1/1).

The Shares to serve the Plan may: (i) be purchased on the market and/or already held in the Company's portfolio; and/or (ii) arise from one or more capital increases of the Company to be resolved by the Company's extraordinary shareholders' meeting in accordance with the law and regulations.

For information on the fundamental characteristics of the Plan – and in particular, by way of example, on the recipients of the Plan, the methods and clauses for implementing such Plan, including the performance targets, and the lock-up restriction of the shares – please refer to the information document attached to this Report and drafted pursuant to article 84-bis of Consob Regulations No. 11971/1999, as subsequently amended and supplemented, in accordance with the indications contained in Schedule No. 7 of Annex 3A to such Regulations.

It should be noted that on 20<sup>th</sup> April 2021, the Company's Shareholders' Meeting approved, pursuant to article 114-bis of the TUF, the incentive plan called the '2021-2023 Stock Option Plan' (the 'SOP'), which provides that, during the validity of such SOP, three annual cycles of option grants (so-called stock options) will be carried out for the purchase of ordinary shares of the Company in each of the 2021, 2022 and 2023 financial years. In this regard, taking into account the proposal for the adoption of the new Plan submitted for your approval, based on the above mentioned ratio, it is also proposed to the Shareholders to resolve on the revocation

of the SOP limited to the grant of options scheduled for 2023 and referring to the third and last granting cycle of such SOP and, therefore, without prejudice to the validity and effectiveness of the SOP for the grants of options that occurred in the 2021 and 2022 financial years.

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In light of the above, we propose the following resolutions:

'The Ordinary Shareholders' Meeting of RECORDATI S.p.A.,

- having acknowledged the explanatory report of the Board of Directors on the '*2023-2025 Performance Share Plan*', and subject to the prior withdrawal of the "*2021-2023 Stock Option Plan*" for the assignment of the stock option foreseen for 2023

**resolves**

- to revoke, as of the date of this resolution, the incentive plan called the '*2021-2023 Stock Option Plan*' approved by the Ordinary Shareholders' Meeting of the Company on 20<sup>th</sup> April 2021 limited to the options grant (so-called stock options) scheduled for 2023 pursuant to said plan, without prejudice, therefore, to the validity and effectiveness of the '*2021-2023 Stock Option Plan*' for the grants of options which occurred in the 2021 and 2022 financial years;
- to approve, pursuant to and for the purposes of article 114-*bis* of Italian Legislative Decree No. 58/1998, the establishment of a new incentive plan based on financial instruments called '*2023-2025 Performance Share Plan*' having the characteristics (including the conditions and prerequisites for implementation) outlined in the Information Document attached to the Board of Directors' Explanatory Report, granting a mandate to the Board of Directors to adopt the relevant rules;
- to grant the Board of Directors, with the power to sub-delegate to the Managing Director and, potentially, other members of the board, any and all powers necessary or appropriate to implement the '*2023-2025 Performance Share Plan*', and thus, in particular, by way of example but not limited to, any power indicated in the information document attached to the Board of Directors' Explanatory Report, including any power to identify the beneficiaries and determine the number of rights to be granted to each of them, as well as perform all acts, formalities and communications that are necessary or appropriate for the purposes of managing and/or implementing such Plan. It being understood that all decisions concerning and/or pertaining to the granting of rights to beneficiaries who are also directors of Recordati (as well as all other decisions concerning and/or pertaining to the management and/or implementation of the Plan in relation to them) shall remain the sole responsibility of the Board of Directors. The adoption of the rules of the '*2023-2025 Performance Share Plan*' and any amendments and/or additions thereto shall in any event be the responsibility of the Board of Directors as a collegial body.

Milan, 16<sup>th</sup> March 2023

For the Board of Directors

the Chief Executive Officer

Robert Koremans

## **INFORMATION DOCUMENT RELATING TO THE 2023-2025 SHARE PERFORMANCE PLAN OF RECORDATI S.p.A.**

*(prepared pursuant to article 84-bis of the Issuers' Regulations adopted by CONSOB with resolution No. 11971 of 14 May 1999 as subsequently amended and integrated)*

### **Definitions**

For the purposes of this Information Document, the terms below shall have the meanings ascribed to them below:

**'Assignment Date'** means the date on which the Shares are assigned under the Plan.

**'Beneficiary(ies)'** means the recipient(s) of the Plan who is/are member(s) of the senior management<sup>2</sup> and middle management of the Company or of its Subsidiaries, *i.e.* (i) the Chief Executive Officer of Recordati, (ii) the Executive Directors (iii) the key manager personnel and (iv) the employees and people with relationships equivalent to those of an employee or who are assigned permanently to roles of particular importance and contribute significantly to the achievement of the Group's results.

**'Board of Directors'** or **'Board'** means the Board of Directors of Recordati.

**'Committee'** means the Remuneration and Nominations Committee of Recordati.

**'Company'** or **'Issuer'** or **'Recordati'** means Recordati S.p.A.

**'Cumulated Adjusted Net Income'** means the Group's 'Adjusted Net Income' as determined on the basis of the Group's budget cumulated in the three financial years included in the Performance Period.

**'Cumulated Net Revenues'** indicates the Group's net revenues as determined on the basis of the Group's budget cumulated over the three financial years within the Performance Period.

**'Executive Directors'** means, for the sole purposes of this Plan, the Directors of Recordati who are granted specific delegation of power by the Board or internal organisational delegation of powers.

**'Granting Cycles'** or **'Cycle'** means the three annual cycles of granting of the Rights under the Plan.

**'Grant Date'** means the date on which the Board of Directors approves the granting of the Rights to the Beneficiaries on the basis of the Plan.

**'Information Document'** means this information document drafted pursuant to Article 84-*bis* of the Issuers' Regulation and in accordance (also in terms of the numbering of the relevant Sections) with the indications contained in Schedule 7 of Annex 3A of the Issuers' Regulations.

**'Information Document Date'** means the date of approval of the present Information Document by the Board of Directors, *i.e.* 16<sup>th</sup> March 2023.

**'Issuers' Regulations'** means the Regulations issued by Consob with resolution No. 11971 of 1999 (as subsequently amended) governing issuers.

**'Performance Conditions'** or **'KPIs'** means, collectively, the TSR, Cumulated Adjusted Net Income and Cumulated Net Revenues.

**'Performance Period'** means the relevant three-year period from time to time, to be understood, within the context of each Granting Cycle, as the financial year during which the granting of the Rights takes place and the two subsequent financial years.

**'Plan'** means the incentive plan called the *'2023-2025 Performance Share Plan'*, which is submitted for the approval of the Shareholders' Meeting of 21 April 2023.

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<sup>2</sup> It should be noted that the category of 'senior management' includes (i) the Chief Executive Officer of Recordati and the Executive Directors as well as (ii) Group executives identified by the Board or the Chief Executive Officer of Recordati as key manager personnel.

**'Recordati Group'** means Recordati, its Subsidiaries and affiliated companies.

**'Rights'** means the right granted – without a consideration – to the Beneficiary to receive, again without a consideration, a number of Shares as defined on the basis of the implementation of the Plan versus the Vested Rights.

**'Shares'** means the ordinary shares of the Company, with a par value of € 0.125 each.

**'Shareholders' Meeting'** means the Shareholders' Meeting of Recordati.

**'Subsidiaries'** means the companies controlled, directly or indirectly, by Recordati pursuant to article 93 of the TUF or which qualify as subsidiaries in accordance with the accounting standards applicable from time to time or which are included in the scope of consolidation.

**'TSR'** means the 'Relative Total Shareholders Returns' of the Shares (*i.e.* the total return to the shareholder by adding to the increase in the share price, over a given period of time, the effect of the dividends per share paid over the same period) calculated in accordance with section 2.2, against a comparable benchmark.

**'TUF'** means Italian Legislative Decree No. 58/1998, as subsequently amended and integrated.

**'Vested Rights'** means the Rights that are vested on the basis of and for the purposes of the Plan at the end of the relevant Vesting Period from time to time if, during the Performance Period, the Performance Conditions relating to each Cycle, as verified by the Board, in consultation with the Committee, on each Verification Date, have been met.

**"Vesting Period"**: the Rights granted in each Grant Cycle will be subject to a three-year vesting period. The Vesting Period referring to each Cycle shall commence on the Grant Date and end on the Verification Date or, if the Verification Date occurs before the third anniversary of such Grant Date, on the date of such third anniversary.

**'Verification Date'** means, for each Cycle, the date on which the Board, in consultation with the Committee, assesses whether or not the relevant Performance Conditions have been met and, therefore, the number of Vested Rights under the Plan.

## **Foreword**

This Information Document concerns the proposal for the adoption of the Plan approved by the Company's Board of Directors on 16<sup>th</sup> March 2023, following the Committee's opinion of 10 March 2023.

The aforementioned proposal for the adoption of the Plan shall be submitted for approval to the Ordinary Shareholders' Meeting of the Company convened for 21<sup>st</sup> April 2023 as the fourth item on the agenda of such meeting.

As at the Information Document Date, the proposal for the adoption of the Plan has not yet been approved by the Shareholders' Meeting.

Therefore:

- (i) this Information Document is prepared solely on the basis of the content of the proposal for the adoption of the Plan approved by the Board on 16<sup>th</sup> March 2023, following the opinion of the Committee of 10<sup>th</sup> March 2023;
- (ii) any reference to the Plan in this Information Document shall be deemed to refer to the proposal for adoption of the Plan itself.

## **1. Recipients**

**1.1 The names of the addressees who are members of the board of directors or the management board of the issuer of financial instruments, of the issuer's controlling companies and of the companies directly or indirectly controlled by the issuer.**

**1.2 The categories of employees or collaborators of the issuer and of the parent companies or subsidiaries of such issuer.**

As of the Date of the Information Document, the Plan has not yet been approved by the Shareholders' Meeting.

It should be noted that the Rights may be granted by the Board of Directors, after having consulted with the Committee, to the Chief Executive Officer of Recordati - who as at the Information Document Date is Mr Robert Koremans - to other Executive Directors, as well as to employees and, in some rare cases, to people having a relationship equivalent to that of an employment relationship with the Company or its Subsidiaries or who are permanently assigned to particularly important roles and contribute significantly to the achievement of the Group's results.

It should be noted that the Rights may also be granted to Executive Directors of the Company who are also employees of the Company, by virtue of such employment relationship (at the Information Document Date, Mr. Luigi La Corte, Group CFO).

For the sake of clarity, the executive directors, Mr Giampiero Mazza, Ms Cathrin Petty and Mr Giorgio De Palma, are not included amongst the Beneficiaries of the Plan, as they have been identified by the Board of Directors, pursuant to the Corporate Governance Code promoted by the Corporate Governance Committee of Borsa Italiana S.p.A., as executive directors insofar as they hold management positions in companies of the controlling shareholder, but they have not been granted with single operating delegation of powers.

Similarly, Rights may be granted to other employees who are also identified as other key manager personnel by the Board of Directors or the Chief Executive Officer of Recordati and/or who also hold the position of director in certain Subsidiaries. In this regard, it should be noted that those other employees of the Company or of its Subsidiaries – although they also hold corporate offices in one or more Group companies – for the purposes of the Plan, fall within the category of Beneficiaries of the Plan and therefore are potential recipients of Rights, by virtue of their organisational position held within the Group itself - and not by virtue of the corporate offices held (if any) – and that those persons do not receive any remuneration as directors, but are exclusively remunerated by the Group company with which they have an employment relationship and by virtue of such relationship. In certain rare cases, persons having relationships that are equivalent to those of an employee relationship who hold corporate offices in the Subsidiaries, fall into the category of Beneficiaries of the Plan and therefore are potential recipients of Rights.

It should also be noted that employees as well as persons having employment relationships that are equivalent to an employment relationship with the foreign Subsidiaries that hold the position of director in certain Subsidiaries are not the recipients of any different treatment with respect to employees who do not hold corporate offices: in particular, as also specified in section 2.1., when defining the number of Rights to be assigned to each Beneficiary, the Board of Directors takes into account the organisational importance of role held by each Beneficiary within the Group, as well as the Company's interest in providing for their long-term incentive in the context of its strategies, by not taking into account, on the other hand, the corporate offices held, if any.

It should therefore be noted that the Plan qualifies as a plan ‘of particular significance’ within the meaning of article 114-*bis*, para. 3, of the TUF and article 84-*bis*, para. 2, of the Issuers’ Regulations, insofar as the Beneficiaries of the Rights that the Board may assign include the Chief Executive Officer of Recordati, the Executive Directors, and other key manager personnel, without prejudice to the fact that such persons (other than the Chief Executive Officer of Recordati and the Executive Directors) are potential recipients of the Rights by virtue of their employment relationship with the Company or its Subsidiaries.

**1.3 The names of the beneficiaries of the plan belonging to the following groups:**

**(a) general managers of the issuer of financial instruments.**

Not applicable.

**b) other key manager personnel of the issuer of financial instruments that is not a ‘smaller company’, within the meaning of article 3, para.1 f) of Regulation No. 17221 of 12 March 2010, in the event that they have received, during the financial year, total remuneration (obtained by adding monetary remuneration and remuneration based on financial instruments) higher than the maximum total remuneration granted to the members of the board of directors, *i.e.* the management board, and to the general managers of the issuer of financial instruments;**

Not applicable.

**(c) natural persons controlling the share-issuer, who are employees or collaborators of the share-issuer.**

Not applicable.

**1.4 Description and numerical indication, separated by category:**

**(a) of key manager personnel other than those referred to in point (b) of paragraph 1.3.**

As at the date of the Information Document, the Plan has not yet been approved by the Shareholders’ Meeting. It should be noted that the Beneficiaries of the Rights that the Board may grant include other key manager personnel of Recordati or of its Subsidiaries identified by the Board of Directors or by the Chief Executive Officer of Recordati. As at the Information Document Date, the Board of Directors has identified five other key manager personnel of Recordati and one other key manager personnel of the Subsidiaries.

**b) in the case of ‘smaller companies’, pursuant to article 3, para.1 f) of Regulation No. 17221 of 12 March 2010, the aggregate indication of all the key manager personnel of the issuer of financial instruments;**

Not applicable.

**(c) of any other categories of employees or collaborators for which other characteristics of the plan have been envisaged (e.g. executives, middle-managers, white-collar workers, etc.).**

Shares granted to Beneficiaries who are the Chief Executive Officer of Recordati or members of Recordati’s senior management are subject to the lock-up restriction under the terms set forth in section 4.6 below.

## **2. The reasons for adopting the plan**

### **2.1 The objectives intended to be achieved through the assignment of the plans.**

#### **2.1.1 Additional information.**

The Company, in accordance with widespread international practice, deems that the Plan, based on the assignment of performance shares and structured with the provision of cycles for the granting of the Rights whose vesting is subject to a three-year vesting period and the achievement of specific performance targets cumulated over the three-year period, constitutes a suitable incentive tool, also for the purposes of attracting and retaining high-level personnel, that is capable of correlating this additional variable component of the total remuneration of the Beneficiaries to objective and predetermined parameters such as the actual achievement of company results, the new value creation for the Group and the appreciation of the Share price on the market.

The ratio underneath the change in approaching Recordati's long-term incentive plans, compared to the previous ones which were based on the instrument of options (stock options), is linked to the evaluation that, to date, an equity-based plan (performance shares) - such as the one proposed for adoption - allows not only to reward shareholder value growths that are sustainable over time, but also for greater alignment with market practices, principles and the recommendations of the Corporate Governance Code approved in January 2020 as well as with the objectives of Recordati's Three-Year Plans. The proposal to approve a new Plan is therefore formulated with the aim of continuing to ensure an ever greater alignment between the interests of the management and those of the shareholders.

In particular, the purpose of the Plan is to:

- (i) incentivise the commitment of senior management and middle management of Recordati and or of its Subsidiaries, granting these Beneficiaries an instrument of direct participation in the capital and Group results and aligning the interests of the management with those of the shareholders, being naturally connected with the increase of value of Recordati shares;
- (ii) ensure the sustainable achievement of the Group's strategic goals in the medium-long term;
- (iii) increase the attraction and retention of key managers in the Company and in the Subsidiaries.

The targets that the Company proposes to achieve by adopting the Plan are in line with the 2023 Remuneration Policy (as illustrated in the relevant Section I), the approval of which is submitted to the binding vote of the Shareholders' Meeting as the third item on the agenda, as well as with the recommendations of the Corporate Governance Code promoted by the Corporate Governance Committee of Borsa Italiana S.p.A. with regard to the remuneration of executive directors and top management<sup>3</sup>.

The number of Rights to be assigned to each of the Beneficiaries will be established by the Board of Directors, upon the Committee's proposal. In identifying the Beneficiaries and the number of

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<sup>3</sup> Pursuant to the Corporate Governance Code promoted by the Corporate Governance Committee of Borsa Italiana S.p.A., "top management" is defined as "senior managers who are not members of the board of directors and have the power and responsibility for planning, directing and controlling the activities of the company and the group it heads".



Rights to be granted to each of them, the Board of Directors will take into account, in addition to the importance of the role held by each Beneficiary within the Group, market benchmarks, as well as the Company's interest in providing for long-term incentive as part of its strategies.

The Plan regulates the Rights granted as from the date of approval of the Plan (*i.e.* from 21 April 2023) and ends on 31 December 2025. During the validity of the Plan, three Granting Cycles will be carried out by the Board, after having consulted with the Committee. More specifically, an annual grant of the Rights will be made in each of the financial years 2023, 2024 and 2025, subject, in any event, to the provisions of section 3.3.

The Plan therefore provides for a three year vesting period and is based on a three year performance period. With reference to the Beneficiaries who are either the Chief Executive Officer of Recordati or members of Recordati's senior management, the Plan also provides that the Shares granted to them are subject to the lock-up restriction under the terms set out in section 4.6 below.

It is believed that the aforesaid vesting period, together with the lock-up restriction where applicable, as well as the Plan's expiry term, are suitable for the purposes of facilitating the achievement of the Plan's targets of long-term incentive and retention of the Beneficiaries.

## **2.2 Key variables, also in the form of performance indicators considered for the granting of plans based on financial instruments.**

### **2.2.1 Additional information.**

The vesting of any Rights that may be granted in each Granting Cycle is subject, with respect to all Beneficiaries, to the achievement of certain cumulated multi-year targets over the three-year Performance Period.

More specifically, the Plan provides that the Rights granted to the Beneficiary in each Granting Cycle shall be vested on the basis of the level of achievement in the three financial years included in the Performance Period of each Granting Cycle of the following combination of Performance Conditions:

- (i) 'Relative Total Shareholders Returns' ('TSR') of the Shares, respect to panel of preset and comparable companies<sup>4</sup>, with a weight of 1/3.
- (ii) 'Adjusted Net Income' of the Group as determined on the basis of the Group's budget cumulated over the three financial years included in the Performance Period (the 'Cumulated Adjusted Net Income '), with a weight of 1/3.
- (iii) The Group's net revenues as determined on the basis of the Group's budget cumulated in the three financial years of the Performance Period (the "Cumulated Net Revenues"), weights 1/3.

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<sup>4</sup> The panel of "peer" companies includes: Ammirall, Amplifon, DiaSorin, Grifols, Ipsen, Jazz Pharmaceuticals, Lundbeck, Orion, Pharming, Sobi, UCB. The Board, having consulted the Committee, may review such panel during each Performance Period (e.g. in case of disappearance of a company, consolidation of companies or any other extraordinary corporate transaction that could affect the entity concerned) giving written notice to the Beneficiaries.

*This is an English courtesy translation of the original documentation prepared in Italian language*

Please note that for the purposes of the Plan, ‘Adjusted Net Income’ and Net Revenues are those defined in the financial reporting of the Group and communicated to the market in the final balance phase (*fase di consuntivazione*), in particular:

- (i) ‘Adjusted Net Income’ means the adjusted consolidated net income, equal to net income excluding amortisation and depreciation of intangible assets (excluding software) and goodwill, plus non-recurring items, net of tax effects.
- (ii) ‘Cumulated Net Revenues’ means consolidated revenues.

For both indicators, results for the year will be measured against the Budget on a like-for-like perimeter; in the case of any business development transactions or acquisitions not included in the Budget, appropriate additions will be made to the Budget target to take into account those transactions which were not planned and were completed during the year.

TSR is calculated using the following formula

$$TSR = \frac{(Final\ price - Initial\ price) + dividends\ distribuite\ during\ the\ period}{Initial\ price}$$

The TSR so calculated shall be compared to the TSR calculated in the relevant Performance Period from time to time with reference to the above mentioned panel of comparable companies.

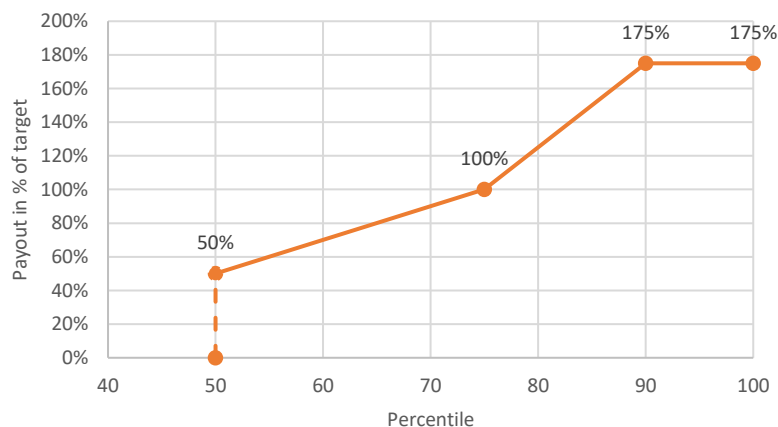
The Performance Conditions will be verified on the Verification Date of each Cycle by taking into account the level of actual achievement of each KPI and the incentive curves illustrated below.

In any event, the Plan provides for a maximum number of Vested Rights (and therefore of Shares to be assigned) equal to 175% with respect to the Rights assigned, all by taking into account and in accordance with the weighting of the aforementioned KPIs (*i.e.* 1/3 each).

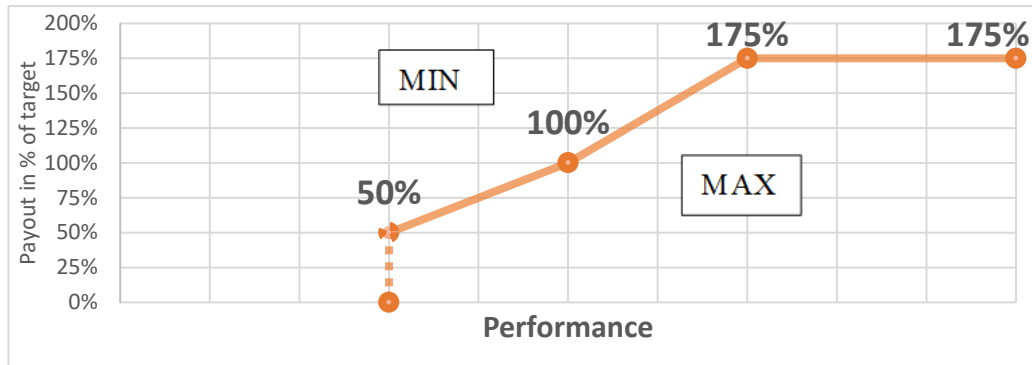
The KPIs are independent from each other. Therefore, in the event that at the end of the three-year Performance Period, only one of the KPIs is achieved, the number of Vested Rights will be determined on a *pro rata* basis.

For each KPI, there is a specific pay-out curve (in terms of Vested Rights and therefore of Shares to be assigned to Beneficiaries), as illustrated below:

(i) TSR



(ii) Adjusted Cumulated Net Income and Cumulated Net Revenues



The Plan provides that where the results of the Cumulative Adjusted Net Income or of the Cumulative Net Revenues (i) are lower than the budget by more than 2.5%, no Rights will vest; (ii) are equal to the budget decreased by a value of 2.5% (minimum), 50% of the Rights awarded will vest. For values between the budget and this minimum value, the number of Rights will accrue by linear interpolation. Where the results of Cumulative Adjusted Net Income or Cumulative Net Revenues are equal to the budget increased by a value of 2.5% (maximum), 175% of the Rights awarded will vest. For values between the budget and this maximum value, the number of Rights will accrue by linear interpolation. Should the results of the Cumulative Adjusted Net Income or Cumulative Net Revenues be greater than this maximum value, it will still accrue 175% of the Rights awarded.

As previously stated, the Rights assigned to the Beneficiaries on the Grant Date of each Cycle will vest (becoming Vested Rights) at the end of the relevant Vesting Period following the approval by Recordati's Board of Directors of the consolidated financial statements for the last financial year included in the relevant Performance Period on a subordinate basis:

- a) the verification by the Board, after having consulted with the Committee, of the level of achievement of each of the Performance Conditions and the related pay-outs, and, consequently, the determination of the number of Vested Rights; and
- b) the maintenance – until the Assignment Date (and until the Verification Date) – of the Beneficiary's Relationship, as the case may be, with the Company or the Subsidiary. For a description of the effects caused by the termination of the Relationship, please refer to section 4.8.

For information on the so-called 'acceleration' events and the so-called 'claw back' mechanism provided for by the Plan, please refer to sections 4.2 and 4.10 below.

Finally, it should be noted that the mere assignment of the Rights under the Plan is not tied to the achievement of certain performance targets, but is instead linked to the position held by the Beneficiary as specified in section 2.3 below.

## 2.3 Elements underlying the determination of the amount of the remuneration based on financial instruments, *i.e.* the criteria for its determination.

### 2.3.1 Additional information.

The number of Rights that may be assigned to the Beneficiaries in each Granting Cycle is related to the Company's organisational structure and is determined by taking into account, in addition to the importance of the organisational position held by the Beneficiaries concerned, the market

benchmarks, as well as the Company's interest in providing for the long-term incentive as part of its strategies.

In order to define the relevance of the various organisational positions held by the managers concerned, remuneration surveys conducted by leading consulting firms and the 'grading' which they have constructed and shared with the Company are used to 'weigh' the roles in the corporate organisational structure. By 'grading' reference is made to a classification system of organisational positions correlated to the responsibilities attributed to each role and to the size and complexity of the structure to which it belongs.

More precisely, the number of Rights to be granted to each Beneficiary in each Cycle will be determined as a percentage ratio with respect to the base salary of each Beneficiary by taking into account the role played by each Beneficiary within the Group, market benchmarks as well as the Company's interest in graduating their long-term incentive within the framework of its strategies, and will be determined by considering the arithmetic average of the official prices recorded by the Shares on the market on the trading days of the month between the day preceding the Grant Date and the same day of the previous calendar month.

**2.4 The reasons for any decision to award remuneration plans based on financial instruments not issued by the issuer of the financial instruments, such as financial instruments issued by subsidiaries or, parent companies or companies outside the group to which it belongs; if the aforesaid instruments are not traded on regulated markets, information on the criteria used to determine the value attributable to them.**

Not applicable.

**2.5 Assessment of significant tax and accounting implications that affected the definition of the plans.**

There are no significant tax or accounting implications that have affected the definition of the Plan.

**2.6 The possible support of the plan by the Special Fund to Encourage Workers' Participation in Companies, referred to in article 4, para. 112, of Italian Law 350 of 24<sup>th</sup> December 2003.**

The Plan does not receive any support from the Special Fund to Encourage Workers' Participation in Companies, referred to in article 4, para. 112, of Italian Law 350 of 24<sup>th</sup> December 2003.

### **3. Approval process and timing of granting of the instruments**

**3.1 Scope of powers and functions delegated by the shareholders' meeting to the board of directors for the purpose of implementing the plan.**

**3.2 Indication of the persons in charge of administering the plan and their function and competence.**

Pursuant to article 114-*bis* of the TUF, the adoption of the Plan is subject to the approval of the Ordinary Shareholders' Meeting of the Company convened for 21<sup>st</sup> April 2023 in a single call.

It is hereby proposed that the Shareholders' Meeting delegate the implementation and administration of the Plan to the Board of Directors of the Company, with the power to sub-

delegate to the Managing Director and, potentially, to other members of the board, also granting the Board of Directors with any and all powers indicated in this information document attached to the Explanatory Report of the Board of Directors, including, by way of example, all powers necessary or appropriate in order to implement the Plan, and thus, in particular, by way of example but not limited to, any power to identify the Beneficiaries and determine the number of Rights to be granted to each of them in each Granting Cycle, proceed with the granting to the Beneficiaries, and perform all acts, formalities and communications that are necessary or appropriate for the purposes of managing and/or implementing such Plan, it being understood that the Board of Directors shall be solely responsible for all decisions concerning and/or pertaining to the granting of the Rights to the Beneficiaries who are also directors of Recordati (as well as all other decisions concerning and/or pertaining to the management and/or implementation of the plan in their regard). The adoption of the Plan Regulations and any relevant amendments and/or supplements shall in any event be the responsibility of the Board of Directors as a collegial body.

Furthermore, for the purpose of greater clarity, transparency and timeliness of action concerning the powers delegated by the Shareholders' Meeting to the Board of Directors for the purpose of implementing the Plan, it is proposed that the following be specified in such Plan:

- to specify that, without prejudice to the power of the Shareholders' Meeting at any time to amend, supplement or terminate the Plan (it being understood that the amendments, supplements or termination of the Plan, as well as the amendments to the content of the Rights, may not prejudice the rights that the Beneficiaries have acquired in the meantime under the Plan) and, in any event, in the cases set out by law, the Board of Directors, after having consulted with the Committee, may, at any time, make any amendments to the Plan that it deems appropriate in order to (i) adapt the Plan to comply with existing legislation; or (ii) take account of any legislative changes; or (iii) improve the effectiveness of the Plan in accordance with the objectives of the latter without, in any case, compromising the rights of the Beneficiary following the granting of Rights, or, (iv) derogate one or more provisions set out in these Rules if extraordinary M&A transactions which have a significant impact on the extent of the Beneficiaries and /or of the additional potential Beneficiaries are performed or, (v) if extraordinary circumstances occur, derogate one or more provisions of the Plan in accordance with the provisions of the policy on remuneration and remuneration paid adopted by the Company; all of which is better specified in section 3.3 below ;
- to authorise the Board, after having consulted with the Committee, to adjust the KPIs from time to time (see section 2.2) as better specified in section 3.3 below;
- to provide for an automatic change in the number of Shares covered by the Rights granted under the Plan to reflect the changes resulting from the extraordinary transactions as specified in section 4.23.

The Board will avail itself on the advisory input of the Committee, appointed by the Board within its framework.

It is understood that in the above cases, resolutions will be taken by the Board in compliance with the rules on related party transactions, where applicable.

Operational administration of the Plan is assigned to the Group's Human Resources Department, with the support of the Group's Treasury and Group's Legal & Corporate Affairs Department.

At any time, the Company may entrust, in whole or in part, the management of the administrative tasks related to the Plan to an external trust company or other organisation specialised in the operational management of long term incentive plans (in this case,

performance shares).

### **3.3 Existing procedures (if any) for revising the plans also in connection with possible changes in the core objectives.**

Any substantial changes to the Plan that become necessary will be submitted to the Shareholders' Meeting by the Board of Directors.

For the purpose of greater clarity, transparency, and timeliness of action with regard to the powers granted to the Board of Directors in relation to amendments to the Plan, it is proposed to specify that, without prejudice to the authority of the Shareholders' Meeting to amend, supplement or terminate the Plan at any time (it being understood that the amendments, supplements or termination of the Plan, as well as changes to the content of the Rights, may not prejudice the rights that the Beneficiaries have acquired in the meantime under the Plan), and in any event in the cases set out by law, the Board of Directors, after having consulted with the Committee, may at any time make such changes to the Plan as it deems appropriate, in order to (i) adapt the Plan to comply with existing legislation; or (ii) take account of any legislative changes; or (iii) improve the effectiveness of the Plan in accordance with the objectives of the latter without, in any case, compromising the rights of the Beneficiary following the granting of Rights, or, (iv) derogate one or more provisions set out in these Rules if extraordinary M&A transactions which have a significant impact on the extent of the Beneficiaries and /or of the additional potential Beneficiaries are performed or, (v) if extraordinary circumstances occur, derogate one or more provisions set out in the Rules of the Plan in accordance with the provisions of the policy on remuneration and remuneration paid adopted by the Company; by way of example but not limited thereto, the Board, after having consulted with the Committee, may resolve (i) that the Rights granted to the Beneficiaries vest in advance, in whole or in part, in compliance with the principle of equal treatment of the Beneficiaries even outside the cases described in sections 4.3 and 4.8, if the Board itself considers, at its sole discretion, that particular circumstances that render it appropriate to do so in the case in question; or (ii) when extraordinary merger and acquisition transactions are performed or when exceptional circumstances established by the Remuneration Policy occur, not to make one or more of the annual granting of Rights; or (iii) to make further grants during the financial years of validity of the Plan indicated therein.

The Board, after having consulted with the Committee, shall also have the authority to adjust the reference KPIs from time to time (see section 2.2) in such a way as to guarantee, in the interest of the Beneficiaries, a situation that is substantially fair compared to the one previously in place in the event of extraordinary and/or unforeseeable situations or circumstances that may significantly affect the Group's results and/or its perimeter or, more generally, the parameters underlying the KPIs themselves, for the sole purpose of preserving the Plan's objectives of maintain a constant alignment between the Company's objectives and the objectives underlying the incentive systems of the Plan participants. Furthermore, in the event of a significant revision of the targets of the business plan, including but not limited to, acquisitions, disposals of companies or business units, which entail a new approval of the same business plan by the Board, the Board shall have the right to approve any changes to the KPIs of the Plan, in order to adjust them to the changes which occurred in the business plan.

It is understood that in the above cases, resolutions will be taken by the Board in compliance with the rules on related party transactions, where applicable.

### **3.4 Description of the methods for determining the availability and granting of the financial instruments on which the plans are based (e.g. free assignment of shares, capital increases with exclusion of pre-emptive rights, purchase and sale of treasury shares).**

The purpose of the Plan is to grant Rights that entitle the holder, if the Performance Conditions are met, to the award – without a consideration – of a number of Shares as defined on the basis of the implementation of the Plan versus the Vested Rights.

The maximum number of Rights that can be granted under the Plan in each Cycle will be determined by the Board of Directors and will be disclosed pursuant to Article 84-bis, paragraph 5(a), of Issuers' Regulation No. 11971/1999 or otherwise pursuant to the laws and regulations applicable from time to time.

As of the date of this Report and taking into account the value of the Recordati's share as at the same date, it is estimated that the maximum number of Rights that will be assignable in the first Cycle will be equal to around 450,000; in case of over performance with reference to each Plan Performance Conditions, such Rights will become a maximum number of Vested Rights equal to around 800,000 and will grant rights to receive an equal number of Shares (in the ratio 1/1).

The Shares to serve the Plan may: (i) be purchased on the market and/or already held in the Company's portfolio; and/or (ii) arise from one or more capital increases of the Company to be resolved by the Company's extraordinary shareholders' meeting in accordance with the law and regulations. The Company will make available to the Beneficiaries all the Shares to which they are entitled following the vesting of the Rights, under the terms and conditions that will be set forth in the Plan rules.

### **3.5 The role played by each director in determining the characteristics of the aforementioned plans; possible occurrence of situations of conflict of interest on the part of the directors concerned.**

The main features and guidelines of the proposed Plan were elaborated – also with the assistance of some corporate functions (Group Human Resources Department, Finance Department, Group Legal and Corporate Affairs Department) – by the Committee, which examined and developed the issue over the course of several meetings and, most recently, during its meeting of 10 March 2023. The Committee then submitted the Plan to the collegial approval of the Board of Directors' of 16<sup>th</sup> March 2023, which resolved to submit its adoption to the Shareholders' Meeting.

### **3.6 For the purposes of the requirements of article 84-bis, paragraph 1, the date of the decision taken by the body competent to propose the approval of the plans to the shareholders' meeting and the proposal of the remuneration committee, if any.**

On 16 March 2023, the Board of Directors resolved to submit the approval of the Plan to the Shareholders' Meeting, upon the proposal of the Committee that met on 10 March 2023.

### **3.7 For the purposes of the requirements of article 84-bis, paragraph 5 a), the date of the decision taken by the competent body on the granting of the instruments and the proposal to the aforesaid body formulated by the remuneration committee, if any.**

As at the Date of the Information Document, the Plan has not yet been approved by the Shareholders' Meeting and the individual Beneficiaries of the Plan have not yet been identified.

**3.8 The market price, recorded on the aforementioned dates, for the financial instruments on which the plans are based, if traded on regulated markets.**

The market price of the Shares (official price) on 10 March 2023 and 16 March 2023 (see section 3.6 above) was € 38.71 and € 38.86 respectively.

**3.9 In the case of plans based on financial instruments traded on regulated markets, under what terms and in what manner the issuer takes into account, in identifying the timing of the granting of the instruments in implementation of the plans, the possible time coincidence between**

**(i) such granting or any decisions taken in this regard by the remuneration committee, and  
(ii) the disclosure of any relevant information within the meaning of article 17 of Regulation (EU) No. 596/2014; for example, where such information is:**

- a. not already public and capable of positively influencing market prices, or**
- b. already public and capable of negatively influencing market prices.**

Pursuant to the Plan, the granting of the Rights to the Beneficiaries will take place without a consideration. The Rights, once vested on the terms and conditions set forth in the Plan, shall entitle the Beneficiaries to receive, again without a consideration, Shares of the Company on the terms set forth in the Plan and the related regulations.

It should be noted that the Plan provides that the Company may put in place a specific procedure that allows the Beneficiaries to opt, at the time of the assignment of the Shares, for a so-called cashless mechanism consisting in the sale of the portion of the assigned Shares needed to pay the withholding taxes on the Beneficiary in relation to the assignment of such Shares (so-called sell-to-cover mechanism). In this regard, it should be noted that the Plan provides that the Beneficiary who is registered in a so-called insider register of the Company as being in possession of inside information as defined by article 7 of EU Regulation No. 596/2014 and by the internal procedure adopted by the Company: (i) may not sell the Shares assigned to him/her under the Plan according to the sell-to-cover mechanism, for as long as the Beneficiary is registered in said register; (ii) has the right to ask the Company to receive the Shares granted to him/her under the Plan, once he/she ceases to be registered in said register.

With reference to the Beneficiaries who are subject to the provisions of article 19 of the EU Regulation No. 596/2014, the Plan also provides that if the Assignment Date falls in a so-called 'closed period' (as identified in the internal procedure adopted by the Company), the Assignment Date shall in any case take place on the day following the expiry of the aforesaid closed period.

**4. The characteristics of the instruments granted**

**4.1 The description of the forms in which the remuneration plans based on financial instruments are structured; for example, indicate whether the plan is based on the assignment of: financial instruments (so-called restricted stock assignment); of the increase in value of such instruments (so-called phantom stock); of option rights which allow the subsequent purchase of the financial instruments (so-called option grant) with settlement by physical delivery (so-called stock options) or in cash on the basis of a differential (so-called stock appreciation right).**



The Plan provides for the granting, without a consideration, to the Beneficiaries of Rights which allow, under the conditions set forth in the Plan itself, for their subsequent conversion, without a consideration, into Shares.

In particular, the Rights granted and vested pursuant to the provisions of section 2.2 above, shall entitle the Beneficiary to receive, again without a consideration, a number of Shares as defined on the basis of the implementation of the Plan versus the Vested Rights..

The Plan provides that in place of and in substitution for the assignment of the Shares, the Company – in cases of inability to assign the Shares to the Beneficiaries and in the other particular cases established by the Board after having consulted with the Committee – reserves the right to pay to each Beneficiary an amount in cash (the '**Cash Amount**') calculated on the basis of the arithmetic average of the official prices recorded by the Shares on the market during the trading days of the month between the Assignment Date and the same day of the previous calendar month. If the Company's shares are no longer listed on Euronext Milan, the Cash Amount shall be calculated on the basis of the normal value of such Shares pursuant to article 9 of Italian Presidential Decree No. 917 of 22 December 1986.

For information on the so-called sell-to-cover mechanism, please refer to section 3.9 above.

#### **4.2 An indication of the period of actual implementation of the plan with reference also to any different cycles envisaged.**

#### **4.3 The term of the plan.**

The Plan governs the Rights granted as from the date of approval of the Plan (*i.e.* from 21<sup>st</sup> April 2023) and ends on 31<sup>st</sup> December 2025.

During the validity of the Plan, three Granting Cycles shall be carried out by the Board, after having consulted with the Committee. More specifically, an annual granting of the Rights shall be carried out in each of the financial years 2023, 2024 and 2025, subject, in any case, to the provisions of section 3.3.

The Plan provides that the Rights granted to the Beneficiaries in each Granting Cycle shall vest subject to the achievement of the KPIs referred to in section 2.2 in the relevant Performance Period from time to time.

The Plan provides that each Granting Cycle shall consist of:

- (i) a Vesting Period of three years from the Grant Date of the Rights;
- (ii) with regard to Beneficiaries who are the Chief Executive Officer of Recordati or members of the senior management of Recordati, of the duration of the lock-up restriction referred to in section 4.6 below, where applicable.

Shares granted to a Beneficiary following the vesting of Rights have due dividend entitlement.

It should also be noted that the Plan provides that the Rights granted in each Cycle and not yet vested may vest in advance if, after the relevant Grant Date from time to time, there is a change of control of the Company pursuant to article 93 of the TUF which would result in the delisting of the Shares from a regulated market ('**Delisting**') and, therefore, upon the occurrence of one of the events indicated below, provided that, at such time, the Relationship between the Beneficiary and the Company or, as the case may be, the Subsidiary exists: (i) launch of a public tender or exchange offer of the Shares pursuant to article 102 *et seq.* of the TUF aimed at the

Delisting of the Shares or that may in any case result in the Delisting of the Shares; or (ii) resolution of transactions that may result, even indirectly, in the Delisting of the Shares. The terms and conditions of the early delivery of the Shares to the Beneficiaries (including the procedures for determining the number of Shares to be assigned to the Beneficiary) shall be established by the Board, on an equitable basis, after having consulted with the Committee, and communicated to the Beneficiaries.

For information on the Company's right to pay the 'Cash Amount' to the Beneficiaries in lieu of and in substitution for the Shares, please refer to Section 4.1 above.

#### **4.4 The maximum number of financial instruments, also in the form of options, assigned in each financial year in relation to the persons named or the indicated categories.**

The maximum number of Rights that can be granted under the Plan in each Cycle will be determined by the Board of Directors and will be disclosed pursuant to Article 84-bis, paragraph 5(a), of Issuers' Regulation No. 11971/1999 or otherwise pursuant to the laws and regulations applicable from time to time.

As of the date of this Report and taking into account the value of the Recordati's share as at the same date, it is estimated that the maximum number of Rights that will be assignable in the first Cycle will be equal to around 450,000; in case of over performance with reference to each Plan Performance Conditions, such Rights will become a maximum number of Vested Rights equal to around 800,000 and will grant rights to receive an equal number of Shares (in the ratio 1/1).

#### **4.5 The terms and conditions for the implementation of the plan, specifying whether the actual assignment of the instruments is subject to the occurrence of conditions or the achievement of certain results, including performance results; description of such conditions and results.**

With regard to the terms and conditions for the implementation of the Plan, please refer to what is set forth in the individual sections of this Information Document and, in particular, in sections 2.2, 4.2 and 4.3 above.

#### **4.6 An indication of any restrictions on the availability of the assigned instruments or of the instruments resulting from the exercise of the options, with particular reference to the terms within which the subsequent transfer to the same company or to third parties is permitted or prohibited.**

The Rights may not be assigned to third parties, nor may they be made the subject matter of any other acts of disposal. The Rights entitle only the Beneficiary – or his/her legal representative, in case of an incapacitated person, or his/her heirs, in case of death - to receive a number of Shares corresponding to the number of Vested Rights.

The Plan provides that the Beneficiaries who are the Chief Executive Officer or managers with strategic responsibilities are obliged to continuously hold a number of shares – equal to 50% of the Shares resulting after the sale of the Shares necessary to cover the payment of the tax, social security and welfare charges associated to the assignment of the Shares to be borne by the Beneficiaries (the 'Relevant Shares') – for a period of twenty-four months following the Assignment Date, except in the case of termination of the relationship as per section 4.8. The Relevant Shares may not be sold, contributed, exchanged, transferred or be the subject matter

of other acts of disposal between living parties (*atto di disposizione tra vivi*), until the end of the relevant term from time to time, unless authorised in writing by the Board, after having consulted with the Committee.

It is understood that the above-mentioned lock-up restriction is for retention purposes only and is not relevant pursuant to and for the purposes of article 122 of the TUF.

**4.7 The description of any termination conditions in relation to the assignment of the plans in the event that the recipients carry out hedging transactions that neutralise any prohibition to sell the financial instruments assigned, including in the form of options, or the financial instruments resulting from the exercise of such options.**

Not applicable. However, please note what is specified in section 4.10 with reference to the so-called claw back and in section 4.6 with reference to the lock-up restriction.

**4.8 The description of the effects caused by the termination of the relationship with the Company or a subsidiary.**

The Plan provides that, unless otherwise determined by the Board of Directors, having heard the opinion of the Committee, with regard to the Chief Executive Officer of the Company and the Executive Directors and other managers with strategic responsibilities, or by the Chairman of the Committee, with regard to the other Beneficiaries, the termination, as the case may be, of (i) the director relationship of the CEO or the Executive Directors with the Company (the '**Termination of the Directorship Relationship**') or (ii) of the employment/other relationship that is equivalent to an employment relationship of the Beneficiary participating in the Plan with the Company or, as the case may be or with the Subsidiary (the '**Termination of an Employment Relationship or Other Relationship Equivalent to an Employment Relationship**' and, jointly with the Termination of the Directorship Relationship, the '**Termination of Relationship**') for any reason whatsoever, shall result in the Beneficiary's automatic exclusion of the Beneficiary from the Plan and the definitive and irreversible loss of efficacy of the Rights already granted and not yet vested at the Termination Date, without prejudice to what is provided below in relation to the Rights already vested, in the case of the Beneficiary's death and in the case of the Beneficiary's retirement or in certain special cases. If, on the date of Termination of the Relationship, a Beneficiary participating in the Plan has Vested Rights, but the related Shares have not yet been granted to the Beneficiary, the latter shall have the right to receive the Shares corresponding to the Vested Rights. However, in the event of Termination of an Employment Relationship or Other Relationship Equivalent to an Employment Relationship due to retirement of the Beneficiary, unless otherwise determined by the Committee or the Board, the Rights granted to such Beneficiary may vest also after the date of Termination of an Employment Relationship or Other Relationship Equivalent to an Employment Relationship on the relevant Verification Date, if the Performance Conditions are met at the end of the relevant Performance Period from time to time. The lock-up restriction referred to in section 4.6 shall cease on the date of the Termination of the Relationship.

Moreover, in the event of Termination of the Relationship due to the death or permanent incapacity of the Beneficiary participating in the Plan, the Rights already granted at the date of Termination of the Relationship of the Beneficiary shall be considered as being immediately Vested Rights and the heirs of the Beneficiary, in case of the latter's death, or the Beneficiary himself/herself, or his/her legal representative if he/she is incapacitated, in case of his permanent incapacity, shall retain the right to receive the corresponding Shares. The lock-up restriction set forth in section 4.6 shall not apply to the heirs.

In the event of Termination of the Relationship for other causes, the Board, after having heard the opinion of the Committee, with reference to the Chief Executive Officer of the Company and

the Executive Directors, or of the Chair of the Committee, for the other Beneficiaries, may resolve that the Rights granted to the Beneficiary shall be considered as being immediately Vested Rights if it deems, in its sole discretion, that particular circumstances exist in the case at hand that render it appropriate to do so.

In any event, the Termination of an Employment Relationship or Other Relationship Equivalent to an Employment Relationship of the Beneficiary with the Company or, as the case may be, with the Subsidiary as a result of the transfer of the latter to another Subsidiary company of the Group, shall not constitute a Termination of an Employment Relationship or Other Relationship Equivalent to an Employment Relationship for the purposes of the foregoing provisions of this section. On the contrary, this case is supplemented in the event of a change of control, to be understood as a transfer to third parties (i) of the Subsidiary to which the Beneficiary belongs, by the Company or (ii) of the business or business unit within which the Beneficiary operates, by the Company or its subsidiary.

The Plan provides the possibility for the Board (or, as the case may be, the person delegated to do so), after consultation with the Committee, to determine that Rights which were allocated within a Cycle and which have become reallocable due to a Termination of Relationship event may be assigned to new Beneficiaries.

#### **4.9 The indication of other possible causes for the cancellation of plans.**

Apart from what is provided for in section 4.8 above with reference to the effects on the Plan caused by the Termination of the Relationship, there are no other causes for the cancellation of the Plan itself.

#### **4.10 The reasons for any provision for a 'redemption' by the company of the financial instruments covered by the plans, pursuant to articles 2357 *et seq.* of the Italian Civil Code; the beneficiaries of the redemption, indicating whether it is intended only for particular categories of employees; the effects of the termination of employment relationship on such redemption.**

The Plan does not provide for redemption clauses by the Company.

The Plan provides for claw back clauses. In particular, the Company – in accordance with the terms and conditions that will be established by the Board, after having consulted with the Committee and communicated to the Beneficiaries – reserves the right, within the term of 5 years from the relevant Assignment Date from time to time and regardless of whether the Relationship with the Beneficiary is still exists or has ceased, to obtain from a Beneficiary (i) the revocation of all or part of the Vested Rights; (ii) the restitution of all or part of the Shares delivered to it, deducted by a number of Shares of a value corresponding to the tax, social security and welfare charges associated with the assignment of the Shares actually paid by the Beneficiary (so-called 'claw back'), in the event that one of the following events occurs: (a) fraudulent and/or grossly negligent conduct of the Beneficiary to the detriment of the Group; (b) serious and intentional violations of the law and/or the Code of Ethics and/or company regulations; (c) vesting of the Rights or delivery of the Shares on the basis of data which has subsequently been proved to be manifestly incorrect or maliciously altered.

The Plan provides that if the Shares have already been sold, the Company has the right to obtain the repayment of the sale value from the Beneficiary, less the amount corresponding to the tax, social security and welfare charges associated with the assignment of the Shares, possibly also by offsetting them against the Beneficiary's remuneration and/or severance indemnity.

**4.11 Any loans or other facilities to be granted for the purchase of shares pursuant to article 2358 of the Italian Civil Code.**

Not applicable.

**4.12 An indication of valuations of the expected burden for the company at the date of the relevant assignment, as determinable on the basis of the terms and conditions already defined, by total amount and in relation to each instrument of the plan.**

The total burden expected for the Company in connection with the Plan cannot be determined at present, as it is related to the number of Rights that will be granted on the respective Grant Dates.

**4.13 An indication of any dilutive effects on capital caused by the remuneration plans.**

The Plan will be serviced with the Company's treasury ordinary shares purchased on the market and/or already held in the portfolio and which will not entail any dilutive effect or may be served by one or more capital increases of the Company to be resolved by the Company's extraordinary shareholders' meeting in accordance with the law and regulations, the dilutive effect of which will be disclosed in the event that such increases are approved by the competent bodies.

**4.14 The limits, if any, on the exercise of voting rights and the granting of economic rights.**

Not applicable.

**4.15 In the event that the shares are not traded on regulated markets, any information useful for an accurate assessment of the value attributable to them.**

Not applicable.

**4.16 Number of financial instruments underlying each option.**

**4.17 Expiry of options.**

**4.18 Modalities (American/European), timing (e.g. valid exercise periods) and exercise clauses (e.g. knock-in and knock-out clauses).**

**4.19 The exercise price of the option or the manner and criteria for its determination, with particular regard to:**

a) the formula for calculating the strike price in relation to a given market price (so-called fair market value) (e.g. strike price 90%, 100% or 110% of the market price), and

b) the manner in which the market price taken as a reference for the determination of the strike price was determined (e.g. last price on the day preceding the assignment, average for the day, average of the last 30 days, etc.).

**4.20 In the event that the strike price is not equal to the market price determined in accordance with 4.19.b (fair market value), the reason for the difference.**

**4.21 Criteria on the basis of which different strike prices are envisaged between various parties or various categories of recipients.**

**4.22 Where the financial instruments underlying the options are not traded on regulated markets, an indication of the value attributable to the underlying instruments or the criteria for determining that value.**

**4.23 Criteria for adjustments made necessary as a result of extraordinary capital transactions and other transactions involving a change in the number of underlying instruments (capital**

*This is an English courtesy translation of the original documentation prepared in Italian language*

**increases, extraordinary dividends, regrouping and splitting of underlying shares, mergers and demergers, conversion into other classes of shares, etc.).**

Sections 4.16-4.23 are not applicable as the Plan is not a stock option plan.

**4.24 Remuneration plans based on financial instruments (table)**

Table No. 1 provided for in paragraph 4.24. of Schedule 7 of Annex 3A of the Issuers' Regulations will be provided in the manner and within the terms indicated in Article 84-bis, paragraph 5, letter a) of the abovementioned Issuers' Regulations.